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1.1 Introduction

Basel II[1] was published in June 2004. After undergoing a run of smaller revisions, it was adopted by the European Commission in 2006 and implemented in the Capital Requirements Directives (Directives 2006/48/EC and 2006/49/EC) (Capital Requirements Directives, CRD). In the Republic of Croatia it was implemented by means of the Credit Institutions Act[2] (hereinafter: the Act) and a number of subordinate pieces of legislation enacted pursuant to that Act. The part of the Act that implements Basel II and the associated subordinate legislation entered into force on 31 March 2010. Since then, credit institutions have reported their capital adequacy ratios on a quarterly basis based on Basel II methodology standards, thus meeting the requirements of Pillar I.

The Decision on the internal capital adequacy assessment process for credit institutions[3] (hereinafter: the Decision), which prescribes the basic principles of the assessment process, the method of and the periods for reporting of credit institutions to the Croatian National Bank on the required internal capital of credit institutions (Pillar II, as it is called) also entered into force on 31 March 2010.

Capital adequacy, as a regulatory requirement under Pillar I, implies mandatory calculation of capital requirements for credit, market, and operational risk by means of the use of the prescribed methodologies. However, since these risks are not the only risks to which a credit institution is exposed in its business operations, Pillar II provides that credit institutions have to determine on their own the required internal capital, depending on the risks these institutions are or might be exposed to (ICAAP, Internal Capital Adequacy Assessment Process). In this assessment, credit institutions may use internally developed methodologies for capital requirements assessment. Internal capital requirements represent a quantification of risks that credit institutions are exposed to. Credit institutions are required to maintain the level of available internal capital sufficient for the coverage of internal capital requirements.

Credit institutions submitted their first ICAAP reports with balance as at end-April. Credit institutions that are parent undertakings within a group of credit institutions in the Republic of Croatia submit their ICAAP reports on a consolidated national basis. As a result, nine consolidated reports were received from large credit institutions, while 24 small credit institutions as a rule submitted their individual reports.

As shown by the reports received, the total assessed internal capital requirements of large credit institutions exceeded regulatory capital requirements by 19.5%. However, two large credit institu-

1 Bank for International Settlements (BIS): *International Convergence of Capital Measurement and Capital Standards*.
2 OG 117/2008, 74/2009, and 153/2009.
3 OG 1/2009, 75/2009, 2/2010, and 28/2011.

tions reported smaller internal capital requirements than regulatory capital requirements. The total assessed internal capital requirements of small credit institutions also exceeded regulatory capital requirements by 18.9%. None of the small credit institutions reported assessed internal capital lower than regulatory capital requirements. As many as six small credit institutions reported internal capital requirements as exceeding regulatory capital requirements by over 30%, with only two large credit institutions assessing internal capital requirements within this range.

The total available internal capital of large credit institutions exceeded regulatory capital by 6.1%. Only one large credit institution reported lower available internal than regulatory capital. As many as three large credit institutions had equal coverage of available internal capital and own funds. In terms of coverage of the available internal capital, one of these three large credit institutions did not depart from the definition of own funds, but deducted capital requirements for other risks directly from the available internal capital and as a result reported lower available internal than regulatory capital. Higher available internal capital of other credit institutions was mainly due to a greater inclusion of minority holdings, profit earned in the current period, revaluation of the available for sale portfolio and value impairments for A category placements. Although most of large credit institutions deduct higher amounts of intangible assets than in the case of regulatory own funds, some of them do not deduct some of the prescribed deduction items.

The total available internal capital of small credit institutions was only 1.9% higher than the total own funds, due to the equal coverage of available internal capital and the prescribed own funds in the majority of small credit institutions (17 out of 24). Seven small credit institutions reported bigger available internal capital, and none of the small credit institutions reported available internal capital lower than own funds. The bigger available capital of small credit institutions can be attributed to the inclusion of current year profit by small credit institutions, although three small credit institutions increased the available internal capital through the inclusion of impairment for risk category A placements and unrealised gains for the portfolio of assets available for sale.

In general, almost all small credit institutions reported a lower internal capital adequacy ratio than the regulatory capital adequacy ratio (2.29 percentage points, on average) Only one small credit institution reported a higher internal capital adequacy ratio than the regulatory capital adequacy ratio. Large credit institutions also reported on average a 2.08 percentage points lower internal capital adequacy ratio, although, three large credit institutions reported a higher internal capital adequacy ratio.

The reports received indicate that credit institutions in the Republic of Croatia determined, by means of internally developed risk identification and quantification methodologies, that the prescribed first pillar methodology underestimates the actual risk exposure.

1.2 Internal capital requirements assessment process in large credit institutions

As the type, scope and complexity of operations of credit institutions depend largely on the size of the credit institution, large credit institutions have to include a wider range of risks that are assessed under ICAAP and to use more sophisticated risk-assessment techniques and much more complex stress testing procedures.

To determine which risks are significant for them, large credit institutions have to analyse the following risks:

1) credit, market and operational risks,
2) risks not fully covered by Pillar I (such as currency induced credit risk, residual risk, risks arising from securitisation transactions, a possible underestimation of credit risk due to the use of the standardised approach),
3) interest rate risk in the non-trading book, concentration risk, liquidity risk, reputation risk and strategic risk,
4) the impact of external factors (economic and business environment) and
5) other risks.

Analysing all the risks in the mentioned risk map, in addition to pillar I risks (credit, market and operational risk), large banks identified the following risks as significant:

1. Concentration risk[4] is each individual, direct or indirect, exposure to a single person or a group of connected persons or a group of exposures to the same economic sector, the same geographic region, business activities or commodity, and the use of credit risk mitigation techniques, which may lead to losses that could jeopardise further operation of the credit institution. Only one large credit institution reported concentration risk as not significant.

2. Currency induced credit risk (CICR) is a very significant risk for the Croatian banking system. It represents the additional risk of loss to which a credit institution granting foreign currency or foreign currency-indexed placements is exposed and that stems from a debtor's exposure to currency risk. Only two large credit institutions assessed CICR as not significant by means of internal methodology.

3. Liquidity risk is the risk of loss arising from a credit institution's existing or expected inability to meet its financial obligations as they become due. All large credit institutions found liquidity risk to be significant.

4. Strategic risk is the risk of loss caused by adverse business decisions, lack of responsiveness to changes in the economic environment, etc. As many as five large credit institutions assessed strategic risk as significant, but only two large credit institutions allocated internal capital requirements for this risk.

4 The analysis relies on the prescribed definitions of risks, although credit institutions are free to depart from these definitions under ICAAP.

5. Reputation risk is the risk of loss of trust in the integrity of a credit institution caused by adverse public opinion of the credit institution's business practices, regardless of whether there are any grounds for such a public opinion or not. As many as six large credit institutions assessed reputation risk as significant, but only two of them allocated internal capital requirements for this risk.

6. Residual risk is the risk of loss arising when recognised credit risk mitigation techniques used by a credit institution prove less effective than expected. Four large credit institutions found residual risk significant for their operations, but only two of them allocated internal capital requirements for this risk in the framework of the methodology for the assessment of internal capital requirements for credit risk.

7. Business risk included by some credit institutions under a wider definition of earnings risk was found to be significant by two large credit institutions that had also allocated internal capital requirements for this risk. One of these credit institutions developed a special methodology for the assessment of this risk, while the other used a general methodology for the assessment of other risks to assess this risk.

8. Real estate investment risk was found to be significant by as many as two large credit institutions. These institutions had developed their own methodologies for the assessment of internal capital requirements.

9. Financial investment risk, i.e. equity investment or investment risk is usually assessed by large credit institutions in the context of market risks. Only three large credit institutions identified these risks as separate risks, while two of them found them to be significant and allocated internal capital requirements for them.

10. Macroeconomic risk, i.e. the effect of external factors, is usually assessed by large credit institutions by means of stress testing, a risk management technique that is used for the assessment of potential effects of specific events and/or change in several risk factors on the financial condition. Four large credit institutions found this risk to be significant, and only two of them did not allocate internal capital requirements for it.

11. Country risk is the risk that relevant bodies or the central bank will not be able or willing to settle liabilities to other countries and creditors in these countries and that other debtors in the country in question will not be able to settle the liabilities to foreign creditors. Only one large credit institution identified this risk as significant, without having allocated internal capital requirements, using other risk management techniques to cope with this risk.

12. Settlement and counterparty risk means the risk of loss arising from counterparties' failure to meet their liabilities. Since large credit institutions usually assess this risk in the context of the assessment of internal capital requirements for credit risk, only two large credit institutions identified and assessed this risk as significant. Three large credit institutions which also identified it, found this risk to be insignificant for them.

13. Legal risk, though constituting an integral part of the prescribed definition of operational risk, was identified as significant by two large credit institutions. However, only one of them allocated internal capital requirements for this risk in the context of internal capital requirements for other risks.

14. Dilution risk is the risk of loss due to a reduction in the amount of bought receivables as a result of cash or non-cash credits of the obligor, which arise from a legal relationship with the former creditor that is the basis for receivables which are the subject of the purchase. Because of the marginal importance of factoring in Croatian banks, only one large credit institution assessed this risk as significant.

15. Outsourcing risk comprises all risks that arise when a credit institution contractually engages a counterparty (service provider) to perform activities that would otherwise be performed by the credit institution. Although almost all large credit institutions outsource as a minimum a part of an individual ICAAP phase to a service provider (as a rule, the parent credit institution), only one of them assessed this risk and found it significant and allocated internal capital requirements for it.

The list of risks assessed by large credit institutions under ICAAP, but found insignificant, includes:

- The risk of loss of human resources. This type of risk is assessed by only one credit institution.

- Underwriting risk. One credit institution assesses this risk in the framework of other risks it is exposed to. However, given the volume, size and complexity of the issue and fees, reputation and experience in this type of operations, this risk is not found to be significant.

- Compliance risk is the risk of the imposition of measures and pecuniary sanctions and the risk of substantial financial loss or loss of reputation a credit institution might suffer due to failure to comply with regulations, standards, codes and internal bylaws. Given the obligation of credit institutions to set up an ongoing and effective compliance function for the determination and assessment of compliance risk, it is surprising that only three large credit institutions assessed this risk in the context of ICAAP. These three institutions have found this risk to be insignificant.

- Securitisation risk is assessed by only two large credit institutions that have implemented uniform risk map for the entire group of credit institutions. However, given that no Croatian credit institution engages in this type of operations, this risk has been assessed as insignificant.

- Insurance risk is assessed by one large credit institution that has insurance companies in its group; however, since this credit institution is itself not involved in the insurance business, this risk has been assessed as insignificant.

- Capital risk, defined as a risk of an unbalanced structure of capital or difficulties in achieving adequate capital levels. In case of need, it is assessed by two large credit institutions. These institutions found this risk insignificant.

- Operations risk is the risk of loss caused by the fact that a credit institution, due to its size, has a limited capacity to put in place sophisticated operational mechanisms, systems and controls. Even though this risk is more characteristic of small credit institutions, as many as three large credit institutions included it in their risk maps and assess it. These institutions ultimately assessed this risk as insignificant.

- Systemic risk is defined as the risk that emerges as a result of problems in the entire financial sector leading to overall financial system instability. It is assessed by only one large credit institution. This credit institution has found this risk to be insignificant.

- Model risk is defined as the risk of loss resulting from weaknesses in financial models used in risk assessment and management and from the use of inadequate risk assessment model or inaccurate interpretation of results obtained by means of the model. Even though all large credit institutions use models in the assessment of internal capital requirements, only one large credit institution included this risk in its risk map and ultimately assessed it to be insignificant.

To calculate internal capital requirements for credit, operating and market risks, smaller credit institutions may use the prescribed basic indicator or standardised approaches. Large credit institutions may also use these approaches but only for the calculation of internal capital requirements as at 31 December 2010. As of 2011, large credit institutions are expected to improve and adjust the prescribed basic indicator and standardised approaches or use prescribed advanced approaches or other models.

As many as five large credit institutions used the internal ratings based approach (IRB) in the assessment of internal capital requirements for credit risk. Some of these institutions used the prescribed approach, others modified it, while still others used this approach to capture some portfolios, using the standardised approach for the assessment of the remaining exposures. Four large credit institutions made use of the prescribed exemption for the first ICAAP report and used the prescribed standardised approach. Two large credit institutions additionally modified this standardised approach.

Six large credit institutions use the assessment of value at risk (VaR) for the assessment of internal capital requirements for market risks by means of a VaR model that departs from the prescribed determinants. However, as many as three large credit institutions use the standardised approach for the assessment of internal capital requirements for these risks.

Only three large credit institutions use the advanced measurement approach (AMA) for the assessment of internal capital requirements for operational risk, and five large credit institutions use the standardised approach. One large credit institution uses the basic indicator approach (BIA), also used by this institution for the assessment of regulatory capital adequacy ratio.

Currency induced credit risk has been a much discussed topic lately as the value of the kuna against individual foreign currencies (most notably the Swiss franc) weakened significantly, clients' monthly payments rising steeply. It is therefore not surprising that almost all large credit institutions allocated internal capital requirements for CICR of 9.8% on average of internal capital requirements for credit risk. Only one large credit institution found CICR not to be significant, and has thus not allocated internal capital requirements. Two large credit institutions modelled the effect of this risk on the increase in the probability of default (PD) in their IRB approaches. Three large credit institutions assessed internal capital requirements for CICR by modelling the effect of exchange rate changes on the level of bad placements (placements classified into risk categories B and C) and expenses on loss provisions. Two large credit institutions increased capital requirements for placements exposed to CICR. One large credit institution increased exposure for placements exposed to CICR depending on exchange rate volatility, thus assessing an increase in exposure of all foreign currency-denominated placements in the case of a significant change in the exchange rate. However it did not assess the probability of default on the part of individual clients in such a case.

In addition to Pillar I risks and CICR, the next most significant risk under ICAAP is definitely interest rate risk in the non-trading book. Consequently, all large credit institutions allocated internal capital requirements for that risk. As many as three large credit institutions use the prescribed methodology of the simplified calculation of the estimate of change in the economic value of the non-trading book while the remaining large credit institutions developed their own methodologies based mostly on VaR.

Concentration risk significantly gained in importance in ICAAP reports. Only one large credit institution did not allocate internal capital requirements for this risk, because the internally defined methodology based on the Herfindahl-Hirschmann index (HHI) showed that this risk was insignificant. Another two large credit institutions assessed the concentration risk by means of an HHI-based index. As it showed to be significant, these credit institutions allocated internal capital for this risk. Four large credit institutions used the assessment of concentration risk in their modelling of internal capital requirements for credit risk. The internal capital requirements for concentration risk of the large credit institutions that identified this risk ranged between 1.4% and 9.0% internal capital requirements for credit risk.

Two large credit institutions identified individually significant risks within the framework of other risks and developed in-house methodologies for their assessment. Five large credit institutions did not develop individual methodologies for the calculation of internal capital requirements for other risks but randomly allocated a certain percentage ranging from 0.02% to 10.00% of capital requirements. Most used the percentage suggested for small credit institutions (5%). Only two large credit institutions did not allocate internal capital requirements for other risks. Internal capital requirements for other risks of large banks ranged between 0.02% and 12.0% of the total internal capital requirements.

Against the backdrop of highly turbulent macroeconomic conditions, it is very surprising that three large credit institutions did not allocate additional internal capital requirements for the effect of external factors in the framework of ICAAP. The share of internal capital requirements for this risk of other large credit institutions that allocated internal capital requirement for it, ranged between 1.5% and 27.0% of the total internal capital requirements.

Liquidity risk is considered significant in all large credit institutions, but by its nature it as a rule does not require internal capital requirements. However, one large credit institution reported internal capital requirements for this risk by quantifying the cost of refinancing of the existing liquidity gap in the conditions of an interest rate shift.

1.3 Internal capital requirements assessment process in small credit institutions

For the purposes of this analysis, a small credit institution is a credit institution which, to calculate the adequacy of own funds, does not apply the advanced approaches which require permission from the Croatian National Bank and which meets one of the following conditions:

1) it is authorised as a savings bank or a housing savings bank, or

2) its total assets are at all times lower than seven billion kuna

and it does not belong to even a single group of credit institutions consolidated by a large credit institution in the Republic of Croatia.

In general, small credit institutions mostly used the prescribed methodology for the calculation of internal capital requirements for Pillar I risks. However, three small credit institutions modified the prescribed standardised approach to the calculation of capital requirements for credit risk and one small credit institution developed its own methodology for the calculation of internal capital requirements for credit risk. Two small credit institutions developed their own methodologies for the calculation of internal capital requirements for market risks and only one small credit institution used its own methodology to calculate internal capital requirements for operational risk.

In addition to internal capital requirements for Pillar I risks, all small credit institutions allocated internal capital requirements for CICR of 8% on average of the internal capital requirements for credit risk. The majority of small credit institutions (15 out of 24) calculated the mentioned internal capital requirements for CICR by increasing risk weights for unhedged clients, while four credit institutions, analysing the changes in the exchange rate of major currencies, increased initial exposures for unhedged placements and applied the prescribed risk weights to such increased exposures. As many as five small credit institutions developed special internal methodologies for the assessment of internal capital requirements for this risk.

Most of the small credit institutions also allocated internal capital requirements for concentration risk, which came on average to 5.7% of the internal capital requirement for credit risk. Of 16 small credit institutions that allocated internal capital requirements for concentration risk, as many as seven used the methodology based on HHI. Seven small credit institutions allocated additional capital requirements for placements to clients involved in a specific activity and to which they have considerable exposure and for placements to the largest clients. By doing so, they quantified the concentration risk. As many as four small credit institutions developed their own methodologies for the calculation of internal capital requirements for concentration risk.

Interest rate risk in the non-trading book was found to be significant by all small credit institutions which consequently allocated specific internal capital requirements for this risk. Almost all (21 out of 24) small credit institutions used the prescribed methodology of the simplified calculation of the estimate of change in the economic value of the non-trading book to calculate this requirement. The remaining three small credit institutions modified the prescribed approach by reducing the projected level of shifts in interest rates relative to the prescribed methodology.

Only two small credit institutions did not allocate internal capital requirements for other risks. As stated in the template ICAAP report posted on the CNB website, a small credit institution may, instead of assessing exposure to other significant risks, allocate internal capital requirements of minimum 5% of the total regulatory capital requirements for such risks. Consequently, as many as 17 small credit institutions reported in their first ICAAP report that they used the recommended percentage for the assessment of internal capital requirements for other risks. Two small credit institutions used a lower percentage than recommended and three of them used a higher percentage.

A smaller credit institution may use less sophisticated techniques when conducting stress testing, such as a sensitivity analysis, and in such a way analyse the effect of change in individual external factors. As many as six small credit institutions allocated internal capital requirements to account for the effect of external factors. Internal capital requirements for these risks have been assessed as ranging from 0.8% to 18.0% of total internal capital requirements. Furthermore, four small credit institutions indicated that the effect of external factors was included in internal capital requirements for other risks.

Finally, it is also worth noting that three small credit institutions also decided to report internal capital requirements for liquidity risk by quantifying the refinancing cost due to the liquidity gap present in their balance sheets. In this way they tried to determine additional costs in the case of a significant outflow of short-term liabilities.

1.4 Conclusion

The Basel standard is based on three pillars. Pillar I provides the methodology for the assessment of the most significant risks of credit institutions: credit, market and operational risk. However, in view of other significant risks that credit institutions face, and in view of the volume and complexity of operations they conduct, Pillar II of the Basel standard requires that credit institutions should assess such additional risks, and if it is necessary to protect themselves, maintain additional capital for them. The second pillar also requires credit institutions, particularly large ones, to re-examine the methodology used in the assessment of Pillar I risks. Ultimately, each credit institution is obligated to indicate in its annual ICAAP report the risks assessed and the amount of capital necessary.

In their first ICAAP report, credit institutions in general placed increased importance on currency induced credit risk, concentration risk and interest rate risk in the non-trading book, and reported on average an internal capital adequacy ratio 2.09 percentage points lower than the regulatory capital adequacy ratio, which stood at 18.94%.

However, the process of determining the optimal level of capital for each individual credit institution does not end here. The optimal level of capital will be based on information on supervisory requirements (one of which is the capital adequacy ratio), ICAAP report data, information made available to the supervisor in the course of supervision and dialogue with each individual credit institution.

The procedure for determining the necessary level of capital of credit institutions that are members of a group of credit institutions in the European Union also includes a dialogue with a supervisor responsible for the supervision of this group of credit institutions which takes place in colleges of supervisors. The level of capitalisation of the entire group of credit institutions and each individual member within the group is examined in these colleges and a final position on capital is adopted.

2 Performance indicators of credit institutions

Summary

The first half of 2011 brought a somewhat faster dynamics in bank assets growth, increased profits and strengthening of the already strong capital base. Against the backdrop of the still slow domestic economy, the growth in bank assets was low compared to the previous pre-crisis period and indicators of returns, though recovered, held steady at levels lower than those achieved in 2008.

Bank assets rose by 1.6% in the first six months, mainly owing to the growth in assets of large banks and a sharp increase in the sources from majority foreign owners. Household deposits, whose growth rate had trended upwards slightly in 2010, slowed down considerably in the first half of 2011, while corporate deposits fell considerably and resulted in a decline in total domestic deposits. As a result, the sources from majority foreign owners gained in importance. They accounted for a little over one fifth of total received deposits and loans, most of which were of a long-term nature. Short-term liquidity indicators or liquidity coefficients in periods up to one week and one month pointed to significant surplus liquidity. A decline in the prescribed percentage of foreign currency claims that the banks are required to maintain relative to their foreign currency liabilities led to placements restructuring on the part of the banks and rising liquidity reserves in the form of cash and overnight deposits with the CNB, with the largest share of the funds released being used for credit growth.

Credit activities of banks continued to recover slightly throughout the first half of 2011, while the banks remained increasingly cautious in their appetite for risk. The bulk of credit growth was thus channelled to government units as the less risky sector, while corporate loans, which had grown somewhat faster in 2010, continued to grow at a similar rate in 2011. Households continued to decrease their loan burden and the absence of credit growth to that sector, which was the main generator of growth in bank loans in the pre-crisis period, again contributed to a high level of partly recoverable and irrecoverable loans (B and C risk category loans). A slow increase in new loans, and portfolio ageing, led to a worsening in the quality of this portfolio, although the growth in the share of B and C risk category loans was slower than in the previous two years. These loans rose by 9.5% in the first half of 2011, accounting for 11.9% of total bank loans.

In the same way as in 2010, the corporates mainly used the newly granted funds for working capital and for maintaining liquidity while their worsened liquidity position led to a deterioration in bank loans repayment and a growth in the share of B and C category loans. At the end of the first half of 2011, these loans accounted for almost 20% of total corporate loans. The largest share of the increase in B and C category corporate loans went to construction and real estate activities. The banks stopped increasing credit exposure to the construction sector, but loans to the real estate business continued to grow at high growth rates. One part of this increase can probably be attributed to companies set up by construction companies for the management of unsold residential units. Due to the importance that loans to these two activities and household loans have in banks' balance sheets, banks still provide

significant support to activities associated with the real estate market, attempting to spur them through special offers, including those associated with government subsidies for home loans.

Bank profit was considerably higher (19.0%) than in the first six months of 2010, mainly due to a considerable fall in interest expenses, most notably those associated with household deposits. A decline in deposit interest rates led to an increase in interest rate spread, the level of which was considerably higher than in previous years, thus covering the steadily rising expenses on loss provisions and costs. Unlike 2010, interest income went up, driven by slightly stronger credit activity, most notably an increase in loans to government units in the first quarter of 2011. The increase in profit was also due to a more efficient use of derivatives in currency risk hedging while income from fees and commissions failed to maintain its relatively high 2010 growth rate. This is due to a significant fall in income from other banking services (account management, e-banking, securities transactions, etc.) and a significantly lower level of income from fees for payment services provided to enterprises. ROAA and ROAE improved to 1.3% and 7.7%, respectively, though their values differed greatly between different bank groups, being considerably lower in medium-sized and small banks than in large banks. The poorer business performance of smaller banks was due to a considerably poorer cost efficiency and lower credit portfolio quality.

Despite very high shares of foreign currency and kuna items with a currency clause (of approximately two thirds) in banks' balance sheets, banks' direct exposure to currency risk was low. The banks hedged a surplus of foreign currency assets over foreign currency liabilities (including assets and liabilities in kuna with a currency clause), i.e. a long spot foreign exchange position by means of forward agreements, thus reducing their direct exposure to currency risk. However, high indirect exposure of banks, i.e. exposure to currency-induced credit risk, rose additionally. A little over three quarters of loans were exposed to this risk. The euro accounted for the bulk of foreign currency assets and liabilities. The Swiss franc also accounted for a considerable share of assets (12.0% of gross loans). Most of the loans in that currency were granted to the household sector, mainly in the form of home and car purchase loans. Unfavourable exchange rate developments and the associated difficulties in settling loan liabilities in Swiss francs continue to contribute to the materialisation of the currency-induced credit risk. As a result, the first half of 2011 saw a visibly faster worsening of the quality of Swiss franc-indexed home loans than those indexed to the euro.

Direct exposure to interest rate risk in the non-trading book, measured by the change in the economic value of the non-trading book in the conditions of a parallel interest rate shock of 200 basis points, was also low. Despite the significance for banks' balance sheets of long-term lending, particularly home loan lending, there are no considerable mismatches in longer-term time zones that could, on account of higher prescribed weights, considerably affect the economic value. Most household loans, as well as the largest share of total bank loans, were granted at an administered interest rate (that is subject to change based on a decision of a bank's management board), which are distributed into appropriate time zones based on independent assessment by the bank of the probability and frequency of interest rate changes. The banks distributed the largest share of loans granted at an administered rate into short-term zones, particularly the shortest one (up to 1 month), which helped achieve a good maturity match between interest rate sensitive assets and liabilities of banks. The banks reduce direct exposure to interest rate risk by applying administered interest rates and by transferring risk to clients. However, indirect exposure may represent a significant source of risk for the banks due to the fact that the possibility for the management of this risk may be limited by the competitive position and the ability of clients to settle their credit liabilities as they fall due under changed circumstances.

The capital adequacy ratio rose slightly in the first half of 2011, thus continuing its upward trend present in 2009 and 2010. This ratio's increase from 18.78% at the end of 2010 to 18.94% at the end of the first half of 2011 was largely the result of growth in credit to domestic government units which led to a decrease in the average credit risk weight and consequently, the level of capital requirements. All the banks used the standardised approach in the assessment of credit risk and the average risk weight, despite high weights in the corporate and retail categories (102.7% and 91.1%, respectively) stood at 62.4%. This was due to a relatively high share of the central government and central bank categories in the total exposure that is weighted (27.2%) and the low weight of 2.1%. The largest share of the amounts in the category of central governments and central banks is the result of original exposure and a high level of bank placements to domestic and foreign central governments and central banks. High weights in the retail and corporate categories are the result of a low level of use of preferential weights for exposures secured by real estate and a 75% weight in the retail category and the non-existence of credit assessment for most of the corporates.

Despite the fact that the banks withheld the largest share of the 2010[5] profit and increased the share capital and subordinated and hybrid instruments, banks' own funds fell slightly. This is due to the increase in direct equity investment in financial institutions which, as provided by regulations, reduce own funds. The share of the highest quality component of own funds, original own funds, fell slightly, though their adequacy ratio held steady at a high 17.54%. The high share of original own funds and the fact that they consist of common and non-cumulative preferred shares, retained earnings and reserves (hybrid instruments are not included in original own funds) puts domestic banks at an advantage as regards Basel III which places special emphasis on improved quality of bank capital.

Housing savings banks' assets rose by a considerable 8.7% in the first half of 2011, largely influenced by housing savings banks' transactions aimed at alignment with the regulation governing interest rate risk in the non-trading book. Due to the mismatch of interest rate-sensitive assets and liabilities, resulting from long-term home loans financed by much shorter term deposits, most of the housing savings banks saw an increase in long-term sources (mostly those from their owners) in the first half of 2011 while on the assets side, housing savings banks reported an increase in short-term deposits and securities investments. Deposits of housing savings bank savers held almost steady, in contrast with home loans which rose considerably (4.8%), mainly due to an increase in one housing savings bank. The quality of placements remained very good and so did the capital adequacy ratio, but expenses on loss provisions cut the amount of profit to one half of the profit generated in the first half of 2010. The increase in expenses on loss provisions was due to latent risk category A losses in contrast with the previous year when housing savings banks reported income from repealed loss provision expenses. The increase in these expenses, coupled with poor cost efficacy, resulted in low indicators of return (ROAA and ROAE of 0.3% and 3.7%, respectively).

2.1 Introduction

At the end of the first half of 2011, there were 38 credit institutions operating in the Republic of Croatia: 32 banks, one savings bank and five housing savings banks.[6] As shown by unaudited preliminary

5 Under the audited, end-2010 data, a part of the profit generated in 2010 had already been included in the calculation of own funds.
6 There have been no branches of foreign banks operating in the Republic of Croatia since 2002.

data for the first half of 2011, bank assets (savings banks assets included) stood at HRK 397.4bn or 98.2% of the total assets of credit institutions and housing savings banks assets stood at HRK 7.5bn and accounted for the remaining 1.8% of the total assets of credit institutions. For the purposes of this analysis, banks have been divided into three peer groups (large, medium-sized and small banks)[7], while housing savings banks, due to their specific nature, are treated as a separate group.

2.2 Banks

2.2.1 Structural features

Number of banks and peer groups

The last change in the number of banks in the Republic of Croatia took place in the fourth quarter of 2010, as a result of compulsory winding up in Obrtnička banka d.d. and the withdrawal of this bank's authorisation. There was only one savings bank remaining in the banking system. For the purposes of this analysis, this savings bank has been included in the total number of banks, while in terms of amount of assets it was placed into the group of small banks.

The total number of banks at the end of the first half of 2011 included six large, three medium-sized and 24 small banks. The distribution of banks in these three bank peer groups has not changed from the end of 2010 (Table 2.1). There were also no significant changes in the distribution of market shares among bank groups. This was due to small and almost even developments in individual bank group assets and banks as a whole.

The group of large banks again accounted for the biggest market share, or 82.3% of the total assets of all banks. This share rose only slightly from the end of 2010 as a result of an increase in the assets of the group of large banks of 1.8%, which exceeded the growth in assets of other bank groups and banks as a whole. Assets of medium-sized banks grew at a somewhat slower rate (1.5%), while the share of this bank group's assets in total bank assets stood at 9.0%, the same level as that at the end of 2010. Assets of the group of small banks rose by a very low 0.2%, leading to a decline in the share of small banks' assets in total assets of all banks to 8.7%.

In addition to supervision of individual credit institutions, the Croatian National Bank, in accordance with the provisions of the Decision on the supervision of a group of credit institutions on a

Table 2.1 Bank peer groups and their share in total bank assets, end of period

	Dec. 2008		Dec. 2009		Dec. 2010		Jun. 2011	
	Number of banks	Share	Number of banks	Share	Number of banks	Share	Number of banks	Share
Large banks	6	79.4	6	82.7	6	82.1	6	82.3
Medium-sized banks	4	12.4	3	9.1	3	9.0	3	9.0
Small banks	24	8.1	25	8.2	24	8.9	24	8.7
Total	34	100.0	34	100.0	33	100.0	33	100.0

7 For the criteria and composition of individual bank groups, see Attachment I, List of credit institutions by peer groups.

consolidated basis[8], also supervised seven groups of credit institutions[9] at the end of the first half of 2011. These bank groups were obligated to report to the Croatian National Bank through their superordinate institutions on their business operations on a consolidated basis. Two domestic banks had in their ownership one foreign bank each, one of which was in Bosnia and Herzegovina and one in Montenegro.

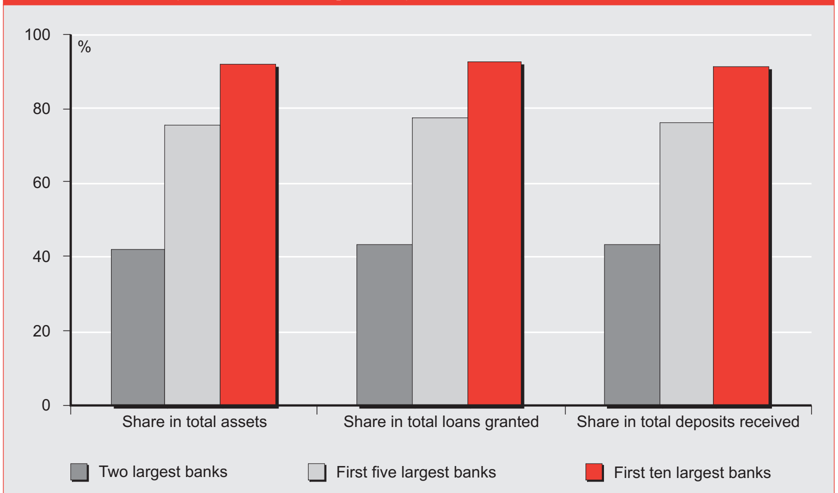
Concentrations

Developments in concentration indicators on the domestic banking market at the end of the first half of 2011 were very slow compared to the end of 2010. A higher increase in the assets of large banks than in those of other bank groups led to a further small upward trend in the concentration of assets present in the past five years.

The share of assets of the first two, first five and first ten banks in the total banking sector assets again pointed to significant system concentration typical of smaller countries and countries whose economies went through transition to the free market (Figure 2.1). The share of assets of the first two banks in the total assets of banks rose from 42.0% at the end of 2010 to 42.4% at the end of the first half of 2011. The share of assets of the first five banks also rose, though to a smaller extent, reaching 75.5% of total assets. The assets of the first ten banks accounted for 92.0% of the total bank assets, a share almost equal to that at the end of 2010.

The effect of growth in large banks on higher system concentration can be seen in the increase in the Herfindahl-Hirschman index (HHI). The value of the asset index rose by 26 units and stood at 1388 at the end of the first half of 2011 (Figure 2.2). A higher level of concentration, measured by that index, was also seen in loans granted (1433) and deposits received (1432), owing to a noticeable domination of large banks.

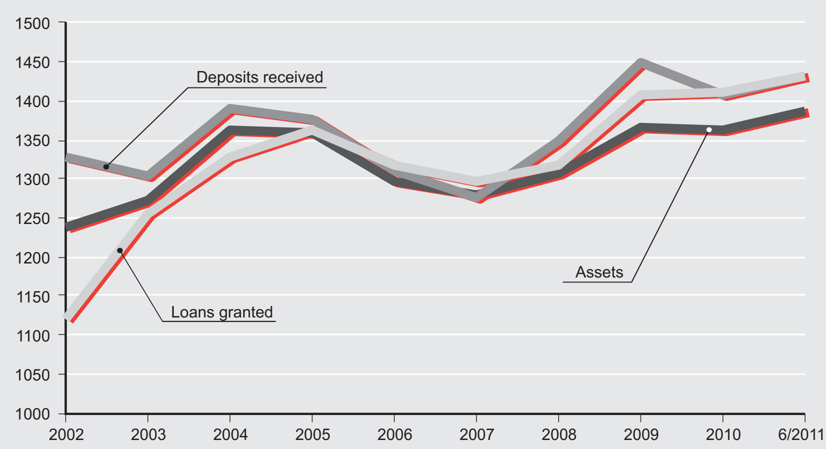
Figure 2.1 Shares of assets, loans and deposits of the largest banks in total assets, loans and deposits, as at 30 June 2011



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

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

Figure 2.2 Herfindahl-Hirschman Index (HHI), all banks



Ownership structure

The number of banks majority owned by foreign shareholders rose by one from the end of 2010, reaching a total of 16 banks. This is due to ownership changes in A štedna banka malog poduzetništva d.d. which became a bank in majority Serbian ownership and changed its name to Tesla štedna banka d.d.

Due to its small market share, the entry of this savings bank into the group of banks in majority foreign ownership did not affect the distribution of bank assets by ownership structure. The share of assets of all bank groups by ownership structure in the total assets of banks held steady at last year's level, due to a relatively small and even growth in their assets (Table 2.2).

Bank assets in majority foreign ownership rose by 1.5% from the end of 2010 at the end of the first half of 2011 and accounted for 90.3% of total bank assets. All banks in the large bank group belong to European banking groups. Two medium-sized and eight small banks were also foreign owned. Banks in the majority ownership of Austrian shareholders again accounted for the largest market share. At the end of the first half of 2011, these banks accounted for 60.8% of the total assets of all banks. The assets of domestically-owned private banks rose by 1.3% while those of domestically-owned state banks rose by 3.5%.

Table 2.2 Ownership structure of banks and their share in total bank assets, end of period

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

Business network

Further unfavourable economic conditions and placement quality worsening again created pressures on the cost side, and led to there being only a small expansion of the ATM network and increase in the number of employees while the number of operating units remained almost unchanged.

The number of bank employees rose by 280, or 1.3% in the first six months of 2011 (Table 2.3). All the three bank groups reported an increase in the number of employees. The number of employees rose the most in large banks (201), although one bank in this bank group reduced the number of employees by a considerable 96 or 4.1%. All medium-sized banks increased the number of employees by between 1.1% and 4.5%, or 2.3% on average. Small banks increased staff size the least (0.6%). Nine out of the total of 24 small banks reduced the number of employees; one of them by as much as 10%.

At the end of June 2011, the number of operating units of banks rose by two or 0.2% from the end of 2010. The number of operating units held steady in all bank groups. Large banks increased the number of operating units by three (0.4%) as a result of the increase in three large banks. Two large banks did not expand their business network while one bank saw a decrease in the number of operating units. Medium-sized banks increased the number of operating units by one as a result of their increase in one medium-sized bank while the number of operating units in the remaining two medium-sized banks remained the same. The group of small banks was the only bank peer group that reported a decrease in the number of operating units (by two) due to a decline in four banks in this group, with one bank reducing the number of operating units by five (17.9%). In regional terms, five counties reported a decrease and five counties reported an increase in the number of operating units, while the largest number of counties (10) reported the same number of operating units as in the previous period.

The concentration of operating units by counties remained almost unchanged. The County of Zagreb and the City of Zagreb accounted for 23.4%, or the largest share of operating units (Figure 2.3). The County of Split-Dalmatia accounted for 11.6%, or the next largest share, and the County of Primorje-Gorski Kotar and the County of Istria accounted for 8.8% and 8.7%, respectively of

Table 2.3 Number of employees, operating units and ATMs, end of period

	Dec. 2008		Dec. 2009			Dec. 2010			Jun. 2011		
	Number	Share	Number	Share	Change	Number	Share	Change	Number	Share	Change
Employees											
Large banks	15,618	70.8	15,803	72.7	1.2	15,813	72.6	0.1	16,014	72.6	1.3
Medium-sized banks	3,015	13.7	2,391	11.0	–20.7	2,449	11.3	2.4	2,506	11.4	2.3
Small banks	3,432	15.6	3,536	16.3	3.0	3,508	16.1	–0.8	3,530	16.0	0.6
Total	22,065	100.0	21,730	100.0	–1.5	21,770	100.0	0.2	22,050	100.0	1.3
Operating units											
Large banks	720	57.6	768	59.2	6.7	760	59.7	–1.0	763	59.8	0.4
Medium-sized banks	186	14.9	170	13.1	–8.6	172	13.5	1.2	173	13.6	0.6
Small banks	344	27.5	359	27.7	4.4	342	26.8	–4.7	340	26.6	–0.6
Total	1,250	100.0	1,297	100.0	3.8	1,274	100.0	–1.8	1,276	100.0	0.2
ATMs											
Large banks	2,510	75.1	2,760	76.6	10.0	2,872	75.7	4.1	2,920	76.1	1.7
Medium-sized banks	462	13.8	446	12.4	–3.5	506	13.3	13.2	507	13.2	0.4
Small banks	370	11.1	395	11.0	6.8	416	11.0	5.3	412	10.7	–1.0
Total	3,342	100.0	3,601	100.0	7.7	3,794	100.0	5.3	3,839	100.0	1.2

Table 2.4 Territorial distribution of operating units and ATMs by counties, end of period

	Dec. 2008		Dec. 2009		Dec. 2010		Jun. 2011	
	Operating units	ATMs	Operating units	ATMs	Operating units	ATMs	Operating units	ATMs
County of Zagreb and City of Zagreb	261	914	288	1,017	296	1,071	299	1,092
County of Krapina-Zagorje	30	77	30	83	30	85	30	85
County of Sisak-Moslavina	36	100	37	103	37	105	37	106
County of Karlovac	30	79	30	84	29	92	28	90
County of Varaždin	46	126	45	123	44	127	44	130
County of Koprivnica-Križevci	37	62	35	66	33	64	32	66
County of Bjelovar-Bilogora	29	62	28	67	27	74	27	72
County of Primorje-Gorski Kotar	116	307	114	327	112	336	112	342
County of Lika-Senj	17	49	19	50	19	56	19	52
County of Virovitica-Podravina	29	37	29	38	27	42	28	41
County of Požega-Slavonia	29	38	27	43	25	45	25	46
County of Slavonski Brod-Posavina	33	72	33	70	30	70	28	68
County of Zadar	56	177	61	196	59	214	60	217
County of Osijek-Baranya	75	160	87	169	85	185	84	194
County of Šibenik-Knin	39	118	42	132	42	134	43	132
County of Vukovar-Srijem	31	82	30	94	31	101	31	102
County of Split-Dalmatia	148	355	153	386	146	420	148	426
County of Istria	111	292	114	307	111	314	111	323
County of Dubrovnik-Neretva	67	152	64	162	62	175	62	171
County of Međimurje	30	83	31	84	29	84	28	84
Total	1,250	3,342	1,297	3,601	1,274	3,794	1,276	3,839

operating units. These four counties accounted for over one half of the total number of operating units of banks.

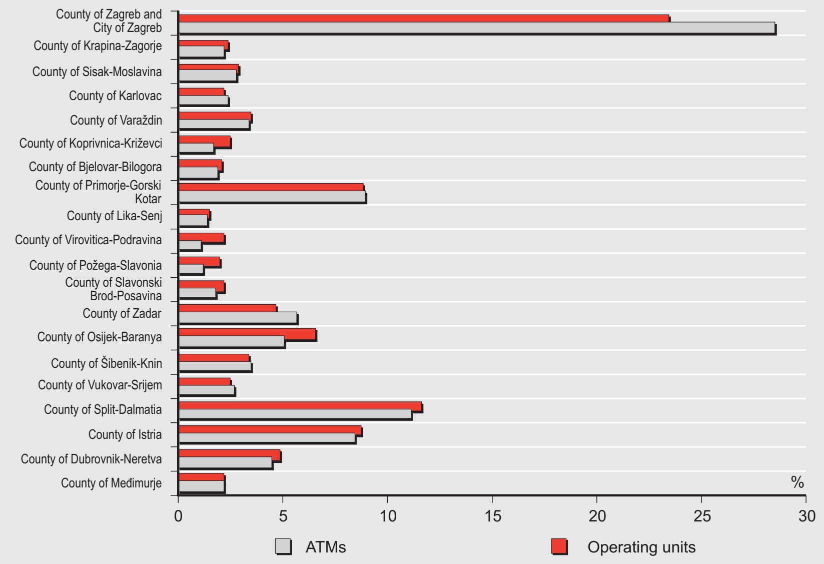
Compared to the EU average of 2131[10], the number of persons in Croatia to one operating unit is quite large (3363 persons[11]). The average number of operating units in domestic banks was also higher than in the EU (39 against 27[12]), which can explained by higher reliance on conventional banking than in the EU banks.

Each bank operated on average in slightly fewer than nine counties. Four small banks operated in the area of only one county (through one operating unit only) and only four large banks had operating units in all counties. In terms of the structure of inhabitants by counties, only coastal region counties had higher shares of operating units than shares in the number of inhabitants. This is particularly true of the County of Istria which accounted for 4.9% of inhabitants and 8.7% of all operating units of banks.

The number of ATMs of banks (including ATMs owned by other companies) rose by only 45 or 1.2% in the first half of 2011, which is a much slower growth than in the previous year. The Zagreb County and the City of Zagreb again accounted for the largest number of newly installed ATMs (21). The County of Istria and the County of Osijek-Baranya accounted for the next largest number of the newly installed ATMs (9 each) while the County of Dubrovnik-Neretva and Lika-Senj saw the largest decrease in the number of ATMs in the first half of the year (4 each). These changes did not have a very large impact on the structure of the ATM network by counties. Thus, the County of Zagreb and the City of Zagreb again came first, accounting for 28.4% of all ATMs in the Republic of Croatia. They were followed by the County of Split-Dalmatia (11.1%), Primorje-Gorski Kotar (8.9%) and the

10 EU Banking Structures, ECB, September 2010.
11 The source of data on the population of the Republic of Croatia is the CBS (according to the first Census 2011 results).
12 The same as in footnote 10.

Figure 2.3 Concentration of bank operating units and ATMs by counties, as at 30 June 2011



County of Istria (8.4%). The share of ATMs in the total number of ATMs in these four counties was again higher than these counties' shares in the number of inhabitants and this was again particularly true of Istria. Large banks installed a total of 48 new ATMs, medium-sized banks installed only 1 while small banks reduced the number of ATMs by 4. The number of small banks that did not have any ATMs held steady at four.

2.2.2 Bank balance sheet and off-balance sheet items

Assets

After rising by a modest 0.7% (exchange rate effects excluded) in 2010, bank assets rose by HRK 6.3bn or 1.6% in the first half of 2011, reaching HRK 397.4bn (Table 2.5).

The main source of bank assets growth lay in increased deposits, most notably deposits of foreign bank owners, which, a decline in received loans notwithstanding, led to a small growth in the sources of bank financing. The increase in bank capital, mainly based on current year profit, also made a small contribution to assets growth. In the first half of 2011, banks used the increased sources for a small growth in credit, ensuring additional potential for credit activity and surplus liquidity growth by smaller-scale asset restructuring as a result of a fall in deposits with other banks. Credit growth continued from last year's modest recovery in credit activities, although changes in the purpose and structure of loans by institutional sectors do not as yet indicate decreased apprehension as regards the assumption of risks on the part of the banks and their clients.

Assets rose in all three bank groups with those of large banks rising more (1.8%) than those of all banks combined. The increase in assets of large banks can largely be attributed to foreign owners' deposits and to a lesser extent to current year profit. The growth in deposits of all sectors, except the

Table 2.5 Structure of bank assets, end of period, in million HRK and %

	Dec. 2008		Dec. 2009			Dec. 2010			Jun. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	42,671.2	11.5	47,673.1	12.6	11.7	47,373.5	12.1	–0.6	53,272.6	13.4	12.5
Money assets	5,394.3	1.5	5,430.9	1.4	0.7	5,675.4	1.5	4.5	6,713.6	1.7	18.3
Deposits with the CNB	37,276.9	10.1	42,242.2	11.2	13.3	41,698.2	10.7	–1.3	46,559.0	11.7	11.7
Deposits with banking institutions	35,592.9	9.6	32,741.9	8.7	–8.0	30,160.0	7.7	–7.9	21,776.9	5.5	–27.8
MoF treasury bills and CNB bills	10,062.5	2.7	9,366.8	2.5	–6.9	10,030.3	2.6	7.1	10,753.1	2.7	7.2
Securities and other financial instruments held for trading	6,840.0	1.8	5,522.4	1.5	–19.3	5,501.3	1.4	–0.4	5,029.2	1.3	–8.6
Securities and other financial instruments available for sale	12,480.3	3.4	14,000.5	3.7	12.2	14,872.5	3.8	6.2	14,419.5	3.6	–3.0
Securities and other financial instruments held to maturity	4,798.8	1.3	4,012.2	1.1	–16.4	3,692.3	0.9	–8.0	3,643.5	0.9	–1.3
Securities and other financial instruments not traded in active markets but carried at fair value	669.0	0.2	1,644.9	0.4	145.9	1,090.0	0.3	–33.7	1,076.4	0.3	–1.2
Derivative financial assets	121.9	0.0	212.4	0.1	74.2	154.6	0.0	–27.2	244.9	0.1	58.4
Loans to financial institutions	5,796.7	1.6	6,065.1	1.6	4.6	6,389.5	1.6	5.3	6,111.9	1.5	–4.3
Loans to other clients	240,808.0	65.1	246,363.2	65.1	2.3	260,690.5	66.7	5.8	268,643.9	67.6	3.1
Investments in subsidiaries and associates	1,774.1	0.5	1,980.9	0.5	11.7	2,195.6	0.6	10.8	3,283.2	0.8	49.5
Foreclosed and repossessed assets	391.7	0.1	604.9	0.2	54.5	757.5	0.2	25.2	774.6	0.2	2.3
Tangible assets (net of depreciation)	4,503.8	1.2	4,372.3	1.2	–2.9	4,319.6	1.1	–1.2	4,280.5	1.1	–0.9
Interest, fees and other assets	6,624.6	1.8	6,889.5	1.8	4.0	6,853.3	1.8	–0.5	7,150.9	1.8	4.3
Net of: Collectively assessed impairment provisions	3,042.4	0.8	3,079.5	0.8	1.2	3,009.3	0.8	–2.3	3,101.5	0.8	3.1
TOTAL ASSETS	370,093.0	100.0	378,370.6	100.0	2.2	391,071.2	100.0	3.4	397,359.8	100.0	1.6

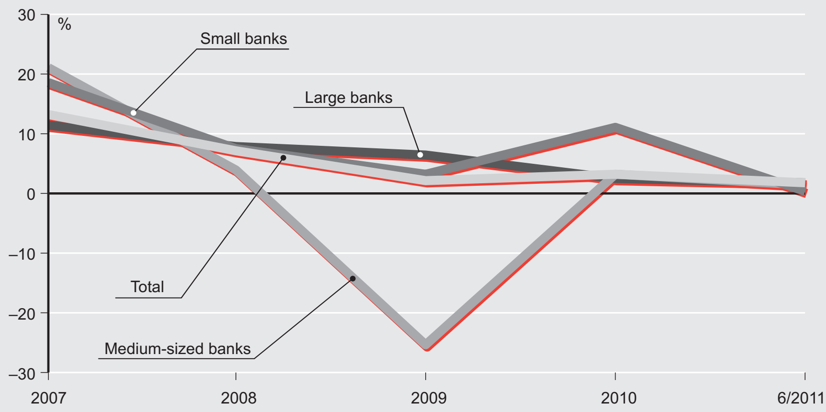
corporate sector, was the main source of the 1.5% increase in medium-sized banks' assets from the end of 2010. In contrast with 2010 when the assets of small banks rose the most, the assets of this bank group rose by a mere 0.2% in the first half of 2011. Hampered growth in small banks' assets was the result of a decline in the sources of financing, i.e. received deposits and loans, in contrast with 2010 when their growth was based on increased deposits, most notably household deposits. A minor increase in small banks assets was due to issued hybrid instruments and increased capital. In the first half of 2011, assets rose in 19 and fell in 14 banks from the end of 2010.

As regards bank assets items, net loans rose the most (HRK 7.7bn or 2.9%). However, as loans granted to financial institutions even declined somewhat, the entire increase in loans can be attributed to the increase in loans to clients in the non-financial sector, the bulk of which growth went to loans to government units. Large and small banks saw an increase in loans granted of 3.2% and 2.7%, respectively, in contrast with medium-sized banks that reported a slight decrease (0.2%). The increase in net loans led to their increased share in the total assets of almost one percentage point, which reached 69.1% of the total assets.

Compared to the end of 2010, bank investments in subsidiaries rose by a considerable HRK 1.1bn or 49.5%. This is due to an increase in equity holdings of one large bank, though, despite considerable change, the share of these investments on the level of all banks remained below 1.0% of total assets.

Despite a slight acceleration in credit activities, at the end of the first half of 2011, the banks maintained considerable surplus liquidity in the account with the CNB in the form of overnight deposits. The amount of overnight deposits more than doubled from the end of 2010, reaching over HRK 8.0bn. Money assets also rose considerably, in contrast with the funds in the settlement accounts

Figure 2.4 Rates of change in bank peer group assets

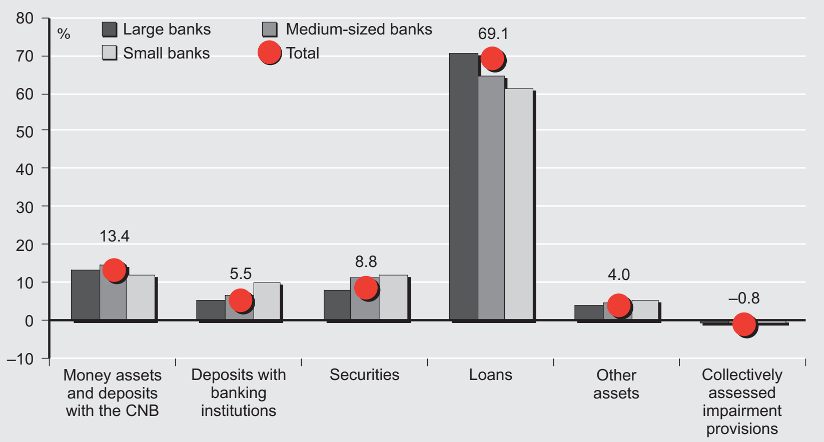


Note: Annual rates of change, June 2011 exempted (semi-annual rate).

of banks and reserve requirements set aside, which did not change significantly. In addition to an increase in the sources of financing, such developments in bank assets were also made possible by a significant decrease of HRK 8.4bn or 27.8% in deposits placed with the banking institutions. The mentioned fall in deposits was entirely due to a fall in time and notice deposits in foreign banks, largely due to regulatory changes involving the March 2011 changes in the minimum required foreign currency claims under which the percentage of coverage of foreign currency claims by foreign currency liabilities fell from 20% to 17%.[13] The share of deposits in bank assets thus fell by over two percentage points, to 5.5% of total assets.

Total securities placements of banks fell slightly (0.8%), mainly influenced by a 21.2% fall in short-term money market instrument investments. At the same time, there was an increase in investments in all other forms of securities, most notably T-bills of the Ministry of Finance (HRK 722.8bn or 7.2%). Investments in bonds, in particular foreign government and domestic corporate bonds, also rose slightly (HRK 228.4m or 1.4%). In general, bonds again accounted for almost one half of total

Figure 2.5 Structure of bank peer group assets, as at 30 June 2011



13 Decision on the minimum required amount of foreign currency claims (OG 30/2011).

securities investments of banks (46.9%). Investment fund holdings rose by a considerable HRK 399.8m or 68.8% from the end of 2010, despite the fact that the funds' share in the securities structure remained relatively low (2.9%). The banks again distributed the largest share of securities in the available for sale portfolio (61.6%) which rose 3.5% from the end of 2010. Equity securities, the increase of 11.2% notwithstanding, accounted for only a little over 1.5% of the total securities investments. The bulk of the increase in the first half of 2011 involved the increase in equity holdings in domestic and foreign corporates. The largest share of banks' total equity holdings involved corporate equities and equities in non-banking financial institutions (48.5% and 26.6%, respectively).

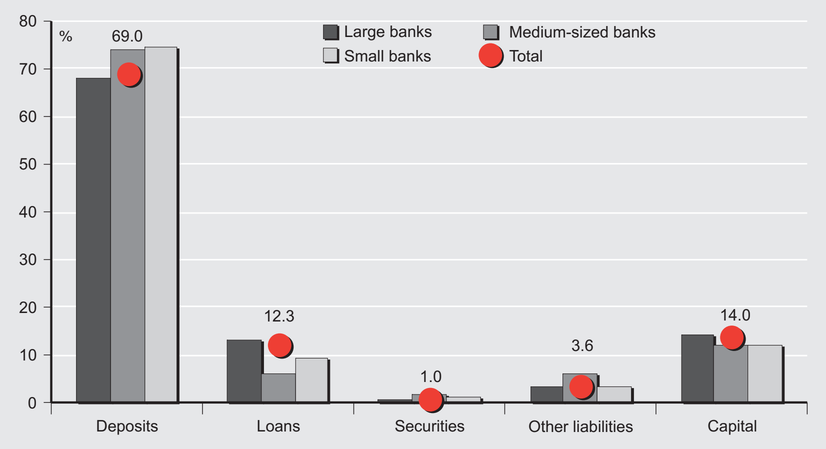
Liabilities and capital

A small increase in bank liabilities in the first half of 2011 was mainly due to an increase in deposits and to a lesser extent to an increase in subordinated and hybrid instruments (Table 2.6). As a result, and despite a fall in liabilities based on loans received, the total sources of bank financing rose by 1.3% in the first half of the year. The bulk of this increase involved non-resident deposits, most notably those of majority foreign bank owners. Increased reliance of banks on the sources from majority foreign owners was additionally boosted by a decrease in deposits of domestic sectors, resulting from a considerable fall in corporate deposits and only a small increase in household deposits. The share

Table 2.6 Structure of bank liabilities and capital, end of period, in million HRK and %

	Dec. 2008		Dec. 2009			Dec. 2010			Jun. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	19,270.0	5.2	21,180.5	5.6	9.9	18,178.8	4.6	–14.2	15,284.6	3.8	–15.9
Short-term loans	8,314.0	2.2	10,167.9	2.7	22.3	7,407.9	1.9	–27.1	4,451.3	1.1	–39.9
Long-term loans	10,956.1	3.0	11,012.6	2.9	0.5	10,770.9	2.8	–2.2	10,833.3	2.7	0.6
Deposits	247,813.9	67.0	256,810.0	67.9	3.6	269,182.6	68.8	4.8	274,195.9	69.0	1.9
Giro account and current account deposits	41,313.1	11.2	34,526.9	9.1	–16.4	37,258.1	9.5	7.9	40,215.5	10.1	7.9
Savings deposits	25,640.1	6.9	24,531.3	6.5	–4.3	26,705.5	6.8	8.9	26,574.0	6.7	–0.5
Time deposits	180,860.7	48.9	197,751.7	52.3	9.3	205,219.0	52.5	3.8	207,406.4	52.2	1.1
Other loans	32,862.6	8.9	31,787.5	8.4	–3.3	31,594.3	8.1	–0.6	33,655.8	8.5	6.5
Short-term loans	7,955.1	2.1	6,133.5	1.6	–22.9	6,977.0	1.8	13.8	6,656.2	1.7	–4.6
Long-term loans	24,907.5	6.7	25,654.0	6.8	3.0	24,617.3	6.3	–4.0	26,999.6	6.8	9.7
Derivative financial liabilities and other financial liabilities held for trading	1,578.3	0.4	418.9	0.1	–73.5	1,475.2	0.4	252.1	1,563.4	0.4	6.0
Debt securities issued	3,392.3	0.9	119.3	0.0	–96.5	124.3	0.0	4.2	0.0	0.0	–100.0
Short-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt securities issued	3,392.3	0.9	119.3	0.0	–96.5	124.3	0.0	4.2	0.0	0.0	–100.0
Subordinated instruments issued	53.3	0.0	396.6	0.1	643.6	468.4	0.1	18.1	705.9	0.2	50.7
Hybrid instruments issued	2,055.7	0.6	3,016.4	0.8	46.7	3,431.2	0.9	13.7	3,446.3	0.9	0.4
Interest, fees and other liabilities	13,139.7	3.6	12,067.3	3.2	–8.2	12,288.2	3.1	1.8	12,775.8	3.2	4.0
TOTAL LIABILITIES	320,165.9	86.5	325,796.6	86.1	1.8	336,743.0	86.1	3.4	341,627.7	86.0	1.5
Share capital	28,287.6	7.6	28,781.8	7.6	1.7	29,468.2	7.5	2.4	29,460.0	7.4	0.0
Current year profit/loss	4,612.5	1.2	3,277.7	0.9	–28.9	3,450.8	0.9	5.3	2,128.6	0.5	–38.3
Retained earnings/loss	5,694.1	1.5	7,764.9	2.1	36.4	8,927.9	2.3	15.0	10,194.6	2.6	14.2
Legal reserves	969.4	0.3	1,084.1	0.3	11.8	1,097.9	0.3	1.3	1,108.6	0.3	1.0
Reserves provided for by the articles of association and other capital reserves	10,511.3	2.8	11,789.2	3.1	12.2	11,382.4	2.9	–3.5	12,627.9	3.2	10.9
Unrealised gains/losses on value adjustments of financial assets available for sale	–112.5	0.0	–27.7	0.0	–75.4	20.0	0.0	–172.2	100.5	0.0	403.4
Reserves arising from hedging transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Previous year profit/loss	–35.3	0.0	–96.0	0.0	171.8	–19.0	0.0	–80.2	111.8	0.0	–
TOTAL CAPITAL	49,927.1	13.5	52,574.0	13.9	5.3	54,328.2	13.9	3.3	55,732.1	14.0	2.6
TOTAL LIABILITIES AND CAPITAL	370,093.0	100.0	378,370.6	100.0	2.2	391,071.2	100.0	3.4	397,359.8	100.0	1.6

Figure 2.6 Structure of bank peer group liabilities and capital, as at 30 June 2011



of funds received from foreign owners in total sources thus rose by 2.7 percentage points, reaching 20.9%. As usual, large banks, all owned by European banking groups, accounted for the largest share of these funds in the total sources of financing (24.7%). Medium-sized banks and small banks accounted for much smaller shares (7.0% and 2.4%, respectively) although some banks from these groups rely much more on funds from foreign owners, in comparison with the average for all banks.

Owing to an increase in deposits, the total sources of financing in the group of large and medium-sized banks rose by 1.5% and 1.3%, respectively. By contrast, a fall in deposits and received loans led to a fall in the total sources of small banks of 0.7%.

Several banks needed additional capital to meet the minimum capital adequacy ratio. This led to an increase in the amount of issued subordinated and hybrid instruments from the end of 2010. However, in terms of the structure of bank liabilities, these items again accounted for a very low share of only 1.0% of total liabilities and capital.

Balance sheet capital rose by HRK 1.4bn or 2.6% and owing to the fact that it grew somewhat faster than assets, the share of capital in the liabilities of banks rose slightly. The key source of the capital increase from the end of 2010 was profit generated in the first half of 2011 (HRK 2.1bn), while the increase in unrealised gains on value adjustment of financial assets available for sale had a smaller effect on capital increase. The most significant bank capital item, share capital, which accounted for a little over one half or 52.9% of the total balance sheet capital, remained almost unchanged. Two small banks were recapitalised in the first half of 2011 with a total of HRK 81.0m, which had a somewhat more significant impact only on the increase in the share capital of the group of small banks (2.0%). The profit generated in 2010 of HRK 3.4bn was almost fully distributed in the first half of 2011. As decided by banks' shareholders, the largest share of the profit was distributed in the retained earnings (HRK 1.3bn) and reserves (HRK 1.3bn), while HRK 0.8bn were paid out in dividends.

Large banks had the biggest share of capital in the liabilities of all bank groups. It stood at 14.5%, rising by 0.2 percentage points from the end of 2010 as a result of 2.9% capital increase in this bank group. The total capital of small banks also rose at a similar rate (2.3%) and owing to its faster growth compared to the growth in assets, the share of capital in the liabilities of small banks was up from 11.6% to 11.8%. Dividend payouts in one medium-sized bank in excess of the profit generated in 2010 were partly made from capital reserves which led to a small decline in the total capital of the group of medium-sized banks and a fall in its share in liabilities to 12.1%, compared to the end of 2010.

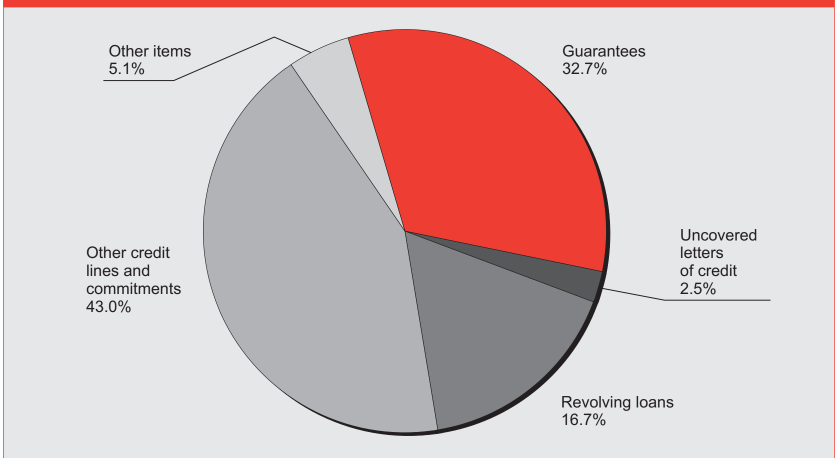
The increase in the kuna share of assets and liabilities and capital resulted in only small changes in the currency structure of bank balance sheets, compared to the end of 2010. The kuna assets rose primarily as a result of an increase in deposits with the CNB and greater securities investments and investments in subsidiaries than at the end of 2010. As a result, the share of kuna assets in total assets rose by 1.5 percentage points, reaching its maximum value since the end of the first half of 2009 (35.7%). At the same time, the foreign currency share of assets decreased, due to a considerable fall in deposits with foreign banks and despite the growth in foreign currency-indexed loans and kuna loans with a currency clause. As regards liabilities and capital, the increase in kuna items was principally due to the increase in kuna deposits and current year profit, while the change in total foreign currency liabilities was insignificant. Kuna items accounted for 41.6% of total liabilities and capital of banks at the end of the first half of 2011.

Standard off-balance sheet items

Standard off-balance sheet items remained almost unchanged in the first six months of 2011. They stood at HRK 59.1bn, which is a decline of only 0.2%. Although their largest item, credit lines and other financing commitments (revolving loans excluded), which accounted for a little less than one half of the total standard off-balance sheet items, rose by HRK 3.0bn or 13.5%, a fall in guarantees of 3.5% and revolving loans of a high 20.6% led to a fall in the total standard off-balance sheet items.

The standard off-balance sheet items to assets of banks ratio also decreased, falling from 15.1% at the end of 2010 to 14.9% at the end of the first half of 2011. This ratio fell in all bank groups and remained the highest in the group of large banks (16.2%). It was somewhat lower in medium-sized banks (9.5%), and as usual, it was the lowest in the group of small banks (7.7%).

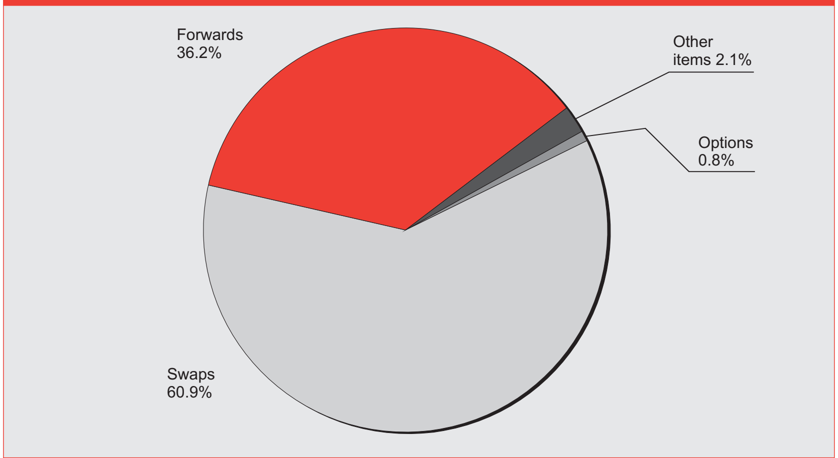
Figure 2.7 Structure of bank standard off-balance sheet items, as at 30 June 2011



Derivative financial instruments

Unlike developments in the previous two years, the total notional value of derivative financial instruments rose by 23.6% in the first six months of 2011. The bulk, or 60%, of the total increase in these instruments can be attributed to forwards, the second most important instrument in terms of amount. These instruments rose by a high 46.3% (Figure 2.8). Their increase boosted the notional value of derivative financial instruments to bank assets ratio from 26.3% to 32.0%.

Figure 2.8 Structure of bank derivative financial instruments (notional amount), as at 30 June 2011



As in the previous years, swaps accounted for the bulk of derivative financial instruments even though their growth during the observed period of 10.8% was slower than the growth in total notional value of derivative financial instruments. As a result, their share fell to 60.9%.

2.2.3 Earnings

Income statement

In the first six months of 2011, pre-tax profits of banks stood at HRK 2.5bn. Compared with profits for the first six months of 2010, they had grown by 19.0% or HRK 405.5m (Table 2.7). This was largely the result of increase in net interest income which, due to a significant reduction in interest expenses, rose by 10.3%. Eight small and one medium-sized bank operated with losses. Combined, these banks accounted for 3.9% of total bank assets.

All bank groups generated profit, with large banks accounting for 94.8% of total profit of all banks. Compared to the same period in 2010, this group of banks increased their profits by 16.2%. Small banks generated profit (HRK 61.5m), in contrast with the first half of 2010, when they generated losses (HRK 53.0m). The group of medium-sized banks was the only group that reported a decline in profits, of 39.2% (Figure 2.9). The profits generated by large banks were due to an increase in total income of 3.4% in this bank group, coupled with firm control in total costs, which rose by only 0.3%. With a somewhat more modest increase in total income of 2.1%, small banks managed to cut total costs by 6.6%, in contrast with medium-sized banks, which reported a fall in profits due to a simultaneous fall in total income of 1.0% and an increase in costs of 2.4%.

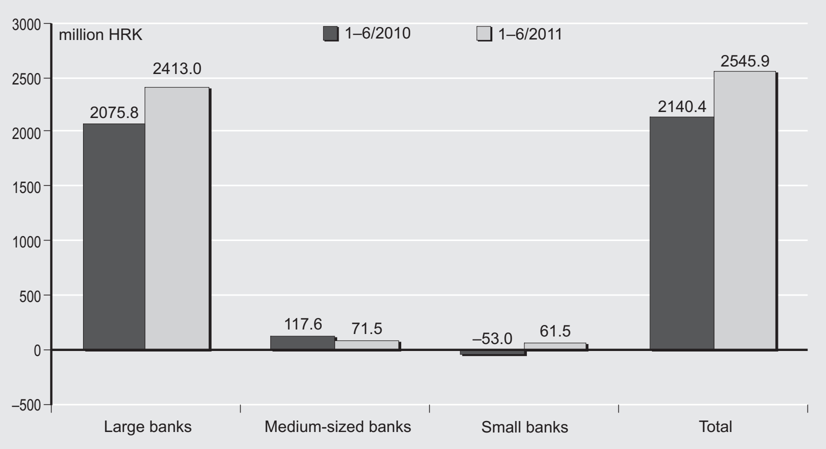
The increase in net interest income of HRK 544.4m (10.3%) had a crucial impact on total financial performance of banks in the first half of 2011. A decline in interest expenses of 6.9%, or a little over HRK 350m, had a much bigger influence on such developments in net interest income than the increase in banks' interest income of 1.8%. The increase in total net non-interest income of HRK 132.9m or 6.3% made an additional contribution to the positive result. This increase can be attributed to the high growth in net other non-interest income of 41.2%, in contrast with net income from fees and commissions, which fell by 6.0% or HRK 92.7m, compared to the same period 2010.

The increase in interest income of 1.8% can fully be attributed to the increase in this income from granted loans, most notably to the increase in income from loans to government units (25.6%). The decrease in interest expenses of 6.9% was due to a decrease in interest expenses on received deposits. These expenses fell by 9.8% from the same period in the previous year, offsetting the increase in all other types of interest expenses. The decrease was due primarily to a 12.9% fall in interest expenses on household deposits.

Table 2.7 Bank income statement, in million HRK

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.–Jun. 2010	Jan.–Jun. 2011	Jan.–Jun. 2010	Jan.–Jun. 2011	Jan.–Jun. 2010	Jan.–Jun. 2011	Jan.–Jun. 2010	Jan.–Jun. 2011
Net interest income	4,334.0	4,791.6	473.4	529.5	487.4	518.1	5,294.8	5,839.2
Total interest income	8,431.0	8,596.8	984.6	980.2	1,055.8	1,082.6	10,471.4	10,659.6
Total interest expenses	4,097.1	3,805.2	511.2	450.7	568.3	564.5	5,176.6	4,820.4
Net income from fees and commissions	1,280.9	1,197.8	167.3	158.4	106.9	106.1	1,555.1	1,462.3
Total income from fees and commissions	1,606.6	1,544.1	379.4	369.5	147.5	144.2	2,133.4	2,057.7
Total expenses on fees and commissions	325.7	346.3	212.1	211.1	40.6	38.0	578.4	595.4
Net other non-interest income	465.3	695.9	36.8	28.3	45.3	48.8	547.4	773.1
Other non-interest income	615.9	874.4	70.7	70.7	75.6	79.2	762.1	1,024.2
Other non-interest expenses	150.6	178.4	33.9	42.4	30.2	30.3	214.7	251.1
Net non-interest income	1,746.2	1,893.8	204.1	186.7	152.2	155.0	2,102.5	2,235.5
General administrative expenses and depreciation	2,769.2	2,862.4	413.5	455.6	532.4	530.8	3,715.1	3,848.8
Net operating income before loss provisions	3,311.0	3,823.0	263.9	260.6	107.3	142.2	3,682.3	4,225.8
Total expenses on loss provisions	1,235.2	1,410.0	146.3	189.1	160.3	80.8	1,541.9	1,679.9
Expenses on value adjustments and provisions for identified losses	1,315.8	1,316.5	167.6	191.4	164.1	82.3	1,647.6	1,590.2
Expenses on collectively assessed impairment provisions	–80.6	93.5	–21.2	–2.2	–3.8	–1.5	–105.7	89.7
Income/loss before taxes	2,075.8	2,413.0	117.6	71.5	–53.0	61.5	2,140.4	2,545.9
Income tax	359.4	386.1	8.2	12.3	19.8	18.8	387.4	417.3
Current year profit/loss	1,716.4	2,026.8	109.4	59.1	–72.8	42.7	1,753.0	2,128.6
Memo items:								
Gains (losses) from trading activities	–1,086.7	–156.0	–118.7	–72.0	59.2	50.3	–1,146.1	–177.7
Gains (losses) from securities trading	84.6	–11.7	5.1	12.4	–0.4	1.2	89.3	1.9
Gains (losses) from foreign currency trading	409.7	268.1	34.2	51.3	59.0	50.1	502.9	369.5
Gains (losses) from domestic currency trading	1.1	1.5	0.0	0.1	–0.2	–0.3	1.0	1.2
Gains (losses) from derivatives trading	–1,582.1	–413.9	–158.0	–135.8	0.8	–0.6	–1,739.3	–550.3
Gains (losses) from exchange rate differentials	1,429.6	546.6	166.1	128.5	–7.1	0.2	1,588.6	675.2
Number of banks operating with losses	0	0	0	1	9	8	9	9

Figure 2.9 Bank income before taxes



Net income from fees and commissions fell by 6.0% as a result of a concomitant 3.6% fall in this income and only a slightly smaller increase (3.0%) in expenses on fees and commissions. The fall in income was mainly influenced by a 5.4% fall in income from fees for other banking services[14], while expenses on fees and commissions were mainly influenced by growing expenses on fees and commissions for non-residents' banking services (15.0%).

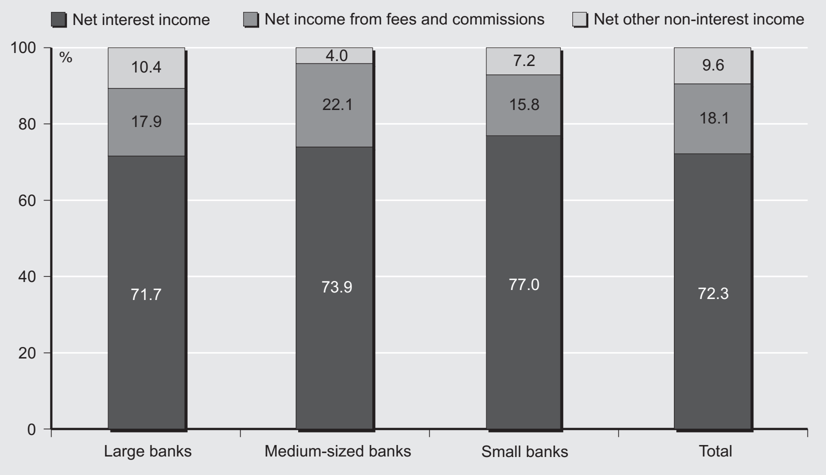
A significant increase in expenses of 17.0% notwithstanding, net other non-interest income grew by a high 41.2% owing to a large increase in this income of over one third or 34.4%. This was largely due to a more effective currency risk hedging through the use of derivative instruments. As a result, in contrast with the first half of 2010, profit on exchange rate differentials exceeded the loss on derivatives trading by HRK 124.8m. In addition, income from investments in subsidiaries, associates and joint ventures rose considerably (159.6%) and so did other income which rose by 48.0%. To a certain extent, this effect offset a considerable decrease in income on foreign exchange and securities trading, one quarter lower than in the same period in 2010.

All bank groups reported an increase in net interest income. All bank groups also reported a fall in net income from fees and commissions. In large and medium-sized banks this income fell by over 5% and in small banks by a small 0.7%. Net other non-interest income rose by a large 49.6% in large banks, by a much lower 7.8% in small banks while medium-sized banks reported a 23.0% fall in this income.

Because the increase in general administrative expenses and depreciation (3.6%) was smaller than that in total net income (9.2%), there was a large increase in net operating income before loss provisions (i.e. operating income), of 14.8%. As total expenses on loss provisions rose by a lower rate (9.0%), the total profit of all banks before taxes rose by a considerable 19.0%. The increase in total expenses on loss provisions was the result of an increase in collectively assessed impairment provisions. In the same period of the previous year, the banks reported income from repealed collectively assessed impairment provisions due to the exclusion of the available for sale securities

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

Figure 2.10 Structure of bank net income, as at 30 June 2011



portfolio from the scope of placements classified into risk categories. Expenses on loss provisions for risk categories B and C placements fell by 3.5%, mainly due to lower adjustment expenses on held to maturity securities.

Small banks reported a decrease in expenses on loss provisions as a result of significantly lower expenses on loss provisions in one bank in that group. By contrast, large and medium-sized banks reported an increase in expenses on loss provisions of 14.2% and 29.2%, respectively.

The share of net interest income, the largest item in the structure of total net income that reflects income from the main activity, rose by a small 0.7 percentage points during the observed period. The share of net other non-interest income rose more prominently, from 7.4% to 9.6%. This led to a decrease in the share of net income from fees and commissions from 21.0% to 18.1% (Figure 2.10). The share of net other non-interest income rose in large (by almost three percentage points) and in small banks but decreased in the group of medium-sized banks.

Indicators of returns

Both indicators of bank returns, return on average assets, ROAA, and return on average equity, ROAE, rose from the end of the first half and the end of 2010. ROAA stood at 1.3% and ROAE stood at 7.7% (Figure 2.11 and Figure 2.12).

ROAA and ROAE were again the highest in large banks where they stood at 1.5% and 8.7%, respectively. Compared to the same period in the previous year, these banks reported an increase in both indicators, and so did the group of small banks which again had the lowest indicators of return (0.4% and 2.1%, respectively). With a 39.2% decline in profits, the group of medium-sized banks was the only group that reported a decrease in these indicators with their ROAA and ROAE standing at 0.4% and 2.7%, respectively.

The interest rate spread, i.e. the difference between interest income on average interest-bearing assets and interest expenses on average interest-bearing liabilities, rose by 0.2 percentage points and stood

Figure 2.11 Bank return on average assets (ROAA)

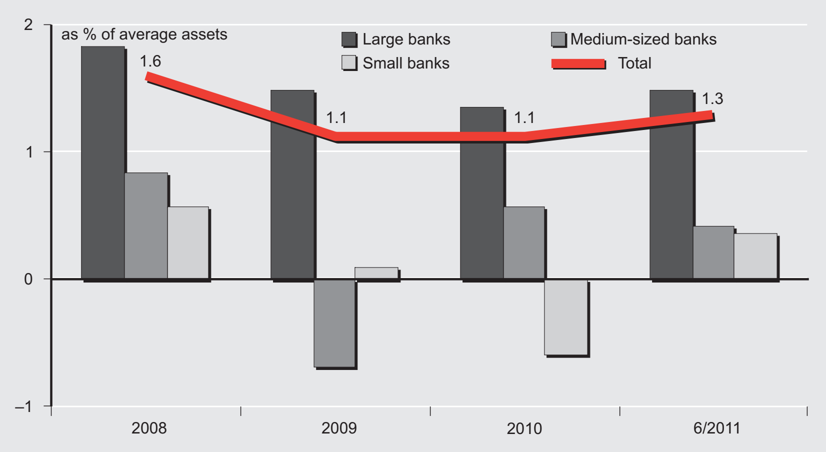
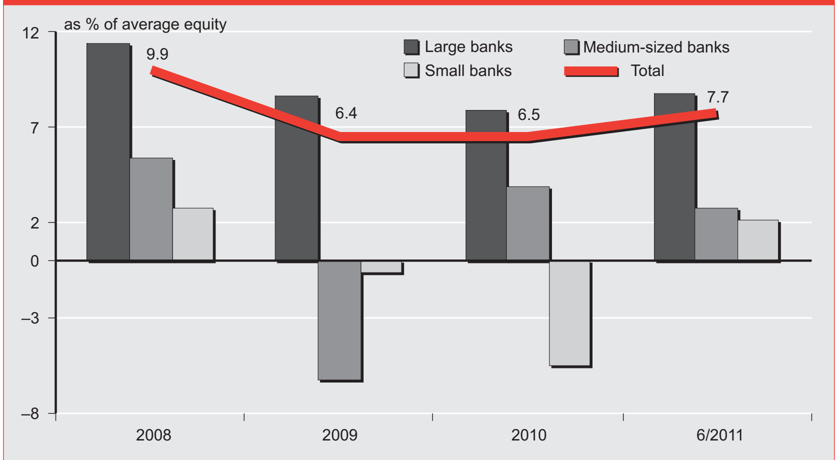


Figure 2.12 Bank return on average equity (ROAE)



at 2.8% (Figure 2.13). Interest income on placed funds and interest expenses on received sources of funds both declined during the observed period. However, the expenses on average interest-bearing liabilities declined more heavily than income on average interest-bearing assets, thus widening the interest rate spread.

The interest rate spread rose in all bank groups, in particular in large banks where it rose to 2.8%. The interest rate spread was equal in small and medium-sized banks and stood at a slightly higher 2.9%.

The number of bank employees rose by 313 from the end of the first half of 2010 while bank assets rose by HRK 17.9bn. The average amount of assets per employee at the level of the entire banking sector rose from HRK 17.5m to HRK 18.0m. It rose both in large banks (which reported the largest increase in this indicator and HRK 20.4m in average assets per employee) and in small banks but fell slightly in the group of medium-sized banks.

Cost to income ratio of banks continued to improve steadily during the observed period, in line with the trend from the previous several years (Figure 2.16). Only medium-sized banks failed to improve

Figure 2.13 Income from interest-bearing assets and expenses on interest-bearing liabilities

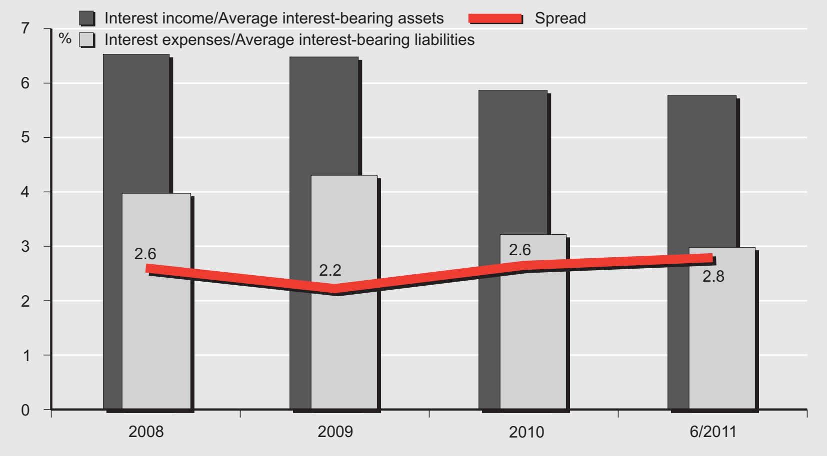


Figure 2.14 Weighted averages of bank monthly interest rates, on annual basis

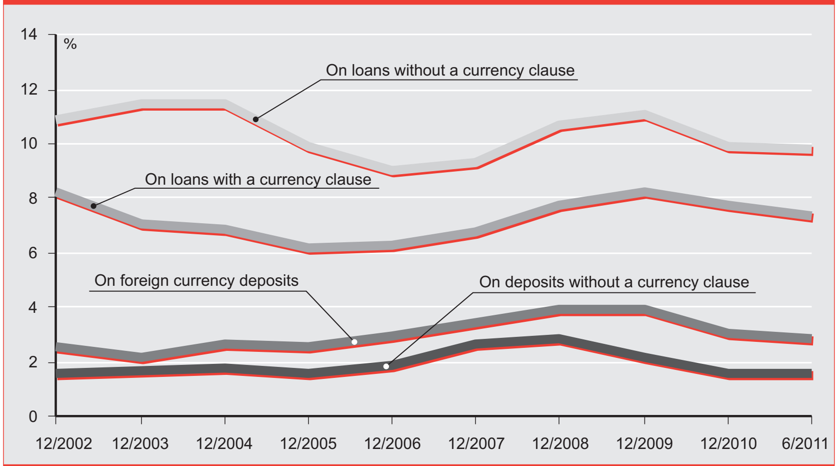


Figure 2.15 Bank assets per employee

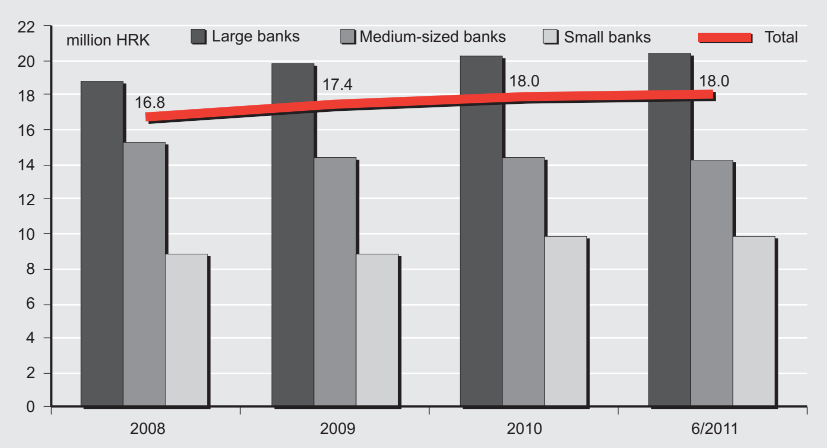
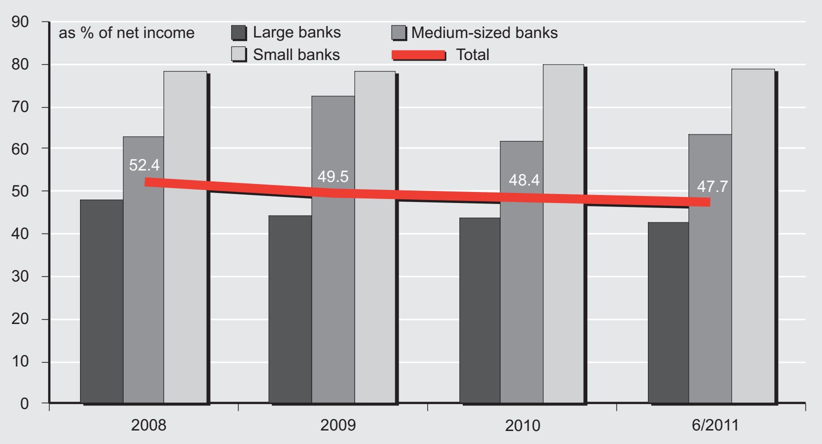


Figure 2.16 Bank operating expenses



their cost to income ratio as their net income growth proved to be insufficient to cover a considerable increase in general administrative expenses and depreciation. The cost to income ratio varied greatly among bank groups, and was particularly unfavourable in small banks (78.9%).

The expenses of loss provisions as percentage of operating income fell from 41.9% to 39.8% at the end of the first half of 2011. This ratio was again the best in large banks (36.9%) which, like the group of small banks, reported a decrease in this ratio during the observed period. The decrease in this ratio in the group of large banks amounted to a mere 0.4 percentage points, in contrast with small banks where it amounted to over one half, with the ratio falling from 149.4% to 56.8%. Clearly, the fall in loss provision expenses, arising from a sharp fall in one small bank, played a key role in the improvement of the business results of small banks. By contrast, the group of medium-sized banks reported a worsening in this ratio and rated worst among all bank groups (72.6%).

2.2.4 Credit risk

Placements and assumed off-balance sheet liabilities

At the end of the first half of 2011, total placements and assumed off-balance sheet liabilities of banks that are exposed to credit risk and are subject to classification into risk categories stood at HRK 425.0bn (Table 2.8). A small increase in total placements and assumed off-balance sheet liabilities of HRK 5.7bn or a little less than 1.4% from the end of 2010 was due to the growth in loans granted, which are the most significant form of bank placements. At the same time, the banks reduced almost all other forms of placements, thus contributing to the increase in loans. Although this small increase in loans points to further recovery in credit activities, the data on the structure of the increase in loans by institutional sectors indicate that banks continue to be risk-aversive, as the bulk of this increase in loans went to government units.

The other form of placements that had a significant influence on the developments in total placements and assumed off-balance sheet liabilities in the first half of 2011 was deposits given. This item fell the most, mainly due to a considerable fall in deposits with foreign financial institutions in the first

Table 2.8 Classification of bank placements and assumed off-balance sheet liabilities by risk categories, end of period, in million HRK and %

Risk category	Dec. 2008			Dec. 2009			Dec. 2010			Jun. 2011		
	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage
A	408,397.9	3,674.9	0.9	403,906.5	3,613.0	0.9	386,077.1	3,564.9	0.9	388,551.1	3,654.3	0.9
B-1	6,312.0	661.4	10.5	10,764.0	1,416.9	13.2	16,233.9	2,151.0	13.2	16,861.2	2,327.0	13.8
B-2	2,744.7	1,128.2	41.1	5,303.4	2,225.6	42.0	9,327.2	4,147.6	44.5	11,547.7	5,075.6	44.0
B-3	808.9	572.4	70.8	1,283.3	931.8	72.6	1,895.2	1,518.0	80.1	1,916.8	1,582.8	82.6
C	4,214.6	4,193.3	99.5	5,366.6	5,281.8	98.4	5,784.8	5,784.4	100.0	6,159.8	6,160.1	100.0
Total	422,478.1	10,230.1	2.4	426,623.8	13,469.1	3.2	419,318.1	17,165.8	4.1	425,036.6	18,799.8	4.4

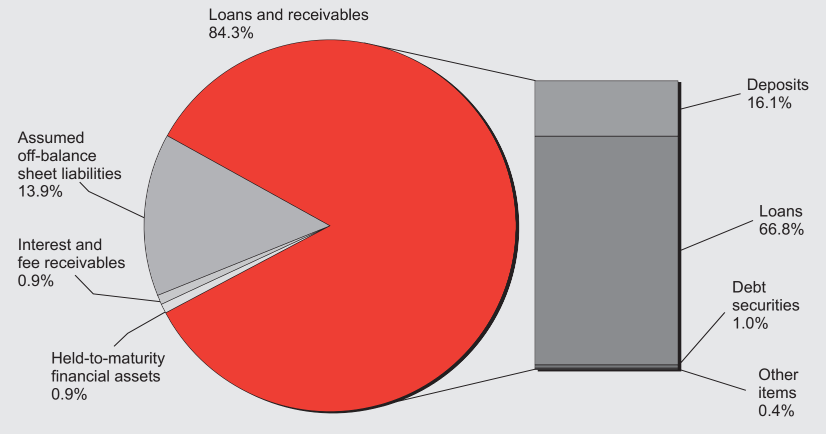
Note: Since 2010, the portfolio of financial assets available for sale has been excluded from the scope of placements and assumed off-balance sheet liabilities classified into risk categories.

quarter of this year. This change was mostly due to a reduction in the percentage of the minimum required foreign currency claims that banks have to keep relative to their foreign currency liabilities. Debt securities in the portfolio of financial assets held to maturity and off-balance sheet liabilities of banks declined by almost the same amount. The decline in these types of placements led to a small fall in their share in total placements, while the already dominant share of loans in total placements, due to a concomitant credit growth, rose further; from 65.6% at the end of 2010 to 66.8% at the end of the first half of 2011.

Partly recoverable placements and assumed off-balance sheet liabilities (risk categories B-1, B-2 and B-3) and fully irrecoverable placements and assumed off-balance sheet liabilities (risk category C) accounted for 8.6% of the total amount of placements and assumed off-balance sheet liabilities. The remaining 91.4% went to placements with no objective evidence of value impairment and off-balance sheet liabilities for which no outflows of credit institutions' funds are expected, or where if outflows do take place, they are expected to be fully recovered (risk category A). Further increase in the share of B and C risk categories in the total amount of placements and assumed off-balance sheet liabilities, from 7.9% at the end of 2010, was due to a much faster growth in these placements than the growth in total placements and assumed off-balance sheet liabilities. In contrast with only a slight increase in risk category A in the first half of 2011 (0.6%), risk category B and C placements and assumed off-balance sheet liabilities rose by almost 9.8%. However, their growth notwithstanding, the deterioration in the dynamics of total placement quality slowed down considerably from the previous two years which were marked by extremely high growth rates in risk categories B and C placements and assumed off-balance sheet liabilities (61.3% in 2009 and 46.3%, respectively, in 2010). Loans from the loans and receivables portfolio, which accounted for the bulk of the total amount of B and C category placements and assumed off-balance sheet liabilities (92.7%), played a key role in the quality of total placements and assumed off-balance sheet liabilities of banks.

Risk category A placements which involve a payment delay of over 90 days stood at HRK 4.9bn at the end of the first half of 2011 and accounted for 1.2% of total placements. These are placements that may be classified as risk category A, despite the failure by the debtor to meet his obligations in a timely manner, provided the bank has taken legal steps towards collecting its receivables by exercising the instruments of collateral and no more than two years have elapsed since the bank has taken legal actions towards collecting such receivables. These placements rose by 23.2% from the end of 2010, despite continuing bank efforts to roll over or restructure such placements, which as a rule reduce the amount of them. After the intensity of this activity subsided in 2010, the data on the monthly amounts

Figure 2.17 Structure of bank placements and assumed off-balance sheet liabilities, as at 30 June 2011



of rolled over and restructured placements in the first half of 2011 indicated that they had risen to a level higher than that achieved on average in 2010. In accordance with the regulations, placements rollover and restructuring caused by a debtor's financial position worsening require reclassification into lower risk categories.

Based on evidence of placement impairment (value adjustment) and experience-based assessments, the banks made value adjustments and provisions for identified and latent losses of HRK 18.8bn at the end of the first half of 2011, an increase of 9.5% from the end of 2010. In the conditions of a small increase in total exposure, this led to an increase in the ratio of total value adjustments and provisions to total placements and assumed off-balance sheet liabilities which had been trending upwards for the past two years. The increase in this ratio of 0.3 percentage points, to 4.4% points to further spillover of the effects of economic crisis into the domestic banking sector. An estimate of losses on exposures classified into risk categories B and C which led to an increase in the amount of identified losses of HRK 1.5bn or 11.4% had a bigger influence on the growth rate of total value adjustments of placements and provisions for assumed off-balance sheet liabilities. A growth in value adjustments for identified losses faster than risk category B and C placements and assumed off-balance sheet liabilities led to a somewhat higher coverage of these placements by relevant value adjustments and provisions than at the end of 2010 (41.5%). The growth rate of total value adjustments and provisions was to a lesser extent also influenced by collectively assessed risk category A[15] credit risk, which led to an increase in value adjustments and provisions of HRK 89.4m or 2.5%. As a result, the coverage of category A placements and assumed off-balance sheet liabilities rose only slightly, reaching a little over 0.9%.

As banks have to make full value adjustments/provisions for C category placements and assumed off-balance sheet liabilities, i.e. in the amount of 100%[16] of their nominal book value, a better picture of the coverage can be obtained by observing the coverage ratio of B category placements and assumed off-balance sheet liabilities and the relevant value adjustments. This indicator rose from 28.5% at the

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

16 Mandatory value adjustments/provisions of 100% for C category placements were introduced on 31 March 2010. The previous mandatory value adjustments/provisions for that placement category ranged from 90% to 100%.

end of 2010 to 29.6% at the end of the first half of 2011 as a result of an increase in value adjustments and provisions for risk category B-2 placements and off-balance sheet liabilities in which the banks reported losses ranging from 30% and 70% of the nominal book amount of exposure.

In the first half of 2011, total placements and assumed off-balance sheet liabilities rose only in large banks (1.7%). Those in medium-sized banks were almost equal to those at the end of 2010 while those in small banks fell slightly (0.5%). In the same way as in 2010, large banks again saw the biggest increase in risk category B and C placements and assumed off-balance sheet liabilities in the first half of 2011. Nevertheless, of all bank groups, this bank group again had the lowest value of the share of risk category B and C placements and assumed off-balance sheet liabilities in total placements and assumed off-balance sheet liabilities (8.0%) and again had their largest coverage by value adjustments and provisions (41.8%). Medium-sized and small banks had an almost equal level of shares of B and C category loans (11.8% and 11.5%, respectively).

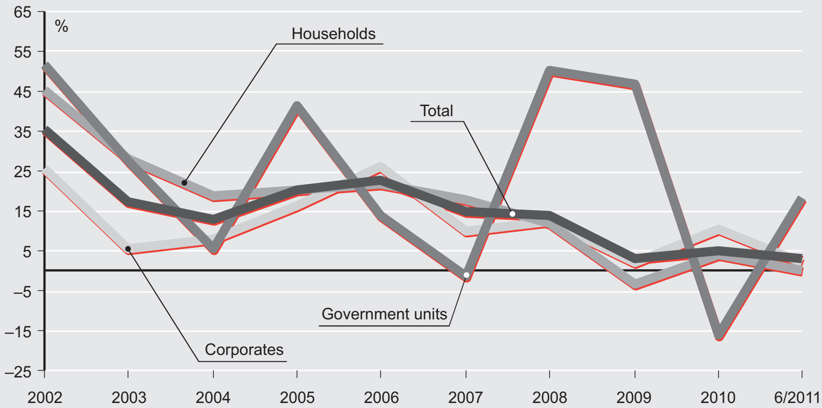
Loans

Credit activities of banks continued to improve slightly in the first half of 2011. Granted loans (those distributed in the loans and receivables portfolio, gross amount) rose by HRK 9.1bn or 3.3% and stood at HRK 284.0bn. The increase in the total amount of loans granted can to a smaller extent also be attributed to a depreciation of the exchange rate of the kuna against the Swiss franc, so that loans granted rose by 2.9% effectively. This growth notwithstanding, loan developments in the first half of 2011 show that banks were still guided by apprehension, as evidenced by the fact that the largest growth in loans was seen in loans granted to the less risky government unit sector. Bank clients were also risk-averse. This was particularly true of households, which continued to reduce their bank debt. A slow increase in new loans and the ensuing portfolio ageing led to a worsening in the quality of this portfolio, although the growth in the share of partly recoverable and fully irrecoverable loans was slower than in the previous two years.

The banks channelled over one half, or HRK 4.9bn, of the increase in the total amount of loans from the end of 2010 to government units. As a result, loans to this sector rose by 18.4% on a semi-annual basis. Such a high growth in loans to government units led to an increase in the share of loans to this sector of 1.4 percentage points, which reached 11.1% of total bank loans. After a somewhat more considerable growth in corporate loans in 2010, the banks continued to increase the amount of loans granted to that sector with the same intensity in 2011. In the first half of 2011, corporate loans rose by HRK 2.5bn or 2.3%. Corporate loans grew by a much higher 3.3% if data on loans to domestic legal persons whose sectoral association is not known are included.[17] Loans to these persons rose by a high HRK 1.1bn or 36.0% in the first half of 2011 and looking into analytical data, it is evident that non-financial limited liability companies accounted for the bulk of this amount. Loans to non-residents also rose sharply (28.6%) but their share in the sectoral distribution of loans held steady at a low 1.0%.

17 As from 31 March 2010, credit institutions submit credit exposure and credit quality data by means of reporting records (Decision on statistical and prudential reporting, OG 35/2010, 95/2010, 146/2010 and 68/2011) and exposure distribution by sectors and by activities is determined in the CNB based on personal identification numbers of clients submitted by credit institutions and personal identification numbers database of the CBS. Exposure distribution by sectors is conducted in accordance with the European System of Accounts 1995, ESA 95, and the distribution by activities in accordance with the National Classification of Activities 2007. Until 31 March 2010, exposure distribution by sectors and activities was conducted by banks in accordance with regulations governing the chart of accounts (sectors), the supervisory reports and the National Classification of Activities 2002.

Figure 2.18 Rates of change of bank loans



Note: Annual rates of change, June 2011 exempted (semi-annual rate). From 2010, loans comprise loans classified into loans and receivables portfolio, distribution by sectors is carried out in accordance with ESA 95 and loans to non-profit institutions serving households are included in household loans.

As regards loans to the corporate sector, the banks increased the most loans for working capital while the shares of syndicated loans, overdraft facilities, factoring and forfaiting rose by much smaller amounts. The growth in syndicated loans was limited to a very small number of large corporates so that the growth in this type of loans points to the again predominant use of the newly granted amounts for working capital financing and liquidity maintenance. At the same time, the quality of the corporate loan portfolio worsened as seen in the increase in partly recoverable and fully irrecoverable corporate loans, which was bigger than the total increase in corporate loans. This portfolio worsening led to a deterioration in total loan quality. As a result, loans to corporates accounted for the bulk of the total increase in B and C category loans in the first half of 2011.

Increased cautiousness on the part of the households as regards their further borrowing from the banks can be seen in a reduction of household loans for the third consecutive year. These loans fell by 0.6% (with the exchange rate effects excluded) in the first half of the year, although data about the nominal change, as in 2010, point to a slight growth (Table 2.9). The difference between the effective and nominal developments in the first half of 2011 was the result of depreciation of the exchange rate of the kuna against the Swiss franc. The exchange rate effects excluded, household loans indexed to the Swiss franc fell by almost HRK 2.0bn, or 6.5%, from the end of 2010, with home loans and car purchase loans falling the most. Effective fall in home loans indexed to the Swiss franc and a less significant decline in kuna home loans, despite an increase in these loans indexed to the euro of over HRK 1.0bn, led to a small fall in the amount of total home loans compared to the end of 2010 (0.2%). Falling by 14.0% and 15.5%, respectively, if exchange rate changes are excluded, car purchase loans stood out in particular during the observed period. The total amount of car purchase loans and credit card loans has been falling for the third consecutive year. The first half of 2011 also saw a decline in mortgage loans. In contrast with a fall in most purpose loans, the first half of 2011 saw an increase in household general-purpose loans, particularly those indexed to the euro, in line with developments in these types of loans in 2010. In the currency structure of household loans, the share of loans indexed to the Swiss franc fell, standing at 23.5% at the end of the observed period. Loans indexed to the Swiss franc again accounted for a much bigger share of home loans (43.3%) and car purchase loans (46.0%).

Compared to the end of 2010, there was an increase only in euro-denominated and euro-indexed loans. This was primarily the result of growth in euro-indexed loans to government units and, to a lesser extent, to households and corporates. This led to a further strengthening of euro dominance, with this currency accounting for 62.5% of total bank loans, while the share of other currencies, kuna included (without a currency clause) fell. This also led to increased bank exposure to currency induced credit risk (CICR) in the first half of 2011. Of the total amount of bank loans (net), 75.7% were exposed to CICR, a slight increase from 74.7% at the end of 2010. Hedged loans accounted for 5.9% of loans exposed to CICR, loans not subject to hedge assessment (as they are exempted from the obligation of assessment due to their small amount) accounted for 2.9% of these loans and the remaining 91.2% went to loans unhedged against CICR, i.e. to loans to clients with an unmatched currency position and with loan liabilities indexed to a foreign currency.

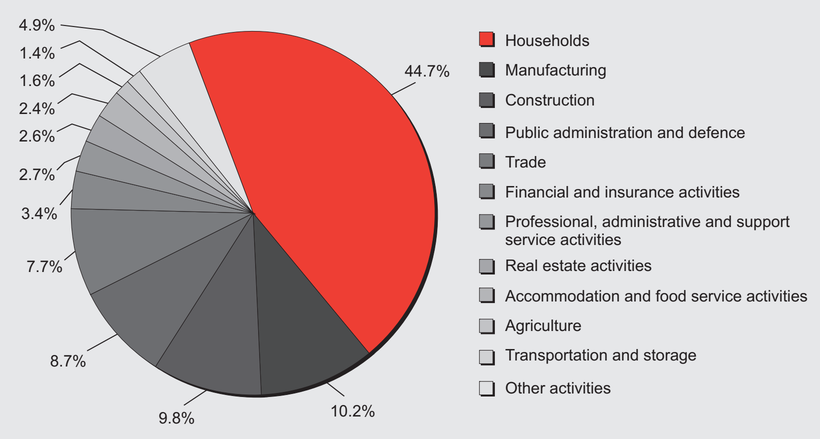
Loans to government units aside, compared to the end of 2010, the banks increased the most the amount of loans to clients in manufacturing (HRK 1.3bn or 4.6%), with this activity thus coming second in terms of the distribution of total bank loans (Figure 2.19). Loans to activities less represented in the distribution of total loans also grew by higher rates but despite this increase, the shares of these activities in total loans did not grow. Loans to agriculture grew the fastest (14.1%), followed

Table 2.9 Bank loans, end of period, in million HRK and %

	Dec. 2008		Dec. 2009			Dec. 2010			Jun. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans											
Government units	21,509.8	8.5	31,547.7	12.1	46.7	26,505.5	9.6	–16.0	31,390.6	11.1	18.4
Corporates	96,827.7	38.3	98,924.4	37.9	2.2	109,268.7	39.7	10.5	111,741.2	39.3	2.3
Households	125,922.6	49.8	122,195.0	46.8	–3.0	127,135.7	46.2	4.0	127,505.9	44.9	0.3
Home loans	52,317.5	20.7	52,959.6	20.3	1.2	57,981.0	21.1	9.5	58,857.4	20.7	1.5
Mortgage loans	3,130.1	1.2	3,084.2	1.2	–1.5	3,513.3	1.3	13.9	3,479.9	1.2	–1.0
Car loans	9,646.0	3.8	7,810.5	3.0	–19.0	6,236.8	2.3	–20.1	5,365.2	1.9	–14.0
Credit card loans	5,529.7	2.2	5,022.3	1.9	–9.2	4,386.8	1.6	–12.7	4,250.3	1.5	–3.1
Other household loans	55,299.3	21.9	53,318.4	20.4	–3.6	55,017.7	20.0	3.2	55,553.1	19.6	1.0
Other sectors	8,422.1	3.3	8,472.0	3.2	0.6	12,039.7	4.4	42.1	13,395.5	4.7	11.3
Total	252,682.2	100.0	261,139.0	100.0	3.3	274,949.6	100.0	5.3	284,033.2	100.0	3.3
Partly recoverable and fully irrecoverable loans											
Government units	67.0	0.5	62.1	0.3	–7.4	75.5	0.2	21.7	76.8	0.2	1.7
Corporates	7,234.8	58.0	12,736.0	62.6	76.0	19,642.5	63.6	54.1	21,881.2	64.7	11.4
Households	4,998.4	40.1	7,081.3	34.8	41.7	9,930.0	32.2	40.2	10,382.4	30.7	4.6
Home loans	891.9	7.1	1,446.6	7.1	62.2	2,584.7	8.4	78.7	2,801.3	8.3	8.4
Mortgage loans	304.0	2.4	368.0	1.8	21.1	788.6	2.6	114.3	800.5	2.4	1.5
Car loans	277.6	2.2	330.3	1.6	19.0	257.6	0.8	–22.0	185.7	0.5	–27.9
Credit card loans	102.8	0.8	152.6	0.7	48.4	174.6	0.6	14.4	179.4	0.5	2.7
Other household loans	3,422.1	27.4	4,783.8	23.5	39.8	6,124.6	19.8	28.0	6,415.5	19.0	4.8
Other sectors	178.0	1.4	481.7	2.4	170.5	1,230.6	4.0	155.5	1,482.8	4.4	20.5
Total	12,478.3	100.0	20,361.1	100.0	63.2	30,878.6	100.0	51.6	33,823.2	100.0	9.5
Value adjustments of partly recoverable and fully irrecoverable loans											
Government units	14.5	0.2	5.5	0.1	–61.9	6.0	0.1	8.8	5.9	0.0	–1.9
Corporates	2,904.6	45.2	4,232.1	48.6	45.7	6,249.3	52.0	47.0	7,068.2	52.7	13.1
Households	3,391.3	52.7	4,309.5	49.5	27.1	5,269.9	44.1	22.3	5,722.6	42.7	8.6
Home loans	384.3	6.0	516.7	5.9	34.4	749.8	6.3	45.1	915.7	6.8	22.1
Mortgage loans	118.7	1.8	116.6	1.3	–1.7	226.9	1.9	94.5	243.3	1.8	7.2
Car loans	204.9	3.2	206.4	2.4	0.8	141.5	1.2	–31.4	141.6	1.1	0.0
Credit card loans	89.0	1.4	125.6	1.4	41.2	149.9	1.3	19.4	161.4	1.2	7.7
Other household loans	2,594.4	40.4	3,344.2	38.4	28.9	4,001.7	33.5	19.7	4,260.5	31.8	6.5
Other sectors	118.9	1.8	163.5	1.9	37.5	462.2	3.9	182.7	618.3	4.6	33.8
Total	6,429.3	100.0	8,710.6	100.0	35.5	11,987.3	100.0	37.3	13,415.0	100.0	11.9

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

Figure 2.19 Structure of bank loans by activities, as at 30 June 2011

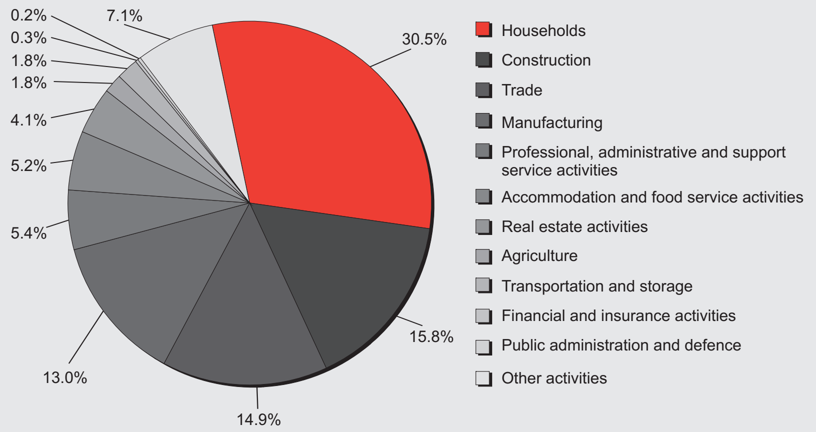


by loans to transport and storage (11.8%). Unlike a large increase in loans to construction seen in the previous year, loans to that sector held steady in the first half of this year. However, the increase in loans to the real estate sector (HRK 0.7bn or 10.1%) led to a small growth in loans to activities associated with the real estate market and construction in the first half of 2011. One part of this increase can probably be attributed to companies set up by construction companies for the management of unsold residential units.

The fastest growth in loans granted (3.6%) in the first half of 2011 was reported by large banks, with the bulk of this growth being attributable to loans to government units. Large banks' loans to government units rose by 20.3% from the end of 2010, increasing their share in total loans to 12.4%. At the same time, large banks' loans to corporates and households rose only slightly, by 1.8% and 0.4%, respectively. Small banks' loans rose by 3.1% and those of medium-sized banks by only 0.6%. Both bank groups increased corporate and decreased household loans. Small banks were thus again the only bank group in which corporate loans accounted for the largest share (58.9%) of loans in terms of their distribution by sectors. Household loans accounted for the largest share of total loans in large and medium-sized banks, and accordingly of all banks combined. Nevertheless, despite a significant effect of exchange rate changes and the associated increase in loans, their share in the distribution of bank loans by sectors fell from 46.2% at the end of 2010 to 44.9% at the end of the first half of 2011. The share of corporate loans also fell slightly and stood at 39.3% for all banks combined. The share of these loans was the smallest (37.4%) in large banks.

The growth in B and C risk category loans, largely present since the last quarter of 2008, continued into the first half of 2011, though at a slower rate. The growth rate of B and C category loans slowed down considerably compared to 2010 (down to 9.5% from to 34.1%), increasing slightly their share in total bank loans, from 11.2% at the end of 2010 to 11.9% at the end of the first half of 2011. The increase in B and C category loans can be attributed to a deterioration in the financial position of debtors, most notably the corporate sector, and their compromised ability to make bank loan repayments, which is in line with the usual developments and the traditionally greater degree of risk involved in loans to that sector. The growth in these loans in the forthcoming period might be influenced by a further considerable increase in A risk category loans with a payment delay of over 90 days which were up 17.1% from the end of 2010. At the end of the first half of 2011, these receivables accounted for almost 1.6% of total loan receivables.

Figure 2.20 Structure of bank partly recoverable and fully irrecoverable loans by activities, as at 30 June 2011

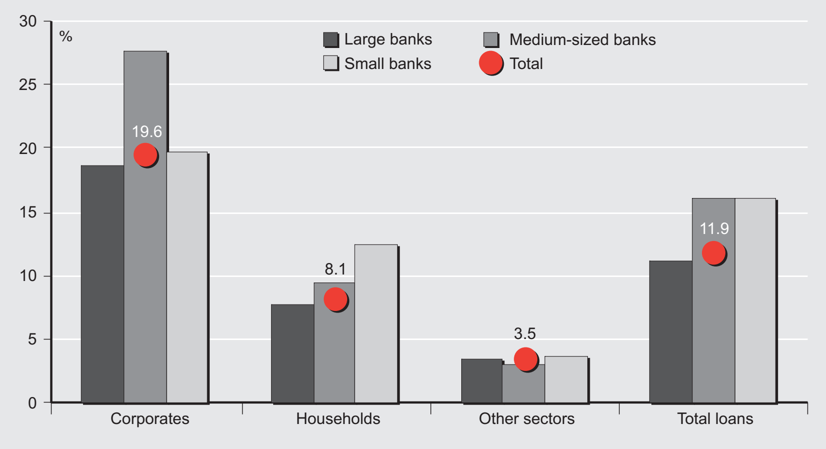


The growth in risk category B and C corporate loans increased the share of these categories in total loans to the sector to 19.6%, although, at 11.9%, the growth rate was considerably lower than in 2010 (64.7%). This was due to a poor growth in new, good quality corporate placements so the ageing of the existing portfolio, coupled with growing delays on the part of the clients in settling their liabilities, led to a considerable growth in risk category B-2 placements, which were up 23.2% and which accounted for the bulk of the increase in risk category B and C loans.

The growth rate of B and C category household loans also slowed down considerably, falling from 40.2% in 2010 to 4.6% in the first half of 2011 and resulting in a smaller increase in the share of these loans, to 8.1% of total household loans. In the same way as in the case of corporates, risk category B-2 accounted for the bulk of the total increase in B and C risk category loans, probably as a result of a considerable increase in A category loans with a payment delay of over 90 days which took place in 2010. The total increase in risk category B and C household loans can be attributed to the growth in these risk groups in other loans (cash general purpose loans, overdraft facilities, etc.) and home loans. Home loans, which had already lost the status of the highest quality household loans back in 2010, worsened additionally in the first half of 2011 as the share of these loans' risk categories B and C rose additionally, from 4.5% at the end of 2010 to 4.8% of total home loans. The growth in risk categories B and C home loans was largely generated by the quality deterioration of home loans in Swiss francs (including loans in kuna indexed to Swiss francs). At the end of the first half of 2011, the share of risk category B and C euro home loans was only slightly higher than that at the end of 2010 (3.1%) while the share of these loans in home loans in Swiss francs rose from 5.7% to 6.4%. The share of B and C risk category loans in kuna home loans was also relatively high and stood at 6.1%. However, as their share in total home loans is low, these loans do not have a significant impact on total home loan quality. Unfavourable exchange rate developments and the associated difficulties in settling loan liabilities in Swiss francs have certainly contributed to the materialisation of currency-induced credit risk (CICR).

Mortgage loans accounted for the largest share of risk category B and C household loans (23.0%) at the end of the first half of 2011, rising slightly from the end of 2010 despite a small fall in the total amount of mortgage loans. Other loans (cash general-purpose loans, overdraft facilities, etc.) had a bigger influence on the total quality of household loans. These loans rose by 4.8% and the share of risk category B and C loans stood at 11.6%. Car purchase loans saw a considerable change. In

Figure 2.21 Share of bank partly recoverable and fully irrecoverable loans, as at 30 June 2011



addition to their total fall, they also saw a significant fall in the amount of B and C category loans which thus accounted for less than 3.5% of the total amount of car purchase loans granted. The relatively good quality of car purchase loans can partly be attributed to the fact that banks that dominate the car purchase market tend to cover most car purchase loans by insurance.

The increase in loans to activities associated with the construction and real estate sectors classified into B and C risk categories accounted for over one third of growth in total B and C risk category loans. This led to a considerable increase in their share in total loans granted to these activities (19.1%) which thus came close to the average share of B and C category loans in corporate loans. The share of these loans was even higher in a number of other activities, but their effect on the total loan quality was not so significant. Trade, manufacturing and accommodation and food service activities had the next highest growth rates of B and C category loans. As regards activities in the lead in terms of their share in total bank loans (over 5%), trade had the poorest loan quality at the end of the first half of 2011. This activity's B and C category loans accounted for 22.9% of total loans granted to that activity and those of manufacturing (construction excluded) came next, with B and C category loans accounting for 15.3% of total loans granted to that activity.

Due but unpaid loan receivables (of over one day) stood at HRK 23.1bn at the end of the first half of 2011, an increase of a high 18.4% from the end of 2010. Due loans accounted for 8.1% of total loans, an increase of one percentage point from the end of 2010. Due receivables rose considerably in the trade and household sectors, notably in the other loans category, such as cash general-purpose loans, overdraft facilities etc. and home loans. Since most of the household loans belong to a portfolio of small loans, where classification into risk categories is possible on the basis of the criterion of timeliness in meeting the obligations (while the criteria of creditworthiness and collateral quality need not be used), the growth in due but unpaid receivables based on other loans and home loans was accompanied by a growth in relevant B and C category loans.

Loan value adjustments rose by 11.9%, or slightly more than B and C risk category loans. As a result, the downward trend in the coverage of B and C risk category loans by value adjustments present for several years thus came to a halt at the end of the first half of 2011, with this indicator rising slightly, reaching 39.7%, a level still below that at the end of 2009. The value of this indicator rose very slightly in the corporate loans category and amounted to 32.3%. Household loans saw a bigger increase in this coverage which was up from 53.1% at the end of 2010 to 55.1% at the end of the first half of 2011, mainly due to an increase in value adjustments for risk category B and C home loans. In view of the fact that home and mortgage loans are generally highly collateralised by real estate, the coverage of B and C category home loans by value adjustments was smaller than for other types of household loans.

The fast growth in B and C category loans that started in the last quarter of 2008 and was particularly evident in large banks continued into the first half of 2011. In this bank group, B and C category loans rose by 10.9%, mainly fuelled by the increase in B and C category corporate loans (12.8%). In medium-sized banks, B and C category loans rose by 6.7%, also influenced by corporate loan portfolio worsening. Only in small banks was the increase in B and C category loans of 3.5% largely attributable to a worsening in the household portfolio loans. The share of B and C loan categories together remained lower in large banks than in other groups. In large banks it stood at 11.1% and in medium-sized and small banks it stood at slightly above 16.1%.

2.2.5 Liquidity risk

Sources of financing

At the end of June 2011, banks' sources of financing[18] amounted to total of HRK 327.3bn, an increase of HRK 4.3bn or 1.3% from the end of the previous year. With the effect of the exchange rate increase excluded, their real growth rate in the first half of the year was a little higher and stood at 1.6%.

The growth in the sources of financing in the first half of 2011 was almost entirely based on a deposits growth of HRK 5.0bn or 1.6%. Hybrid and subordinated instruments grew at a somewhat faster rate (6.5% or HRK 252.6m) though, due to these instruments' relatively small significance, their growth did not considerably affect the total sources of financing. Received loans fell by HRK 832.7m or 1.7%, with the share of received loans in total sources of financing continuing its downward trend, a feature for several years (Table 2.10).

The growth in deposits, as the dominant source of financing, was entirely due to the growth in non-resident deposits (HRK 6.8bn or 14.4%), which in turn was largely due to the growth in deposits

Table 2.10 Structure of bank sources of financing, end of period, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Dec. 2010	Jun. 2011	Dec. 2010	Jun. 2011	Dec. 2010	Jun. 2011	Dec. 2010	Jun. 2011
Deposits	82.2	82.7	89.3	90.3	87.4	87.5	83.3	83.8
Loans	16.7	16.2	8.2	7.5	11.3	11.0	15.4	15.0
Debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid and subordinated instruments issued	1.1	1.1	2.4	2.2	1.3	1.5	1.2	1.3
TOTAL SOURCES OF FINANCING	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Deposits and loans of majority foreign owner	21.3	24.4	6.3	6.8	2.9	2.4	18.2	20.9

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

Table 2.11 Sectoral structure of received loans, end of period, in million HRK and %

	Dec. 2008		Dec. 2009			Dec. 2010			Jun. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from government units	125,7	0,2	62,2	0,1	–50,6	15,2	0,0	–75,5	15,2	0,0	–0,1
Loans from financial institutions	19.270,0	37,0	21.180,5	40,0	9,9	18.178,8	36,5	–14,2	15.284,6	31,2	–15,9
Loans from corporates	3,5	0,0	4,6	0,0	29,7	1,7	0,0	–62,7	1,5	0,0	–11,2
Loans from foreign financial institutions	32.603,9	62,5	31.712,7	59,9	–2,7	31.571,0	63,4	–0,4	33.633,6	68,7	6,5
Loans from other non-residents	129,3	0,2	8,0	0,0	–93,8	6,4	0,0	–20,3	5,4	0,0	–15,1
TOTAL LOANS RECEIVED	52.132,6	100,0	52.968,0	100,0	1,6	49.773,1	100,0	–6,0	48.940,4	100,0	–1,7
Loans from majority foreign owner	22.735,6	43,6	23.641,7	44,6	4,0	23.033,5	46,3	–2,6	26.760,2	54,7	16,2

from majority foreign owners (HRK 5.6bn). Against the backdrop of modest growth in household deposits and steady fall in corporate deposits, the banks continued to turn increasingly to sources from majority foreign owners, which grew by 15.7% and reached 20.9% of the total sources.

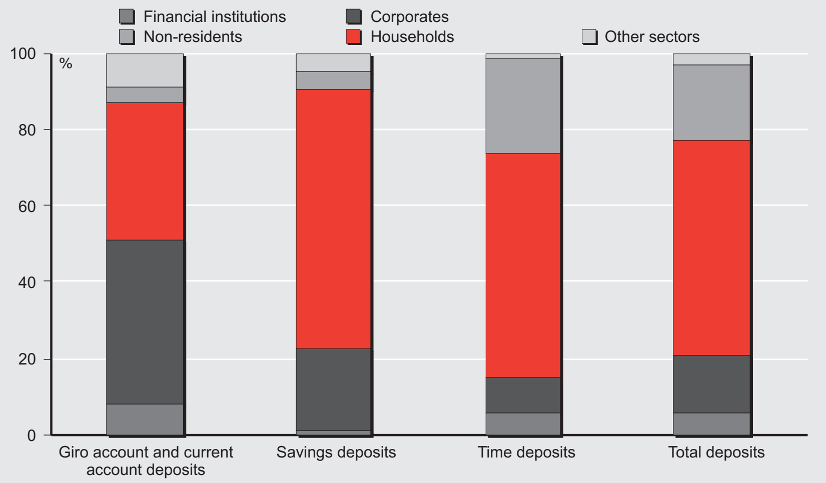
There were no major changes in the structure of the sources of financing of individual bank groups, with deposits being again the dominant source of financing, particularly in medium-sized banks. The share of received loans continued to trend downwards in all bank groups, particularly in medium-sized banks. Large banks again relied more strongly than other bank groups on received loans, one half of which were loans from majority foreign owners. Due to the growth in large banks, issued subordinated and hybrid instruments again saw the largest rates of change, though their share in the total sources of financing rose only slightly, to 1.3%.

Rising by a high HRK 9.4bn or 15.9%, the sources from majority foreign owners[19] reached HRK 68.3bn at the end of June 2011. The increase in borrowing was due more to an increase in received deposits of HRK 5.6bn or 15.7% than to received loans, which rose by HRK 3.7bn or 16.2%. Given that medium-sized and small banks reported almost equal changes, though with opposite signs, the entire semi-annual increase in these sources was based on growth in large banks, one half of which was accounted for by one large bank. The increase in the sources from majority foreign owners in medium-sized banks was due to an increase in received deposits in one medium-sized bank, while deposit repayments in three small banks were largely responsible for a fall in these sources in this group of banks. As a result, the sources from majority foreign owners gained in significance in large and medium-sized banks, increasing their share in total deposits and loans to 24.4% and 6.8%, respectively, in contrast with small banks, where this share declined to 2.4%. Again, 12 out of the total of 16 banks in the majority foreign ownership used these sources. The use of these sources ranged from 0.9% to 34.9% of the total loans and deposits received.

A decline in the total amount of loans received by banks of HRK 832.7m or 1.7% was due to a decline in loans from domestic banks of HRK 2.9bn or 15.9% (notably CBRD loans) and other non-residents[20] (by HRK 1.7bn or 19.5%), which failed to be fully offset by the increase in loans from majority foreign owners of HRK 3.7bn or 16.2% (Table 2.11). Loans received from domestic sectors again comprised a high share of CBRD loans which rose additionally to 90.1%. Nevertheless, the share of CBRD loans in total loans received, due to an increase in the foreign sources, fell to 28.2%. Most of the described changes involved mainly large banks while small banks reported

19 Further analysis of the sources of financing involves mainly received deposits and loans.
20 Foreign financial institutions other than the majority foreign owner.

Figure 2.22 Sectoral structure of received deposits, as at 30 June 2011



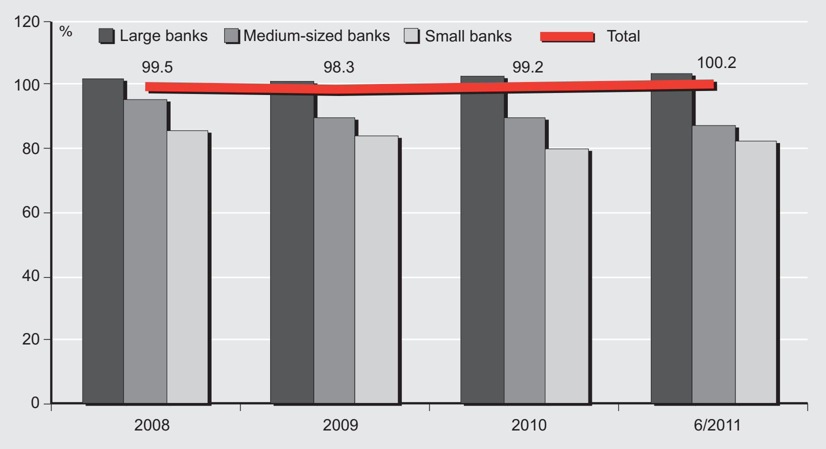
opposite developments, i.e. a small growth in the domestic sources and a fall in loans from majority foreign owners. Medium-sized and small banks again relied predominantly on domestic loans, which accounted for 93.7% and 84.4%, respectively, of the total of received loans, while large banks relied predominantly on loans from non-residents, which accounted for 75.8% of total received loans, particularly those received from majority foreign owners, which accounted for 80.2% of loans received from non-residents.

The bulk of the increase in bank deposits on a semi-annual level was due to an increase in deposits of non-residents of HRK 6.8bn or 14.4%, and to a much lesser extent to domestic financial institutions and households. The deposits of the corporate sector fell by HRK 4.3bn or 9.3%, almost entirely due to a fall in time deposits in foreign currency. This decline notwithstanding, at the end of the first half of 2011, total time deposits were 1.1% higher than at the end of 2010, owing to a significant increase in kuna time deposits (10.7%) of almost all sectors, in particular domestic and foreign financial institutions. The increase in giro and current account deposits (7.9%) led to an increase in their share in total bank deposits (14.7%) By contrast, savings deposits fell slightly (0.5%) and so did their share in total deposits (9.7%). Time deposits again accounted for a little over two thirds of all deposits, despite their slight fall to 75.6%, due to a slower increase in the first half of the year.

A decrease in corporate deposits and deposits of majority foreign owners led to a small fall in deposits in the group of small banks. Deposits rose by a little over 2% in large and medium-sized banks although this increase in the group of large banks was entirely the result of increased deposits of majority foreign owners. Deposits of corporates fell considerably in large banks in contrast with a slight increase in household deposits in this group, as a result of growth reported by three banks and a fall in this sector's deposits reported by the remaining three large banks.

In contrast with the previous year, the entire growth in deposits that took place in the first six months of 2011 was based on an increase in kuna deposits, which were up HRK 7.6bn or 9.1% from the end of 2010, while foreign currency and foreign currency indexed deposits declined. The increase in kuna deposits was mostly influenced by the growth in time, giro and current accounts of domestic and foreign financial institutions with deposits of majority foreign owners accounting for one quarter of this increase. As a result, the share of kuna deposits rose to 33.1%, while deposits of majority foreign

Figure 2.23 Bank loans granted/deposits received



owners received in kuna reached 40%. All this led to a halt in and reversal of the trend of growth in the share of foreign currency deposits in total deposits, which fell significantly for the first time since 2007 (2.0 percentage points), reaching 65.4%, almost exclusively as a result of a decline in euro deposits. This decline notwithstanding, euro deposits again accounted for the major share of currency and indexed deposits (87.2%), while the US dollar and the Swiss franc accounted for the remaining share (6.2% and 5.6%, respectively).

Loans granted grew at a faster rate than deposits received, leading, at the end of the year, to a slight rise in their ratio (Figure 2.23), which exceeded 100%, standing at 100.2%. Large banks again had the biggest impact on the level of this ratio. This ratio was the highest in this bank group where it increased additionally to 103.8% during the observed period. In medium-sized banks this indicator stood at 87.3%, showing a downward trend and in small banks, after trending downwards for the part three years, this indicator saw a small increase, (82.5%).

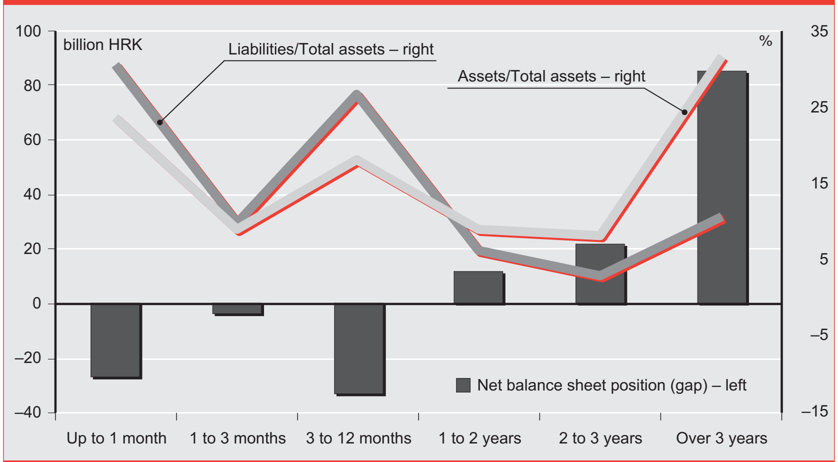
Maturity adjustment of bank assets and liabilities

At the end of the first half of 2011, short-term bank liabilities again exceeded short-term bank assets, while the maturity structure mismatch, measured by cumulative gap[21] in the short-term maturity category (up to one year) stood at HRK 63.1bn. The mismatch fell by a slight HRK 1.3bn from the end of 2010 (Figure 2.24) causing the coverage of short-term liabilities by short-term assets to increase to 76.3% at the end of June 2011.

A small decline in the cumulative short-term mismatch was the result of a somewhat faster growth in assets with a remaining maturity of up to one year (HRK 4.9bn or 2.5%) than the growth in liabilities of the same maturity (HRK 3.6bn or 1.4%). A sharp growth in loans, particularly in the 3 to 12 months maturity category, was sufficient to compensate for the big fall in deposits with banking institutions (influenced by regulatory changes), while assets with a remaining maturity of up to one year continued to grow owing to a steady growth in deposits with the CNB. Assets with a remaining

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

Figure 2.24 Asset and liability maturity match or mismatch, as at 30 June 2011



maturity over one year rose slightly (HRK 1.5bn or 0.8%), mostly as a result of an increase in long-term investments in subsidiaries and associates in one large bank.

At the same time, of bank liabilities with a remaining maturity up to one year, only deposits rose more significantly, by HRK 6.3bn or 2.8%. Deposits rose the most again in the remaining maturity category from 3 to 12 months. The increase in giro and current account deposits led to an increase in deposits with the shortest remaining maturity (up to one month). A fall in the savings with a remaining long term to maturity caused the share of deposits with a remaining maturity up to one year to increase slightly to 84.9% of total deposits. By contrast, the share of received loans with a remaining maturity of less than one year fell by 5.3 percentage points (stood at 41.0%) due to a concomitant fall in loans received from financial institutions with the shortest remaining maturity (up to one month) and an increase in loans with a remaining maturity of over one year.

Minimum liquidity coefficient

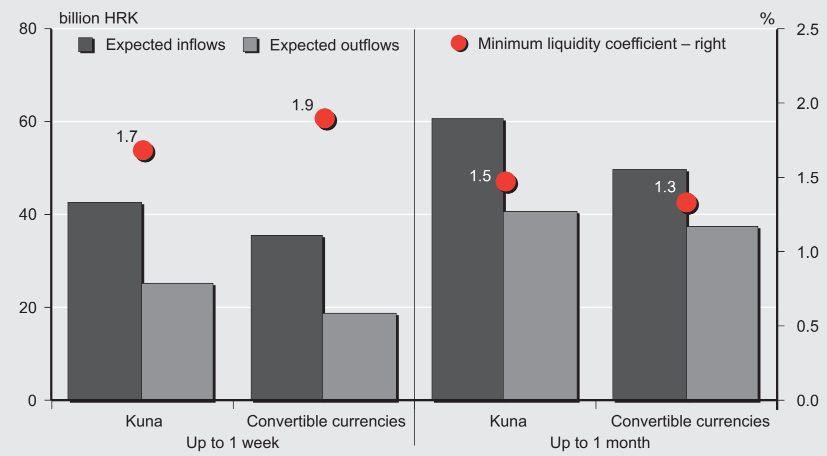
In the first half of 2011, the banks maintained their minimum liquidity coefficients (MLC) above the prescribed minimum.[22] MLC in all banks combined continued to trend downwards slightly. Nevertheless, the required liquidity level was sufficient for surmounting the given stress period.[23] On 30 June 2010, the minimum liquidity coefficient (MLC) of banks for kuna stood at 1.7 in the period up to one week and at 1.5 in the period up to one month (Figure 2.25). The MLC for convertible currencies stood at 1.9 in the period up to one week and at 1.3 in the period up to one month.[24] Compared to balance as at 31 December 2010, there was a noticeable increase in the expected inflows and outflows in kuna, in contrast with a fall in the expected cash flows in convertible currencies, which is in line with the said currency restructuring of bank balance sheets.

22 Minimum liquidity coefficient (MLC) is calculated as the ratio of expected inflows (currently negotiable assets included) and the expected outflows in the last two given periods (up to one week and up to one month). MLC is calculated for kuna, all convertible currencies combined and for each non-convertible currency individually. MLC has to equal to or greater than 1 on each day for periods of up to one week and up to one month.

23 Assets and liabilities categories which are taken into account in MLC calculation are adjusted by the prescribed volatility adjustments or volatility adjustments obtained by the credit institution on the basis of own estimates of volatility adjustments. Only one large bank used own estimates of volatility adjustments.

24 No bank reported MLC for non-convertible currencies, which has to be calculated if outflows in a non-convertible currency account for over 1% of the total assets of a credit institution.

Figure 2.25 Minimum liquidity coefficient, as at 30 June 2011



All bank groups reported a fall in their liquidity coefficients during the observed period. Of all bank groups, large banks again reported liquidity coefficients closest to those prescribed and the values of their coefficients in kuna and in convertible currencies were again on satisfactory levels. A small decline in the coefficients at the end of June was mainly the result of the expected deposit and loan repayments to majority foreign owners with the close of the first half of the year, since these cash flows present estimates for the next month (July). Somewhat higher liquidity coefficients in the first half of the year were reported by small and medium-sized banks, for convertible currencies in particular. This was to be expected in view of their predominant reliance on domestic sources of financing, which was especially true of small banks. The coefficients of medium-sized banks again moved within the broadest range and fluctuated the most. In this bank group, these changes were also more pronounced in the case of convertible currencies, largely due to changes in the amount of expected outflows and/or inflows associated with derivative financial instruments (swaps) during the reporting months.

The total readily marketable assets of banks stood at HRK 54.8bn at the end of June 2011, accounting for 13.8% of the total bank assets. This means that the banks can (based on own assessment) turn into cash 13.8% of their total assets in four working days, with no major losses. Although the amount of readily marketable assets was down 3.8% from the end of 2010, mainly as a result of a fall in deposits with credit institutions in convertible currencies (the effect of regulatory changes in March 2011), the average value of these assets was up 6.0% from the 2010 average, mainly as a result of an increase in the kuna share of these assets (deposits with the CNB in particular).

A somewhat more significant strengthening of the kuna part of readily marketable assets in the first half of 2011 led to a change in the currency structure of these assets, with readily marketable assets in kuna[25] at the end of June accounting for 57.4% and assets in convertible currencies for the remaining 42.6% of readily marketable assets. This is an increase in readily marketable assets of 9.1 percentage points from the end of 2010. These changes did not have a considerable effect on the structure of highly liquid funds, with deposits with the CNB and T-bills of the Ministry of Finance still accounting for the bulk of these assets in kuna (HRK 23.5bn or 74.8%). Deposits with credit institutions and

25 It should be noted that, for the purposes of the Decision on liquidity risk management, all foreign currency indexed kuna exposures are considered exposures in kuna.

available for sale securities again accounted for the majority of readily marketable assets in convertible currencies (HRK 19.8bn or 84.8%).

In terms of distribution by bank groups, medium-sized banks accounted for the largest share of readily marketable assets in total assets (17.7%). Small banks recorded a slightly lower share (15.1%), while large banks, as expected, maintained the lowest share of readily marketable assets (13.2%), due to their faster and simpler access to sources of liquidity.

2.2.6 Currency adjustment of bank assets and liabilities

A characteristic feature of the domestic banking system and bank balance sheets is that there is a very large share of items in foreign currencies and items in kuna with a currency clause. Approximately two thirds of assets and liabilities of banks are in foreign currencies or indexed to a foreign currency, notably the euro. The banks had protected a surplus of foreign currency assets over foreign currency liabilities (including assets and liabilities in kuna with a currency clause), i.e. a long spot foreign exchange position by means of forward agreements, thus reducing their direct exposure to currency risk. However, indirect exposure, i.e. exposure to currency induced credit risk continued to be very high.

After growing for three consecutive years, the shares of foreign currency assets and liabilities fell in the first half of 2011, though their level remained higher than their historical minimum at the end of 2007. On the liabilities side, the foreign currency component rose by a modest 0.3% effectively[26], in contrast with kuna liabilities, which rose by 4.5%. Such a modest growth in foreign currency liabilities is the result of growth in received loans, particularly those in Swiss francs[27], while foreign currency deposits fell by 1.9% effectively, mainly as a result of a decline in corporate euro deposits. Kuna deposits rose by a considerable 9.1%, mainly as a result of growth in kuna deposits from domestic sectors, primarily investment funds and households. Kuna deposits of majority foreign owners also rose considerably, with the kuna component of deposits received from majority foreign owners reaching 40.0% of total deposits received from majority foreign owners. The high share of kuna deposits of foreign owners can probably be attributed to regulatory arbitrage associated with the regulation on minimum foreign currency liquidity.[28] On the assets side, the first half of 2011 saw an increase only in the kuna component (5.9%) while foreign currency assets of banks fell 0.7% effectively. The fall in foreign currency assets was the result of a significant decline in foreign currency deposits in foreign banks attributable to a reduction in the prescribed percentage of foreign currency claims that has to be maintained relative to foreign currency liabilities. High risk aversion, both on the part of the banks and their clients, led to a sharp increase in the amount of overnight deposits with the CNB (allocated in kuna) and an increase in kuna cash, driven by the growing need for cash during the tourist season. Kuna loans granted declined while those in foreign currency rose, mainly influenced by the growth in foreign currency loans to government units.

26 The exchange rate of the kuna appreciated against the euro and the American dollar by 0.2% and 7.9%, respectively, and depreciated against the Swiss franc by 3.9% in the first half of 2011.

27 The increase in received loans in Swiss francs can be attributed entirely to one large bank and a loan in Swiss francs it took from its majority foreign owner to improve currency and maturity match between assets and liabilities while derivative instruments, formerly used for these purposes, declined.

28 Foreign liabilities and kuna liabilities with a currency clause must be covered by a prescribed percentage of liquid foreign currency claims. Therefore, the growth in kuna sources from majority foreign owners can probably be attributed to the efforts of banks to reduce regulatory costs. As majority foreign owners do not have kuna, the domestic banks enter into swap arrangements with them, selling kuna and purchasing foreign exchange on the spot market and selling foreign exchange and purchasing kuna on the forward market.

Figure 2.26 Long foreign exchange position of banks, quarterly averages

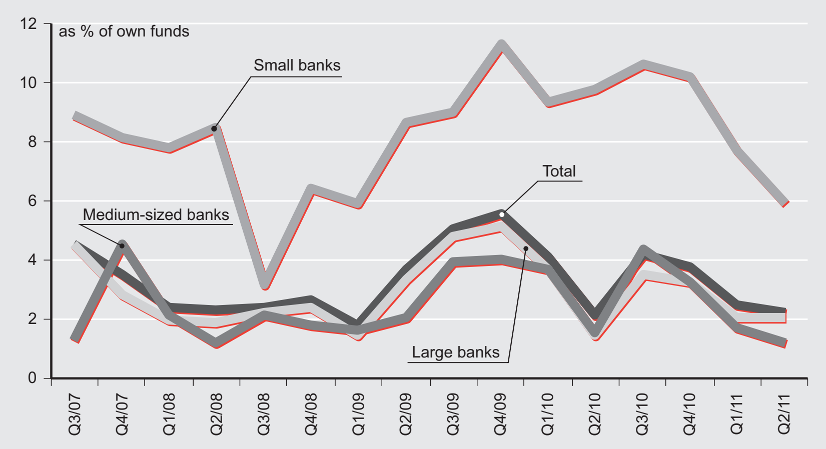
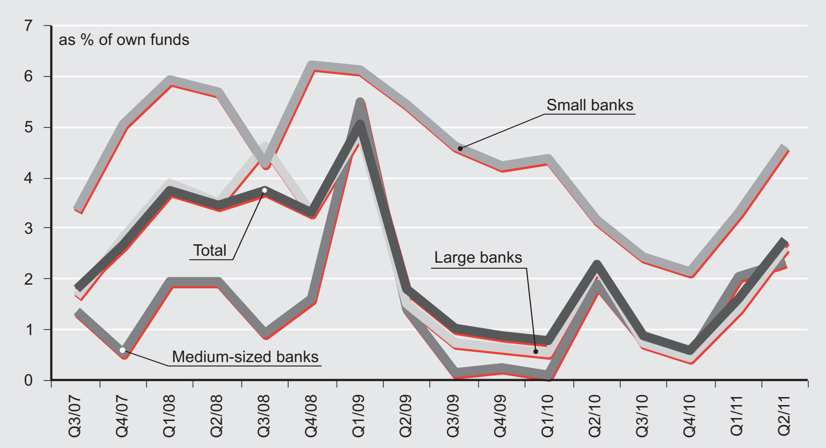


Figure 1.27 Short foreign exchange position of banks, quarterly averages



Foreign currency assets stood at HRK 255.7bn at the end of the observed period, accounting for 64.3% of total bank assets. At HRK 232.3bn, foreign currency liabilities were smaller than foreign currency assets and accounted for 68.0% of total liabilities of banks. The euro accounted for the major share of foreign currency assets (81.7%). It was followed by the Swiss franc (13.2%) and the American dollar (4.2%), with the three currencies combined accounting for the bulk of foreign currency assets. These currencies also accounted for the bulk of foreign currency liabilities. At 85.2%, the share of the euro in these liabilities was bigger than its share in foreign currency assets. By contrast, the Swiss franc accounted for 8.7% and the American dollar for 5.2% of foreign currency liabilities. The difference between foreign currency assets and liabilities (expressed as a share in total assets) was the highest in large banks (6.6%). It was considerably lower in medium-sized banks (4.6%) and by far the lowest in small banks (0.4%). As a rule, small banks do not operate with derivative financial instruments so they use balance sheet items to manage currency risk. By contrast, large banks use derivative financial instruments to shorten their long balance sheet positions, thus reducing their currency risk exposure. At the end of the first half of 2011, the net open currency position[29] of the banking system was short, standing at 1.9% of own funds, much below the legally prescribed maximum of 30%.

In the first half of 2011, the largest number of banks had a net long open position. Most small banks had a long position, owing to a long position in the euro, which accounts for the largest share of foreign currency assets of this group of banks (94.4%). The share of assets in Swiss francs in this group was low and stood at 1.6%. Assets in Swiss francs accounted for a much bigger share of foreign currency assets in large banks (14.3%) as a result of the great popularity of loans in this currency, particularly home loans, in the period up to 2007. Large banks used derivative financial instruments, arranged with majority foreign owners, to hedge their open spot positions. The share of assets in Swiss francs in large banks ranged between 10.9% and 25.8% of the total foreign currency assets, higher shares being characteristic of banks majority owned by Austrian shareholders.

Although direct exposure to currency risk was low owing to the use of derivative financial instruments, indirect exposure to currency risk was very high. A little over 60% of placements and off-balance sheet liabilities of banks were exposed to currency-induced credit risk and the majority or almost 85% of these placements and off-balance sheet liabilities were not hedged against this risk, having been placed to clients with an unmatched foreign currency position. The banks are required by law to view credit risk by placements in foreign currencies or indexed to foreign currencies in terms of possible changes in the financial position of the debtor that may arise due to changes in the exchange rate of the domestic currency against foreign currencies. The banks have to establish an internal system of monitoring, analysing and assessing whether the foreign exchange position of an individual debtor or peer groups of debtors is matched and whether their cash flows can be adjusted to the potential changes in the level of their liabilities towards a bank and total liabilities due to the effect of changes in the exchange rate.

2.2.7 Interest rate risk in the non-trading book

Unfavourable developments in interest rates may lead to a deterioration in the financial position of banks. The effect of market interest rates developments on the non-trading book is covered by explicit capital requirements under the first pillar of the capital adequacy regulatory framework that is relevant for institutions involved in larger-scale trading activities. By contrast, interest rate risk in the non-trading book arises from core business activities of banks, with maturity mismatch[30] as the main source of that risk. In line with the regulation on interest rate risk in the non-trading book[31], the banks are required to calculate the change in the economic value of the non-trading book[32], i.e. its net present value in the conditions of a parallel interest rate shock of 200 basis points. Supervisory measures are taken against a bank where the change in the economic value of the non-trading book exceeds 20% of own funds.

29 The net open foreign exchange position of all banks combined was obtained by aggregating individual bank data and netting of individual institutions' opposite sign positions in individual currencies.

30 Repricing risk is the risk to which a credit institution is exposed due to a maturity mismatch (for fixed interest rates) and a revaluation of interest rates (for variable interest rates) of non-trading book positions.

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

32 To calculate the economic value, interest rate-sensitive assets and liabilities (derivative financial instruments included) are distributed into 13 time zones depending on the possibility of interest rate change, with the net position of each zone, i.e. the difference between the amount of interest rate-sensitive assets and liabilities in that zone, being weighted by a relevant weight. The weights reflect the effect of interest rate shock and the estimated modified duration of each zone, with longer term zones being assigned higher weights, which reflect greater sensitivity to interest rate changes. By summing up the weighted amounts by zones, with mutual offsetting of positive and negative mismatches, the banks arrive at the change in the economic value of the non-trading book. The banks are obligated to report the change in the economic value of the non-trading book for all major currencies (constituting over 5% of balance sheet assets) individually.

Table 2.12 Interest rate risk in the non-trading book, as at 30 June 2011, in million HRK and %

Currency	Interest rate type	Net position (before weighting)	Net weighted position
HRK	Administered interest rate	–16,407.5	–194.6
	Variable interest rate	28,225.8	381.9
	Fixed interest rate	8,242.2	505.2
EUR	Administered interest rate	–4,570.9	363.9
	Variable interest rate	54,976.7	107.5
	Fixed interest rate	–48,602.6	–195.0
CHF	Administered interest rate	26,937.2	248.3
	Variable interest rate	–8,785.3	–32.7
	Fixed interest rate	–3,989.3	–346.4
USD	Administered interest rate	–820.6	–12.2
	Variable interest rate	1,107.1	3.3
	Fixed interest rate	–875.5	–4.0
Other	Administered interest rate	–6,197.8	–36.8
	Variable interest rate	3,319.8	–2.0
	Fixed interest rate	1,393.9	–18.9
Change in the economic value of the non-trading book			767.4
Own funds			54,185.1
Relative ratio: Change in the economic value of the non-trading book/Own funds			1.4

At the end of the first half of 2011, the change in the economic value of the non-trading book on total bank level stood at HRK 767.4m or 1.4% of own funds[33] (Table 2.12). Since the March 2010 introduction of mandatory reporting on interest rate risk in the non-trading book, the ratio of change in the economic value and banks' own funds has been trending downwards and has been moving within a relatively narrow margin, from the highest 3.1% at the end of the first half of 2010 to 1.4% at the end of the observed period. The relatively low level of the interest rate risk exposure indicator can be ascribed to a good match between interest rate-sensitive assets and liabilities across time zones. The banks distributed the bulk of interest rate-sensitive assets and liabilities into short-term zones (up to one year) and these were the only zones with significant mismatches. However, low weights assigned to short-term zones limit the effect of these positions on economic value. As the effect of off-balance sheet positions on the total net weighted position was low, it can be concluded that there was no need for any major use of these items as a hedge against interest rate risk.[34]

In line with their traditional practice, domestic banks used short-term sources to finance long-term loans. Despite the significance of long-term lending in bank balance sheets, particularly in home lending, there were no major mismatches in longer-term time zones. Most household loans and indeed most bank loans of all categories were made at administered interest rates[35] which are distributed into appropriate time zones by the bank according to its own independent assessment[36] of the

33 The change in the economic value of all banks combined, and of each bank peer group, was obtained by aggregating individual bank data which enabled netting of opposite sign positions between individual institutions. The median of distribution of the ratio of change in the economic value and own funds in banks stood at 2.4%.

34 The data relate to derivative financial instruments, which are used as a hedge against interest rate risk and which are subject to hedge accounting. However, it is possible that a part of derivative financial instruments in the non-trading book is also used as a hedge against interest rate risk in the non-trading book.

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

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

probability and frequency of interest rate changes. The banks distributed the largest share of loans granted at an administered rate into short-term zones, particularly the shortest one (up to 1 month), which helped achieve a good maturity match between interest-sensitive assets and liabilities of banks. The banks use administered interest rates and transfer risk to clients to reduce their own direct exposure to interest rate risk. However, indirect exposure may represent a significant source of risk for the banks and the possibilities for the management of this risk are limited by the competitive position and the ability of clients to settle their credit liabilities as they fall due in changed circumstances.

Items with administered interest rate accounted for the largest share (51.4%) of the most significant item of bank assets, loans granted. Loans with a variable interest rates accounted for the next largest share (39.5%) of loans granted while the share of loans granted at a fixed interest rate was low and stood at 9.2%. Such a structure of total bank loans granted indicates the importance of the share of household loans which accounted for the biggest share of bank loans. A little over 90% of these loans were granted at an administered interest rate. A little over two thirds of corporate loans were granted at a variable interest rate. The share of loans with variable interest rates rose considerably from the end of 2010 owing to the growth in loans with variable interest rates to government units and corporates.

The largest share, or a little over one half of time deposits in bank liabilities, involved time deposits with a fixed interest rate. Fixed interest rate corporate deposits accounted for 71.3% of corporate time deposits. Fixed interest rate time deposits of other sectors, except the household sector, also accounted for a dominant share of these sectors' deposits. Time deposits with an administered interest rate accounted for the largest share of household time deposits (51.7%) while those with a fixed interest rate accounted for a smaller share (48.3%) of household time deposits. Compared to the end of 2010, the structure of household time deposits changed visibly in favour of deposits with a fixed interest rate and at the expense of those with an administered interest rate. At total deposit level, deposits with administered interest rates accounted for the largest share of total deposits (60.9%) since current and giro accounts were predominantly (over 90%) agreed at an administered interest rate.

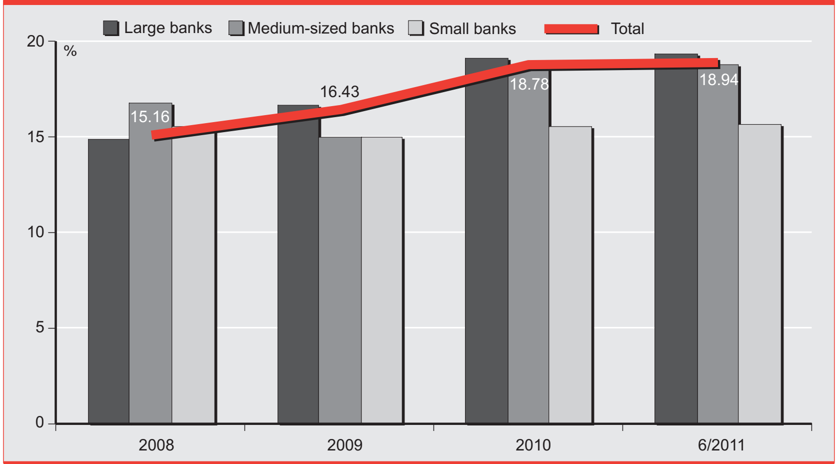
In the conditions of parallel growth in interest rates, the amount of net weighted position was positive and had the highest value for items with a variable interest rate. The net weighted position for items with administered interest rates was also positive while that for items with a fixed interest rate was negative and reduced economic value. By currencies, the position in kuna proved to be the most sensitive to interest rate shock. With a parallel shift in interest rates, the net weighted position in kuna was positive. In contrast with kuna items and items in other foreign currencies, there was a negative mismatch in most time zones in items in Swiss francs, which means that liabilities were bigger than assets, so that in the conditions of interest rate growth, the net weighted position in that currency was negative and reduced the economic value.

The ratio of change in the economic value of the non-trading book and own funds stood at 1.5% in large banks. In medium-sized banks it stood at a higher 2.1% owing to the lack of sources and greater mismatches over the longer term but was lower in small banks (0.2%) where mismatches of different signs were mutually offsetting. At the end of the first half of 2011, the ratio of change in the economic value of the non-trading book and own funds was below 20% in all banks, with only one bank operating on the verge of this ratio.

2.2.8 Capital adequacy

The capital adequacy ratio rose slightly in the first half of 2011, thus continuing its upward trend from 2009 and 2010. The increase in this rate from 18.78% at the end of 2010 to 18.94% at the end of the first half of 2011 (Figure 2.28) was mainly due to the growth in loans to domestic government units which led to a fall in the average credit risk weight and capital requirements. The increase in the capital adequacy ratio of three large banks largely set the course for the developments in capital adequacy of all banks. However, most banks (21) reported a fall in the capital adequacy ratio and one bank reported a fall in this ratio below the legally prescribed minimum of 12%.[37]

Figure 2.28 Bank capital adequacy ratio



At the end of the first half of 2010, banks' own funds stood at HRK 54.2bn, a decrease of 0.4% from the end of 2010. The fall in bank's own funds was due to the increase in direct equity investment in financial institutions which, as provided by regulations, reduce own funds. The effect of the growth of deduction items outweighed the positive effects of increased reserves and retained earnings of banks. In line with shareholder decisions, the banks distributed the largest share of the 2010 profit to retained earnings and reserves and as some banks had already included current year profit in the calculation of own funds under audited end-2010 data, in the end-June 2011 calculation, this amount was only carried over to the item of retained earnings with no effect on developments in own funds.

The increase in investments in financial institutions can fully be attributed to one large bank that at the same time also issued subordinated instruments. Investments in financial institutions reduced this bank's original own funds[38] as well as original own funds of all banks combined (1.1%). By contrast, additional own funds rose by 9.5%, owing to a growth in subordinate instruments in this large bank and to a lesser extent to a growth in hybrid instruments in small banks. Despite an increase in the share of additional own funds in own funds, the quality of own funds did not change significantly. Original own funds, which are the highest quality component of own funds, accounted for the bulk

37 The Republic of Croatia used national discretion, which enables it to prescribe a capital adequacy ratio exceeding the 8% prescribed by the Capital Requirements Directive. Under the proposed Capital Requirements Directive IV, the prescribed capital adequacy ratio will be set at 10.5%.

38 One half of the amount of deduction items from own funds is deducted from original own funds and the other half from additional own funds. Where one half of the amount of deduction items exceeds the amount of additional own funds, the excess amount is deducted from original own funds.

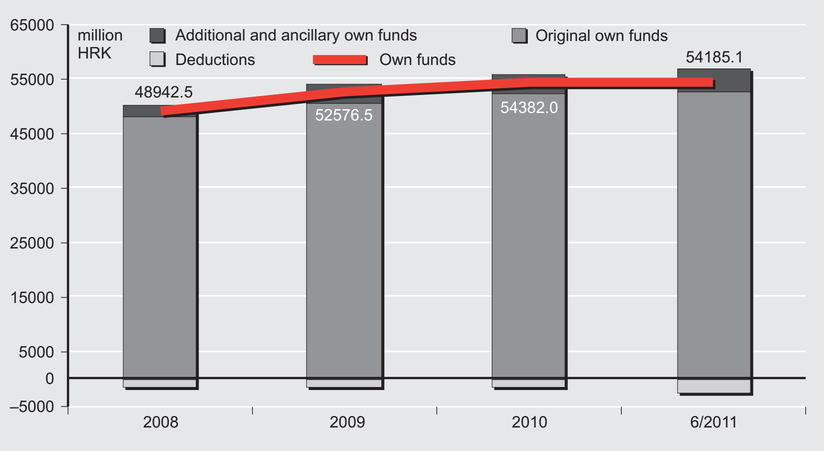
of own funds (92.6%) and their capital adequacy ratio stood at a high 17.54%. None of the banks reported ancillary own funds (for market risk coverage).

At the end of the first half of 2011, the total capital requirements of banks stood at HRK 34.3bn, down 1.2% from the end of 2011. The fall in the capital requirements was mostly due to a fall in the component of capital requirements relating to credit risk, credit counterparty and dilution risk and free deliveries (hereinafter: credit risk). Nevertheless, capital requirements for credit risk accounted for 89.5% of total capital requirements, thus remaining by far the most significant component of total capital requirements (Figure 2.31). The capital requirements for operational risk also declined, by 3.7%, reflecting their decrease in two large banks that use the advanced approach. The share of capital requirements for operational risk fell to 8.9%, while the share of the least important component, capital requirements for market risks (position, currency and commodity) rose to 1.7% of total

Table 2.13 Own funds, capital requirements and capital adequacy ratio of banks, as at 30 June 2011, in million HRK and %

	Large banks		Medium-sized banks		Small banks		Total	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Own funds	45,248.9	100.0	4,621.2	100.0	4,315.0	100.0	54,185.1	100.0
ORIGINAL OWN FUNDS	44,659.2	98.7	4,079.9	88.3	3,895.4	90.3	52,634.4	97.1
Paid up capital (excl. cumulative preferential shares) net of own shares	22,085.5	48.8	3,714.2	80.4	3,614.9	83.8	29,414.6	54.3
Reserves and retained earnings	22,703.6	50.2	430.5	9.3	372.2	8.6	23,506.3	43.4
Other	–130.0	–0.3	–64.9	–1.4	–91.7	–2.1	–286.5	–0.5
ADDITIONAL OWN FUNDS	3,047.1	6.7	623.2	13.5	432.3	10.0	4,102.5	7.6
Paid-up cumulative preferential shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid and subordinated instruments	3,047.1	6.7	623.2	13.5	454.0	10.5	4,124.3	7.6
Other	0.0	0.0	0.0	0.0	–21.8	–0.5	–21.8	0.0
ITEMS DEDUCTED FROM ORIGINAL OWN FUNDS AND ADDITIONAL OWN FUNDS	–2,457.3	–5.4	–81.9	–1.8	–12.7	–0.3	–2,551.9	–4.7
ANCILLARY OWN FUNDS (for market risk coverage)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital requirements	28,076.5	100.0	2,944.3	100.0	3,306.3	100.0	34,327.1	100.0
CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	25,221.5	89.8	2,512.4	85.3	2,974.5	90.0	30,708.4	89.5
Standardised approach	25,221.5	89.8	2,512.4	85.3	2,974.5	90.0	30,708.4	89.5
Corporates	10,522.1	37.5	1,028.0	34.9	976.1	29.5	12,526.3	36.5
o/w: Secured by real estate property	17.1	0.1	1.2	0.0	44.0	1.3	62.3	0.2
Retail	12,534.3	44.6	1,267.2	43.0	1,640.9	49.6	15,442.4	45.0
o/w: Secured by real estate property	79.9	0.3	5.5	0.2	31.9	1.0	117.3	0.3
Other	2,165.1	7.7	217.1	7.4	357.4	10.8	2,739.7	8.0
SETTLEMENT/DELIVERY RISKS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
POSITION, FOREIGN EXCHANGE AND COMMODITY RISKS	423.9	1.5	127.0	4.3	23.2	0.7	574.0	1.7
o/w: Internal models	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Traded debt instruments	222.2	0.8	59.9	2.0	0.0	0.0	282.1	0.8
Foreign exchange	180.3	0.6	12.6	0.4	23.1	0.7	216.1	0.6
Other risks	21.4	0.1	54.5	1.8	0.0	0.0	75.8	0.2
RISK OF EXCEEDING THE PERMITTED EXPOSURE LIMITS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPERATIONAL RISK	2,431.2	8.7	304.9	10.4	308.7	9.3	3,044.8	8.9
Simplified approach	0.0	0.0	115.1	3.9	280.4	8.5	395.4	1.2
Standardised approach	1,274.3	4.5	189.9	6.4	28.3	0.9	1,492.5	4.3
Advanced measurement approach	1,156.8	4.1	0.0	0.0	0.0	0.0	1,156.8	3.4
Surplus/deficit of own funds	17,172.4	–	1,676.9	–	1,008.7	–	19,858.0	–
Capital adequacy ratio	19.34	–	18.83	–	15.66	–	18.94	–

Figure 2.29 Bank own funds



capital requirements. The capital requirements for market risks rose considerably (20.7%), due in almost equal measures to the growth in capital requirements for currency risk, capital requirements for specific position risk of debt instruments and capital requirements for equity risk. The banks are obligated to calculate capital requirements for currency risk if their total open foreign exchange position increased by the net position in gold exceeds 2% of own funds. Given the low amount of these positions in large banks, the capital requirements for currency risk varied across periods, depending on whether or not large banks were obligated to make a calculation. Such developments influenced the growth in capital requirements for currency risk during the observed period. The growth in capital requirements for the specific position risk of debt instruments and capital requirements for equity risk was the result of their increase in one medium-sized bank.

All banks used the standardised approach in the determination of capital requirements for credit risk. In the calculation of capital requirements for operational risk, the majority of banks (24) used the basic indicator approach, two banks used the advanced approach and the remaining seven banks used the standardised approach. No internal approaches were used to calculate capital requirements for market risks. Nine banks, or all large and medium-sized banks, had to calculate capital requirements for trading book positions, in contrast to the remaining banks that were not required to do so because of the insignificant value of their trading book positions. Seven banks did not have to calculate capital requirements for currency risk.

The capital requirements for credit risk declined by 1.3% from the end of 2010. The weighted exposure amount rose slightly (0.7%) but the fall in the average credit risk weight, from 63.6% to 62.4%, reduced capital requirements.[39] Original exposure grew by 1.3% while growing value adjustments and provisions and the effects of credit risk mitigation techniques and conversion of off-balance sheet items led to a considerably slower growth in weighted exposures. The use of credit risk mitiga-

39 The capital requirements for credit risk are obtained by multiplying the credit risk-weighted exposure by 12% (minimum capital adequacy ratio). The credit risk-weighted amount is obtained by multiplying the exposure that is being weighted by relevant credit risk weights. The exposure that is being weighted is included in the net amount (reduced by value adjustments and provisions) and contains the effects of credit risk mitigation techniques and off-balance sheet items conversion. The use of different credit risk mitigation techniques such as unfunded credit protection and the financial collateral simple method effectively imply a substitution of weights, so that individual exposure to an obligor receives a weight of the protection provider (unfunded credit protection), i.e. the weight that the credit institution would assign in case of a direct exposure to a collateral (financial collateral simple method). In contrast, the financial collateral comprehensive method allows for a direct reduction in the amount of exposure that is being weighted.

tion techniques declined somewhat from the end of 2010. Techniques that imply substitution effects on the exposure (inflows/outflows transferred to other risk weights) were used a little more widely than techniques that enable direct reduction of the original exposure amount (the financial collateral comprehensive method). The weight substitution techniques mostly involved guarantees and similar instruments and outflows from the corporate to the central government and central bank categories. The financial collateral comprehensive method was again used by a smaller number of banks, notably large banks, with the largest share of the amount involved going to the institutions category.

The fall in the average credit risk weight is the result of a rising share of the central government and central bank category, and a simultaneous fall in this category's already low average credit risk weight to 2.1%. Exposure growth in the central government and central bank category can be attributed to the growth in the original exposure and not to the inflows into that category as a result of credit risk mitigation techniques, and is indicative of a considerable growth in loans to government units. In the first half of 2011, the banks increased the most loans to government units which rose by 18.4%. At the same time, prompted by regulatory changes regarding minimum foreign currency claims, the banks significantly reduced deposits with foreign banks, thus reducing the amount of exposure in the institutions category. Exposures in the retail and corporate categories rose by a modest 0.6% and 0.4%, respectively. The average weight in the corporate category remained unchanged, while that of the retail sector fell slightly on account of an increase in items with a 35% weight. Items that are assigned a risk weight of 35%, such as exposures secured by real estate property, grew very fast. Fast growth was also seen in individual 50% weights that relate to exposures secured by commercial real estate property and in individual 100% weights that relate to due but unpaid receivables.

Table 2.14 Breakdown of net exposure to credit risk by risk weights, as at 30 June 2011, in million HRK

	Retail	Corporates	Central governments and central banks	Institutions	Public sector entities	Local and regional self-government	Collective investment undertakings	Other	Total
Total exposure	141,254.2	101,660.4	111,633.8	22,824.7	10,551.5	2,928.5	599.4	18,843.1	410,295.6
On-balance sheet items	134,648.3	85,654.6	110,063.2	20,717.5	9,799.9	2,880.1	599.4	18,356.2	382,719.2
Off-balance sheet items	6,603.7	15,505.1	1,570.6	720.1	548.0	48.4	0.0	266.7	25,262.6
Securities transactions and long settlement transactions	0.0	290.1	0.0	613.0	203.6	0.0	0.0	220.2	1,326.8
Derivative financial instruments	2.3	210.6	0.0	774.2	0.0	0.0	0.0	0.0	987.0
Contracts for novation and other netting agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Breakdown of total exposure by risk weights									
Weight 0%	0.0	0.0	107,293.8	790.8	3,354.5	0.0	0.0	9,766.6	121,205.7
Weight 10%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2
Weight 20%	0.0	5.2	20.0	17,368.7	30.0	0.0	2.1	524.7	17,950.7
Weight 35% (residential real estate property)	2,567.2	168.3	0.0	0.0	0.0	0.0	0.0	1.5	2,736.9
Weight 50%	249.6	921.4	4,019.6	4,007.3	7,165.9	2,852.6	0.0	0.3	19,216.9
o/w: Commercial real estate property	157.9	920.8	0.0	2.2	0.0	0.5	0.0	0.3	1,081.7
Weight 75%	51,539.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	51,539.2
Weight 100%	82,676.3	93,734.7	278.4	649.4	0.6	0.1	533.7	8,477.6	186,350.8
o/w: Past due items	2,894.9	6,066.6	0.0	0.7	0.0	0.1	0.1	69.7	9,032.0
Weight 150%	4,221.9	6,686.1	21.8	8.5	0.6	75.8	63.6	15.0	11,093.4
o/w: Past due items	3,236.4	4,688.0	21.1	6.7	0.6	13.4	1.0	5.0	7,972.2
Other risk weights	0.0	144.7	0.0	0.0	0.0	0.0	0.0	57.1	201.8
Credit risk mitigation techniques – substitution effects									
Total outflow	–1,427.4	–11,266.7	0.0	–202.5	–5,979.7	–3.0	0.0	–442.5	–19,321.8
Total inflow	52.0	161.9	16,520.4	288.0	80.1	474.4	0.0	1,745.0	19,321.8

Figure 2.30 Breakdown of net exposure to credit risk by risk weights

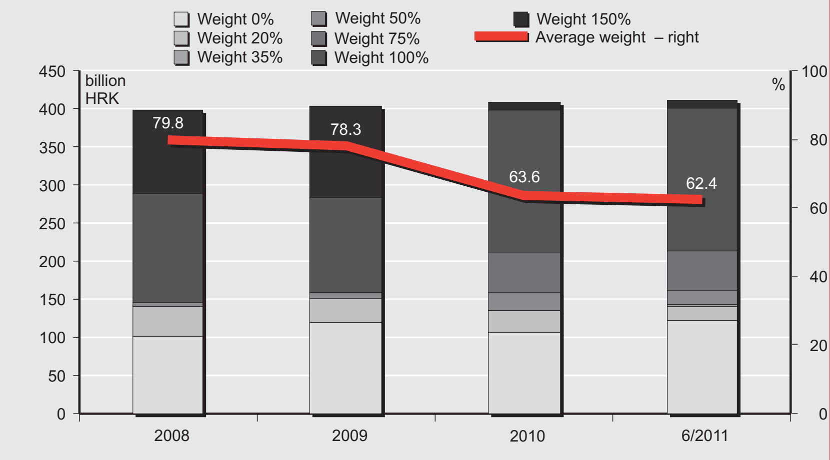
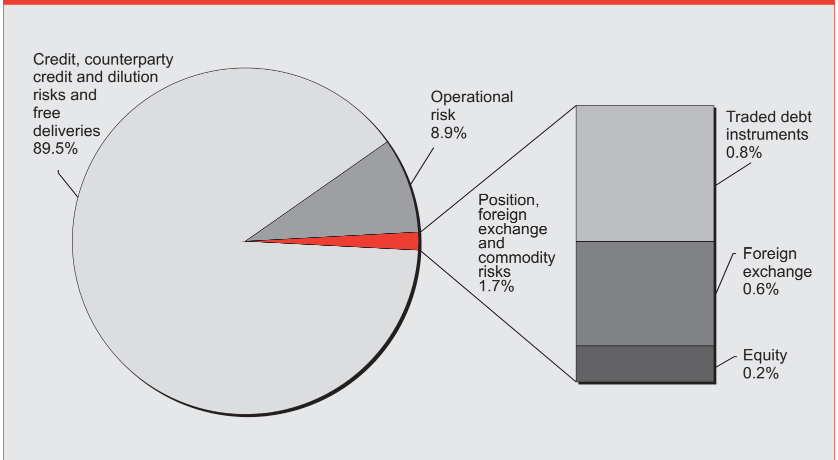


Figure 2.31 Structure of bank total capital requirements, as at 30 June 2011



Nevertheless, the shares of exposures secured by real estate property remained low, due to the low base. Driven by growth in large banks, the share of category of exposures secured by real property rose from 0.5% to 0.9%. The share of due but unpaid receivables rose considerably, from 3.8% to 4.1% of the total exposure that is weighted, mainly owing to changes in large banks. Of all bank groups, this bank group reported the fastest growth rate (13.0%) in this category.

The retail category accounted for 34.4%, or the largest share of total weighted exposure (Table 2.14). The central government and central bank category accounted for 27.2%, or the next largest share of total weighted exposure. The large amount and extremely low average credit risk weight of this category had a significant impact on total average weight for credit risk. The category of corporates had a much higher original exposure than the central government and central bank category. However, due to the use of credit risk mitigation techniques, which enable a transfer from the category of corporates to the category of central government and central bank, this category accounted for the third largest share, or 24.8% of total weighted exposure. The average weight in the corporate category stood at a high 102.7% because the bulk of exposures in this category involves corporates

Table 2.15 Breakdown of bank capital adequacy ratio, end of period

	Dec. 2008		Dec. 2009		Dec. 2010		Jun. 2011	
	Number of banks	Share in bank assets (%)	Number of banks	Share in bank assets (%)	Number of banks	Share in bank assets (%)	Number of banks	Share in bank assets (%)
Ratio lower than 10%	0	0.0	0	0.0	0	0.0	0	0.0
Ratio from 10% to 12%	4	11.8	6	5.8	3	1.0	1	0.4
Ratio from 12% to 15%	14	31.9	11	25.9	9	13.2	10	17.1
Ratio from 15% to 20%	9	50.6	9	55.3	11	55.2	13	52.0
Ratio higher than 20%	7	5.8	8	13.0	10	30.6	9	30.5

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

with no credit assessment, which are assigned a risk weight of 100%.[40] The retail category also had a relatively high average weight (91.1%) as almost 60% of exposures in this category were assigned a 100% weight. The 75% weight accounted for a relatively low share, or a little over one third. This weight is assigned to a well-diversified portfolio of exposures not exceeding HRK 2.5m while the 35% weight, which involved exposures secured by residential real estate property, was again very low, accounting for only 1.8% of exposures in this category. Neither was the 50% risk weight for exposures secured by commercial real estate much used by banks, for it amounted to only 0.3% of the total weighted exposure. The small scale of the use of preferential weights for exposures secured by real estate can be explained by the fact that most large banks do not use these weights. Of six large banks, only two made limited use of preferential weights for exposures secured by residential real estate property and only one used the preferential weight for commercial real estate property. Preferential weights for exposures secured by real estate property were mostly used by small banks. These weights accounted for 4.0% of the total weighted exposure. In comparison with other bank groups, small banks had a relatively small share of exposures assigned a 75% weight. This weight was also not used by three large banks.

The little use of preferential weights for exposures secured by real estate and of the 75% weights in the retail category by large banks, may be attributed to the estimate of the cost to benefit ratio and the decision of banks to avoid unnecessary exposure to additional costs in the conditions of high capital adequacy ratios. A restriction imposed on the use of preferential weights for exposures secured by residential real estate property consists of a requirement under which the owner of residential property (used as collateral) can own a maximum of two residential real properties. Therefore, the gathering of ownership data may pose a potential problem and create additional costs. As regards preferential weights for commercial real estate, note should be taken of the fact that its use in the Republic of Croatia is subject to national discretion. Where the bank uses a system developed by majority foreign owners, the absence of this weight in the original system may result in the absence of its use in the domestic bank. The use of 75% weight in the retail category in small banks is subject to the fulfilment of the condition of a sufficiently diversified portfolio (implying that the credit institution has over 500 accounts per product type) and documentation of the fulfilment of the conditions for its use.

The capital adequacy ratio of banks reflects the high value of this ratio in the group of large and medium-sized banks (19.34% and 18.83%, respectively). By contrast, this ratio was considerably lower

40 In terms of shares of exposures distributed to the corporate category, the exposures assigned a risk weight of 100% were followed by items assigned a risk weight of 150%. This raised the average weight for corporates above 100%.

in the most numerous group, the group of small banks, where it stood at 15.66%.[41] Compared to the end of 2010, the capital adequacy ratio rose the most in large banks, influenced by lending to government units and a decrease in the average weight for credit risk, and in small banks, as a result of an increase in own funds of those small banks that had operated below the minimum prescribed capital adequacy ratio at the end of 2010. Two small banks were recapitalised in the first half of 2011, one of them also increasing its issued hybrid instruments. Hybrid instruments were also issued by three other small banks. The capital adequacy ratio of medium-sized banks remained almost unchanged.

2.3 Housing savings banks

In the first half of 2011, the assets of housing savings banks rose by a considerable 8.7%. Considerable changes were also seen in the structure of housing savings banks' balance sheets. These were due to transactions made by housing savings banks for the purpose of alignment with the regulation on interest rate risk in the non-trading book.[42] Due to the mismatch of interest rate-sensitive assets and liabilities, resulting from long-term home loans being financed by much shorter maturity deposits, most of the housing savings banks saw an increase in long-term sources (mostly those from their owners) in the first half of 2011 while on the assets size, the housing savings banks reported an increase in short-term deposits and securities. Nevertheless, at the end of the first half of 2011, the change in the economic value of the non-trading book in the conditions of standard interest rate shock (200 basis points) exceeded 20% of own funds in one housing savings bank.

In the first half of 2011, there were again five housing savings banks operating in the system whose ownership structure remained the same as in the previous period. One housing savings bank was in majority domestic ownership and the remaining four were in the majority (direct or indirect) ownership of foreign shareholders. At the end of the first half of 2011, their assets accounted for 96.5% of total housing savings banks assets, while the remaining 3.5% went to the assets of the domestically-owned housing savings bank which, with its steady, above-average growth, continued to increase its share in the total.

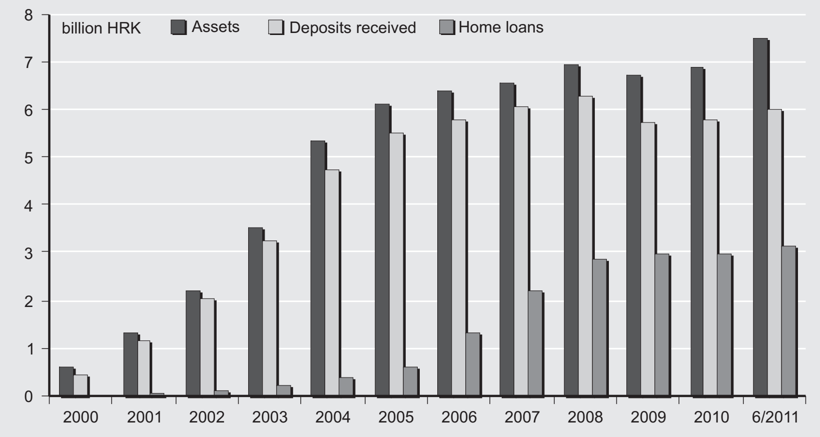
2.3.1 Balance sheet

The 9.0% increase in housing savings banks liabilities in the first half of 2011 was largely based on increased deposits and loans received from the owners (in three housing savings banks) with a view to complying with the provisions on interest rate risk exposure in the non-trading book. At the same time, household savings held steady, if falling by 0.2%. A considerable increase in the sources of financing was predominantly channelled into deposits with banking institutions and securities, although home loans also saw an increase of 4.8% on average. All housing savings banks reported an increase in these loans, ranging from 1.6% to 11.5%, although high growth rates in two savings banks can be attributed to their low base. Looking at nominal changes, it is evident that the increase in these loans was largely due to the growth in one housing savings bank.

41 The median of distribution of the capital adequacy ratio by banks stood at 15.88% on 30 June 2011, and at 15.98% on 31 December 2010.

42 As of 31 March 2011, housing savings banks are obligated to comply with the regulations on interest rate risk in the non-trading book.

Figure 2.32 Assets, deposits and loans of housing savings banks



Four housing savings banks reported an increase in their assets, ranging from 10.0% to 19.2%, while one housing savings bank saw a decline in its assets of 4.9%.

The biggest increases on the asset side in the observed half of the year were seen in investments in securities and other financial instruments (27.1%) and deposits with banking institutions which rose by as much as 232.3% from the end of 2010. As a result, their shares in total assets rose to 27.3% and 8.2%, respectively, at the end of June 2011. The increase in deposits with banking institutions was due entirely to the increase in deposits in domestic banks of two housing savings banks, in contrast with the remaining three housing savings banks that reported a decline in this asset item.

The increase in securities investments during the observed period was to a larger extent due to an increase in investments in RC bonds, which rose by 25.4% over a half-year period, while the remaining part of the increase in these investments was due to a 30.2% increase in T-bills of the Ministry of Finance. These changes did not have a very significant effect on the change in the structure of total housing savings banks securities investments, with RC bonds and T-bills still accounting for the bulk, or 63.7% and 36.3%, respectively, of the these investments.

Housing savings banks distributed two thirds of the total increase in securities investments in the portfolio held for trading. Housing savings banks had no securities in this portfolio in the previous two-year period and their emergence can be directly associated with reduced exposure to interest rate risk in the non-trading book, given that non-trading book transactions are not subject to the assessment of this risk. In addition to securities distributed in the portfolio held for trading, the housing savings banks also increased investments in the portfolio available for sale, possibly attributable to regulatory arbitrage aimed at evading allocations of value adjustments and collectively assessed impairment provisions.[43] The portfolio of securities held to maturity, which is subject to the allocation of value adjustments and collectively assessed impairment provisions, fell slightly and no longer accounted for the bulk of total securities investments. In terms of share it was exceeded by the portfolio of securities available for sale which accounted for 43.0% of total securities investments. The

43 Since March 2010, the portfolio of assets available for sale has been excluded from the scope of placements distributed into risk categories as well as from the obligation of allocation of value adjustments and collectively assessed impairment provisions (for risk category A).

Table 2.16 Structure of housing savings bank assets, end of period, in million HRK and %

	Dec. 2008		Dec. 2009			Dec. 2010			Jun. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	0.02	0.00	0.02	0.00	23.53	0.02	0.00	–28.57	0.02	0.00	20.00
Money assets	0.02	0.00	0.02	0.00	23.53	0.02	0.00	–28.57	0.02	0.00	20.00
Deposits with the CNB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deposits with banking institutions	259.74	3.73	177.76	2.64	–31.56	184.97	2.69	4.06	614.62	8.22	232.28
MoF treasury bills and CNB bills	327.72	4.70	295.39	4.38	–9.87	570.62	8.29	93.18	742.68	9.93	30.15
Securities and other financial instruments held for trading	76.52	1.10	0.00	0.00	–100.00	0.00	0.00	0.00	276.70	3.70	–
Securities and other financial instruments available for sale	1,121.08	16.09	71.47	1.06	–93.63	137.43	2.00	92.30	146.63	1.96	6.70
Securities and other financial instruments held to maturity	692.70	9.94	794.53	11.79	14.70	798.57	11.61	0.51	776.31	10.38	–2.79
Securities and other financial instruments not traded in active markets but carried at fair value	241.45	3.47	99.66	1.48	–58.72	101.59	1.48	1.94	101.07	1.35	–0.52
Derivative financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans to financial institutions	273.94	3.93	117.00	1.74	–57.29	73.58	1.07	–37.11	86.75	1.16	17.90
Loans to other clients	3,780.69	54.28	4,847.85	71.94	28.23	4,689.13	68.15	–3.27	4,486.38	60.01	–4.32
Investments in subsidiaries and associates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreclosed and repossessed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tangible assets (net of depreciation)	8.75	0.13	7.47	0.11	–14.59	7.21	0.10	–3.51	6.70	0.09	–7.16
Interest, fees and other assets	240.86	3.46	383.17	5.69	59.08	368.31	5.35	–3.88	291.75	3.90	–20.79
Net of: Collectively assessed impairment provisions	58.00	0.83	55.86	0.83	–3.69	50.80	0.74	–9.05	53.59	0.72	5.48
TOTAL ASSETS	6,965.47	100.00	6,738.46	100.00	–3.26	6,880.62	100.00	2.11	7,476.01	100.00	8.65

portfolio of securities held to maturity accounted for the next largest share (38.6%), followed by the portfolio of securities held for trading (13.5%) and the portfolio of securities not traded in active markets but carried at fair value (4.9%).

The total net loans of housing savings banks at the end of June were down almost 4.0% from the end of 2010. The fall in total net loans is due to a significant fall in loans granted to government units[44] (52.2%), fully attributable to the repayment of a syndicated loan in one housing savings bank. Loans to the other sectors, most notably those to the household sector, rose (4.8%), though this increase did not prove sufficient to ensure total loans growth. This led to a large fall of 8.0 percentage points in the share of loans in total assets, which stood at 61.2%.

The fall in deposits of housing savings bank savers (0.2%) is the result of a decline in two housing savings banks of approximately 3.5%, in contrast with the remaining three housing savings banks, which reported an increase in these savings ranging from 1.6% to 14.6%. Despite the fact that their share fell to 80.4%, deposits were again the dominant component of housing savings banks liabilities. This is due to a sharp increase in received loans, the share of which rose from 2.7% to 7.7%. A fall in the amount of net loans granted, coupled with a significant increase in deposits influenced the level of loans granted to received deposits ratio which fell from 82.2% from the end of 2010 to a low 76.1% at the end of June 2011, this indicator's lowest level in the past two years.

The share capital of housing savings banks held steady at the end-2010 level, while the profit

44 This includes loans to entities financed by special extrabudgetary taxes (e.g. Croatian Institute for Health Insurance, Croatian Pension Insurance Administration, Croatian Motorways, Croatian Roads, etc.) and covered by government guarantees.

Table 2.17 Structure of housing savings bank liabilities and capital, end of period, in million HRK and %

	Dec. 2008		Dec. 2009			Dec. 2010			Jun. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	0.15	0.00	134.65	2.00	–	183.08	2.66	35.97	485.08	6.49	164.95
Short-term loans	0.00	0.00	134.54	2.00	0.00	183.01	2.66	36.03	204.81	2.74	11.92
Long-term loans	0.15	0.00	0.11	0.00	–	0.08	0.00	–31.86	280.27	3.75	363,888.31
Deposits	6,298.11	90.42	5,713.30	84.79	–9.29	5,791.50	84.17	1.37	6,008.46	80.37	3.75
Giro account and current account deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Savings deposits	0.04	0.00	0.00	0.00	0.00	172.85	2.51	–	97.83	1.31	–43.40
Time deposits	6,298.07	90.42	5,713.30	84.79	–9.28	5,618.65	81.66	–1.66	5,910.64	79.06	5.20
Other loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	92.17	1.23	–
Short-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	92.17	1.23	–
Derivative financial liabilities and other financial liabilities held for trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subordinated instruments issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hybrid instruments issued	91.31	1.31	96.13	1.43	5.28	96.67	1.40	0.56	96.59	1.29	–0.08
Interest, fees and other liabilities	263.36	3.78	375.08	5.57	42.42	344.62	5.01	–8.12	311.40	4.17	–9.64
TOTAL LIABILITIES	6,652.92	95.51	6,319.16	93.78	–5.02	6,415.87	93.25	1.53	6,993.71	93.55	9.01
Share capital	450.89	6.47	487.89	7.24	8.21	487.89	7.09	0.00	487.89	6.53	0.00
Current year profit/loss	12.91	0.19	49.38	0.73	282.45	17.09	0.25	–65.39	8.84	0.12	–48.27
Retained earnings/loss	–61.58	–0.88	–50.03	–0.74	–18.76	–1.31	–0.02	–97.39	15.02	0.20	–1,248.47
Legal reserves	3.44	0.05	4.80	0.07	39.62	5.46	0.08	13.66	6.22	0.08	13.96
Reserves provided for by the articles of association and other capital reserves	0.62	0.01	0.14	0.00	–77.83	10.93	0.16	–	9.04	0.12	–17.29
Unrealised gains/losses on value adjustments of financial assets available for sale	–93.74	–1.35	–72.88	–1.08	–22.25	–55.31	–0.80	–24.10	–44.72	–0.60	–19.16
Reserves arising from hedging transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Previous year profit/loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL CAPITAL	312.55	4.49	419.31	6.22	34.16	464.75	6.75	10.84	482.30	6.45	3.78
TOTAL LIABILITIES AND CAPITAL	6,965.47	100.00	6,738.46	100.00	–3.26	6,880.62	100.00	2.11	7,476.01	100.00	8.65

generated in 2010 (in four out of five housing savings banks) was retained in capital which, due to a fall in unrealised losses on value adjustment of financial assets available for sale and current year profit, rose by 3.8% over the observed half-year period. The increase in capital notwithstanding, its share in liabilities fell slightly, reaching 6.5%, due to a much higher rate of increase in liabilities.

2.3.2 Income statement

In the first half of 2011, housing savings banks generated HRK 8.8m in profit before taxes, which is a decline of 56.1% compared to the same period of the previous year (Table 2.18). Four housing savings banks operated at a profit and one housing savings bank reported a loss, though lower than that reported at the end of June 2010. In addition to this improvement, only one housing savings bank increased its profit from the same period in the previous year.

The poorer business results reported by housing savings banks despite a 24.6% increase in operating income from the first half of 2010 were due to a significant increase in expenses on loss provisions

Table 2.18 Housing savings bank income statement, in million HRK

	Jan.–Jun. 2010	Jan.–Jun. 2011
Net interest income	55.54	57.28
Total interest income	150.25	162.31
Total interest expenses	94.71	105.03
Net income from fees and commissions	27.81	27.15
Total income from fees and commissions	32.14	31.64
Total expenses on fees and commissions	4.33	4.48
Net other non-interest income	–4.67	–1.14
Other non-interest income	5.08	6.52
Other non-interest expenses	9.75	7.66
Net non-interest income	23.14	26.01
General administrative expenses and depreciation	65.40	66.74
Net operating income before loss provisions	13.28	16.55
Total expenses on loss provisions	–11.29	5.29
Expenses on value adjustments and provisions for identified losses	–5.76	0.63
Expenses on collectively assessed impairment provisions	–5.53	4.65
Income/loss before taxes	24.57	11.27
Income tax	4.41	2.42
Current year profit/loss	20.16	8.84

and their offsetting effect on all the positive developments in other income statement items. At the end of June last year, housing savings banks reported equal income from repealed loss provisions and value adjustments based on B and C placements and collectively assessed losses (for A placements). In the first six months of this year, housing savings banks reported loss provision expenses which involved almost entirely provisions for identified losses based on A category placements and contingent liabilities. In other words, it was the 4.8% increase in A category exposure and not any deterioration in quality that had a significant impact on the business results. The poor cost-effectiveness of housing savings banks and a high level of general administrative expenses and depreciation compounded the poor profitability of housing savings banks.

In the first half of the year, housing savings banks generated an 8.0% higher interest income than in the same period of the previous year, mainly as a result of growing income from RC bonds. At the same time, due to rising expenses on household deposits, interest expenses grew by a somewhat higher rate (10.9%), ultimately resulting in only a slight increase (3.1%) in net interest income. Net non-interest income of housing savings banks rose by 12.4% from the end of June 2010, influenced by a fall in other non-interest expenses and an increase in other non-interest income (most notably realised profit from assets distributed in the available for sale portfolio). Net income from fees and commissions continued to trend downwards (2.4%) due to a fall in income from fees for other banking services while expenses on commissions rose.

General administrative expenses and depreciation rose 2.1% from the end of June 2010 in the first half of 2011, owing to an increase in other administrative expenses. By contrast, employee expenses and depreciation fell. Nevertheless, the cost-effectiveness of housing savings banks, measured by general administrative expenses and depreciation to net income ratio improved, with this ratio falling by 2 percentage points. However, at 80.1%, the value of this indicator continued to be very high, greatly exceeding that of banks (47.7%). The growth in housing savings banks assets, coupled with a decline in the number of employees led to a further increase in the amount of assets per employee, which stood at HRK 18.4m at the end of the first half of 2011, exceeding that of banks (HRK 18.0m).

The fall in profits led to a further worsening of the indicators of return, with the return on average assets (ROAA) of housing savings banks falling to 0.3% (down from 0.8% in June 2010), and the return on average equity (ROAE) falling to 3.7% (down from 9.3% in June 2010).

2.3.3 Credit risk

In the first half of 2011, housing savings banks improved the quality of items that are subject to credit risk assessment. This improvement was seen in the growth in the share of risk category A placements and assumed off-balance sheet liabilities and an increase in total coverage and coverage of B and C placements and assumed off-balance sheet liabilities by value adjustments and provisions.

At the end of June 2011, total placements and assumed off-balance sheet liabilities of housing savings banks stood at HRK 6.3bn. The 4.8% increase was largely attributable to the efforts of housing savings banks to comply with the regulation on interest rate risk in the non-trading book as seen in a significant increase in deposits in the loans and receivables portfolio (232.3%). At the same time, the repayment of a part of syndicated loans in one housing savings bank led to a 5.1% decline in total loans in the loans and receivables portfolio of all housing savings banks.

The assumed off-balance sheet liabilities, i.e. credit lines and financing commitments[45] grew considerably in the first half of the year (739.6%), influenced by their increase in one housing savings bank. These included unused home loans at balance sheet date. The said extraordinary increase in credit lines led to a small change in the structure of total placements and assumed off-balance sheet liabilities of housing savings banks in the form of an increase in the share of off-balance sheet liabilities from 0.5% to 3.6% at the expense of the loan and receivables portfolio whose share fell by 2.2 percentage points, reaching 83.1% during the observed period. Loans were again the predominant element of this portfolio, though their share fell slightly to 67.9%. Debt securities accounted for 20.0% and deposits for 11.8% (up from 3.6%). The growth in home loans and a decline in other type of loans in one housing savings bank led to a significant increase of 8.4 percentage points in the share of home loans in the loans and receivables portfolio of all housing savings banks, which thus stood at 88.6%.

As expected, the growth in deposits and financing commitments spurred a growth in fully recoverable placements and assumed off-balance sheet liabilities (risk category A), increasing their share in total placements and assumed off-balance sheet liabilities to 99.6% (Table 2.19). Significant relevant

Table 2.19 Classification of housing savings bank placements and assumed off-balance sheet liabilities by risk categories, end of period, in million HRK and %

Risk category	Dec. 2008		Dec. 2009			Dec. 2010			Jun. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
A	6,598.48	99.53	6,385.10	99.64	–3.23	5,947.73	99.45	–6.85	6,240.86	99.59	4.93
B-1, B-2 and B-3	24.57	0.37	18.76	0.29	–23.63	31.51	0.53	67.93	23.38	0.37	–25.78
C	6.47	0.10	4.22	0.07	–34.74	1.37	0.02	–67.58	2.38	0.04	73.50
Total	6,629.52	100.00	6,408.08	100.00	–3.34	5,980.61	100.00	–6.67	6,266.62	100.00	4.78

45 Housing savings banks report only credit lines and financing commitments under the item assumed off-balance sheet liabilities.

Table 2.20 Coverage of housing savings bank total placements and assumed off-balance sheet liabilities by total value adjustments and provisions, end of period, in million HRK and %

	Dec. 2008	Dec. 2009	Dec. 2010	Jun. 2011
Total value adjustments against placements and provisions for assumed off-balance sheet liabilities	69.80	64.24	57.26	62.42
Value adjustments and provisions	10.70	8.09	6.23	6.73
Collectively assessed value adjustments and provisions	59.00	56.16	51.04	55.69
Total placements and assumed off-balance sheet liabilities	6,629.50	6,408.08	5,980.61	6,266.62
Coverage	1.05	1.00	0.96	1.00

changes were again seen in the risk groups of partly recoverable and fully irrecoverable placements and assumed off-balance sheet liabilities, i.e. in risk categories B and C, which were primarily the result of their low base. Thus, total value adjustments of placements and provisions for assumed off-balance sheet liabilities rose by HRK 5.2m or 9.0% owing to a growth in value adjustments and collectively assessed impairment provisions (risk category A) which led to a small increase in total coverage (Table 2.20).

2.3.4 Capital adequacy

The capital adequacy ratio of housing savings banks stood at 18.69%at the end of June 2011, a decrease of 1.6 percentage points from the end of 2010. This decrease can be attributed to an increase in total capital requirements (12.9%) three times as strong as the increase in own funds (4.0%). The increase in capital requirements in the first half of the year, particularly in the segment of market risks, was associated with efforts to limit exposure to interest rate risk in the non-trading book.

Own funds of housing savings banks stood at HRK 551.7m at the end of June 2011, an increase of 4.0% at a semi-annual level, almost fully attributable to the increase in original own funds while the additional own funds remained unchanged.[46] The increase in own funds can be associated with a decline in unrealised losses on value adjustment of financial assets in the available for sale portfolio.

The increase in total capital requirements was equally influenced by the increase in capital requirements for credit risk, which rose by 8.5% and capital requirements for market risks, which rose by 607.8%. A visible relative increase in capital requirements for market risks was primarily associated with significant capital requirements for general position risk of debt instruments. Two housing savings banks reported these capital requirements at the end of the first half of the year as a result of the distribution of a significant part of purchased securities into the portfolio held for trading. An additional boost to the growth in capital requirements for market risks was provided by capital requirements for currency risk, which doubled in the first half of the year, due to the growth in long positions in the euro in three housing savings banks.

Capital requirements for credit risk rose in four out of five housing savings banks. Their growth ranged from 0.5% to a high 425.8%. However, the increase in capital requirements notwithstanding, the average weight of housing savings banks fell from 31.4% to 29.7% during the observed period, and was again twice as low as that of banks (62.4%). The fall in the average weight was mostly due

46 No housing savings bank reported ancillary own funds (used exclusively for market risk coverage).

to changes in the retail category in one housing savings bank that involved an almost equal increase in the 75% weight and a fall in the 100% weight. Since these changes are not related to changes in original exposure in the retail category, or to the use of credit risk mitigation techniques, it follows that, in accordance with the assessment of that housing savings bank, the conditions whereby earlier exposures could be distributed into a less risky category were not created until the end of the first half of the year.

A significant increase in market risks, in particular general position risk of debt instruments led to a visible increase in the share of capital requirements for position, currency and commodity risks in the structure of total capital requirements, from 0.9% to 5.8%, at the expense of all other capital requirements, most notably those for credit risk. The share of capital requirements for credit risk was thus down 3.3 percentage points to 81.8%, while the share of capital requirements for operational risk declined by 1.5 percentage points, to 12.4% of total capital requirements.

3 Notes on methodology

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

Table 2.1 Bank peer groups and their share in total bank assets

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

Figure 2.1 Shares of assets, loans and deposits of the largest banks in total assets, loans and deposits

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

Figure 2.2 Herfindahl-Hirschman index (HHI)

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

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

Granted loans and received deposits concentration indices are calculated by applying the same formula. The Herfindahl-Hirschman index can vary from 0 (perfectly competitive industry) to 10 000 (monopoly).
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of assets, loans and deposits of banks.

Table 2.2 Ownership structure of banks and their share in total bank assets

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

Table 2.3 Number of employees, operating units and ATMs

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

Table 2.4 Territorial distribution of operating units and ATMs by counties

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

Figure 2.3 Concentration of bank operating units and ATMs by counties

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

Table 2.5 Structure of bank assets

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

Figure 2.4 Rates of change in bank peer group assets

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

Figure 2.5 Structure of bank peer group assets

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

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

Table 2.6 Structure of bank liabilities and capital

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

Figure 2.6 Structure of bank peer group liabilities and capital

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

Figure 2.7 Structure of bank standard off-balance sheet items

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

Figure 2.8 Structure of bank derivative financial instruments (notional amount)

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

Table 2.7 Bank income statement

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

Figure 2.9 Bank income before taxes

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

Figure 2.10 Structure of bank net income

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

Figure 2.11 Bank return on average assets (ROAA)

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

Figure 2.12 Bank return on average equity (ROAE)

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

Figure 2.13 Income from interest-bearing assets and expenses on interest-bearing liabilities

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

Figure 2.14 Weighted averages of bank monthly interest rates

The base for the calculation of the weighted averages of bank monthly interest rates on kuna and foreign currency loans are the amounts of loans disbursed during the reporting month at certain interest rates.

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

Figure 2.15 Bank assets per employee

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

Figure 2.16 Bank operating expenses

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

Table 2.8 Classification of bank placements and assumed off-balance sheet liabilities by risk categories

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

Figure 2.17 Structure of bank placements and assumed off-balance sheet liabilities

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

Figure 2.18 Rates of change of bank loans

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

Table 2.9 Bank loans

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

Figure 2.19 Structure of bank loans by activities

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

Figure 2.20 Structure of bank partly recoverable and fully irrecoverable loans by activities

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

Figure 2.21 Share of bank partly recoverable and fully irrecoverable loans

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

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

Table 2.10 Structure of bank sources of financing

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

Table 2.11 Sectoral structure of received loans

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

Figure 2.22 Sectoral structure of received deposits

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

Figure 2.23 Bank loans granted/deposits received

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

Figure 2.24 Asset and liability maturity match or mismatch

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

Figure 2.25 Minimum liquidity coefficient

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

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

Figure 2.26 Long foreign exchange position of banks

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

Figure 2.27 Short foreign exchange position of banks

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

Table 2.12 Interest rate risk in the non-trading book

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

Figure 2.28 Bank capital adequacy ratio

The capital adequacy ratio is calculated as a ratio between total own funds of individual bank peer groups and total own funds of all banks combined and total risk exposure of individual bank peer groups

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

Table 2.13 Own funds, capital requirements and capital adequacy ratio of banks

This table shows the structure of own funds and capital requirements and the capital adequacy ratio at the end of the reporting period for each bank peer group and all banks combined (see the accompanying explanation with Figure 2.28 and Figure 2.29).
Up to 31 December 2009, the source of data on the capital adequacy of banks was forms JK2 and SAK (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010 it is forms JKAP and SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Figure 2.29 Bank own funds

The columns show the components of own funds at the end of the reporting period. Original own funds is the amount of original own funds net of deduction items, while additional own funds and ancillary own funds represent those amounts of additional own funds and ancillary own funds that are included in own funds (after application of the limits). Own funds are reduced by deduction items. As of 31 March 2010, one half of the total amount of deduction items is deducted from original own funds and half from additional own funds.
Up to 31 December 2009, the source of data on the own funds of banks was form JK2 (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010 it is form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Table 2.14 Breakdown of net exposure to credit risk by risk weights

This table shows the net exposure to credit risk after the use of credit risk mitigation techniques. The net exposure is shown by exposure classes and credit risk-weights. The category Other includes the following exposure classes: exposures to multilateral development banks, exposures to international organisations, exposures in the form of covered bonds and other exposures. The line items total outflow and total inflow show the substitution effects of credit risk mitigation techniques, i.e. the effect of substitution of the risk weight of the obligor by the risk weight of the protection provider (or collateral). Form SP by individual exposure classes (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010) is the source of data on the net exposure of banks to credit risk.

Figure 2.30 Breakdown of net exposure to credit risk by risk weights

The columns show the structure of the net exposure to credit risk (after the use of credit risk mitigation techniques) by credit risk-weights. The average weight is calculated as a ratio between the weighted exposure and net exposure to credit risk.
Up to 31 December 2009, the source of data on the net exposure of banks that is weighted for credit risk and weighted exposure was forms PBA1, PIRS1 and KOIRS (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010 it is form SP by individual exposure classes (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Figure 2.31 Structure of bank total capital requirements

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

Table 2.15 Breakdown of bank capital adequacy ratio

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

Figure 2.32 Assets, deposits and loans of housing savings banks

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

Table 2.16 Structure of housing savings bank assets

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

Table 2.17 Structure of housing savings bank liabilities and capital

This table shows liabilities and capital items of housing savings banks, the share of each item in total

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

Table 2.18 Housing savings bank income statement

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

Table 2.19 Classification of housing savings bank placements and assumed off-balance sheet liabilities by risk categories

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

Table 2.20 Coverage of housing savings bank total placements and assumed off-balance sheet liabilities by total value adjustments and provisions

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

4 List of credit institutions

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

Data on shareholders who hold 3% or more of share in the share capital of an institution, and financial and capital adequacy data are as at 30 June 2011. They are based on unconsolidated interim reports submitted to the Croatian National Bank by credit institutions.

Data on members of management and supervisory boards are as at 1 September 2011.

Data on auditors relate to the audits performed in 2010.

BANCO POPOLARE CROATIA d.d.

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BAN[1] 4115008
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Management board

Goran Gazivoda – chairperson, Ivan Dujmović

Supervisory board

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

Shareholders	Share in share capital (%)
1. Banco Popolare Società Cooperativa	98.13

Audit firm for 2010:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	222,140
Money assets	36,766
Deposits with the CNB	185,374
Deposits with banking institutions	283,047
MoF treasury bills and CNB bills	52,444
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	947
Securities and other financial instruments held to maturity	75,691
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	72,555
Loans to other clients	1,665,639
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	488
Tangible assets (net of depreciation)	63,710
Interest, fees and other assets	37,832
Net of: Collectively assessed impairment provisions	20,461
TOTAL ASSETS	2,454,033

Liabilities and capital	
Loans from financial institutions	197,055
Short-term loans	20,000
Long-term loans	177,055
Deposits	1,872,542
Giro account and current account deposits	45,273
Savings deposits	42,466
Time deposits	1,784,803
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	50
Interest, fees and other liabilities	96,189
TOTAL LIABILITIES	2,165,835
Capital	288,198
TOTAL LIABILITIES AND CAPITAL	2,454,033

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	53,193
Total interest income	96,940
Total interest expenses	43,747
Net income from fees and commissions	7,925
Total income from fees and commissions	9,324
Total expenses on fees and commissions	1,400
Net other non-interest income	2,764
Other non-interest income	4,713
Other non-interest expenses	1,949
Net non-interest income	10,688
General administrative expenses and depreciation	48,678
Net operating income before loss provisions	15,204
Total expenses on loss provisions	12,764
Expenses on value adjustments and provisions for identified losses	12,066
Expenses on collectively assessed impairment provisions	697
Income (loss) before taxes	2,440
Income tax	0
Current year profit (loss)	2,440

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	18,923
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	4,927
Margin credit lines	0
Other credit lines and commitments	19,443
Other standard off-balance sheet items	0
Total standard off-balance sheet items	43,293

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

Capital adequacy ratio, in %
as at 30 June 2011

13.74

1 Bank account number.

BANKA BROD d.d.

Zajčeva 21, 35000 Slavonski Brod
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BAN 4124003
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Management board

Arsen Kantarci – chairperson, Mićo Tomičić

Supervisory board

Damir Kreso – chairperson, Pero Ćosić, Damir Tus

Shareholders	Share in share capital (%)
1. Mićo Tomičić	8.55
2. Zdenko Vidaković	8.06
3. Damir Kreso	7.93
4. Mara Tomičić	7.83
5. Maja Vidaković	7.83
6. Slobodanka Kreso	7.35
7. Razija Kreso	6.13
8. Neđo Jelčić	5.95
9. Mirko Vidaković	5.50
10. Karlo Tomičić	5.43
11. Hypo Alpe-Adria-Bank d.d. (custody account)	4.33
12. Višnja Rački	3.59
13. Željko Rački	3.42

Audit firm for 2010:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	135,139
Money assets	73,441
Deposits with the CNB	61,698
Deposits with banking institutions	66,077
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	38,418
Securities and other financial instruments held to maturity	19,962
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	6
Loans to financial institutions	10,432
Loans to other clients	236,791
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	330
Tangible assets (net of depreciation)	7,806
Interest, fees and other assets	7,208
Net of: Collectively assessed impairment provisions	3,587
TOTAL ASSETS	518,582

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	438,190
Giro account and current account deposits	11,304
Savings deposits	4,635
Time deposits	422,252
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	21,648
TOTAL LIABILITIES	459,839
Capital	58,744
TOTAL LIABILITIES AND CAPITAL	518,582

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	9,487
Total interest income	21,014
Total interest expenses	11,526
Net income from fees and commissions	2,432
Total income from fees and commissions	3,302
Total expenses on fees and commissions	870
Net other non-interest income	1,377
Other non-interest income	1,868
Other non-interest expenses	490
Net non-interest income	3,809
General administrative expenses and depreciation	8,771
Net operating income before loss provisions	4,525
Total expenses on loss provisions	1,823
Expenses on value adjustments and provisions for identified losses	1,939
Expenses on collectively assessed impairment provisions	–116
Income (loss) before taxes	2,702
Income tax	541
Current year profit (loss)	2,162

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	7,048
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	151
Other standard off-balance sheet items	0
Total standard off-balance sheet items	7,199

Derivative financial instruments	
Options	2,299
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	2,299

Capital adequacy ratio, in %
as at 30 June 2011

15.86

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Management board

Gian Luigi Bonfe – chairperson, Darko Kosovec

Supervisory board

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

Shareholders	Share in share capital (%)
1. Cassa di Risparmio della Repubblica di San Marino S.p.A.	99.47

Audit firm for 2010:
Grant Thornton revizija d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	168,572
Money assets	17,662
Deposits with the CNB	150,910
Deposits with banking institutions	114,531
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	19,581
Securities and other financial instruments held to maturity	4,201
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	11,500
Loans to other clients	847,808
Investments in subsidiaries and associates	141
Foreclosed and repossessed assets	12,351
Tangible assets (net of depreciation)	27,683
Interest, fees and other assets	26,452
Net of: Collectively assessed impairment provisions	9,309
TOTAL ASSETS	1,223,511

Liabilities and capital	
Loans from financial institutions	42,173
Short-term loans	0
Long-term loans	42,173
Deposits	970,831
Giro account and current account deposits	14,178
Savings deposits	45,898
Time deposits	910,754
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	63,742
Interest, fees and other liabilities	46,174
TOTAL LIABILITIES	1,122,919
Capital	100,592
TOTAL LIABILITIES AND CAPITAL	1,223,511

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	10,193
Total interest income	38,355
Total interest expenses	28,162
Net income from fees and commissions	2,387
Total income from fees and commissions	2,873
Total expenses on fees and commissions	486
Net other non-interest income	2,102
Other non-interest income	3,329
Other non-interest expenses	1,226
Net non-interest income	4,490
General administrative expenses and depreciation	26,658
Net operating income before loss provisions	–11,975
Total expenses on loss provisions	7,520
Expenses on value adjustments and provisions for identified losses	8,784
Expenses on collectively assessed impairment provisions	–1,264
Income (loss) before taxes	–19,496
Income tax	0
Current year profit (loss)	–19,496

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	16,870
Uncovered letters of credit	13,411
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	18,189
Other standard off-balance sheet items	0
Total standard off-balance sheet items	48,469

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

Capital adequacy ratio, in %
as at 30 June 2011

13.92

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Management board

Ante Blažević – chairperson, Ivo Krolo

Supervisory board

Irena Kalebić Bašić – chairperson, Nediljko Ivančević, Ivan Filipović

Shareholders	Share in share capital (%)
1. Juroslav Buljubašić	36.43
2. Hypo Alpe-Adria-Bank d.d. (custody account)	9.71
3. Venči Čulić Meić	7.50
4. Mirko Vukušić	7.44
5. Joško Dvornik	5.75
6. Irena Kalebić Bašić	5.55
7. Blue Line International INC	5.51
8. Nataša Vuković	4.98
9. own shares	4.65
10. Jakiša Medić	3.02

Audit firm for 2010:
Baštrevizor d.o.o., Split

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	33,704
Money assets	10,695
Deposits with the CNB	23,010
Deposits with banking institutions	31,424
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	3,070
Securities and other financial instruments available for sale	44
Securities and other financial instruments held to maturity	746
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	230,375
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	230
Tangible assets (net of depreciation)	14,800
Interest, fees and other assets	9,833
Net of: Collectively assessed impairment provisions	2,905
TOTAL ASSETS	321,320

Liabilities and capital	
Loans from financial institutions	18,054
Short-term loans	18,000
Long-term loans	54
Deposits	237,188
Giro account and current account deposits	9,881
Savings deposits	9,547
Time deposits	217,761
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	13,444
TOTAL LIABILITIES	268,685
Capital	52,635
TOTAL LIABILITIES AND CAPITAL	321,320

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	10,053
Total interest income	15,608
Total interest expenses	5,554
Net income from fees and commissions	795
Total income from fees and commissions	1,064
Total expenses on fees and commissions	270
Net other non-interest income	-494
Other non-interest income	584
Other non-interest expenses	1,079
Net non-interest income	300
General administrative expenses and depreciation	8,201
Net operating income before loss provisions	2,152
Total expenses on loss provisions	938
Expenses on value adjustments and provisions for identified losses	787
Expenses on collectively assessed impairment provisions	151
Income (loss) before taxes	1,214
Income tax	220
Current year profit (loss)	994

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	4,784
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,707
Margin credit lines	0
Other credit lines and commitments	0
Other standard off-balance sheet items	35
Total standard off-balance sheet items	6,525

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

Capital adequacy ratio, in %
as at 30 June 2011

16.59

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Shareholders

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

Audit firm for 2010:
KPMG Croatia d.o.o., Zagreb

Management board

Goran Rameša – chairperson, Christian Peter Pettinger

Supervisory board

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

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	67,227
Money assets	3,889
Deposits with the CNB	63,338
Deposits with banking institutions	121,964
MoF treasury bills and CNB bills	9,959
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	1,376
Securities and other financial instruments held to maturity	14,034
Securities and other financial instruments not traded in active markets but carried at fair value	31,246
Derivative financial assets	0
Loans to financial institutions	4,609
Loans to other clients	506,223
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	383
Tangible assets (net of depreciation)	24,022
Interest, fees and other assets	16,716
Net of: Collectively assessed impairment provisions	6,511
TOTAL ASSETS	791,248

Liabilities and capital	
Loans from financial institutions	55,813
Short-term loans	0
Long-term loans	55,813
Deposits	425,702
Giro account and current account deposits	87,494
Savings deposits	18,909
Time deposits	319,299
Other loans	161,166
Short-term loans	76,366
Long-term loans	84,800
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	14,472
TOTAL LIABILITIES	657,153
Capital	134,095
TOTAL LIABILITIES AND CAPITAL	791,248

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	13,757
Total interest income	22,227
Total interest expenses	8,470
Net income from fees and commissions	1,397
Total income from fees and commissions	2,347
Total expenses on fees and commissions	951
Net other non-interest income	392
Other non-interest income	922
Other non-interest expenses	530
Net non-interest income	1,789
General administrative expenses and depreciation	13,668
Net operating income before loss provisions	1,878
Total expenses on loss provisions	2,310
Expenses on value adjustments and provisions for identified losses	2,396
Expenses on collectively assessed impairment provisions	–86
Income (loss) before taxes	–431
Income tax	0
Current year profit (loss)	–431

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	38,099
Uncovered letters of credit	584
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	18,374
Margin credit lines	0
Other credit lines and commitments	15,521
Other standard off-balance sheet items	0
Total standard off-balance sheet items	72,577

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

Capital adequacy ratio, in %
as at 30 June 2011

19.54

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Management board

Ivo Markotić – chairperson, Gordana Amančić

Supervisory board

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

Shareholders	Share in share capital (%)
1. Heruc d.d.	41.23
2. Privredna banka Zagreb d.d. (custody account)	7.78
3. Heruc Euroholding LTD	3.85

Audit firm for 2010:
Grant Thornton revizija d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	115,490
Money assets	8,745
Deposits with the CNB	106,745
Deposits with banking institutions	103,994
MoF treasury bills and CNB bills	70,269
Securities and other financial instruments held for trading	18,548
Securities and other financial instruments available for sale	11,805
Securities and other financial instruments held to maturity	53,996
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	13,498
Loans to other clients	1,165,578
Investments in subsidiaries and associates	6,450
Foreclosed and repossessed assets	33,226
Tangible assets (net of depreciation)	5,183
Interest, fees and other assets	54,924
Net of: Collectively assessed impairment provisions	12,902
TOTAL ASSETS	1,640,061

Liabilities and capital	
Loans from financial institutions	431,193
Short-term loans	75,482
Long-term loans	355,711
Deposits	925,498
Giro account and current account deposits	111,981
Savings deposits	28,334
Time deposits	785,182
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	24,823
Interest, fees and other liabilities	63,249
TOTAL LIABILITIES	1,444,763
Capital	195,298
TOTAL LIABILITIES AND CAPITAL	1,640,061

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	24,315
Total interest income	54,029
Total interest expenses	29,715
Net income from fees and commissions	4,571
Total income from fees and commissions	6,944
Total expenses on fees and commissions	2,372
Net other non-interest income	447
Other non-interest income	1,602
Other non-interest expenses	1,155
Net non-interest income	5,018
General administrative expenses and depreciation	27,627
Net operating income before loss provisions	1,706
Total expenses on loss provisions	–695
Expenses on value adjustments and provisions for identified losses	–995
Expenses on collectively assessed impairment provisions	300
Income (loss) before taxes	2,400
Income tax	0
Current year profit (loss)	2,400

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	141,558
Uncovered letters of credit	13,516
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,092
Margin credit lines	0
Other credit lines and commitments	40,336
Other standard off-balance sheet items	0
Total standard off-balance sheet items	197,502

Derivative financial instruments	
Options	14,437
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	14,437

Capital adequacy ratio, in %
as at 30 June 2011

12.64

CREDO BANKA d.d.[2]

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Management board

Šime Luketin – chairperson, Mato Mišić

Supervisory board

Boris Barać – chairperson, Mirko Vuković, Dražen Bilić

Shareholders		Share in share capital (%)
1.	Mirko Vuković	32.73
2.	Boris Barać	24.17
3.	Kvarner Vienna Insurance Group d.d.	6.66
4.	Simag d.o.o.	4.66
5.	Marko Vuković	4.49
6.	Alkom d.o.o.	4.18

Audit firm for 2010:
Kalibović i partneri d.o.o., Split

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	173,022
Money assets	18,999
Deposits with the CNB	154,024
Deposits with banking institutions	59,287
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	51,531
Securities and other financial instruments held to maturity	67,476
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	15,560
Loans to other clients	1,269,107
Investments in subsidiaries and associates	40
Foreclosed and repossessed assets	15,333
Tangible assets (net of depreciation)	4,130
Interest, fees and other assets	60,488
Net of: Collectively assessed impairment provisions	15,746
TOTAL ASSETS	1,700,228

Liabilities and capital	
Loans from financial institutions	243,993
Short-term loans	101,512
Long-term loans	142,481
Deposits	1,204,925
Giro account and current account deposits	91,711
Savings deposits	47,781
Time deposits	1,065,433
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	59,449
Interest, fees and other liabilities	49,996
TOTAL LIABILITIES	1,558,363
Capital	141,865
TOTAL LIABILITIES AND CAPITAL	1,700,228

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	19,732
Total interest income	54,082
Total interest expenses	34,350
Net income from fees and commissions	4,414
Total income from fees and commissions	5,888
Total expenses on fees and commissions	1,474
Net other non-interest income	4,720
Other non-interest income	5,861
Other non-interest expenses	1,142
Net non-interest income	9,134
General administrative expenses and depreciation	21,610
Net operating income before loss provisions	7,255
Total expenses on loss provisions	6,713
Expenses on value adjustments and provisions for identified losses	6,571
Expenses on collectively assessed impairment provisions	142
Income (loss) before taxes	542
Income tax	179
Current year profit (loss)	363

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	113,851
Uncovered letters of credit	1,927
Guaranteed bills of exchange	7,000
Accepted bills of exchange	0
Revolving loans	1,426
Margin credit lines	0
Other credit lines and commitments	11,616
Other standard off-balance sheet items	183
Total standard off-balance sheet items	136,003

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

Capital adequacy ratio, in %
as at 30 June 2011

11.18

2 On 22 November 2011, the bank had its authorisation withdrawn and a complusory winding-up procedure was initiated against the bank.

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Management board

Ivan Purgar – chairperson, Marko Gabela

Supervisory board

Ivan Pažin – chairperson, Branka Grabovac, Ivan Tomljenović, Maja Barberić, Mato Karačić

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

Audit firm for 2010:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	245,288
Money assets	27,364
Deposits with the CNB	217,924
Deposits with banking institutions	268,684
MoF treasury bills and CNB bills	150,879
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	51,675
Securities and other financial instruments held to maturity	9,883
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	10
Loans to financial institutions	38,480
Loans to other clients	941,855
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	51,476
Tangible assets (net of depreciation)	24,503
Interest, fees and other assets	45,752
Net of: Collectively assessed impairment provisions	12,388
TOTAL ASSETS	1,816,096

Liabilities and capital	
Loans from financial institutions	218,111
Short-term loans	0
Long-term loans	218,111
Deposits	1,309,500
Giro account and current account deposits	251,147
Savings deposits	69,274
Time deposits	989,079
Other loans	22,176
Short-term loans	22,122
Long-term loans	54
Derivative financial liabilities and other financial liabilities held for trading	10
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	70,000
Interest, fees and other liabilities	75,548
TOTAL LIABILITIES	1,695,345
Capital	120,751
TOTAL LIABILITIES AND CAPITAL	1,816,096

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	22,229
Total interest income	50,072
Total interest expenses	27,843
Net income from fees and commissions	2,745
Total income from fees and commissions	5,247
Total expenses on fees and commissions	2,502
Net other non-interest income	8,503
Other non-interest income	10,940
Other non-interest expenses	2,437
Net non-interest income	11,248
General administrative expenses and depreciation	33,482
Net operating income before loss provisions	–5
Total expenses on loss provisions	5,246
Expenses on value adjustments and provisions for identified losses	5,518
Expenses on collectively assessed impairment provisions	–272
Income (loss) before taxes	–5,251
Income tax	0
Current year profit (loss)	–5,251

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	37,697
Uncovered letters of credit	4,106
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	29,000
Margin credit lines	0
Other credit lines and commitments	0
Other standard off-balance sheet items	606
Total standard off-balance sheet items	71,409

Derivative financial instruments	
Options	31,506
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	31,506

Capital adequacy ratio, in %
as at 30 June 2011

15.33

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Management board

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

Supervisory board

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

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

Audit firm for 2010:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	7,536,803
Money assets	806,727
Deposits with the CNB	6,730,076
Deposits with banking institutions	1,315,627
MoF treasury bills and CNB bills	906,027
Securities and other financial instruments held for trading	19,617
Securities and other financial instruments available for sale	3,513,764
Securities and other financial instruments held to maturity	376,295
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	42,035
Loans to financial institutions	586,094
Loans to other clients	37,058,378
Investments in subsidiaries and associates	1,274,929
Foreclosed and repossessed assets	52,685
Tangible assets (net of depreciation)	418,022
Interest, fees and other assets	678,981
Net of: Collectively assessed impairment provisions	457,816
TOTAL ASSETS	53,321,440

Liabilities and capital	
Loans from financial institutions	2,260,217
Short-term loans	653,935
Long-term loans	1,606,282
Deposits	39,734,853
Giro account and current account deposits	3,576,774
Savings deposits	2,988,221
Time deposits	33,169,858
Other loans	3,156,835
Short-term loans	32,671
Long-term loans	3,124,164
Derivative financial liabilities and other financial liabilities held for trading	158,755
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	221,218
Hybrid instruments issued	0
Interest, fees and other liabilities	1,652,631
TOTAL LIABILITIES	47,184,509
Capital	6,136,931
TOTAL LIABILITIES AND CAPITAL	53,321,440

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	724,552
Total interest income	1,402,845
Total interest expenses	678,293
Net income from fees and commissions	140,447
Total income from fees and commissions	195,097
Total expenses on fees and commissions	54,650
Net other non-interest income	119,522
Other non-interest income	134,514
Other non-interest expenses	14,992
Net non-interest income	259,969
General administrative expenses and depreciation	394,423
Net operating income before loss provisions	590,098
Total expenses on loss provisions	265,639
Expenses on value adjustments and provisions for identified losses	242,452
Expenses on collectively assessed impairment provisions	23,187
Income (loss) before taxes	324,458
Income tax	63,435
Current year profit (loss)	261,023

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,496,545
Uncovered letters of credit	141,983
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	472,877
Margin credit lines	0
Other credit lines and commitments	1,477,504
Other standard off-balance sheet items	3,041
Total standard off-balance sheet items	3,591,950

Derivative financial instruments	
Options	159,801
Swaps	3,346,625
Forwards	24,142,858
Futures	0
Warrants	0
Other derivative financial instruments	2,479
Total notional amount of derivative financial instruments	27,651,762

Capital adequacy ratio, in %
as at 30 June 2011

13.38

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Management board

Čedo Maletić – chairperson, Dubravka Kolarić

Supervisory board

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

Shareholders	Share in share capital (%)
1. Agency for Management of the Public Property	51.46
2. Hrvatska pošta d.d.	27.49
3. Croatian Pension Insurance Administration	20.18

Audit firm for 2010:
Deloitte d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	2,287,800
Money assets	528,562
Deposits with the CNB	1,759,238
Deposits with banking institutions	952,346
MoF treasury bills and CNB bills	719,783
Securities and other financial instruments held for trading	703,372
Securities and other financial instruments available for sale	265,276
Securities and other financial instruments held to maturity	591,930
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	1,185
Loans to financial institutions	299,060
Loans to other clients	8,884,063
Investments in subsidiaries and associates	95,541
Foreclosed and repossessed assets	113,957
Tangible assets (net of depreciation)	156,314
Interest, fees and other assets	490,025
Net of: Collectively assessed impairment provisions	112,652
TOTAL ASSETS	15,448,002

Liabilities and capital	
Loans from financial institutions	1,130,326
Short-term loans	25,000
Long-term loans	1,105,326
Deposits	10,828,365
Giro account and current account deposits	2,394,626
Savings deposits	1,623,121
Time deposits	6,810,617
Other loans	13,150
Short-term loans	0
Long-term loans	13,150
Derivative financial liabilities and other financial liabilities held for trading	942
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	600,565
Interest, fees and other liabilities	1,622,087
TOTAL LIABILITIES	14,195,435
Capital	1,252,567
TOTAL LIABILITIES AND CAPITAL	15,448,002

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	220,507
Total interest income	420,952
Total interest expenses	200,445
Net income from fees and commissions	92,166
Total income from fees and commissions	283,587
Total expenses on fees and commissions	191,422
Net other non-interest income	12,575
Other non-interest income	34,829
Other non-interest expenses	22,254
Net non-interest income	104,740
General administrative expenses and depreciation	221,461
Net operating income before loss provisions	103,787
Total expenses on loss provisions	45,160
Expenses on value adjustments and provisions for identified losses	42,153
Expenses on collectively assessed impairment provisions	3,007
Income (loss) before taxes	58,626
Income tax	387
Current year profit (loss)	58,239

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	526,292
Uncovered letters of credit	57,770
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	312,360
Margin credit lines	0
Other credit lines and commitments	1,099,423
Other standard off-balance sheet items	414
Total standard off-balance sheet items	1,996,260

Derivative financial instruments	
Options	0
Swaps	325,777
Forwards	236,735
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	562,511

Capital adequacy ratio, in %
as at 30 June 2011

16.37

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Management board

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

Supervisory board

Gottwald Kranebitter – chairperson, Wolfgang Edelmüller, Blaž Brodnjak, Sebastian Firlinger, Goran Radman

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

Audit firm for 2010:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	4,816,836
Money assets	357,713
Deposits with the CNB	4,459,123
Deposits with banking institutions	527,471
MoF treasury bills and CNB bills	897,659
Securities and other financial instruments held for trading	123,364
Securities and other financial instruments available for sale	3,364,035
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	1,002
Loans to financial institutions	425,853
Loans to other clients	29,418,169
Investments in subsidiaries and associates	244,234
Foreclosed and repossessed assets	110,010
Tangible assets (net of depreciation)	334,737
Interest, fees and other assets	571,899
Net of: Collectively assessed impairment provisions	274,644
TOTAL ASSETS	40,560,626

Liabilities and capital	
Loans from financial institutions	1,371,083
Short-term loans	77,650
Long-term loans	1,293,433
Deposits	26,458,862
Giro account and current account deposits	2,009,875
Savings deposits	1,443,463
Time deposits	23,005,524
Other loans	2,756,942
Short-term loans	2,745,729
Long-term loans	11,213
Derivative financial liabilities and other financial liabilities held for trading	259,719
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	2,422,173
Interest, fees and other liabilities	819,378
TOTAL LIABILITIES	34,088,157
Capital	6,472,470
TOTAL LIABILITIES AND CAPITAL	40,560,626

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	460,176
Total interest income	1,006,761
Total interest expenses	546,585
Net income from fees and commissions	116,794
Total income from fees and commissions	149,382
Total expenses on fees and commissions	32,588
Net other non-interest income	71,104
Other non-interest income	91,188
Other non-interest expenses	20,084
Net non-interest income	187,898
General administrative expenses and depreciation	314,952
Net operating income before loss provisions	333,123
Total expenses on loss provisions	220,927
Expenses on value adjustments and provisions for identified losses	213,073
Expenses on collectively assessed impairment provisions	7,854
Income (loss) before taxes	112,196
Income tax	22,412
Current year profit (loss)	89,783

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	2,298,076
Uncovered letters of credit	51,102
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	179,855
Margin credit lines	0
Other credit lines and commitments	1,036,140
Other standard off-balance sheet items	612,994
Total standard off-balance sheet items	4,178,166

Derivative financial instruments	
Options	0
Swaps	5,962,626
Forwards	181,546
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	6,144,172

Capital adequacy ratio, in %
as at 30 June 2011

28.45

3 The bank submitted new capital adequacy reports showing balance as at 30 June 2011 at the time of publication of this issue of the Banks Bulletin. These data are shown here but they have not been included in the aggregate banking sector data presented in part 2 of this publication, Performance indicators of credit institutions.

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Management board

Branko Buljan – chairperson, Ružica Šarić

Supervisory board

Darko Medak – chairperson, Dubravka Ostojić, Slavka Petrov

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

Audit firm for 2010:
Maran d.o.o., Split

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	216,674
Money assets	15,219
Deposits with the CNB	201,455
Deposits with banking institutions	189,333
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	1,843
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	5,976
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	6,374
Loans to other clients	1,328,012
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	41,336
Interest, fees and other assets	31,398
Net of: Collectively assessed impairment provisions	15,052
TOTAL ASSETS	1,805,894

Liabilities and capital	
Loans from financial institutions	133,174
Short-term loans	39,000
Long-term loans	94,174
Deposits	1,445,924
Giro account and current account deposits	90,149
Savings deposits	25,982
Time deposits	1,329,793
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	70,953
Interest, fees and other liabilities	39,315
TOTAL LIABILITIES	1,689,364
Capital	116,530
TOTAL LIABILITIES AND CAPITAL	1,805,894

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	34,030
Total interest income	70,490
Total interest expenses	36,460
Net income from fees and commissions	1,700
Total income from fees and commissions	2,964
Total expenses on fees and commissions	1,264
Net other non-interest income	153
Other non-interest income	983
Other non-interest expenses	830
Net non-interest income	1,853
General administrative expenses and depreciation	16,500
Net operating income before loss provisions	19,383
Total expenses on loss provisions	9,820
Expenses on value adjustments and provisions for identified losses	7,429
Expenses on collectively assessed impairment provisions	2,392
Income (loss) before taxes	9,562
Income tax	1,912
Current year profit (loss)	7,650

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	60,753
Uncovered letters of credit	5,945
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	9,363
Other standard off-balance sheet items	0
Total standard off-balance sheet items	76,061

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

Capital adequacy ratio, in %
as at 30 June 2011

12.67

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Management board

Miro Dodić – chairperson, Marina Vidič, Klaudija Paljuh

Supervisory board

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

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

Audit firm for 2010:
PricewaterhouseCoopers d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	421,818
Money assets	70,258
Deposits with the CNB	351,560
Deposits with banking institutions	250,159
MoF treasury bills and CNB bills	148,422
Securities and other financial instruments held for trading	434
Securities and other financial instruments available for sale	2,805
Securities and other financial instruments held to maturity	68,634
Securities and other financial instruments not traded in active markets but carried at fair value	22,444
Derivative financial assets	0
Loans to financial institutions	13,146
Loans to other clients	1,405,671
Investments in subsidiaries and associates	20
Foreclosed and repossessed assets	4,330
Tangible assets (net of depreciation)	49,426
Interest, fees and other assets	21,832
Net of: Collectively assessed impairment provisions	17,538
TOTAL ASSETS	2,391,604

Liabilities and capital	
Loans from financial institutions	56,693
Short-term loans	11,000
Long-term loans	45,693
Deposits	2,024,779
Giro account and current account deposits	245,665
Savings deposits	324,150
Time deposits	1,454,963
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	18,395
Interest, fees and other liabilities	52,283
TOTAL LIABILITIES	2,152,150
Capital	239,454
TOTAL LIABILITIES AND CAPITAL	2,391,604

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	31,586
Total interest income	61,132
Total interest expenses	29,546
Net income from fees and commissions	9,632
Total income from fees and commissions	11,414
Total expenses on fees and commissions	1,782
Net other non-interest income	7,998
Other non-interest income	9,173
Other non-interest expenses	1,174
Net non-interest income	17,630
General administrative expenses and depreciation	29,472
Net operating income before loss provisions	19,744
Total expenses on loss provisions	7,688
Expenses on value adjustments and provisions for identified losses	8,128
Expenses on collectively assessed impairment provisions	–439
Income (loss) before taxes	12,056
Income tax	2,342
Current year profit (loss)	9,714

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	37,079
Uncovered letters of credit	19,742
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	36,304
Margin credit lines	0
Other credit lines and commitments	40,153
Other standard off-balance sheet items	0
Total standard off-balance sheet items	133,278

Derivative financial instruments	
Options	5,541
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	5,541

Capital adequacy ratio, in %
as at 30 June 2011

14.62

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Management board

Ivo Šinko – chairperson, Marija Trlaja, Mirko Goreta

Supervisory board

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

Shareholders	Share in share capital (%)
1. Croatia osiguranje d.d.	6.48
2. Alfa d.d.	6.26
3. Josip Stojanović	4.80
4. Ugo grupa d.o.o.	4.58
5. Importanne d.o.o.	4.32
6. Tiskara Malenica d.o.o.	3.88
7. Vodovod i odvodnja d.o.o.	3.39
8. Mango Investments LTD	3.34
9. Rivijera hoteli i kampovi d.d.	3.17

Audit firm for 2010:
Šibenski Revicon d.o.o., Šibenik

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	318,040
Money assets	75,351
Deposits with the CNB	242,689
Deposits with banking institutions	423,922
MoF treasury bills and CNB bills	21,671
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	17,532
Securities and other financial instruments held to maturity	210,942
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	29,905
Loans to other clients	1,426,057
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	182,164
Tangible assets (net of depreciation)	23,945
Interest, fees and other assets	33,554
Net of: Collectively assessed impairment provisions	18,435
TOTAL ASSETS	2,669,297

Liabilities and capital	
Loans from financial institutions	201,520
Short-term loans	73,000
Long-term loans	128,520
Deposits	2,044,494
Giro account and current account deposits	187,417
Savings deposits	316,118
Time deposits	1,540,959
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	5
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	15,497
Hybrid instruments issued	0
Interest, fees and other liabilities	76,016
TOTAL LIABILITIES	2,337,533
Capital	331,764
TOTAL LIABILITIES AND CAPITAL	2,669,297

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	25,576
Total interest income	70,341
Total interest expenses	44,765
Net income from fees and commissions	8,252
Total income from fees and commissions	9,892
Total expenses on fees and commissions	1,640
Net other non-interest income	3,521
Other non-interest income	6,089
Other non-interest expenses	2,568
Net non-interest income	11,772
General administrative expenses and depreciation	30,042
Net operating income before loss provisions	7,307
Total expenses on loss provisions	653
Expenses on value adjustments and provisions for identified losses	934
Expenses on collectively assessed impairment provisions	–282
Income (loss) before taxes	6,654
Income tax	0
Current year profit (loss)	6,654

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	61,916
Uncovered letters of credit	32,160
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	145,515
Other standard off-balance sheet items	0
Total standard off-balance sheet items	239,591

Derivative financial instruments	
Options	10,833
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	10,833

Capital adequacy ratio, in %
as at 30 June 2011

15.13

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Management board

Sandi Šola – chairperson, Marijana Trpčić-Reškovac

Supervisory board

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

Shareholders	Share in share capital (%)
1. Sandi Šola	19.54
2. Mate Šarić	9.63
3. Jaime Ivan Guerrero Devlahovich	8.48
4. Marijan Šarić	4.94
5. Société Générale-Splitska banka d.d (custody account)	4.06
6. Privredna banka Zagreb d.d. (custody account)	4.05
7. Dario Šimić	3.95
8. Goran Ivanišević	3.34

Audit firm for 2010:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	211,880
Money assets	24,444
Deposits with the CNB	187,436
Deposits with banking institutions	203,897
MoF treasury bills and CNB bills	110,785
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	27,105
Securities and other financial instruments held to maturity	185,316
Securities and other financial instruments not traded in active markets but carried at fair value	174,301
Derivative financial assets	3
Loans to financial institutions	165
Loans to other clients	982,751
Investments in subsidiaries and associates	32,026
Foreclosed and repossessed assets	40,656
Tangible assets (net of depreciation)	89,814
Interest, fees and other assets	34,159
Net of: Collectively assessed impairment provisions	12,212
TOTAL ASSETS	2,080,647

Liabilities and capital	
Loans from financial institutions	296,308
Short-term loans	158,300
Long-term loans	138,008
Deposits	1,549,762
Giro account and current account deposits	275,186
Savings deposits	234,627
Time deposits	1,039,949
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	3
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	80,171
Interest, fees and other liabilities	58,161
TOTAL LIABILITIES	1,984,406
Capital	96,241
TOTAL LIABILITIES AND CAPITAL	2,080,647

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	25,112
Total interest income	60,338
Total interest expenses	35,226
Net income from fees and commissions	6,949
Total income from fees and commissions	10,835
Total expenses on fees and commissions	3,887
Net other non-interest income	–711
Other non-interest income	1,489
Other non-interest expenses	2,200
Net non-interest income	6,237
General administrative expenses and depreciation	35,954
Net operating income before loss provisions	–4,605
Total expenses on loss provisions	–1,626
Expenses on value adjustments and provisions for identified losses	1,260
Expenses on collectively assessed impairment provisions	–2,885
Income (loss) before taxes	–2,979
Income tax	0
Current year profit (loss)	–2,979

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	151,407
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	6,596
Margin credit lines	0
Other credit lines and commitments	152,965
Other standard off-balance sheet items	3,141
Total standard off-balance sheet items	314,109

Derivative financial instruments	
Options	5,175
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	5,175

Capital adequacy ratio, in %
as at 30 June 2011

12.40

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Management board

Mirjana Krile – chairperson, Ivan Dropulić, Stjepan Anić

Supervisory board

Nadira Eror – chairperson, Ankica Čeko, Gordana Letica, Irena Severin

Shareholders	Share in share capital (%)
1. Agram životno osiguranje d.d.	17.60
2. Euroherc osiguranje d.d.	16.45
3. Jadransko osiguranje d.d.	16.24
4. Euroleasing d.o.o.	10.08
5. Euro daus d.d.	4.99
6. Euroduhan d.d.	4.32
7. Kreditna banka Zagreb d.d. (custody account)	4.32
8. Automehanika servisi d.d.	4.19
9. Euroagram nekretnine d.o.o.	4.17
10. Privredna banka Zagreb d.d. (custody account)	3.22
11. Eurodom d.o.o.	3.09

Audit firm for 2010:
Grant Thornton revizija d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	246,924
Money assets	53,555
Deposits with the CNB	193,369
Deposits with banking institutions	183,777
MoF treasury bills and CNB bills	82,712
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	112,299
Securities and other financial instruments held to maturity	7,958
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	868
Loans to financial institutions	43,415
Loans to other clients	1,511,357
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	13,159
Tangible assets (net of depreciation)	33,396
Interest, fees and other assets	70,726
Net of: Collectively assessed impairment provisions	16,327
TOTAL ASSETS	2,290,264

Liabilities and capital	
Loans from financial institutions	110,629
Short-term loans	84,600
Long-term loans	26,029
Deposits	1,786,278
Giro account and current account deposits	268,078
Savings deposits	64,255
Time deposits	1,453,944
Other loans	51,870
Short-term loans	51,870
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	1,461
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	55,720
TOTAL LIABILITIES	2,005,958
Capital	284,306
TOTAL LIABILITIES AND CAPITAL	2,290,264

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	35,263
Total interest income	73,426
Total interest expenses	38,162
Net income from fees and commissions	6,611
Total income from fees and commissions	10,997
Total expenses on fees and commissions	4,386
Net other non-interest income	5,478
Other non-interest income	6,787
Other non-interest expenses	1,309
Net non-interest income	12,089
General administrative expenses and depreciation	30,981
Net operating income before loss provisions	16,371
Total expenses on loss provisions	4,856
Expenses on value adjustments and provisions for identified losses	4,237
Expenses on collectively assessed impairment provisions	619
Income (loss) before taxes	11,515
Income tax	2,303
Current year profit (loss)	9,212

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	70,813
Uncovered letters of credit	18,283
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	60,998
Margin credit lines	0
Other credit lines and commitments	4,866
Other standard off-balance sheet items	13,827
Total standard off-balance sheet items	168,787

Derivative financial instruments	
Options	14,634
Swaps	234,744
Forwards	127,050
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	376,427

Capital adequacy ratio, in %
as at 30 June 2011

15.13

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Management board

Nenad Jeđud – chairperson, Ljiljana Horvat, Davor Vodanović, Tihomir Gluić

Supervisory board

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

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

Audit firm for 2010:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	408,970
Money assets	75,898
Deposits with the CNB	333,072
Deposits with banking institutions	358,537
MoF treasury bills and CNB bills	519,809
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	45,355
Securities and other financial instruments held to maturity	3,184
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	22,602
Loans to other clients	1,388,169
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	10,271
Tangible assets (net of depreciation)	33,473
Interest, fees and other assets	20,907
Net of: Collectively assessed impairment provisions	24,270
TOTAL ASSETS	2,787,006

Liabilities and capital	
Loans from financial institutions	81,707
Short-term loans	16,200
Long-term loans	65,507
Deposits	2,267,944
Giro account and current account deposits	370,879
Savings deposits	420,643
Time deposits	1,476,423
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	77,931
TOTAL LIABILITIES	2,427,582
Capital	359,424
TOTAL LIABILITIES AND CAPITAL	2,787,006

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	40,207
Total interest income	75,585
Total interest expenses	35,378
Net income from fees and commissions	15,641
Total income from fees and commissions	17,359
Total expenses on fees and commissions	1,718
Net other non-interest income	497
Other non-interest income	3,680
Other non-interest expenses	3,183
Net non-interest income	16,138
General administrative expenses and depreciation	31,391
Net operating income before loss provisions	24,954
Total expenses on loss provisions	5,145
Expenses on value adjustments and provisions for identified losses	7,442
Expenses on collectively assessed impairment provisions	–2,297
Income (loss) before taxes	19,809
Income tax	3,946
Current year profit (loss)	15,863

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	53,607
Uncovered letters of credit	1,818
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	29,195
Margin credit lines	0
Other credit lines and commitments	164,872
Other standard off-balance sheet items	0
Total standard off-balance sheet items	249,492

Derivative financial instruments	
Options	7,082
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	7,082

Capital adequacy ratio, in %
as at 30 June 2011

20.32

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Management board

Stipan Pamuković – chairperson, Janko Hrnjak

Supervisory board

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

Shareholders	Share in share capital (%)
1. GIP Pionir d.o.o.	29.85
2. Paron d.o.o.	17.92
3. Kemika d.d.	11.44
4. Munis d.o.o.	9.78
5. Gradko d.o.o.	7.54

Audit firm for 2010:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	39,849
Money assets	4,294
Deposits with the CNB	35,555
Deposits with banking institutions	31,973
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	20,336
Securities and other financial instruments held to maturity	104
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	300
Loans to other clients	195,118
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	7,635
Tangible assets (net of depreciation)	1,928
Interest, fees and other assets	8,714
Net of: Collectively assessed impairment provisions	1,949
TOTAL ASSETS	304,009

Liabilities and capital	
Loans from financial institutions	9,850
Short-term loans	9,850
Long-term loans	0
Deposits	245,412
Giro account and current account deposits	30,297
Savings deposits	2,098
Time deposits	213,017
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	16,000
Interest, fees and other liabilities	8,340
TOTAL LIABILITIES	279,602
Capital	24,406
TOTAL LIABILITIES AND CAPITAL	304,009

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	–59
Total interest income	7,166
Total interest expenses	7,225
Net income from fees and commissions	472
Total income from fees and commissions	850
Total expenses on fees and commissions	378
Net other non-interest income	0
Other non-interest income	288
Other non-interest expenses	288
Net non-interest income	472
General administrative expenses and depreciation	5,249
Net operating income before loss provisions	–4,837
Total expenses on loss provisions	121
Expenses on value adjustments and provisions for identified losses	–39
Expenses on collectively assessed impairment provisions	160
Income (loss) before taxes	–4,958
Income tax	0
Current year profit (loss)	–4,958

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	34,622
Uncovered letters of credit	763
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	2,912
Other standard off-balance sheet items	0
Total standard off-balance sheet items	38,297

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

Capital adequacy ratio, in %
as at 30 June 2011

13.12

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Management board

Balázs Békeffy – chairperson, Zorislav Vidović, Helena Banjad

Supervisory board

Antal György Kovács – chairperson, Gábor Czikora, László Kecskés, Gábor Kovács, Anita Szórád, Zsolt Szabó, Branko Mikša

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

Audit firm for 2010:
Deloitte d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	1,621,466
Money assets	212,853
Deposits with the CNB	1,408,613
Deposits with banking institutions	556,946
MoF treasury bills and CNB bills	251,316
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	1,121,812
Securities and other financial instruments held to maturity	37,549
Securities and other financial instruments not traded in active markets but carried at fair value	29,999
Derivative financial assets	3
Loans to financial institutions	130
Loans to other clients	8,531,102
Investments in subsidiaries and associates	83,251
Foreclosed and repossessed assets	178
Tangible assets (net of depreciation)	198,911
Interest, fees and other assets	250,115
Net of: Collectively assessed impairment provisions	85,431
TOTAL ASSETS	12,597,347

Liabilities and capital	
Loans from financial institutions	774,127
Short-term loans	12,148
Long-term loans	761,979
Deposits	9,877,170
Giro account and current account deposits	1,316,930
Savings deposits	1,147,775
Time deposits	7,412,465
Other loans	7,959
Short-term loans	0
Long-term loans	7,959
Derivative financial liabilities and other financial liabilities held for trading	14,274
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	37,702
Hybrid instruments issued	0
Interest, fees and other liabilities	348,499
TOTAL LIABILITIES	11,059,731
Capital	1,537,615
TOTAL LIABILITIES AND CAPITAL	12,597,347

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	197,840
Total interest income	366,264
Total interest expenses	168,424
Net income from fees and commissions	48,151
Total income from fees and commissions	65,322
Total expenses on fees and commissions	17,171
Net other non-interest income	11,434
Other non-interest income	24,718
Other non-interest expenses	13,283
Net non-interest income	59,585
General administrative expenses and depreciation	153,879
Net operating income before loss provisions	103,546
Total expenses on loss provisions	70,425
Expenses on value adjustments and provisions for identified losses	75,379
Expenses on collectively assessed impairment provisions	–4,954
Income (loss) before taxes	33,121
Income tax	6,629
Current year profit (loss)	26,492

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	279,508
Uncovered letters of credit	13,397
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	137,907
Margin credit lines	0
Other credit lines and commitments	701,362
Other standard off-balance sheet items	1,142
Total standard off-balance sheet items	1,133,315

Derivative financial instruments	
Options	85,149
Swaps	1,523,365
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1,608,514

Capital adequacy ratio, in %
as at 30 June 2011

15.88

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Management board

Jozo Matas – chairperson, Petar Repušić

Supervisory board

Borislav Škegro – chairperson, Ivan Ćurković, Božo Čulo

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

Audit firm for 2010:
Grant Thornton revizija d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	96,061
Money assets	12,959
Deposits with the CNB	83,102
Deposits with banking institutions	63,951
MoF treasury bills and CNB bills	14,671
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	106,137
Securities and other financial instruments held to maturity	6,037
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	9
Loans to financial institutions	4,057
Loans to other clients	915,493
Investments in subsidiaries and associates	197
Foreclosed and repossessed assets	13,830
Tangible assets (net of depreciation)	31,928
Interest, fees and other assets	30,744
Net of: Collectively assessed impairment provisions	8,958
TOTAL ASSETS	1,274,158

Liabilities and capital	
Loans from financial institutions	234,887
Short-term loans	36,525
Long-term loans	198,362
Deposits	836,852
Giro account and current account deposits	124,629
Savings deposits	36,695
Time deposits	675,528
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	7
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	27,765
TOTAL LIABILITIES	1,099,511
Capital	174,647
TOTAL LIABILITIES AND CAPITAL	1,274,158

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	23,099
Total interest income	43,293
Total interest expenses	20,194
Net income from fees and commissions	3,651
Total income from fees and commissions	5,197
Total expenses on fees and commissions	1,545
Net other non-interest income	2,291
Other non-interest income	2,885
Other non-interest expenses	594
Net non-interest income	5,942
General administrative expenses and depreciation	23,883
Net operating income before loss provisions	5,159
Total expenses on loss provisions	3,692
Expenses on value adjustments and provisions for identified losses	3,831
Expenses on collectively assessed impairment provisions	–140
Income (loss) before taxes	1,467
Income tax	293
Current year profit (loss)	1,174

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	64,676
Uncovered letters of credit	2,958
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	11,240
Margin credit lines	0
Other credit lines and commitments	11,297
Other standard off-balance sheet items	0
Total standard off-balance sheet items	90,171

Derivative financial instruments	
Options	16,903
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	16,903

Capital adequacy ratio, in %
as at 30 June 2011

13.52

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Management board

Julio Kuruc – chairperson, Davorka Jakir, Marijan Marušić

Supervisory board

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

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

Audit firm for 2010:
Deloitte d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	338,374
Money assets	39,914
Deposits with the CNB	298,460
Deposits with banking institutions	157,300
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	439,770
Securities and other financial instruments held to maturity	102,572
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	2
Loans to financial institutions	58,613
Loans to other clients	1,585,985
Investments in subsidiaries and associates	3,570
Foreclosed and repossessed assets	6,692
Tangible assets (net of depreciation)	71,003
Interest, fees and other assets	68,808
Net of: Collectively assessed impairment provisions	23,390
TOTAL ASSETS	2,809,300

Liabilities and capital	
Loans from financial institutions	120,096
Short-term loans	35,700
Long-term loans	84,396
Deposits	2,211,383
Giro account and current account deposits	373,064
Savings deposits	257,843
Time deposits	1,580,477
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	2
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	89,268
TOTAL LIABILITIES	2,420,750
Capital	388,549
TOTAL LIABILITIES AND CAPITAL	2,809,300

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	51,545
Total interest income	88,216
Total interest expenses	36,670
Net income from fees and commissions	12,951
Total income from fees and commissions	18,492
Total expenses on fees and commissions	5,541
Net other non-interest income	3,497
Other non-interest income	5,472
Other non-interest expenses	1,974
Net non-interest income	16,448
General administrative expenses and depreciation	49,718
Net operating income before loss provisions	18,275
Total expenses on loss provisions	6,342
Expenses on value adjustments and provisions for identified losses	6,342
Expenses on collectively assessed impairment provisions	0
Income (loss) before taxes	11,934
Income tax	2,387
Current year profit (loss)	9,546

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	54,352
Uncovered letters of credit	33,992
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	12,077
Margin credit lines	765
Other credit lines and commitments	221,899
Other standard off-balance sheet items	25
Total standard off-balance sheet items	323,111

Derivative financial instruments	
Options	144
Swaps	0
Forwards	3,996
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	4,140

Capital adequacy ratio, in %
as at 30 June 2011

15.31

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Management board

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

Supervisory board

Jože Perić – chairperson, Gordana Pavletić, Franco Brunati

Shareholders	Share in share capital (%)
1. Francesco Signorio	36.17
2. C.I.M. Banque SA	27.06
3. Svetlana Signorio	6.42
4. Carlo Di Dato	6.13
5. Cofisi S.A.	5.48
6. Domenico Petrella	4.17
7. IBS S.R.L.	3.78
8. J.L.L. Marc Jourdan	3.25

Audit firm for 2010:
HLB Revidicon d.o.o., Varaždin

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	27,739
Money assets	4,030
Deposits with the CNB	23,709
Deposits with banking institutions	43,693
MoF treasury bills and CNB bills	10,123
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	20,808
Securities and other financial instruments held to maturity	11,638
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	9,458
Loans to other clients	60,568
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	843
Interest, fees and other assets	6,127
Net of: Collectively assessed impairment provisions	1,269
TOTAL ASSETS	189,728

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	131,206
Giro account and current account deposits	4,464
Savings deposits	10,150
Time deposits	116,591
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	17,050
Interest, fees and other liabilities	5,813
TOTAL LIABILITIES	154,069
Capital	35,660
TOTAL LIABILITIES AND CAPITAL	189,728

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	1,864
Total interest income	4,932
Total interest expenses	3,068
Net income from fees and commissions	88
Total income from fees and commissions	445
Total expenses on fees and commissions	357
Net other non-interest income	38
Other non-interest income	263
Other non-interest expenses	225
Net non-interest income	126
General administrative expenses and depreciation	5,951
Net operating income before loss provisions	–3,961
Total expenses on loss provisions	186
Expenses on value adjustments and provisions for identified losses	126
Expenses on collectively assessed impairment provisions	60
Income (loss) before taxes	–4,147
Income tax	0
Current year profit (loss)	–4,147

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	429
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	1,318
Other standard off-balance sheet items	1,870
Total standard off-balance sheet items	3,618

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

Capital adequacy ratio, in %
as at 30 June 2011

41.48

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Management board

Božo Prka – chairperson, Jonathan Charles Locke[4], Ivan Gerovac, Gabriele Pace, Darko Drozdek, Draženko Kopljar, Dinko Lucić, Andrea Pavlović

Supervisory board

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

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

Audit firm for 2010:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	9,324,568
Money assets	1,394,518
Deposits with the CNB	7,930,050
Deposits with banking institutions	4,904,099
MoF treasury bills and CNB bills	2,578,796
Securities and other financial instruments held for trading	28,959
Securities and other financial instruments available for sale	659,791
Securities and other financial instruments held to maturity	533,117
Securities and other financial instruments not traded in active markets but carried at fair value	365,105
Derivative financial assets	4,566
Loans to financial institutions	1,172,517
Loans to other clients	46,066,608
Investments in subsidiaries and associates	374,031
Foreclosed and repossessed assets	23,795
Tangible assets (net of depreciation)	711,844
Interest, fees and other assets	910,806
Net of: Collectively assessed impairment provisions	585,106
TOTAL ASSETS	67,073,497

Liabilities and capital	
Loans from financial institutions	2,842,727
Short-term loans	1,627,941
Long-term loans	1,214,786
Deposits	46,267,562
Giro account and current account deposits	8,048,383
Savings deposits	6,116,395
Time deposits	32,102,784
Other loans	5,540,355
Short-term loans	36,870
Long-term loans	5,503,486
Derivative financial liabilities and other financial liabilities held for trading	5,728
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	1,877,523
TOTAL LIABILITIES	56,533,895
Capital	10,539,602
TOTAL LIABILITIES AND CAPITAL	67,073,497

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	1,070,005
Total interest income	1,767,398
Total interest expenses	697,393
Net income from fees and commissions	226,870
Total income from fees and commissions	336,914
Total expenses on fees and commissions	110,044
Net other non-interest income	109,148
Other non-interest income	168,235
Other non-interest expenses	59,088
Net non-interest income	336,017
General administrative expenses and depreciation	593,431
Net operating income before loss provisions	812,591
Total expenses on loss provisions	197,398
Expenses on value adjustments and provisions for identified losses	171,517
Expenses on collectively assessed impairment provisions	25,881
Income (loss) before taxes	615,193
Income tax	113,894
Current year profit (loss)	501,299

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	2,536,075
Uncovered letters of credit	286,138
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	3,812,577
Margin credit lines	0
Other credit lines and commitments	5,086,763
Other standard off-balance sheet items	45,602
Total standard off-balance sheet items	11,767,155

Derivative financial instruments	
Options	136,336
Swaps	7,024,593
Forwards	822,593
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	7,983,522

Capital adequacy ratio, in %
as at 30 June 2011

20.31

4 Term of office expired on 7 September 2011.

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Management board

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

Supervisory board

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

Shareholders	Share in share capital (%)
1. Raiffeisen International Bank-Holding AG	73.43
2. Raiffeisenbank-Zagreb Beteiligungs GmbH	24.48

Audit firm for 2010:
Deloitte d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	4,593,892
Money assets	503,886
Deposits with the CNB	4,090,006
Deposits with banking institutions	249,413
MoF treasury bills and CNB bills	672,128
Securities and other financial instruments held for trading	3,742,944
Securities and other financial instruments available for sale	15,075
Securities and other financial instruments held to maturity	591,671
Securities and other financial instruments not traded in active markets but carried at fair value	364,502
Derivative financial assets	67,518
Loans to financial institutions	1,041,458
Loans to other clients	25,386,184
Investments in subsidiaries and associates	210,745
Foreclosed and repossessed assets	2,083
Tangible assets (net of depreciation)	368,327
Interest, fees and other assets	962,677
Net of: Collectively assessed impairment provisions	313,800
TOTAL ASSETS	37,954,816

Liabilities and capital	
Loans from financial institutions	1,487,314
Short-term loans	572,797
Long-term loans	914,517
Deposits	22,778,761
Giro account and current account deposits	5,006,806
Savings deposits	2,839,815
Time deposits	14,932,140
Other loans	6,020,589
Short-term loans	3,055,962
Long-term loans	2,964,627
Derivative financial liabilities and other financial liabilities held for trading	831,756
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	1,104,115
TOTAL LIABILITIES	32,222,535
Capital	5,732,281
TOTAL LIABILITIES AND CAPITAL	37,954,816

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	657,843
Total interest income	1,114,232
Total interest expenses	456,388
Net income from fees and commissions	160,118
Total income from fees and commissions	215,327
Total expenses on fees and commissions	55,209
Net other non-interest income	166,568
Other non-interest income	190,961
Other non-interest expenses	24,393
Net non-interest income	326,686
General administrative expenses and depreciation	448,060
Net operating income before loss provisions	536,470
Total expenses on loss provisions	199,491
Expenses on value adjustments and provisions for identified losses	197,897
Expenses on collectively assessed impairment provisions	1,594
Income (loss) before taxes	336,979
Income tax	954
Current year profit (loss)	336,025

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	3,520,100
Uncovered letters of credit	291,591
Guaranteed bills of exchange	822
Accepted bills of exchange	0
Revolving loans	586,653
Margin credit lines	0
Other credit lines and commitments	1,783,265
Other standard off-balance sheet items	2,133,036
Total standard off-balance sheet items	8,315,467

Derivative financial instruments	
Options	52,856
Swaps	26,802,444
Forwards	5,697,395
Futures	2,546,615
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	35,099,310

Capital adequacy ratio, in %
as at 30 June 2011

17.59

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Management board

Marijan Kantolić – chairperson, Verica Ljubičić

Supervisory board

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

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

Audit firm for 2010:
Revizija servis d.o.o., Zabok

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	58,052
Money assets	11,046
Deposits with the CNB	47,006
Deposits with banking institutions	128,412
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	258
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	441
Loans to financial institutions	2,599
Loans to other clients	173,464
Investments in subsidiaries and associates	45
Foreclosed and repossessed assets	9,467
Tangible assets (net of depreciation)	30,199
Interest, fees and other assets	5,460
Net of: Collectively assessed impairment provisions	3,167
TOTAL ASSETS	405,230

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	301,556
Giro account and current account deposits	62,839
Savings deposits	55,632
Time deposits	183,085
Other loans	41
Short-term loans	41
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	17,667
TOTAL LIABILITIES	319,265
Capital	85,965
TOTAL LIABILITIES AND CAPITAL	405,230

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	5,389
Total interest income	9,619
Total interest expenses	4,229
Net income from fees and commissions	1,334
Total income from fees and commissions	2,313
Total expenses on fees and commissions	978
Net other non-interest income	503
Other non-interest income	674
Other non-interest expenses	171
Net non-interest income	1,838
General administrative expenses and depreciation	6,091
Net operating income before loss provisions	1,136
Total expenses on loss provisions	-225
Expenses on value adjustments and provisions for identified losses	-419
Expenses on collectively assessed impairment provisions	194
Income (loss) before taxes	1,361
Income tax	272
Current year profit (loss)	1,089

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	16,521
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	18,876
Other standard off-balance sheet items	0
Total standard off-balance sheet items	35,397

Derivative financial instruments	
Options	38,117
Swaps	0
Forwards	0
Futures	55,683
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	38,117

Capital adequacy ratio, in %
as at 30 June 2011

30.69

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Management board

Angelina Horvat – chairperson, Elvis Mališ, Marko Krajina

Supervisory board

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

Shareholders	Share in share capital (%)
1. Hypo Alpe-Adria-Bank d.d. (custody account)	8.52
2. State Agency for Bank Rehabilitation and Deposit Insurance	8.32
3. Dragutin Sokačić	7.89
4. Privredna banka Zagreb d.d. (custody account)	5.92
5. Velebit osiguranje d.d.	5.19
6. Raiffeisenbank Austria d.d. (custody account)	4.38
7. Vaba d.d. banka	3.81
8. HPB d.d. (custody account)	3.78
9. Josip Galić	3.26
10. Milivoj Mrkoci	3.26
11. Croatia Lloyd d.d.	3.02

Audit firm for 2010:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	184,283
Money assets	25,228
Deposits with the CNB	159,055
Deposits with banking institutions	195,557
MoF treasury bills and CNB bills	98,993
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	33,508
Securities and other financial instruments held to maturity	74,543
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	17,927
Loans to other clients	667,763
Investments in subsidiaries and associates	5,916
Foreclosed and repossessed assets	7,650
Tangible assets (net of depreciation)	25,836
Interest, fees and other assets	12,936
Net of: Collectively assessed impairment provisions	9,546
TOTAL ASSETS	1,315,365

Liabilities and capital	
Loans from financial institutions	31,768
Short-term loans	0
Long-term loans	31,768
Deposits	1,044,788
Giro account and current account deposits	84,932
Savings deposits	84,665
Time deposits	875,190
Other loans	17,331
Short-term loans	0
Long-term loans	17,331
Derivative financial liabilities and other financial liabilities held for trading	1
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	49,992
TOTAL LIABILITIES	1,143,879
Capital	171,486
TOTAL LIABILITIES AND CAPITAL	1,315,365

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	17,671
Total interest income	41,016
Total interest expenses	23,344
Net income from fees and commissions	4,883
Total income from fees and commissions	6,532
Total expenses on fees and commissions	1,648
Net other non-interest income	1,233
Other non-interest income	1,986
Other non-interest expenses	753
Net non-interest income	6,116
General administrative expenses and depreciation	19,627
Net operating income before loss provisions	4,160
Total expenses on loss provisions	1,806
Expenses on value adjustments and provisions for identified losses	923
Expenses on collectively assessed impairment provisions	883
Income (loss) before taxes	2,354
Income tax	721
Current year profit (loss)	1,633

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	16,363
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,695
Margin credit lines	0
Other credit lines and commitments	68,795
Other standard off-balance sheet items	0
Total standard off-balance sheet items	86,853

Derivative financial instruments	
Options	4,200
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	4,200

Capital adequacy ratio, in %
as at 30 June 2011

18.89

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Management board

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

Supervisory board

Jean-Didier Reigner – chairperson, Patrick Pierre Gelin, Patrick Renouvin

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

Audit firm for 2010:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	4,231,945
Money assets	373,967
Deposits with the CNB	3,857,978
Deposits with banking institutions	2,428,086
MoF treasury bills and CNB bills	290,820
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	824,732
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	3,406
Loans to financial institutions	407,540
Loans to other clients	17,831,214
Investments in subsidiaries and associates	32,238
Foreclosed and repossessed assets	2,128
Tangible assets (net of depreciation)	219,503
Interest, fees and other assets	620,266
Net of: Collectively assessed impairment provisions	203,465
TOTAL ASSETS	26,688,414

Liabilities and capital	
Loans from financial institutions	928,452
Short-term loans	1,000
Long-term loans	927,452
Deposits	13,514,149
Giro account and current account deposits	2,928,787
Savings deposits	2,004,708
Time deposits	8,580,654
Other loans	7,130,759
Short-term loans	514,933
Long-term loans	6,615,827
Derivative financial liabilities and other financial liabilities held for trading	3,826
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	431,477
Hybrid instruments issued	0
Interest, fees and other liabilities	1,238,099
TOTAL LIABILITIES	23,246,763
Capital	3,441,651
TOTAL LIABILITIES AND CAPITAL	26,688,414

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	401,056
Total interest income	692,746
Total interest expenses	291,690
Net income from fees and commissions	124,255
Total income from fees and commissions	148,997
Total expenses on fees and commissions	24,743
Net other non-interest income	27,870
Other non-interest income	43,987
Other non-interest expenses	16,117
Net non-interest income	152,125
General administrative expenses and depreciation	312,562
Net operating income before loss provisions	240,619
Total expenses on loss provisions	100,561
Expenses on value adjustments and provisions for identified losses	112,401
Expenses on collectively assessed impairment provisions	–11,840
Income (loss) before taxes	140,058
Income tax	26,987
Current year profit (loss)	113,071

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	2,052,779
Uncovered letters of credit	92,643
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,308,459
Margin credit lines	0
Other credit lines and commitments	2,140,193
Other standard off-balance sheet items	0
Total standard off-balance sheet items	5,594,073

Derivative financial instruments	
Options	21,129
Swaps	1,455,934
Forwards	200,070
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1,677,133

Capital adequacy ratio, in %
as at 30 June 2011

16.16

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Management board

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

Supervisory board

Ivo Andrijanić – chairperson, Đuro Benček, Petar Ćurković

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

Audit firm for 2010:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	82,829
Money assets	3,733
Deposits with the CNB	79,096
Deposits with banking institutions	103,316
MoF treasury bills and CNB bills	4,987
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	69,011
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	1,789
Loans to financial institutions	33,972
Loans to other clients	927,565
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	17,577
Tangible assets (net of depreciation)	8,532
Interest, fees and other assets	14,812
Net of: Collectively assessed impairment provisions	10,442
TOTAL ASSETS	1,253,949

Liabilities and capital	
Loans from financial institutions	79,771
Short-term loans	15,400
Long-term loans	64,371
Deposits	790,677
Giro account and current account deposits	36,731
Savings deposits	65,456
Time deposits	688,490
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	32,532
TOTAL LIABILITIES	902,980
Capital	350,969
TOTAL LIABILITIES AND CAPITAL	1,253,949

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	26,998
Total interest income	47,161
Total interest expenses	20,163
Net income from fees and commissions	2,965
Total income from fees and commissions	3,861
Total expenses on fees and commissions	895
Net other non-interest income	2,346
Other non-interest income	3,745
Other non-interest expenses	1,399
Net non-interest income	5,311
General administrative expenses and depreciation	8,015
Net operating income before loss provisions	24,294
Total expenses on loss provisions	1,873
Expenses on value adjustments and provisions for identified losses	1,058
Expenses on collectively assessed impairment provisions	815
Income (loss) before taxes	22,422
Income tax	3,697
Current year profit (loss)	18,724

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	125,671
Uncovered letters of credit	12,904
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	6,504
Other standard off-balance sheet items	0
Total standard off-balance sheet items	145,078

Derivative financial instruments	
Options	239,180
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	41
Total notional amount of derivative financial instruments	239,221

Capital adequacy ratio, in %
as at 30 June 2011

26.61

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Management board

Zvonko Agičić – chairperson, Dubravka Filipčić

Supervisory board

Milorad Pupovac – chairperson, Slobodan Vračar, Goran Crnčević

Shareholders		Share in share capital (%)
1.	Development Fund of the Autonomous Province of Vojvodina	76,86
2.	Spectator ulaganja d.o.o.	4,47
2.	Goran Crnčević	4,38
4.	Astrum ulaganja d.o.o.	4,24
3.	Diligent Data d.o.o.	3,53

Audit firm for 2010:
HLB Revidicon d.o.o., Varaždin

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	9,126
Money assets	153
Deposits with the CNB	8,974
Deposits with banking institutions	71
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	3,200
Loans to other clients	2,588
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	794
Interest, fees and other assets	751
Net of: Collectively assessed impairment provisions	126
TOTAL ASSETS	16,403

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	355
Giro account and current account deposits	337
Savings deposits	18
Time deposits	0
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	7,869
TOTAL LIABILITIES	8,224
Capital	8,178
TOTAL LIABILITIES AND CAPITAL	16,403

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	90
Total interest income	158
Total interest expenses	68
Net income from fees and commissions	–21
Total income from fees and commissions	17
Total expenses on fees and commissions	37
Net other non-interest income	–11
Other non-interest income	11
Other non-interest expenses	22
Net non-interest income	–31
General administrative expenses and depreciation	2,667
Net operating income before loss provisions	–2,608
Total expenses on loss provisions	48
Expenses on value adjustments and provisions for identified losses	2
Expenses on collectively assessed impairment provisions	45
Income (loss) before taxes	–2,655
Income tax	0
Current year profit (loss)	–2,655

Off-balance sheet items
as at 30 June 2011, in thousand HRK

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

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

Capital adequacy ratio, in %
as at 30 June 2011

104.00

5 Until 23 May 2011, the name of the bank was A štedna banka malog poduzetništva d.d., Zagreb.

VABA d.d. banka Varaždin

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Management board

Igor Čičak – chairperson, Natalija Jambrečić

Supervisory board

Vladimir Košćec – chairperson, Ankica Mamić, Balz Thomas Merkli, Anisur Rehman Khan, Zdenko Franić, Zlatan Kuljiš

Shareholders	Share in share capital (%)
1. Validus d.d.	29.10
2. Balkan Financial Sector Equity Fund	16.55
3. Pluris d.d.	8.99
4. Gara Secundus d.o.o.	4.31
5. Finesa Conceptus d.o.o.	3.53
6. Jozo Kalem	3.53
7. Inter Finance d.o.o.	3.53

Audit firm for 2010:
Grant Thornton revizija d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	187,598
Money assets	16,953
Deposits with the CNB	170,645
Deposits with banking institutions	34,111
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	263,715
Securities and other financial instruments held to maturity	13,220
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	132
Loans to financial institutions	6,476
Loans to other clients	865,682
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	8,782
Tangible assets (net of depreciation)	26,311
Interest, fees and other assets	51,276
Net of: Collectively assessed impairment provisions	8,962
TOTAL ASSETS	1,448,341

Liabilities and capital	
Loans from financial institutions	77,572
Short-term loans	69,061
Long-term loans	8,512
Deposits	1,056,500
Giro account and current account deposits	79,361
Savings deposits	17,150
Time deposits	959,989
Other loans	126,558
Short-term loans	108,123
Long-term loans	18,435
Derivative financial liabilities and other financial liabilities held for trading	173
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	2,950
Interest, fees and other liabilities	35,508
TOTAL LIABILITIES	1,299,262
Capital	149,079
TOTAL LIABILITIES AND CAPITAL	1,448,341

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	24,173
Total interest income	50,377
Total interest expenses	26,204
Net income from fees and commissions	2,448
Total income from fees and commissions	3,488
Total expenses on fees and commissions	1,040
Net other non-interest income	3,470
Other non-interest income	4,575
Other non-interest expenses	1,105
Net non-interest income	5,918
General administrative expenses and depreciation	23,874
Net operating income before loss provisions	6,217
Total expenses on loss provisions	6,096
Expenses on value adjustments and provisions for identified losses	5,936
Expenses on collectively assessed impairment provisions	160
Income (loss) before taxes	120
Income tax	0
Current year profit (loss)	120

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	24,981
Uncovered letters of credit	1,131
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,977
Margin credit lines	0
Other credit lines and commitments	33,481
Other standard off-balance sheet items	1,625
Total standard off-balance sheet items	63,194

Derivative financial instruments	
Options	0
Swaps	0
Forwards	16,365
Futures	0
Warrants	0
Other derivative financial instruments	16,324
Total notional amount of derivative financial instruments	32,689

Capital adequacy ratio, in %
as at 30 June 2011

13.33

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Management board

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

Supervisory board

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

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

Audit firm for 2010:
KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	134,354
Money assets	12,569
Deposits with the CNB	121,786
Deposits with banking institutions	36,914
MoF treasury bills and CNB bills	69,190
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	305,697
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	39
Loans to financial institutions	2,942
Loans to other clients	518,847
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	1,745
Tangible assets (net of depreciation)	33,988
Interest, fees and other assets	36,863
Net of: Collectively assessed impairment provisions	5,867
TOTAL ASSETS	1,134,712

Liabilities and capital	
Loans from financial institutions	65,251
Short-term loans	41,700
Long-term loans	23,551
Deposits	612,793
Giro account and current account deposits	33,740
Savings deposits	35,071
Time deposits	543,983
Other loans	140,105
Short-term loans	0
Long-term loans	140,105
Derivative financial liabilities and other financial liabilities held for trading	14
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	124,591
TOTAL LIABILITIES	942,755
Capital	191,957
TOTAL LIABILITIES AND CAPITAL	1,134,712

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	12,605
Total interest income	27,059
Total interest expenses	14,453
Net income from fees and commissions	1,910
Total income from fees and commissions	2,519
Total expenses on fees and commissions	609
Net other non-interest income	–1,266
Other non-interest income	1,253
Other non-interest expenses	2,518
Net non-interest income	644
General administrative expenses and depreciation	22,730
Net operating income before loss provisions	–9,481
Total expenses on loss provisions	–2,311
Expenses on value adjustments and provisions for identified losses	–1,942
Expenses on collectively assessed impairment provisions	–369
Income (loss) before taxes	–7,170
Income tax	0
Current year profit (loss)	–7,170

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	92,103
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	27,979
Other standard off-balance sheet items	251
Total standard off-balance sheet items	120,333

Derivative financial instruments	
Options	19,833
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	19,833

Capital adequacy ratio, in %
as at 30 June 2011

21.28

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Management board

Tomasz Jerzy Taraba – chairperson, Andrea Kovacs-Wöhry, Dieter Hornbacher, Dubravka Lukić, Peter Szenkurök

Supervisory board

Christophe Marcel Descos – chairperson, Gerhard Kriegler, Fausto Maritan, Joerg Poglits, David Krepelka, Dragutin Bohuš, Gerhard Wöber

Shareholders	Share in share capital (%)
1. VB International AG	99.18

Audit firm for 2010:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	1,288,520
Money assets	62,585
Deposits with the CNB	1,225,935
Deposits with banking institutions	817,889
MoF treasury bills and CNB bills	109,025
Securities and other financial instruments held for trading	22,840
Securities and other financial instruments available for sale	92,761
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	2,337
Loans to financial institutions	372,087
Loans to other clients	5,066,330
Investments in subsidiaries and associates	1,950
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	10,548
Interest, fees and other assets	123,984
Net of: Collectively assessed impairment provisions	59,475
TOTAL ASSETS	7,848,795

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

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	111,135
Total interest income	192,979
Total interest expenses	81,844
Net income from fees and commissions	18,087
Total income from fees and commissions	20,575
Total expenses on fees and commissions	2,489
Net other non-interest income	4,310
Other non-interest income	11,150
Other non-interest expenses	6,839
Net non-interest income	22,397
General administrative expenses and depreciation	80,270
Net operating income before loss provisions	53,262
Total expenses on loss provisions	73,528
Expenses on value adjustments and provisions for identified losses	73,830
Expenses on collectively assessed impairment provisions	–302
Income (loss) before taxes	–20,266
Income tax	5,332
Current year profit (loss)	–25,597

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	69,113
Uncovered letters of credit	1,639
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	8,072
Margin credit lines	0
Other credit lines and commitments	185,906
Other standard off-balance sheet items	266
Total standard off-balance sheet items	264,996

Derivative financial instruments	
Options	11,091
Swaps	0
Forwards	4,896,635
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	4,907,727

Capital adequacy ratio, in %
as at 30 June 2011

28.42

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Management board

Franjo Luković – chairperson, Milivoj Goldštajn, Sanja Rendulić, Miljenko Živaljić, Marko Remenar, Daniela Roguljić Novak, Mario Agostini

Supervisory board

Erich Hampel – chairperson, Jakša Barbić, Franco Andretta, Robert Zadrazil, Fabrizio Onida, Manuel Bauer, Christian Sebastian Müller, Lyubomir Ignatov Punchev, Francesco Giordano, Gianfranco Bisagni, Massimiliano Fossati

Shareholders	Share in share capital (%)
1. Unicredit Bank Austria AG	84.51
2. Allianz SE	11.72

Audit firm for 2010:
KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	13,427,622
Money assets	1,829,606
Deposits with the CNB	11,598,016
Deposits with banking institutions	6,571,103
MoF treasury bills and CNB bills	2,962,661
Securities and other financial instruments held for trading	364,252
Securities and other financial instruments available for sale	2,922,567
Securities and other financial instruments held to maturity	576,825
Securities and other financial instruments not traded in active markets but carried at fair value	88,835
Derivative financial assets	119,586
Loans to financial institutions	1,385,386
Loans to other clients	69,583,381
Investments in subsidiaries and associates	917,890
Foreclosed and repossessed assets	31,980
Tangible assets (net of depreciation)	1,187,733
Interest, fees and other assets	1,833,840
Net of: Collectively assessed impairment provisions	747,771
TOTAL ASSETS	101,225,890

Liabilities and capital	
Loans from financial institutions	1,620,732
Short-term loans	571,597
Long-term loans	1,049,135
Deposits	73,183,596
Giro account and current account deposits	11,600,192
Savings deposits	5,701,181
Time deposits	55,882,222
Other loans	8,391,937
Short-term loans	11,504
Long-term loans	8,380,433
Derivative financial liabilities and other financial liabilities held for trading	265,377
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	2,792,196
TOTAL LIABILITIES	86,253,837
Capital	14,972,053
TOTAL LIABILITIES AND CAPITAL	101,225,890

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	1,477,982
Total interest income	2,612,786
Total interest expenses	1,134,804
Net income from fees and commissions	429,330
Total income from fees and commissions	498,382
Total expenses on fees and commissions	69,052
Net other non-interest income	201,731
Other non-interest income	245,487
Other non-interest expenses	43,756
Net non-interest income	631,061
General administrative expenses and depreciation	798,967
Net operating income before loss provisions	1,310,076
Total expenses on loss provisions	425,986
Expenses on value adjustments and provisions for identified losses	379,144
Expenses on collectively assessed impairment provisions	46,841
Income (loss) before taxes	884,091
Income tax	158,467
Current year profit (loss)	725,624

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	5,324,382
Uncovered letters of credit	405,319
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,828,037
Margin credit lines	0
Other credit lines and commitments	10,867,262
Other standard off-balance sheet items	170,728
Total standard off-balance sheet items	19,595,727

Derivative financial instruments	
Options	210,608
Swaps	30,727,680
Forwards	9,687,069
Futures	0
Warrants	0
Other derivative financial instruments	128,378
Total notional amount of derivative financial instruments	40,753,734

Capital adequacy ratio, in %
as at 30 June 2011

19.55

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Management board

Damir Šprem – chairperson, Tanja Šantek

Supervisory board

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

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

Audit firm for 2010:
Deloitte d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with banking institutions	916
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	149,786
Securities and other financial instruments available for sale	2,020
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	93,247
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	21
Interest, fees and other assets	14,968
Net of: Collectively assessed impairment provisions	957
TOTAL ASSETS	260,001

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	184,832
Giro account and current account deposits	0
Savings deposits	0
Time deposits	211,716
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	19,465
TOTAL LIABILITIES	231,181
Capital	28,820
TOTAL LIABILITIES AND CAPITAL	260,001

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	3,178
Total interest income	6,339
Total interest expenses	3,161
Net income from fees and commissions	1,398
Total income from fees and commissions	1,802
Total expenses on fees and commissions	405
Net other non-interest income	551
Other non-interest income	725
Other non-interest expenses	174
Net non-interest income	1,949
General administrative expenses and depreciation	4,392
Net operating income before loss provisions	734
Total expenses on loss provisions	–371
Expenses on value adjustments and provisions for identified losses	28
Expenses on collectively assessed impairment provisions	–399
Income (loss) before taxes	1,104
Income tax	0
Current year profit (loss)	1,104

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	1,925
Other standard off-balance sheet items	0
Total standard off-balance sheet items	1,925

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

Capital adequacy ratio, in %
as at 30 June 2011

22.98

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Management board

Mirko Brozović – chairperson, Branimir Čosić

Supervisory board

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

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

Audit firm for 2010:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with banking institutions	280,977
MoF treasury bills and CNB bills	89,399
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	260,680
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	1,076,979
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	149
Interest, fees and other assets	35,195
Net of: Collectively assessed impairment provisions	13,972
TOTAL ASSETS	1,729,407

Liabilities and capital	
Loans from financial institutions	455,526
Short-term loans	175,316
Long-term loans	280,210
Deposits	1,158,100
Giro account and current account deposits	0
Savings deposits	97,815
Time deposits	1,020,868
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	10,000
Interest, fees and other liabilities	27,246
TOTAL LIABILITIES	1,611,455
Capital	117,952
TOTAL LIABILITIES AND CAPITAL	1,729,407

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	10,598
Total interest income	35,993
Total interest expenses	25,395
Net income from fees and commissions	1,898
Total income from fees and commissions	2,649
Total expenses on fees and commissions	751
Net other non-interest income	381
Other non-interest income	1,353
Other non-interest expenses	971
Net non-interest income	2,279
General administrative expenses and depreciation	6,559
Net operating income before loss provisions	6,318
Total expenses on loss provisions	2,244
Expenses on value adjustments and provisions for identified losses	0
Expenses on collectively assessed impairment provisions	2,244
Income (loss) before taxes	4,073
Income tax	686
Current year profit (loss)	3,388

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	1,043
Other standard off-balance sheet items	0
Total standard off-balance sheet items	1,043

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

Capital adequacy ratio, in %
as at 30 June 2011

47.78

PRVA STAMBENA ŠTEDIONICA d.d.

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Management board

Katarina Šobat – chairperson, Marija Posavec

Supervisory board

Daniela Roguljić Novak – chairperson, Davor Pavlić, Danimir Gulin

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

Audit firm for 2010:
KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with banking institutions	232,892
MoF treasury bills and CNB bills	539,766
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	140,803
Securities and other financial instruments held to maturity	190,308
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	75,749
Loans to other clients	1,005,063
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	738
Interest, fees and other assets	125,179
Net of: Collectively assessed impairment provisions	14,335
TOTAL ASSETS	2,296,162

Liabilities and capital	
Loans from financial institutions	61
Short-term loans	0
Long-term loans	61
Deposits	1,720,185
Giro account and current account deposits	0
Savings deposits	12
Time deposits	1,978,209
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	141,351
TOTAL LIABILITIES	2,119,632
Capital	176,530
TOTAL LIABILITIES AND CAPITAL	2,296,162

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	10,861
Total interest income	43,915
Total interest expenses	33,054
Net income from fees and commissions	7,621
Total income from fees and commissions	8,877
Total expenses on fees and commissions	1,256
Net other non-interest income	-279
Other non-interest income	1,324
Other non-interest expenses	1,603
Net non-interest income	7,342
General administrative expenses and depreciation	6,976
Net operating income before loss provisions	11,227
Total expenses on loss provisions	2,403
Expenses on value adjustments and provisions for identified losses	341
Expenses on collectively assessed impairment provisions	2,063
Income (loss) before taxes	8,823
Income tax	1,737
Current year profit (loss)	7,086

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	186,154
Other standard off-balance sheet items	0
Total standard off-balance sheet items	186,154

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

Capital adequacy ratio, in %
as at 30 June 2011

14.32

RAIFFEISEN STAMBENA ŠTEDIONICA d.d.

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Management board

Hans Christian Vallant – chairperson, Franjo Franjić

Supervisory board

Johann Ertl – chairperson, Neven Vranković, Christian Ratz

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

Audit firm for 2010:
Deloitte d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	2
Money assets	2
Deposits with the CNB	0
Deposits with banking institutions	87,829
MoF treasury bills and CNB bills	11,683
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	255,863
Securities and other financial instruments not traded in active markets but carried at fair value	94,481
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	1,097,095
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	3,433
Interest, fees and other assets	100,462
Net of: Collectively assessed impairment provisions	13,117
TOTAL ASSETS	1,637,730

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	1,455,068
Giro account and current account deposits	0
Savings deposits	0
Time deposits	1,404,008
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	51,010
Interest, fees and other liabilities	94,799
TOTAL LIABILITIES	1,549,818
Capital	87,912
TOTAL LIABILITIES AND CAPITAL	1,637,730

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	14,403
Total interest income	39,612
Total interest expenses	25,209
Net income from fees and commissions	7,101
Total income from fees and commissions	9,062
Total expenses on fees and commissions	1,962
Net other non-interest income	–989
Other non-interest income	157
Other non-interest expenses	1,146
Net non-interest income	6,112
General administrative expenses and depreciation	23,985
Net operating income before loss provisions	–3,470
Total expenses on loss provisions	420
Expenses on value adjustments and provisions for identified losses	–272
Expenses on collectively assessed impairment provisions	692
Income (loss) before taxes	–3,890
Income tax	0
Current year profit (loss)	–3,890

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	27,389
Other standard off-balance sheet items	0
Total standard off-balance sheet items	27,389

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

Capital adequacy ratio, in %
as at 30 June 2011

20.07

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Management board

Zdravko Anđel – chairperson, Ivan Ostojić

Supervisory board

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

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

Audit firm for 2010:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	17
Money assets	17
Deposits with the CNB	0
Deposits with banking institutions	12,005
MoF treasury bills and CNB bills	101,830
Securities and other financial instruments held for trading	126,913
Securities and other financial instruments available for sale	3,808
Securities and other financial instruments held to maturity	69,460
Securities and other financial instruments not traded in active markets but carried at fair value	6,585
Derivative financial assets	0
Loans to financial institutions	11,000
Loans to other clients	1,213,999
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	2,354
Interest, fees and other assets	15,947
Net of: Collectively assessed impairment provisions	11,208
TOTAL ASSETS	1,552,708

Liabilities and capital	
Loans from financial institutions	29,496
Short-term loans	29,496
Long-term loans	0
Deposits	1,273,315
Giro account and current account deposits	0
Savings deposits	0
Time deposits	1,295,835
Other loans	0
Short-term loans	0
Long-term loans	92,174
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	35,579
Interest, fees and other liabilities	28,534
TOTAL LIABILITIES	1,481,618
Capital	71,090
TOTAL LIABILITIES AND CAPITAL	1,552,708

Income statement
as at 30 June 2011, in thousand HRK

Net interest income	18,242
Total interest income	36,448
Total interest expenses	18,207
Net income from fees and commissions	9,134
Total income from fees and commissions	9,245
Total expenses on fees and commissions	111
Net other non-interest income	-805
Other non-interest income	2,963
Other non-interest expenses	3,768
Net non-interest income	8,329
General administrative expenses and depreciation	24,829
Net operating income before loss provisions	1,742
Total expenses on loss provisions	588
Expenses on value adjustments and provisions for identified losses	534
Expenses on collectively assessed impairment provisions	54
Income (loss) before taxes	1,154
Income tax	0
Current year profit (loss)	1,154

Off-balance sheet items
as at 30 June 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	7,245
Other standard off-balance sheet items	0
Total standard off-balance sheet items	7,245

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

Capital adequacy ratio, in %
as at 30 June 2011

14.16

Attachment I

List of credit institutions by peer groups, end of period

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

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

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

Attachment II

Credit institution groups subject to reporting to the CNB on a consolidated basis, as at 30 June 2011

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

Abbreviations

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

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