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1 Review of the Results of the National Payment System Survey

1.1 Introduction

Significant changes in the national payment system in the past few years and the introduction of completely new technical and technological solutions, such as those which involved managing accounts of business entities by banks, created the need for an encompassing analysis to evaluate the activities carried out so far in the context of payment system and to assess the current functioning of the payment system as a whole.

To this end, the Croatian National Bank has engaged Puls, an independent agency specialising in market and public opinion research which uses European standards in its work to conduct a survey.

The survey conducted during May and June 2004 covered the territory of the Republic of Croatia and included two groups: banks as institutions responsible for executing payment transactions in the country and business entities (comprising companies and craftsmen) as end users in the payment system. The survey included all banks licensed in the Republic of Croatia and 505 companies and 111 craftsmen as a representative selection of business entities operating in the Republic of Croatia, chosen in accordance with territorial criteria, size (in terms of staff), and type of activity.

Before the survey could be conducted, preparatory work had to be done that included activities of the so called qualitative research, including:

- research using the focus group method (group discussions with targeted groups of respondents) to survey small companies (maximum staff of 50)
- research using the in-depth interview method to survey medium-size (staff of 51 – 250) and large (staff of over 250) companies.

The focus group method is a qualitative research method involving group discussions on a given topic (in this case payment system) where the basic objective is to provoke discussion that will lead to insights into the opinions of respondents on a particular subject or topic.

The focus group and in-dept interview methods provide an insight into motivation factors and background to certain opinions of respondents and information as to why respondents take a basically positive or a negative attitude towards a specific subject. In this particular case, this type of information was collected before field research so as to enable, where necessary, that adequate corrections to questions in the survey are made.

The second phase of the research was the so called quantitative research involving a survey method, or method of direct personal interviews. This way of data collection ensures a greater degree of certainty that the planned representative sample will be achieved and decreases the possibility of misinterpretation

of specific questions in the survey. In this specific case, an attempt was made to survey persons familiar with the functioning of the domestic payment system.

1.2 Review of the Results of Banks' Survey

1.2.1 Payment System Reform

The role of banks changed considerably as they became agents in payment transactions following payment system reform in the country. Banks can now fully control and plan their liquidity due to the reform that enabled the banks and their clients to build “natural” link mechanisms. The majority of surveyed banks (75%) found better monitoring of their clients business transactions and their own better liquidity management as the main positive effects of the reform.

As regards a demanding nature of the implementation of certain elements of payment system reform, banks stated that greater demands were placed on them in terms of the introduction of technical and technological changes than in terms of staff adjustments. To keep abreast with their new or changed roles and operations, the banks had to, in varying degrees, develop new technological solutions and invest in information technology, while staff adjustments in the majority of banks mainly involved new organisational solutions rather than new recruitments.

The necessary development of IT infrastructure prompted by changes in the payment system led to a development of a range of new services for clients, such as for instance e-banking, standing orders, ATM networks etc.

Banks found the new payment system to be more functional and to have a better infrastructure than the old payment system. As many as 95% of bank representatives responded that they were mainly or fully satisfied with the results of the payment system reform.

The results of the survey showed that the banks expressed a positive opinion about the gradual introduction of the new payment system infrastructure in the country (the Croatian Large Value Payment System and the National Clearing System) and the gradual introduction of banks into the payment system before the implementation of the new act. The banks also stressed that their expert services were duly prepared for the implementation of the reform. The CNB adopted all subordinate legislation related to the payment system 60 days before the implementation of the National Payment System Act to create room for the banks to prepare for the reform. The CNB had also organised seminars and presentations to acquaint bank representatives with the forthcoming changes.

When asked about the negative effects of the payment system reform, the banks singled out unequal treatment by banks of certain payment system issues. Namely, before the reform, payment system transactions were conducted by one institution (Financial Agency, Fina), which dealt with each open issue in a uniform way. This was only logical because the interpretation of legislation relating to the payment system was the responsibility of expert services of the same institution. Differences in specific provisions of applicable laws and subordinate legislation in the area of payment transactions enables

different interpretations by different banks. This, among other things, prompted the establishment of a National Payment System Committee, a body designed to help address this lack of uniformity. The survey thus revealed that 45% of banks singled out “deficient implementing procedures” as one of the bad sides to the payment system reform. The banks expected the CNB to issue all implementing procedures to regulate payment transaction procedures. However, this expectation is not realistic because of the nature of legislation concerned which includes laws and regulations which fall outside the scope of CNB authority for interpretation such as for instance the VAT Act, the Income Tax Act and, the Seizure Act.

Generally, the survey showed that the banks, as one of the surveyed groups, found the implementation of the payment system reform to be very good. The survey conducted provided the most relevant evaluation of the payment system reform in the country, which involved, among others, a transfer of approximately 300,000 accounts of business entities from Fina to banks and a termination of half a century of monopoly of one institution in payment transactions. Undoubtedly, the reform contributed to the development of payment system transactions and increased competitiveness in the domestic banking market.

1.2.2 Payment Transactions in Banks

The banks' expert services (about 95% of them) stated the blocking of accounts of business entities and registering of unsettled obligations across such accounts as the most demanding part of payment transactions, in terms of operational and organisational efforts. Such a high percentage of bank agreement over this issue was expected. Legislative provisions governing the execution of such transactions are very demanding for banks in terms of the required personnel and technological solutions. The results of the survey showed that the banks found some of the provisions limiting, particularly those relating to the obligation to initiate offence proceedings against their clients. It should also be stressed that the banks recognised the importance of quality in payment transactions as an element which bears directly on increased customer satisfaction. Worth mentioning is the fact that about 62% of banks have an organisational unit in charge of quality control in the area of payment transactions and as much as 85% of banks have formulated strategic plans for payment system development. As regards price policy, it is significant that some 57% of banks regard their payment transactions operations as operations with a primary purpose of covering the real costs, while the remaining banks see such operations as a profitable activity.

1.2.3 Third Parties in the Payment System

The results of the survey showed that 87% of banks today execute some payment operations in cooperation with Fina on a contractual basis. A large majority (91%) of these banks reported as the main reason for introducing the third party in payment operations its wide territorial coverage. This indicates that the whole system of payment operations in banks is exposed towards one institution. However, in an effort to reduce costs, the banks are increasingly taking over payment operations activities from the third party, on the basis of contracts, and in this way reducing the role of Fina. Most of the banks' representatives felt that the basic activities of payment system operations, such as opening ac-

counts to business entities, should not be entrusted to the third party. Despite a generally positive assessment of Fina's role in payment system operations, the expectations are that the banks will with time become better equipped in terms of personnel and technical and technological resources to carry out all the activities involved in the payment system operations.

1.2.4 Technical and Technological Infrastructure of the Payment System

For the most part, banks' representatives evaluated favourably both systems for inter-bank payments in the country (the Croatian Large Value Payment System (CLVP) and the National Clearing System (NCS)) and particularly expressed their satisfaction with the CLVPS. In terms of its functionality, the technology it uses and the prescribed methodology of work, the CLVPS was rated high by most banks while 30% of the banks rated it excellent. Further development of inter-bank payment services will largely depend on banks' ability to ensure for their clients payments through the CLVPS. This is important because it will ensure a more even distribution of the use of both inter-bank systems in the country but also because it will enhance the possibility for executing inter-bank payments in the country. To be able to execute inter-bank payments through the CLVPS, banks have to ensure adequate technological solutions, in particular recipient banks, which directly affect further development of payment system services offered to clients. Similarly, the execution of inter-bank payments through the CLVPS enables the banks' clients to make payment orders until 17:00 each day, thus extending the time frame for payment orders execution in the country. The results of the survey indicate that there is a need to enable through the CLVPS the execution of payment transactions which credit the account of the Republic of Croatia, a possibility that had been considered earlier within the CNB.

Asked what they thought should be changed, regulated or improved in the NCS, most respondents replied that daily limits for the banks should be gradually reduced. Current legislative provisions do not allow for such a possibility because at the time when the NCS was launched the authorities did not want to jeopardise the "system's capacity as a whole", i.e. its free flow. More specifically, a queue will form where a limit determined per account of a bank is not high enough. Sixty five percent of the banks found the current method for determining limits within the NCS in relation to daily liquidity management satisfactory. The present system of charges for the NCS services has received very negative ratings. The prices charged are determined on the basis of the value of payment transactions and not on the basis of the total number of payment transactions made. The respondents also expressed their dissatisfaction with the level of charges for NCS services. The issue of the methodology used for determining charges for NCS services and other proposals and comments related to the activities of the NCS have already been reviewed by a special body of experts consisting of the representatives of the CNB, the banks and Fina. Most banks (62%) rated positively the existing daily schedule of payment executions through inter-bank payment systems in terms of the needs of the banks and its clients. Suggestions were also made as to an increase in the number of cycles within the NCS that would require new technical and technological solutions in the banks and the CNB. Data on the time needed to carry out intra-bank payments of banks clients, obtained in the survey, indicate that most banks (70%) carry out such payment transactions promptly, without any time lapse.

The existing payment system infrastructure relating to the data base containing all regular operating accounts of business entities (Unified Register of Business Entities' Accounts) has received favourable

ratings. A widely held opinion is that the existing Register should be expanded to include sub-accounts of business entities. This issue, which had also been raised previously, has prompted the establishment of a working group comprising representatives of the CNB, the banks and Fina. The proposal put forward by the working group was to supplement the existing register of accounts by adding payment accounts of the Republic of Croatia. Activities to that effect have started, however, the proposal to expand the register by adding sub-account of business entities was refused. The survey showed that banks also use the Unified Register of Business Entities' Accounts for other operational activities in their internal systems.

The supply of banks with cash by means of cash supply centres was rated favourably and was found acceptable by banks. The respondents emphasised the advantages of the new technology which enables good territorial coverage and faster circulation of cash. However, in this case too, the banks found the charges of cash supply centres to be high.

1.2.5 Client Services

The results of the survey point to a significant growth and development of services provided by banks to their clients. In particular this refers to the high percentage of banks (75%) which offer Internet payments to their customers. The beginning of business entities' account management by banks undoubtedly provided a boost to the development of this type of payments, so the banks are making further efforts to develop this service. Internet payments contribute to lower payment transaction costs as fees for electronic payment orders are much lower than those for classical payment orders in paper form.

Most banks (around 60%) have their ATMs where clients can withdraw cash thus reducing the need for the provision of this type of service through bank counters. Most banks' clients may also use ATMs of other banks and around 50% of banks have their own POS devices installed.

Discussions held about the planned changes in the payment system both before and after these changes were made very often pointed to the alleged impact that the reform would have on the prices of payment transactions. It has to be stressed that the payment system reform was not intended to regulate in any way the prices of services nor did it affect, or could have affected, those prices. Prices in general, and prices of payment transactions included, are determined on a market basis and market competitiveness among banks. Each bank has its own business policy for establishing fees for payment system transactions. As a result, fees differ among banks. While some banks may charge a fee for account opening in their branches, others do not. Similarly, fees for execution of payment orders, traditional as well as those over the Internet, fees for account closing and seizure procedures also differ between banks. It should also be borne in mind that fees charged by banks may encourage or discourage the use of relevant services. Banks are free to carry out their own independent price policies and any interference on the part of the central bank in banking services price regulation would not be in line with the principles of the market economy. Payment system reform in the country was necessitated by internationally acknowledged standards in this area and for the purpose of achieving transparency of the system as one of the conditions for joining the European Monetary Union. Finally, based on the results of the survey, it can be concluded that the prices charged for payment system services will be a determining factor in a client's selection of a bank.

1.3 Review of the Results of Survey of Companies and Craftsmen

1.3.1 Availability of Information on Payment System Reform

In light of the importance and the significance of changes in the payment system, it is noteworthy that the respondents (companies and craftsmen) on the whole reported their satisfaction with the availability of information regarding the implementation of payment system reform. Companies stated Fina as their primary provider of timely and useful information (which is only logical in view of Fina's sole responsibility for their account management at the time). Banks and the mass media such as the TV, radio and the Internet were also reported as important providers of useful information.

Smaller companies and craftsmen reported their dissatisfaction with the manner in which information was provided to them. However, it is indicative that dissatisfaction with the availability of information was not equally distributed across the country. The fact that the majority of dissatisfied clients came from the Croatian Littoral and from Istria, showed that the quality of information provided (mainly by means of the local mass media) to clients was not equal throughout the county.

1.3.2 Banks' Preparedness for Reform

As regards banks' preparedness for payment system reform, most of the respondents stated that they were satisfied with the way banks managed their regular operating accounts. Customer satisfaction was particularly large when it comes to business organisation and the level of technical and technological equipment. Respondents were also asked to rate their satisfaction with payment system services and their impact on costs. The majority of respondents (over 80%) agreed that the number of payment transaction services increased in comparison with the old system. Such responses were not surprising in light of market orientation and rising competitiveness between the banks acting as agents in payment transactions. Similarly, over one half of respondents stated that the range of payment system services and their quality were the most influential factor in their bank selection criteria. Other important criteria for bank selection were promptness of transaction execution, accuracy and integrity of account balance and account changes data, treatment of clients, and the price of the service provided. It is exactly the issue of the overall price, i.e. total costs for payment transaction services provided, over which respondents were still considerably divided. In comparison with the prices of payment system services before the reform, one third of respondents stated that the new price was the same, one third thought it was lower and the remaining respondents thought that the overall price they were paying now was higher. Obviously, prices of services offered differ among banks, but as mentioned above, the price is very often not the crucial criteria for bank selection. A fact in support of our claim is that over 60% of respondents stated that they would surely or probably change their bank if they thought it provided poor payment execution services.

1.3.3 Satisfaction with Reform Implementation

Due to the good provision of information to clients and good preparedness of banks for payment transaction operations, both the companies and the craftsmen were in general satisfied with the way the payment system reform was carried out. They stressed that their account closing in Fina and their reopening in banks did not cause them any major difficulties or long-term business disturbances. Craftsmen were on the whole less satisfied than companies, which indicates that the process of account opening for craftsmen in banks was somewhat more sluggish. Although craftsmen gave as the main reason for their dissatisfaction general unpreparedness of banks for payment transactions execution, we presume that the main reason for their lack of satisfaction lay in the fact that there was a number of craftsmen whose accounts could not be opened on time because they did not provide to the bank on time all the required documentation. Payment system reform was also accompanied by significant changes in the regulations (among others those regulating the conditions and the manner of opening bank accounts of business entities), and in our opinion, craftsmen found it a little more difficult to adapt to the new circumstances because in some cases they had to supplement their documentation to be able to open bank accounts.

1.3.4 Availability of Legislative Information and Use of Inter-bank Payment Systems

Asked if they were familiar with the legislative framework governing the payment system and inter-bank payment systems (NCS and CLVPS) in the country, the percentage of negative responses was in inverse proportion to the size of the business entity.

The results of the survey showed that the majority of large companies were well informed about the laws and regulations governing the national payment system, while 30% to 40% of respondents from smaller companies and craftsmen said that they were not familiar with the relevant legislation.

A difference in responses between small and large business entities is even more obvious in terms of respondents' familiarity with the methods for inter-bank payments through the NCS and the CLVPS. As many as thirty percent of large companies rated negatively the availability of information regarding the roles of NCS and CLVPS. This percentage rose to a worrying high 65-80% in case of small and medium-size companies and craftsmen.

One of the indicators that there is lack of information as to CLVPS functioning is the fact that only one half of respondents said that their banks offered the service of inter-bank payment execution through the CLVPS. Asked about the charge for the execution of payment orders made before the value date, only a half of all respondents were aware that their bank charged less for such payment orders.

As the results of this survey suggest, there is still plenty of room for improvements and for the promotion of banking services, particularly where further promotion of payments through the Croatian Large Value Payment System is concerned which offers real time payment execution.

1.3.5 Internet Banking

As regards respondents' familiarity with and the use of Internet banking services, the survey showed this type of service to be extremely well-accepted and its use to be steadily increasing. Over 90% of respondents stated that their banks offered Internet banking services (or some other form of e-banking), and 70% of large and medium-size companies reported using such services. The survey showed that all users of Internet banking found this type of service to be mostly or fully contributing in terms of facilitating their business operations, while half of the respondents claimed that they helped them reduce their costs. In this segment too, craftsmen scored poorly. Only one third of them said that they used Internet banking. One of the main reasons for their failure to use these services probably lies in lesser demand, i.e. a smaller number of payment orders, but also in the lack of technical and technological preconditions.

It can be concluded that business entities were very quick in recognising the obvious advantages of this type of payment and that their use of Internet banking will increase in the future.

1.3.6 Payment Cards and ATMs

Over 60% of companies, both small, medium-size and large, reported using payment cards as a means of payment, with credit cards prevailing in comparison with debit cards.

The survey showed that the main reason for not using payment cards was lack of information as to whether a particular bank offered this type of service. It is very likely that the banks will address the problem of insufficient provision of information in this area and that they will work on further promotion of this service.

Only one third of surveyed companies reported using ATMs. Most of them use them only for disbursements and a smaller number reported using them for both disbursements and payments. Companies have stated as the main reason for their not using ATMs the fact that they do not require this type of service in their business. It is interesting that craftsmen use this type of service more than companies. Over 40% of craftsmen use ATMs. The use of ATMs is wider in Zagreb and the surrounding area than in the other parts of the country, which is logical in view of larger concentration of ATMs in this region. As it is obvious that the use of ATMs is proportionate to their distribution and that the banks, in an effort to reduce costs, will aim to achieve a higher level of banking services automation, the use of ATMs by business entities is expected to increase in the future.

1.3.7 Instruments of Collateral

The survey showed that the respondents were fully or almost fully acquainted with the instruments of collateral available to them for their claims. In this regard too, a somewhat bigger difference could be observed between companies and craftsmen.

Bills of exchange and debentures were singled out as the most prominent types of collateral, while bank guarantees were reported as a less used form of collateral. More than half of all surveyed craftsmen do not use instruments of collateral for their claims. Those that do use checks as the most common form of collateral, while bills of exchange and debentures are used to a lesser extent. It can be said in conclusion that craftsmen generally do not use instruments to collateralise their claims and when they do, they tend to accept and issue instruments that are simpler in terms of a less demanding use. This can be attributed to the legacy of the old payment system and to the fact that the majority of banks, after taking over the responsibility for the payment system, do not issue checks to their clients that could be used as a means of payment or instrument of collateral.

Asked if their banks issued checks to them, almost one half of the surveyed bank clients responded negatively. Of all bank clients that use checks, two thirds said they used them for withdrawals and a somewhat smaller number of respondents said they used them as a means of payment, while the use of checks as instruments of collateral was shown to be the smallest. According to available data, checks, and clearing-house checks in particular, used to be one of the most widely used instruments of payment and collateralisation due to simplicity of their use. After withdrawing them, the banks, as the only legally authorised institutions for their issue, did not replace them with a similar instrument. Obviously, in this segment of banking payment system services too, there is room for further development and improvement.

In view of the generally held view that business entities tend to avoid timely payment of their obligations, the replies received from respondents regarding their exercise of instruments of collateral were very interesting. Over two thirds of respondents stated they had no difficulties or that they had almost no difficulties exercising instruments of collateral.

1.3.8 Customer Satisfaction with the Provision of Payment System Services

Our analysis of the results of the survey showed that the majority of respondents found the new payment system to be the same or better than the previous system. The new payment system was found to promote competition in the banking system and improve clients' business relations, lead to the development of new payment system services and reduced costs. Also, more than one half of respondents said that as regards their payment transactions, they benefited from the payment system reform.

As regards the issue of customer satisfaction, respondents were generally very happy with payment system services offered by their banks. Over 90% of all surveyed companies and 85% of all surveyed craftsmen said they were mostly or completely happy with the payment system services.

Their satisfaction can surely, among others, be attributed to a well-prepared and successfully implemented payment system reform in the country.

1.4 Conclusion

The results of the survey showed a high level of success of the payment system reform in the country. In general, other essential elements that ensure an undisturbed functioning of the payment system are also satisfactory. The importance of the results of the survey also lies in the fact that they helped point to the relevant services in the CNB and in the banks to certain areas of the payment system where there is need for improvement.

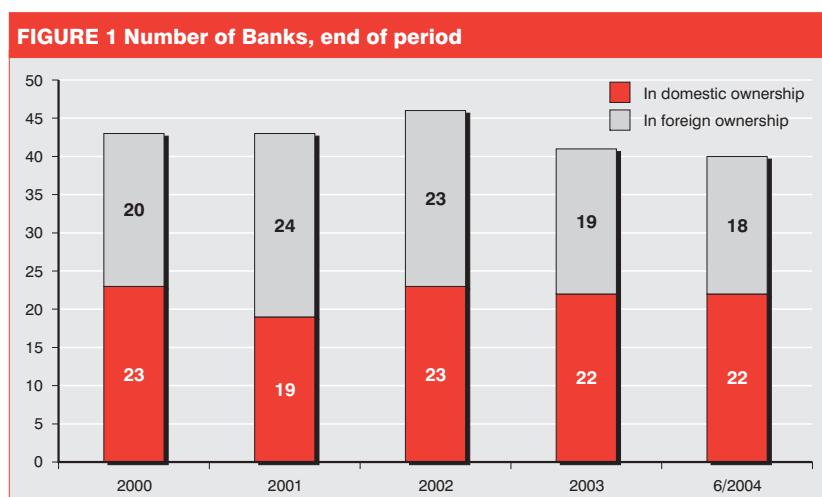
2 Indicators of Banking Institution Operations

Data on banks and housing savings banks operations in the first six months of 2004, as shown below, are based on unconsolidated unaudited financial reports submitted by banks and housing savings banks to the Croatian National Bank.

2.1 Banks

2.1.1 Structure of the Banking Sector in the Republic of Croatia

At end-June 2004, there was 40 banking institution operating in the Republic of Croatia (Figure 1) which was 1 banking institutions less than at end-2003. The fall in the number of banking institutions was brought about by the merger between Riadria banka d.d., Rijeka and Privredna banka Zagreb, d.d. As Riadria banka d.d. was a foreign owned bank, the total number of banks in majority foreign ownership fell to 18 from 19. The total number of banks in majority domestic ownership remained unchanged at 22.



In the first six months of 2004, the number of subordinate banks fell on account of the integration processes in the banking segment of banking group operations. Currently, there are four banking groups in the banking system of the Republic of Croatia. In accordance with the Decision on Consolidated Financial Reports of a Banking Group, a superordinate bank in a group submits the reports on

the operations of the banking group to the Croatian National Bank.¹ Each banking group structure of operations is dominated by the superordinate bank.

The end of June 2004 saw a slight increase in the share of assets of banks in majority foreign ownership in the total banking system assets. Compared with end-2003, this share rose from 91.0% to 91.1%, indicating a steady growth trend present since 1998 (6.7% at end-1998, 39.9% at end-1999, 84.1% at end-2000, 89.3% at end-2001 and 90.2% at end-2002).

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

TABLE 1 Bank Groups by Asset Size, end of period, in thousand kuna					
Group	Bank assets (A)	Number of banks			
		Dec. 2001	Dec. 2002	Dec. 2003	Jun. 2004
I	Assets (A) > 5,000,000	6	9	8	8
II	1,000,000 < A < 5,000,000	14	12	11	10
III	500,000 < A < 1,000,000	7	7	8	9
IV	A < 500,000	16	18	14	13
	Total	43	46	41	40

In the first six months of 2004, the number of banks in Groups II and IV fell by one in each group, and increased by one bank in Group III. This was the result of the merger between Riadria banka d.d. and Privredna banka d.d. and the movement of Banka Sonic d.d., Zagreb to a higher bank group.

The shares of individual bank groups in the total banking system assets also changed. Group I banks' assets accounted for 84.44% of the total banking system assets at end-June 2004, up 1.53% compared to end-2003. This increase can be attributed to the fall in Group II banks' assets (1.52%), and reflects the merger between Group II bank and Group I bank. In addition, Group III banks' assets accounted for 2.93% of the total banking system assets. The increase of 0.23% in Group III share resulted from the fall in Group IV share of assets of 0.23%.

Group I encompasses banks with very different asset sizes, with the assets of the largest bank 9.3 times the size of assets of the smallest bank in the group. Compared with end-2003, this difference grew slightly at end-June 2004. In other bank groups, the difference in the asset size of the largest and smallest bank ranges between 1.5 and 5.5 times.

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

There were 1041 branches and sub-branches operating in the country at end-June 2004, which was

¹ See Attachment II.

an increase of 19 compared with end-2003 (Table 2).² 75 new branches and sub-branches were opened, while 56 branches and sub-branches closed down during the observed period. Of the 75 new branches and sub-branches, 47 operating units were opened by two banks from Group I, accounting for 62.7% of their total number of operating units. In the first six months of 2004, 21 banks did not undergo any changes in number. The merger between Riadria banka and Privredna banka Zagreb contributed to the fall in the number of branches and sub-branches (at end-2003, Riadria banka had 25 branches and sub-branches).

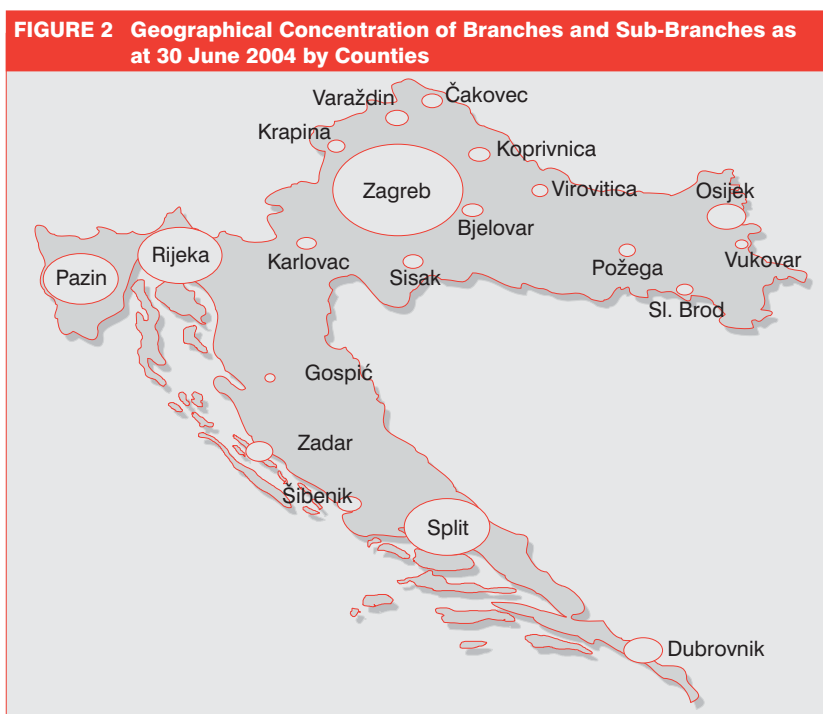
TABLE 2 Territorial Distribution of Branches and Sub-Branches, end of period

Counties	Number of branches and sub-branches			
	Dec. 2001	Dec. 2002	Dec. 2003	Jun. 2004
County of Zagreb and City of Zagreb	162	188	190	193
County of Krapina-Zagorje	19	23	23	23
County of Sisak-Moslavina	18	25	29	30
County of Karlovac	19	23	24	26
County of Varaždin	23	29	33	43
County of Koprivnica-Križevci	25	26	28	29
County of Bjelovar-Bilogora	23	25	27	28
County of Primorje and Gorski Kotar	103	108	124	118
County of Lika-Senj	10	14	14	14
County of Virovitica-Podravina	16	16	23	23
County of Požega-Slavonija	16	20	23	24
County of Slavonski Brod-Posavina	17	20	21	23
County of Zadar	41	38	39	42
County of Osijek-Baranya	50	50	55	57
County of Šibenik-Knin	30	30	33	33
County of Vukovar-Srijem	16	15	18	19
County of Split-Dalmatia	111	123	124	128
County of Istria	99	103	110	103
County of Dubrovnik and Neretva	56	56	56	56
County of Međimurje	25	24	28	29
Total	879	956	1022	1041

At end-June 2004, the largest concentration of operating units was in the County of Zagreb and the City of Zagreb (18.5%) (Figure 2). The next largest concentrations were in the County of Split-Dalmatia (12.3%), the County of Primorje and Gorski Kotar (11.3%) and the County of Istria (9.9%). Taken together, these four counties accounted for 52.0% of the total number of branches and sub-branches of banks (54.7% at end-2003). The County of Lika-Senj and the County of Vukovar-Srijem accounted for the smallest shares of the total number of branches and sub-branches of banks (1.3% and 1.8% respectively). Compared with end-2003, the concentration of branches and sub-branches of banks at end-June 2004 declined in six counties, increased in twelve counties and remained unchanged in two counties.

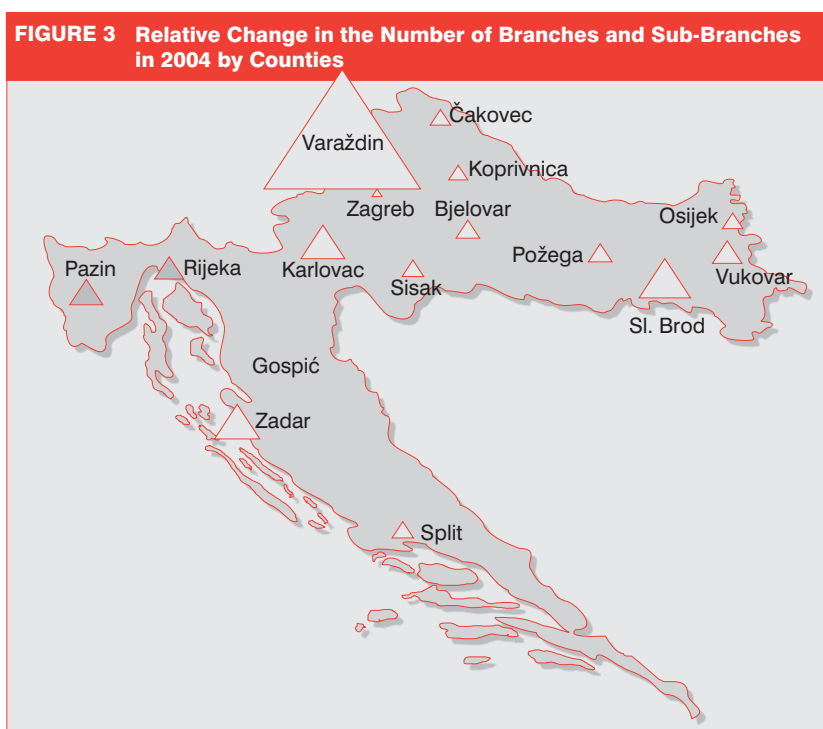
The number of branches and sub-branches at end-June 2004 grew in thirteen counties, remained the same as at end-2003 in five counties and fell in two counties (Figure 3). The largest increase in the number of branches and sub-branches in relative terms was recorded in the County of Varaždin (30.3%), the County of Slavonski Brod-Posavina (9.5%), the County of Karlovac (8.3%) and the County of Zadar (7.7%). The largest absolute increase in the number of branches and sub-branches during the same period was recorded in the County of Varaždin (10). The number of branches and sub-branches during the observed period fell in the County of Istria (by 6.4% or 7 branches and

² For the purpose of analysis, a bank operating unit shall be considered a branch.



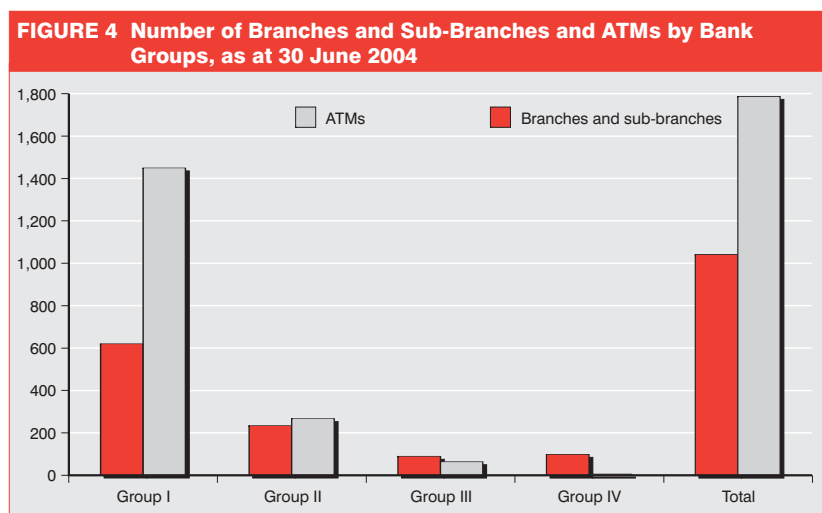
sub-branches) and in the County of Primorje and Gorski Kotar (by 4.8% or 6 branches and sub-branches).

At end-June 2004, each bank had on average branches and sub-branches in six counties, which was an increase compared to end-2003 when they had on average branches and sub-branches in five counties. Twenty-three banks operated in less than five counties (of which, eight banks operated only in



one county), twelve banks operated in five to fourteen counties, while five banks operated in fifteen or more counties.

Group I had the largest number of branches and sub-branches (Figure 4) at end-June 2004 (620 operating units). Groups II and IV followed with 234 and 98 operating units respectively. Group III had 89 operating units. During the observed period, the number of branches and sub-branches in Group I and Group III grew by 8.0% and 36.9% respectively. In contrast, the number of branches and sub-branches in Groups II and IV fell by 13.3% in each group, reflecting the changes in the composition of bank groups.



During the observed period, the number of ATMs in the banking system increased by 176 units (or 10.9%), reaching 1787 units at end-June 2004 (Table 3).

Group I banks had 1450 ATM units, accounting for 81.1% of the total number of ATMs in the banking system. This group was followed by Group II (267 units), Group III (64 units) and Group IV (6 units).

The number of ATMs at end-June 2004 increased in all bank groups. The largest absolute increase in the number of ATMs was recorded in Group I (156 units). Expressed in percentage terms, this increase stood at 12.1% and outdid the increase in the number of ATMs in the banking system as a whole. The largest relative increase in the number of ATMs was recorded in Group IV (1 unit or 20%).

At end-June 2004, sixteen banks did not have any ATMs. The number of ATMs remained unchanged in ten banks. As far as other banks with ATMs are concerned, twenty-four banks increased the number of ATMs in the first six months of 2004; the increase ranged between 1 and 66 units. Group I banks continued to record the highest increase the total number of ATMs (88.6%).

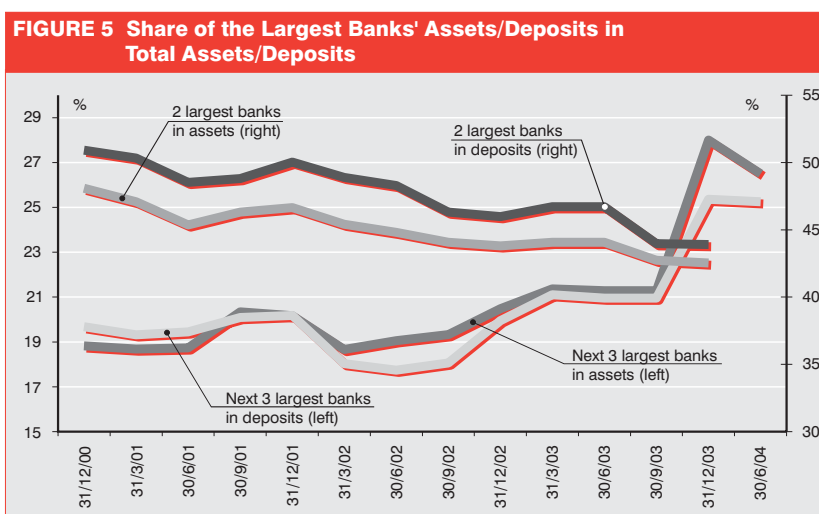
The number of installed ATMs at end-June 2004 increased in all twenty counties compared with end-2003. The largest nominal increases in the number of ATMs were recorded in the County of Zagreb and the City of Zagreb (39 units) and the County of Varaždin (28 units). The number of ATMs grew in four more counties (it ranged between 14 and 16). Taken together, these six counties accounted for 72.2% of the total increase. The largest relative increases in the number of ATMs took place in the County of Varaždin (51.9%), the County of Lika-Senj (22.7%) and the County of Zadar (22.4%).

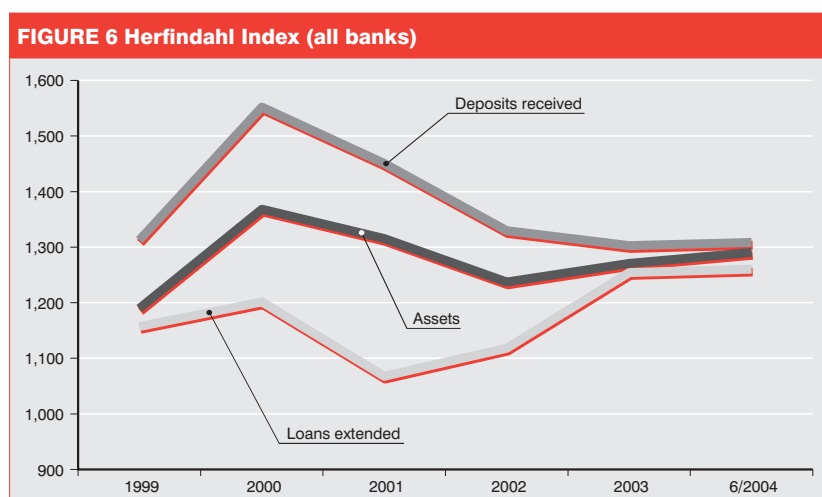
TABLE 3 Territorial Distribution of ATMs, end of period

Counties	Number of ATMs			
	Dec. 2001	Dec. 2002	Dec. 2003	Jun. 2004
County of Zagreb and City of Zagreb	307	394	464	503
County of Krapina-Zagorje	19	23	27	30
County of Sisak-Moslavina	20	27	36	39
County of Karlovac	21	26	30	34
County of Varaždin	31	62	54	82
County of Koprivnica-Križevci	16	21	31	33
County of Bjelovar-Bilogora	19	28	39	41
County of Primorje and Gorski Kotar	120	149	177	193
County of Lika-Senj	9	17	22	27
County of Virovitica-Podravina	11	11	15	17
County of Požega-Slavonija	8	9	17	18
County of Slavonski Brod-Posavina	14	18	24	28
County of Zadar	40	53	67	82
County of Osijek-Baranya	48	58	74	80
County of Šibenik-Knin	18	35	61	64
County of Vukovar-Srijem	11	19	29	31
County of Split-Dalmatia	108	148	188	203
County of Istria	102	129	141	155
County of Dubrovnik and Neretva	47	59	64	69
County of Međimurje	30	44	51	58
Total	999	1330	1611	1787

The concentration of major banks' share of assets/deposits in total assets/deposits was lower at the end-June 2004 compared with end-2003 (Figure 5). The share of assets of the first two largest banks in the total banking system assets fell from 42.7% to 42.5%. Their share of deposits in the total banking system deposits fell from 44.0% to 43.9%. These decreases would have been even more pronounced if there had not been the merger between Riadria banka d.d., Rijeka and Zagrebačka banka d.d., Zagreb. Riadria banka d.d., Rijeka accounted for 1.0% of the total banking system assets and 1.2% of the total banking system deposits at the end of 2003.

The share of assets of the next three largest banks in the total banking system assets fell from 28.0% at end-2003 to 26.5% at end-June 2004. The share of deposits of the next three largest banks in the total banking system deposits also decreased, from 25.4% to 25.2%.





During the observed period, the concentration of the system was on an upward trend. The concentrations of assets, loans and deposits grew in the first half of 2004 (Figure 6). Compared with end-2003, the value of the Herfindahl index for the concentration of assets grew to 1291 points (up 20 points). In addition, the concentrations of extended loans and received deposits rose by 6 points each, reaching 1308 points and 1260 points respectively.

2.1.3 Banks' Balance Sheet

As of 1 January 2004, the CNB applies the new regulations that were adopted with the aim of introducing the new balance sheet items: derivative financial assets, and derivative financial liabilities and other liabilities held for trading. These items are reported in the balance sheet at their fair value.³ Inter alia, the new regulations were introduced in order to achieve the full compliance with EU directives, Basel Committee guidelines and International Accounting Standards regulating the valuation and presentation of financial assets. As a result, the balance sheet shows the financial assets, securities and derivative financial assets in particular, in accordance with the new reporting form. Securities and other financial instruments held for trading and securities and other financial instruments available for sale, that are in accordance with IAS 39 disclosed at their fair value, are shown in the balance sheet as individual items. Securities and other financial instruments held to maturity and securities and other financial instruments bought on issue directly from the issuer are also shown as individual items. However, they are disclosed at amortised cost in accordance with IAS 39.

The capital adequacy ratio, defined in the Banking Act, was regulated in detail in the Decisions on the Capital Adequacy of Banks introduced in 2003. The harmonisation with the provisions of IAS 39: Financial Instruments – Recognition and Measurement and IAS 37: Provisions, Contingent Liabilities and Contingent Assets was achieved by adopting the Decision on the Classification of Placements and

³ Decision Relating to the Bank Statistical Report (official gazette *Narodne novine*, Nos. 166/2003 and 53/2004), Decision on Supervisory Reports of Banks (official gazette *Narodne novine*, No. 115/2003), Decision on the Capital Adequacy of Banks (official gazette *Narodne novine*, Nos. 17/2003 and 120/2003), Decision on the Classification of Placements and Contingent Liabilities of Banks (official gazette *Narodne novine*, No. 17/2003), Decision on the Chart of Accounts for Banks (official gazette *Narodne novine*, Nos. 115/2003 and 39/2004).

Contingent Liabilities of Banks. Following the new decisions, placements and contingent liabilities of banks are classified into the three basic risk categories.

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

In July 2004, the CNB adopted the Decision on Marginal Reserve Requirement. The marginal reserve requirement allocations are based on an increase in net foreign liabilities of banks.⁴ This requirement is another in a line of measures introduced by the central bank to encourage prudent business policies of banks in terms of their foreign borrowing. Moreover, at end-2003, the CNB adopted the new Decisions on Reserve Requirements.⁵ In accordance with the new decisions, the part of the reserve requirements allocated to special accounts with the Croatian National Bank was increased and banks were required to allocate the foreign exchange parts of the reserve requirements calculated on foreign exchange sources of funds of non-residents and on foreign exchange deposits of persons in a special relationship with the bank at the rate of 100%.

Total bank assets stood at HRK 212.1bn at 30 June 2004, up HRK 7.9bn or 3.9% compared with end-2003 (Table 4).

The slowdown in the loan growth continued in the first half of 2004 when loans to other clients grew by 3.9%. Standing at 52.3%, the share of loans in total bank assets remained unchanged at its

TABLE 4 Structure of Bank Assets, end of period, in million kuna and %											
	Dec. 2001		Dec. 2002			Dec. 2003			Jun. 2004		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	22,196.3	15.0	21,387.9	12.3	-3.6	28,002.6	13.7	30.9	32,031.4	15.1	14.4
1.1. Money assets	7,822.5	5.3	2,236.9	1.3	-71.4	2,955.6	1.4	32.1	3,021.9	1.4	2.2
1.2. Deposits with the CNB	14,373.9	9.7	19,151.0	11.0	33.2	25,047.0	12.3	30.8	29,009.5	13.7	15.8
2. Deposits with banking institutions	23,996.5	16.2	20,146.2	11.6	-16.0	31,186.6	15.3	54.8	28,821.2	13.6	-7.6
3. MoF treasury bills and CNB bills	9,687.2	6.5	10,116.7	5.8	4.4	7,820.7	3.8	-22.7	3,057.7	1.4	-60.9
4. Securities and other financial instruments held for trading and available for sale	5,669.0	3.8	9,023.2	5.2	59.2	7,784.9	3.8	-13.7	14,819.6	7.0	90.4
4.1. Securities and other financial instruments held for trading	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,092.6	2.4	0.0
4.2. Securities and other financial instruments available for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,727.0	4.6	0.0
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	12,062.9	8.1	12,531.7	7.2	3.9	10,773.3	5.3	-14.0	8,559.7	4.0	-20.5
5.1. Securities and other financial instruments held to maturity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,513.2	3.5	0.0
5.2. Securities and other financial instruments bought on issue directly from the issuer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,046.5	0.5	0.0
6. Derivative financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	72.2	0.0	0.0
7. Loans to financial institutions	1,479.6	1.0	2,157.8	1.2	45.8	3,057.0	1.5	41.7	2,418.2	1.1	-20.9
8. Loans to other clients	64,111.1	43.2	89,673.9	51.5	39.9	106,730.6	52.3	19.0	110,937.1	52.3	3.9
9. Investments in subsidiaries and associates	2,199.8	1.5	2,448.2	1.4	11.3	2,456.0	1.2	0.3	2,375.7	1.1	-3.3
10. Foreclosed and repossessed assets	446.8	0.3	375.4	0.2	-16.0	355.4	0.2	-5.3	399.3	0.2	12.3
11. Tangible assets (net of depreciation)	3,501.2	2.4	3,755.4	2.2	7.3	4,094.6	2.0	9.0	3,680.3	1.7	-10.1
12. Interest, fees and other assets	4,273.5	2.9	4,042.3	2.3	-5.4	3,603.6	1.8	-10.9	6,742.3	3.2	87.1
13. Net of: Specific reserves for unidentified losses	1,195.7	0.8	1,519.4	0.9	27.1	1,750.2	0.9	15.2	1,816.9	0.9	3.8
TOTAL ASSETS	148,428.3	100.0	174,139.2	100.0	17.3	204,115.0	100.0	17.2	212,097.7	100.0	3.9

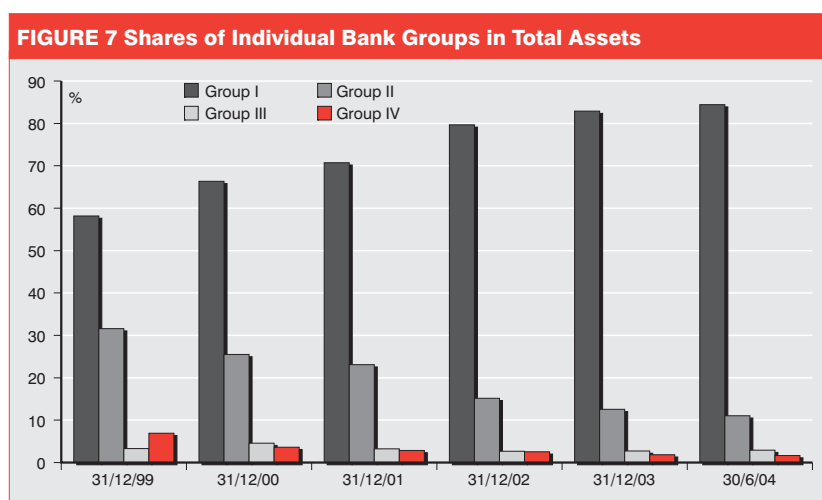
4 Official gazette *Narodne novine*, No. 99/2004.

5 Official gazette *Narodne novine*, No. 203/2003.

end-2003 level. Growing at high rates in 2002 and 2003, loans to financial institutions dipped by 20.9%. Compared with 2003, when they grew at a high annual rate of 54.8%, deposits with banking institutions fell by 7.6% during the observed period, accounting for 13.6% of total bank assets at end-June 2004. Due to the continued growth in the allocated reserve requirements, deposits with the CNB rose by a high 15.8% in the first half of 2004. Their share in total bank assets stood at 13.7% and was on an upward trend.

On account of reduced purchases of CNB bills (the CNB issued no bills during the observed period), the share of T-bills and CNB bills fell by a considerable 60.9%. Securities and other financial instruments held to maturity and securities and other financial instruments bought on issue directly from the issuer decreased by 12.6% in the first half of 2004 due to the repayment of a portion of government bonds. Viewed by asset items, securities and other financial instruments held for trading and securities and other financial instruments available for sale grew the most during the observed period, by 90.4%. Their share in total bank assets grew by 3.2 percentage points and reached 7.0%.

The share of Group I assets in total bank assets continued to trend upward in the first half of 2004 (Figure 7). Following the merger between one bank from Group II and one bank from Group I, the share of Group I assets rose by 1.5 percentage points during the observed period, reaching 84.4% at end-June 2004. Accordingly, Group II assets fell by 1.5 percentage points. A slight fall in assets was also recorded in Groups III and IV, 0.2 percentage points and 0.3 percentage points respectively.



The share of total received deposits in total bank liabilities fell from 70.4% at end-2003 to 67.9% at end-June 2004 (Table 5), while the semi-annual growth rate of deposits stood at 0.2%. During the observed period, deposits in giro and current accounts grew by 0.4%, time deposits rose by 0.1% and savings deposits fell by 3.0%. The strengthening of the domestic currency against foreign currencies, observed in the first half of 2004, was the reason behind the movements in total deposits (at end-June 2004, 76.2% of time deposits and 90.8% of savings deposits were deposits in foreign currency). The exchange rate of the kuna against the euro and the US dollar weakened by 0.3 points and 0.06 points respectively in the first half of 2004.

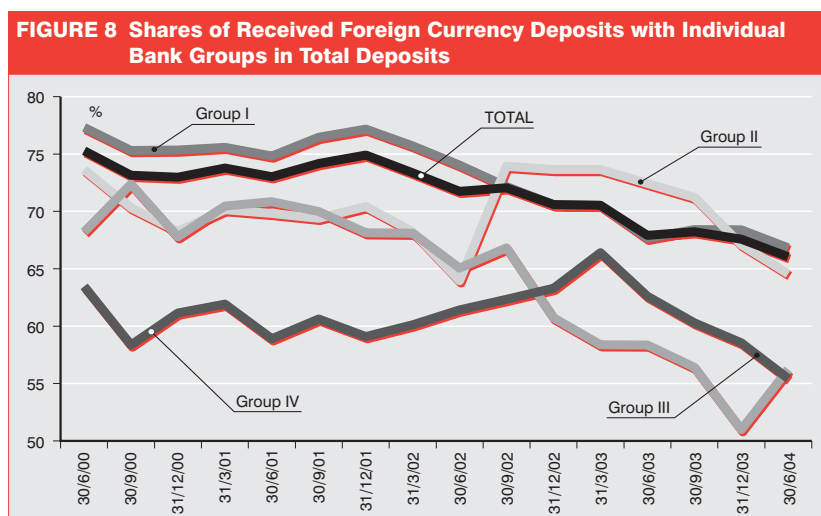
Following their high growth rate of 64.4% in 2003, total received loans rose by 9.4% in the first half of 2004. The decrease in their growth rate in the observed period was brought about by the fall in loans

TABLE 5 Structure of Bank Liabilities, end of period, in million kuna and %

	Dec. 2001		Dec. 2002			Dec. 2003			Jun. 2004		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	3,629.1	2.4	4,084.6	2.3	12.6	7,112.9	3.5	74.1	4,919.9	2.3	-30.8
1.1. Short-term loans	595.7	0.4	1,184.4	0.7	98.8	3,689.1	1.8	211.5	1,050.4	0.5	-71.5
1.2. Long-term loans	3,033.3	2.0	2,900.2	1.7	-4.4	3,423.8	1.7	18.1	3,869.5	1.8	13.0
2. Deposits	104,697.2	70.5	124,471.8	71.5	18.9	143,692.8	70.4	15.4	143,968.6	67.9	0.2
2.1. Giro account and current account deposits	16,548.6	11.1	23,272.3	13.4	40.6	25,285.1	12.4	8.6	25,374.3	12.0	0.4
2.2. Savings deposits	26,373.9	17.8	23,980.0	13.8	-9.1	24,770.7	12.1	3.3	24,035.4	11.3	-3.0
2.3. Time deposits	61,774.6	41.6	77,219.6	44.3	25.0	93,637.0	45.9	21.3	94,559.0	44.6	1.0
3. Other loans	15,947.7	10.7	19,492.6	11.2	22.2	25,080.3	12.3	28.7	30,293.9	14.3	20.8
3.1. Short-term loans	594.0	0.4	4,451.2	2.6	649.4	3,429.0	1.7	-23.0	5,581.2	2.6	62.8
3.2. Long-term loans	15,353.7	10.3	15,041.4	8.6	-2.0	21,651.3	10.6	43.9	24,712.7	11.7	14.1
4. Derivative financial liabilities and other financial liabilities held for trading	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	138.2	0.1	0.0
5. Debt securities issued	19.4	0.0	24.7	0.0	27.6	97.0	0.0	292.1	97.7	0.0	0.7
5.1. Short-term debt securities issued	0.0	0.0	5.2	0.0	0.0	0.0	0.0	-100.0	0.0	0.0	0.0
5.2. Long-term debt securities issued	19.4	0.0	19.6	0.0	1.0	97.0	0.0	395.3	97.7	0.0	0.7
6. Subordinated instruments issued	339.4	0.2	641.3	0.4	89.0	813.6	0.4	26.9	795.2	0.4	-2.3
7. Hybrid instruments issued	2,316.4	1.6	2,268.9	1.3	-2.1	2,261.6	1.1	-0.3	2,151.7	1.0	-4.9
8. Interest, fees and other liabilities	7,783.0	5.2	6,646.4	3.8	-14.6	6,899.4	3.4	3.8	11,364.2	5.4	64.7
TOTAL LIABILITIES	134,732.1	90.8	157,630.4	90.5	17.0	185,957.6	91.1	18.0	193,729.4	91.3	4.2
TOTAL CAPITAL	13,696.2	9.2	16,508.8	9.5	20.5	18,157.3	8.9	10.0	18,368.3	8.7	1.2
TOTAL LIABILITIES AND CAPITAL	148,428.3	100.0	174,139.2	100.0	17.3	204,115.0	100.0	17.2	212,097.7	100.0	3.9

from financial institutions (30.8%). By contrast, the growth rate of other received loans remained relatively high in the first half of 2004, and stood at 20.8%.

Foreign currency deposits accounted for 66.0% of total received deposits at end-June 2004, down 1.6 percentage points compared to end-2003 (Figure 8). With the exception of Group III, all bank groups recorded a decline in the share of foreign currency deposits in total received deposits during the observed period. Group III registered the increase in the share (5.2 percentage points). The largest fall in the share (3.2 percentage points) and the smallest share of foreign currency deposits in total deposits (55.4%) were registered by Group IV. Group I was marked by the smallest change in the share of foreign currency deposits in total received deposits (the fall of 1.6 percentage points) and had the highest share of foreign currency deposits in total received deposits at end-June 2004 (66.8%).



2.1.4 Banks' Capital

At end-June 2004, total bank capital stood at HRK 18.4bn, up 1.2% compared with end-2003 (Table 6). Looking at the total banking system capital structure at end-June 2004, one can observe changes in capital items during the observed period. The banking system share capital fell by HRK 107m or 1.1%. Due to the merger of one bank with its mother bank from Group I, Group III was the only bank group which recorded the fall in share capital. Other changes in total bank capital were the result of banks' decision to pay out HRK 1.4bn in dividends to the shareholders.

TABLE 6 Structure of Bank Capital, end of period, in million kuna and %

	Dec. 2001.		Dec. 2002.			Dec. 2003.			Jun. 2004		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	8,966.5	65.5	9,772.1	59.2	9.0	9,945.6	54.8	1.8	9,838.6	53.6	-1.1
2. Current year profit/loss	570.0	4.2	1,925.5	11.7	237.8	2,351.6	13.0	22.1	1,633.8	8.9	-30.5
3. Retained earnings (loss)	77.8	0.6	860.3	5.2	1,006.0	1,415.0	7.8	64.5	1,839.7	10.0	30.0
4. Legal reserves	853.3	6.2	583.5	3.5	-31.6	711.2	3.9	21.9	769.9	4.2	8.3
5. Total reserves provided for by the articles of association and other capital reserves	3,228.7	23.6	3,367.4	20.4	4.3	3,824.0	21.1	13.6	4,248.0	23.1	11.1
5.1. Reserves provided for by the articles of association and other capital reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,247.8	23.1	0.0
5.2. Unrealised gains/losses on value adjustment of financial assets available for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0
5.3. Reserves arising from hedging transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Previous year profit/loss	0.0	0.0	0.0	0.0	0.0	-90.1	-0.5	0.0	38.3	0.2	-142.6
TOTAL CAPITAL	13,696.2	100.0	16,508.8	100.0	20.5	18,157.3	100.0	10.0	18,368.3	100.0	1.2

Group I banks accounted for the largest share in total banking system capital at end-June 2004, 77.7% or HRK 14.3bn. Group II banks followed with the share of 12.5% or HRK 2.3bn, while Group IV banks had the smallest share of 3.2% or HRK 0.6bn.

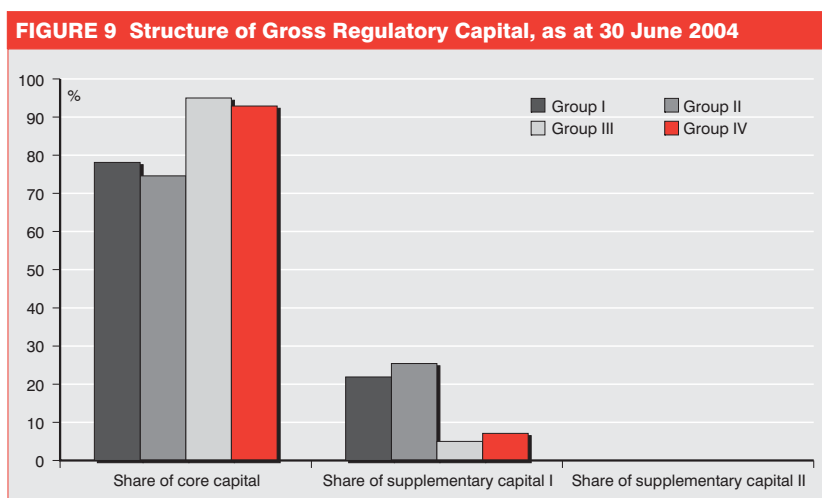
Total regulatory capital stood at HRK 18.3bn at end-June 2004, down 4.9% compared with end-2003 (Table 7). This fall was accounted for by the decrease in supplementary capital I (HRK 346m or 8.9%) and the increase in the amount deducted from gross regulatory capital (HRK 584m). The increase in items deducted from gross regulatory capital relates to direct and indirect investments in capital of other banks and reflects the changes in the regulation that came into effect on 1 January 2004. According to the new regulation, items deducted from gross regulatory capital also include investments in capital of other banks in the country and abroad.

The share of core capital in gross regulatory capital grew from 80.8% at end-2003 to 89.6% at end-June 2004 (Figure 9) due to the decreased in supplementary capital I and a slight increase in core

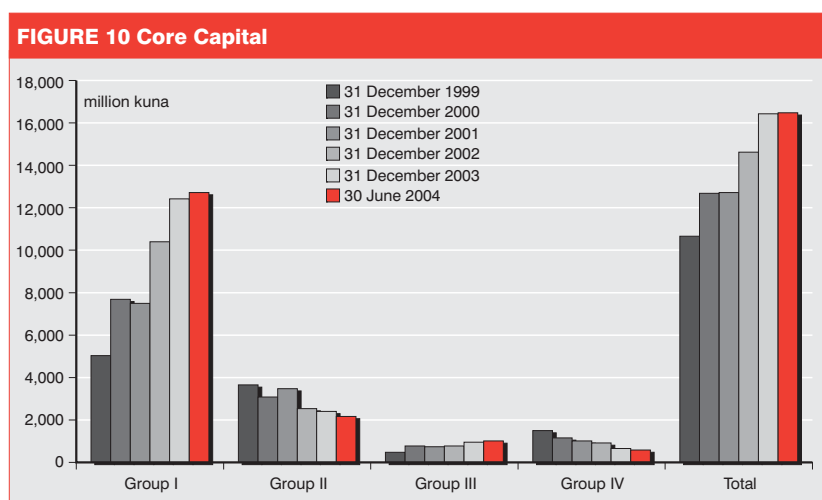
TABLE 7 Changes in Regulatory Capital, end of period, in million kuna and %

	Dec. 2001		Dec. 2002			Dec. 2003			Jun. 2004		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Group I	8,116.5	58.1	11,776.2	70.0	45.1	14,423.4	74.8	22.5	13,820.0	75.1	-4.7
Group II	4,046.2	28.9	3,276.0	19.5	-19.0	3,150.0	16.3	-3.8	2,896.1	15.7	-7.7
Group III	768.0	5.5	793.2	4.7	3.3	987.7	5.1	24.5	1,051.6	5.7	6.9
Group IV	1,049.2	7.5	965.8	5.7	-7.9	710.9	3.7	-26.4	629.1	3.4	-9.6
Total	13,979.7	100.0	16,811.2	100.0	20.3	19,272.0	100.0	14.6	18,396.7	100.0	-4.9

capital at end-June 2004 compared with end-2003. Gross regulatory capital stood at HRK 20.0bn at end-June 2004 and remained at almost the same level as at end-2003.

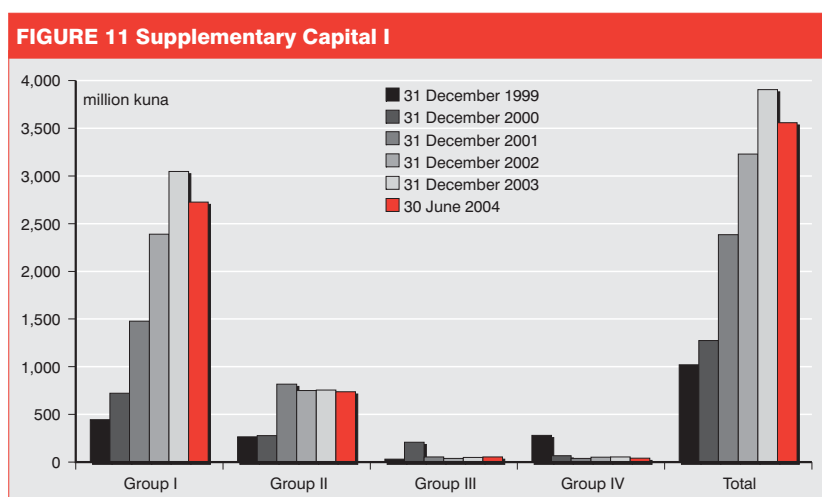


Core capital grew by a modest HRK 53.7m and reached HRK 16.5bn at end-June 2004 (Figure 10). During the observed period, Groups I and III saw a slight increase in core capital. By contrast, core capital fell in Groups II and IV.



Total supplementary capital I (before deductions made for the purpose of regulatory capital calculation) stood at HRK 4.4bn. Supplementary capital I, which is included in regulatory capital, stood at HRK 3.5bn (Figure 11) since a portion of supplementary capital, as regulated by the Decisions of the Capital Adequacy of Banks,⁶ no longer fulfils the conditions for the inclusion in the calculation of regulatory capital. According to the said Decision, specific reserves for unidentified losses in the amount

6 Official gazette *Narodne novine*, Nos. 17/2003 and 120/2003.

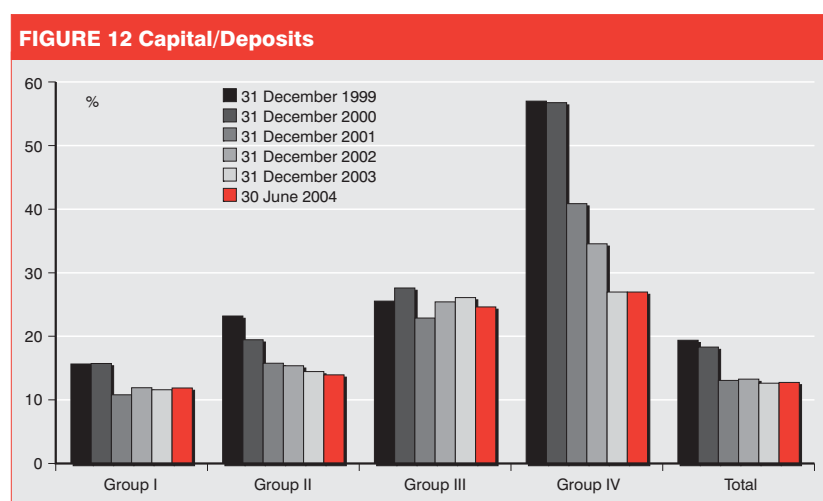


of up to 1.25% of the risk-weighted assets are included the calculation of regulatory capital (the old regulation prescribed the percentage of 1.5). Total supplementary capital I grew in Groups I and III in the first half of 2004 compared with end-2003, and fell slightly in Groups II and IV.

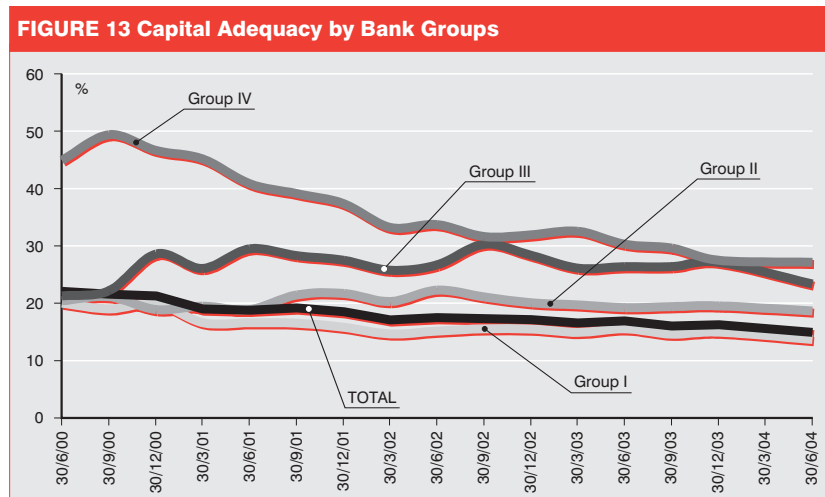
The Decision on the Capital Adequacy of Banks allows for the inclusion of supplementary capital II in the calculation of regulatory capital. By definition, this type of capital includes subordinated instruments with maturity of two years. Subordinated instruments were also included in supplementary capital in previous periods but their original maturity term had to be longer than five years. In addition, supplementary capital II can exclusively be used for the coverage of market risks, but only after 28.5% of the exposure to these risks is covered from core capital.

The total banking system supplementary capital II stood at a negligible HRK 2.0m at end-June 2004. Of this amount, only HRK 0.7m can be included in the calculation of regulatory capital.

Capital to deposit ratio increased from 12.6% to 12.8% at end-June 2004 compared with end-2003, as a result of faster growth in capital (1.2%) than received deposits (0.2%) (Figure 12). During the observed period, the said ratio diminished in Groups II and III, grew slightly in Group I (from 11.6% to 11.9%) and remained unchanged in Group IV.

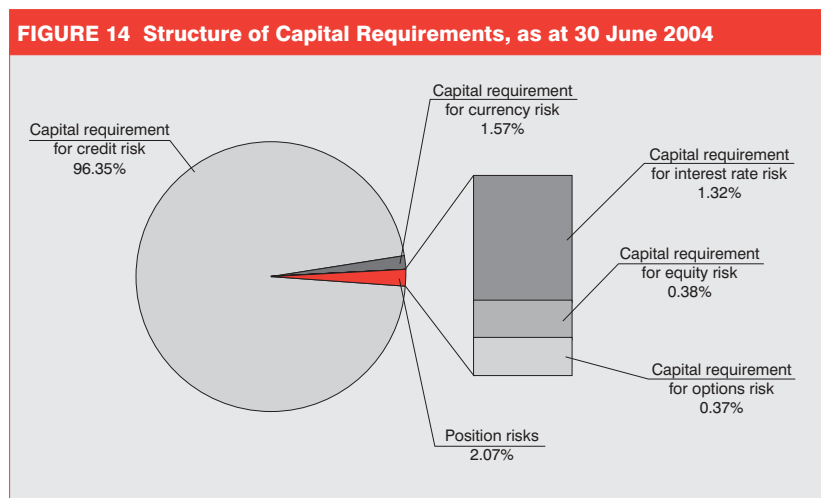


At end-June 2004, capital adequacy ratio was 14.9%, declining by 1.3 percentage points compared with end-2003 (Figure 13). The fall in capital adequacy ratio was stimulated by the decreased in regulatory capital and the introduction of capital requirements for currency risk, market risks and risk of exceeding the permissible exposure limits. The ratio of capital adequacy fell the most in Group III banks, by 3.75%, and reached 23.37% at end-June 2004. Standing at 19.56% and 27.69% at end-June 2004, this ratio fell slightly in Groups II and IV. In Group I, it fell by 1.5% and reached 13.69% at end-June 2004.



Total capital requirements stood at HRK 12.4bn at end-June 2004, up 4.1% compared with end-2003. Capital requirements grew on account of the described changes in the regulations, i.e. on account of the introduction of capital requirements for currency risk, market risks and risk of exceeding the permissible exposure limits.

At end-June 2004, the largest share of capital requirements was accounted for by the capital requirement against credit risk, 96.4% (Figure 14). Position risks and capital requirements against bank exposure to these risks still play an insignificant role in the calculation of the capital adequacy ratio. None of the eight largest banks (measured by their size of assets) showed the exposure to commodity



risk, settlement risk and risk of exceeding the permissible exposure limits in the first half of 2004. The capital requirement against position risks accounted for 2.07% of total capital requirements. Among position risks, the most significant was interest rate risk, accounting for 1.3% of total capital requirements. The capital requirement against currency risk accounted for 1.6% of total capital requirements.

2.1.5 Income Statement

In accordance with the new regulations, the new method of reporting is also applied to the income statement items. As opposed to the old reporting form, the income statement shows income from commissions and fees and expenses on commissions and fees and other non-interest income and other non-interest expenses as individual items. The structure of other non-interest income is shown in compliance with International Accounting Standards, i.e. International Financial Reporting Standards. For comparability purposes, the value of income statement items reported in figures and tables in the previous period has been presented, to the extent possible, in accordance with the new reporting form.

At the end of the first quarter 2004, income before taxes stood at HRK 1775.2m, up 14.5% compared with the end-2003 (Tablica 8). It grew mostly on account of increased net interest income (6.1%) stimulated by the higher increase in interest income than in interest expenses (although higher in nominal terms, this increase was smaller in relative terms). Net income from commissions and fees, which during the observed period grew by 21.7% on account of the increase in income from commissions and fees and the simultaneous fall in expenses on commissions and fees, also made a significant

TABLE 8 Income Statement, in million kuna

	Group I		Group II		Group III		Group IV		Total	
	Jan.-Jun. 2003	Jan.-Jun. 2004	Jan.-Jun. 2003	Jan.-Jun. 2004	Jan.-Jun. 2003	Jan.-Jun. 2004	Jan.-Jun. 2003	Jan.-Jun. 2004	Jan.-Jun. 2003	Jan.-Jun. 2004
1. Net interest income	2,312.3	2,550.7	474.6	422.4	107.4	132.2	114.6	86.7	3,008.2	3,192.0
1.1. Total interest income	4,137.1	4,663.0	838.1	720.5	196.3	226.5	192.6	151.9	5,364.1	5,761.8
1.2. Total interest expenses	1,824.8	2,112.2	364.0	298.1	88.9	94.2	78.1	65.2	2,355.9	2,569.8
2. Net income from commissions and fees	568.3	716.1	77.9	79.1	28.6	31.1	12.3	9.4	687.0	835.8
2.1. Total income from commissions and fees	1,189.5	1,328.2	150.6	137.4	50.6	51.4	24.4	18.9	1,415.0	1,536.0
2.2. Total expenses on commissions and fees	621.2	612.1	72.7	58.3	22.0	20.3	12.1	9.5	728.0	700.2
3. Net other non-interest income	372.9	371.5	67.6	5.5	25.2	32.8	16.1	8.1	481.7	417.8
3.1. Other non-interest income	627.0	886.0	104.9	40.7	35.4	41.8	26.3	19.0	793.5	987.5
3.2. Other non-interest expenses	254.0	514.6	37.3	35.2	10.2	9.0	10.2	10.9	311.8	569.7
4. Net non-interest income	941.2	1,087.6	145.4	84.6	53.8	63.9	28.3	17.5	1,168.7	1,253.7
5. General administrative expenses and depreciation	1,687.3	1,903.5	403.8	368.5	96.9	114.3	104.4	82.7	2,292.4	2,468.9
6. Net operating income before loss provisions	1,566.2	1,734.8	216.2	138.5	64.3	81.9	38.5	21.6	1,884.5	1,976.8
7. Total expenses on loss provisions	246.2	148.3	46.0	-4.1	8.8	21.4	33.0	38.6	334.0	201.5
7.1. Expenses on value adjustment and provisions for identified losses	207.8	29.8	30.4	79.2	5.9	36.3	33.5	44.5	277.6	187.4
7.2. Expenses on provisions for unidentified losses	38.4	118.5	15.6	-83.4	2.9	-14.9	-0.5	-6.0	56.4	14.2
8. Income/loss before taxes	1,320.0	1,586.5	169.6	142.7	55.5	60.5	5.4	-17.0	1,550.5	1,775.2
9. Income tax	17.1	121.0	19.1	14.7	4.5	1.5	0.2	1.7	40.9	139.0
10. Current year profit/loss	1,302.9	1,465.5	150.5	128.0	50.9	59.0	5.2	-18.7	1,509.6	1,636.3

contribution to the growth in the income before taxes. Net other non-interest income fell compared with the first half of 2003 due to a large increase in other non-interest expenses of 82.7%. General administrative expenses and depreciation grew by 7.7%, while total expenses on loss provisions fell by 32.5%.

Five banks from Group IV reported HRK 44.2m in loss after tax at the end of the first half of 2004. During the observed period, negative net operating income before loss provisions, totalling HRK 15.7m, was reported by one bank from Group II and four banks from Group IV. Owing to the reported income from cancelled loss provisions, one bank from Group II that had recorded negative net operating income before loss provisions managed to report income before taxes at end-June 2004.

At end-June 2004, Group I income before taxes stood at HRK 1586.5m. As Group I assets account for 84.4% of the total banking system assets, changes in income statement on the banking system level, actually reflect changes in this group's income statement. Despite the increase in general administrative expenses (12.8%), Group I registered a significant increase in income before taxes (20.2%) due to the growth in net interest income (10.3%) and net income from commissions and fees (26.0%), and the fall in total expenses on loss provisions (39.8%).

Most of the income statement items of Group II registered the decrease in the first half of 2004 compared with end-2003. This decrease can be attributed to the movement of one bank from Group II to Group I. Net interest income, net non-interest income and general administrative expenses fell by 11.0%, 41.8% and 8.8% respectively during the observed period. Group II reported no expenses on loss provisions in the first half of 2004. However, it reported income from cancelled loss provisions in the amount of HRK 85.4m. As a result, income before taxes reached HRK 142.7m, down 15.9% compared with end-2003.

Group III income before taxes rose by 9.1% at end-June compared with end-2003 due to a high growth in net interest income (23.2%) and net non-interest income (18.9%); they outdid the influence of increased general administrative expenses and depreciation (18.0%) and increased expenses on loss provisions (144.1%).

At end-June 2004, loss before taxes was registered only by Group IV. Almost all income statement items of Group IV declined at end-June 2004 compared with end-June 2003. In the observed period, this group registered the decrease in net interest income (24.3%), net non-interest income (38.1%) and general administrative expenses and depreciation (20.8%) and a concurrent increase in expenses on loss provisions (16.8%).

Total income registered in the first half of 2004 was to a large extent generated by bank core activities, or more specifically 69.5% of total income was accounted for by interest income, 18.5% by income from commissions and fees and 11.9% by other non-interest income.

Standing at 69.5%, the share of interest income in total income was 1.3 percentage points lower at end-June 2004 compared with end-2003 (Table 9). On interest income side, the share of interest income from debt securities fell by a significant 1.5 percentage points. The share of income from commissions and fees fell by a negligible 0.1 percentage point, while the share of other non-interest income grew by 1.4 percentage points. The share of gain from trading activities accounted for a relatively high 5.4% of total income in the first half of 2004. Losses from calculated exchange rate

TABLE 9 Structure of Income, in %

	Group I		Group II		Group III		Group IV		Total	
	Jan.-Jun. 2003	Jan.-Jun. 2004	Jan.-Jun. 2003	Jan.-Jun. 2004	Jan.-Jun. 2003	Jan.-Jun. 2004	Jan.-Jun. 2003	Jan.-Jun. 2004	Jan.-Jun. 2003	Jan.-Jun. 2004
1. INTEREST INCOME	69.5	67.8	76.6	80.2	69.5	70.8	79.2	80.0	70.8	69.5
1.1. Interest on loans and placements	53.8	54.1	64.8	66.3	58.1	61.4	72.3	73.0	56.2	56.1
1.2. Interest income from deposits	4.7	5.4	4.9	5.7	3.8	3.4	2.6	2.1	4.6	5.3
1.3. Interest income from debt securities	9.9	7.9	6.5	7.2	7.0	4.7	4.1	4.9	9.1	7.6
1.4. Net balances on exchange rate fluctuations related to interest income	-0.1	-0.2	0.0	-0.2	0.0	0.0	0.0	0.0	-0.1	-0.2
1.5. Interest income from previous years	0.1	0.1	0.1	1.1	0.2	1.4	0.0	0.0	0.1	0.3
1.6. Other interest income	1.0	-	0.3	-	0.5	-	0.1	-	0.9	-
2. NET INTEREST INCOME	38.8	37.1	43.4	47.0	38.0	41.4	47.1	45.7	39.7	38.5
3. INCOME FROM COMMISSIONS AND FEES	20.0	19.3	13.8	15.3	17.9	16.1	10.0	10.0	18.7	18.5
3.1. Income from fees for payment operation services	-	11.2	-	8.7	-	10.7	-	4.9	-	10.7
3.2. Income from fees for other banking services	-	8.2	-	6.6	-	5.4	-	5.1	-	7.8
3.3. Net balances on exchange rate fluctuations related to claims based on fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. NET INCOME FROM COMMISSIONS AND FEES	9.5	10.4	7.1	8.8	10.1	9.7	5.0	5.0	9.1	10.1
5. OTHER NON-INTEREST INCOME	10.5	12.9	9.6	4.5	12.5	13.1	10.8	10.0	10.5	11.9
5.1. Gains/losses from investment in subsidiaries, associates and joint ventures	0.0	0.1	0.6	0.0	0.3	-0.1	0.5	-0.7	0.1	0.1
5.2. Gains/losses from trading activities	-	5.1	-	4.9	-	12.2	-	5.7	-	5.4
5.3. Gains/losses from activities related to assets available for sale	-	-0.5	-	0.2	-	1.0	-	-0.2	-	-0.4
5.4. Gains/losses from activities related to assets held to maturity	-	0.0	-	0.0	-	0.3	-	0.0	-	0.0
5.5. Gains/losses from activities related to assets held for trading, assets available for sale, assets held to maturity and value adjustment of these portfolios	1.3	-	1.6	-	1.5	-	0.5	-	1.3	-
5.6. Gains/losses from hedging transactions	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
5.7. Income from investments in subsidiaries and associates	-	4.2	-	0.0	-	0.0	-	0.0	-	3.5
5.8. Income from other equity investments	-	0.0	-	0.0	-	0.0	-	0.0	-	0.3
5.9. Total income from equity investments (dividends)	1.0	0.3	0.0	0.2	0.0	0.0	0.1	0.0	0.8	0.0
5.10. Gains/losses from calculated exchange rate differentials	0.6	-1.7	-1.5	-3.2	0.2	-2.4	2.9	0.9	0.3	-1.8
5.11. Other income	3.8	5.2	2.9	2.0	1.3	1.0	2.0	1.4	3.5	4.6
5.12. Extraordinary income	0.1	0.1	0.6	0.3	0.1	1.1	0.5	2.8	0.2	0.2
6. NET NON-INTEREST INCOME	15.8	15.8	13.3	9.4	19.0	20.0	11.6	9.2	15.4	15.1
7. NET OPERATING INCOME BEFORE LOSS PROVISIONS	26.3	25.2	19.8	15.4	22.8	25.6	15.8	11.4	24.9	23.9
TOTAL INCOME	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

differentials were also registered in the observed period, while the share of other income grew by 1.1 percentage points and accounted for 4.6% of total income.

Groups II, III and IV increased their shares of interest income in total income by 3.2 percentage points, 1.3 percentage points and 0.9 percentage points respectively. By contrast, the share of Group I interest income fell by 1.7 percentage points. This indicates that the largest banks in the system have registered the fall in their shares of interest income in total income, which in turn affected the banking system as a whole. Group I share of income from commissions and fees grew the most (19.3%). However, this share trended downwards in other bank groups, except in Group II where it grew by 1.5 percentage points. Other non-interest income of Group II accounted for the largest share in total income (13.1%), and was on a slight upward trend (0.5 percentage points). Standing at 12.9%, other non-interest income of Group I grew by 2.4 percentage points. The other two bank groups saw a downward trend in their share of other non-interest income.

TABLE 10 Structure of Expenses, in %

	Group I		Group II		Group III		Group IV		Total	
	Jan.-Jun. 2003	Jan.-Jun. 2004	Jan.-Jun. 2003	Jan.-Jun. 2004	Jan.-Jun. 2003	Jan.-Jun. 2004	Jan.-Jun. 2003	Jan.-Jun. 2004	Jan.-Jun. 2003	Jan.-Jun. 2004
1. INTEREST EXPENSES	39.4	39.2	39.4	39.4	39.2	36.4	32.8	31.5	39.1	38.9
1.1. Interest expenses on borrowings	8.1	8.9	10.2	5.7	4.8	3.8	2.6	2.5	8.1	8.1
1.2. Interest expenses on deposits	26.9	27.0	24.9	29.0	32.5	31.1	27.3	26.3	26.8	27.4
1.3. Interest expenses on debt securities	1.1	0.9	1.2	1.2	0.0	0.0	0.6	0.5	1.1	0.9
1.4. Premiums for the insurance of savings deposits	2.9	2.8	3.0	3.6	1.7	1.4	1.9	2.1	2.8	2.8
1.5. Net balances on exchange rate fluctuations related to interest expenses	-0.1	-0.5	0.0	-0.3	0.0	-0.3	0.0	0.0	-0.1	-0.4
1.6. Interest expenses from previous years	0.4	0.0	0.1	0.3	0.2	0.3	0.0	0.1	0.3	0.1
1.7. Other interest expenses	0.1	-	0.1	-	0.0	-	0.3	-	0.1	-
2. EXPENSES ON COMMISSIONS AND FEES	13.4	11.7	7.9	7.7	9.7	7.8	5.1	4.6	12.1	10.9
2.1. Expenses on fees/commissions for banking services	-	11.7	-	7.7	-	7.8	-	4.6	-	10.9
2.2. Net balances on exchange rate fluctuations related to liabilities based on fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. OTHER NON-INTEREST EXPENSES	5.5	9.8	4.0	4.7	4.5	3.5	4.3	5.3	5.2	8.8
3.1. Other expenses	5.5	9.8	4.0	4.5	4.5	3.4	3.8	4.8	5.1	8.8
3.2. Extraordinary expenses	0.0	0.0	0.0	0.2	0.0	0.1	0.5	0.5	0.0	0.1
4. GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION	36.4	36.4	43.7	48.7	42.7	44.1	43.9	40.0	38.1	38.3
4.1. Expenses for employees	19.8	18.6	21.5	24.0	22.6	21.7	23.0	21.4	20.3	19.5
4.2. Depreciation	5.2	5.8	4.9	4.9	5.4	5.4	5.9	6.3	5.2	5.7
4.3. Other administrative expenses	11.3	11.9	17.3	19.8	14.7	17.0	15.0	12.2	12.5	13.1
5. LOSS PROVISION EXPENSES	5.3	2.8	5.0	-0.5	3.9	8.2	13.9	18.7	5.5	3.2
5.1. Expenses on value adjustment and provisions for identified losses	4.5	0.6	3.3	10.5	2.6	14.0	14.1	21.5	4.6	2.9
5.2. Expenses on unidentified loss provisions	0.8	2.3	1.7	-11.0	1.3	-5.8	-0.2	-2.9	0.9	0.2
TOTAL EXPENSES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

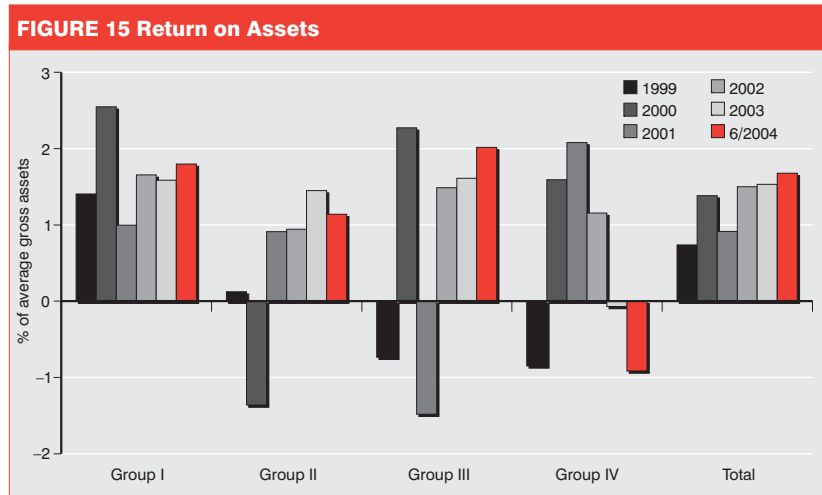
Non-interest expenses accounted for the largest share in total expenses at end-June 2004 compared with end-2003 (Table 10). During the observed period, non-interest expenses rose by 3.7 percentage points, while interest expenses fell by 0.3 percentage points. In addition, general administrative expenses and depreciation expenses grew by 0.2 percentage points at end-June 2004 compared with end-2003. Compared with end-2003, interest expenses accounted for the largest share in total expenses (38.9%). They were followed by general administrative expenses and depreciation (38.3%), expenses on commissions and fees (10.95%), other non-interest expenses (8.8%) and expenses on loss provisions (3.1%).

Group I registered the fall in its share of interest expenses in total expenses at end-June 2004, down 0.2 percentage points. Expenses on commissions and fees and expenses on loss provisions followed with the decrease of 1.7 percentage points and 2.5 percentage points respectively. The decrease in the shares of these expense items in total expenses was stimulated by their nominal fall in the banking system as whole in the observed period. In contrast, Group I non-interest expenses grew by a significant 4.3 percentage points, while its general administrative expenses and depreciation remained the same as at end-2003.

During the observed period, general administrative expenses and depreciation grew the most in Group II, by 5.0 percentage points. Concurrently, this group registered the largest fall in expenses on loss provisions, 5.5 percentage points. Group III interest expenses fell by 2.8 percentage points and expenses on loss provisions grew by 4.4 percentage points. In addition, Group IV saw the largest increase in expenses on loss provisions; compared to other bank groups, they recorded the largest relative increase of 4.8 percentage points. Group IV also registered the largest fall in the share of general administrative expenses and depreciation in total expenses (3.9 percentage points).

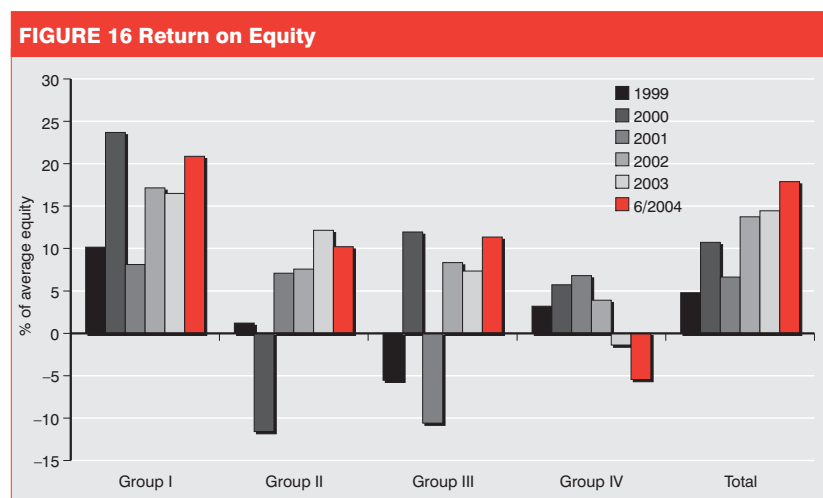
2.1.6 Return Indicators

Return on average gross assets was 1.7% at end-June 2004, up 0.2 percentage points compared with end-2003 (Figure 15). Compared with end-2003, return on gross assets fell the most in Group IV (0.8 percentage points) and stood at 0.9%. Return on gross assets fell by 0.3 percentage point in Group II and grew in other bank groups in the first half of 2004. At end-June 2004, the highest return on gross assets was registered by Groups III (2%) and I (1.8%), while Group II recorded somewhat lower return (1.1%).



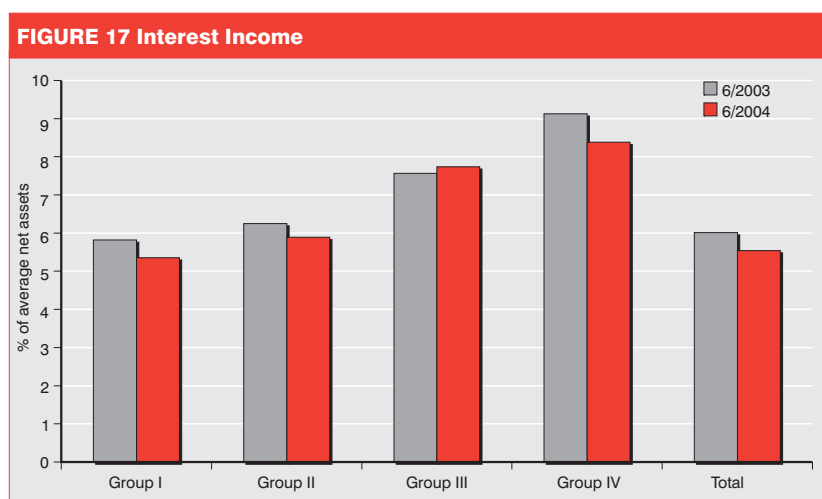
The rate of return on average equity at end-June 2004 was 17.9%, the indicator's highest rate of return in the last four years (Figure 16). Return on average equity increased by 3.4 percentage points at end-June 2004 compared with end-2003.

At end-June 2004, the rate of return on equity grew in Groups I and III, by 4.4 percentage points and 4.0 percentage points respectively, and fell in Group II, by 1.9 percentage points. The rate of return on equity fell the most in Group IV, by 4.1 percentage points. Thus, at end-June 2004, Group I had the highest return on equity (20.9%). Groups III, II and IV followed with 11.4%, 10.2% and -5.4%.



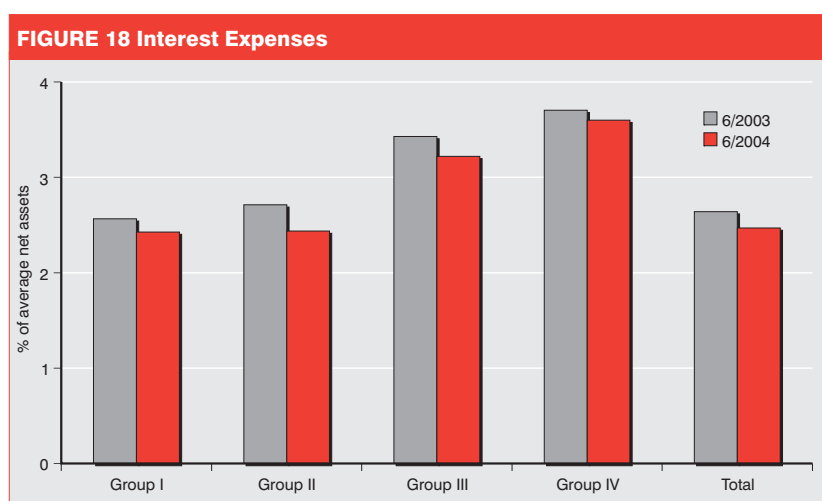
Average interest income to average net assets ratio stood at 5.5% at end-June 2004, a decline of 0.5 percentage points compared with end-2003 (Figure 17), which can be attributed to the faster growth in average net assets than in interest income.

At end-June 2004, Group IV had the largest ratio of average interest income to average net assets (8.4%). Groups III, II and I followed with 7.7%, 5.9% and 5.4% respectively. This ratio diminished by 0.5 percentage points, 0.4 percentage points and 0.7 percentage points in Groups I, II and IV, and rose in Group III by 0.2 percentage points, during the observed period, compared with end-June 2003.

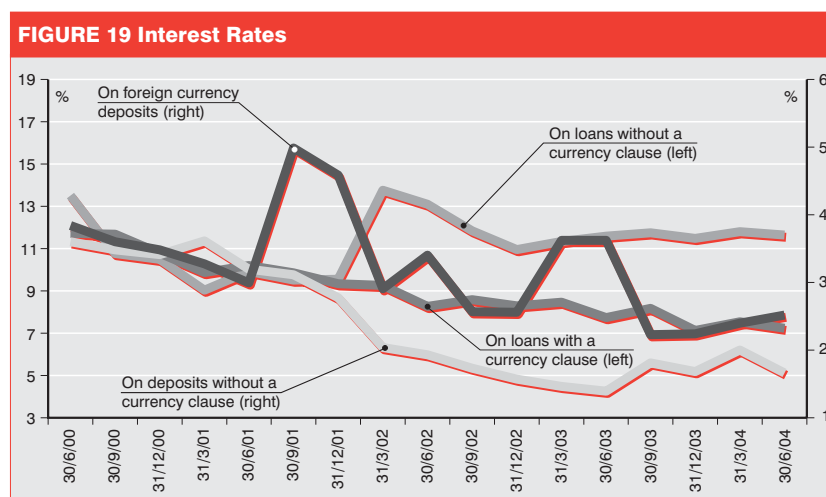


Average interest expenses to average net assets ratio continued to trend downwards in the first half of 2004. Moreover, this ratio's trend fell from 2.6% at end-June 2003 to 2.5% at end-June 2004 (Figure 18). This decline can be attributed to the faster growth in the average net assets than in interest expenses.

At the end-June 2004, Group IV had the largest ratio of average interest expenses to average net assets (3.6%). Groups III followed with 3.2%, and Groups I and II with 2.4% each. In the observed period, this ratio fell between 0.1 percentage point and 0.3 percentage points in all bank groups.



Faster growth in interest expenses (9.1%), compared with interest income (4.7%) in the first half of 2004, caused net interest spread to fall to 3.1%.⁷ As regards individual bank groups, only Group III recorded an increase in net interest spread of 0.4 percentage points, while Groups I, II and IV recorded a decline in net interest rate spread of 0.3 percentage points, 0.1 percentage point, and 0.6 percentage points. Net interest spread of Group IV was the highest (4.8%), while the spreads of Groups III, II and I were 4.5%, 3.5% and 2.9%.



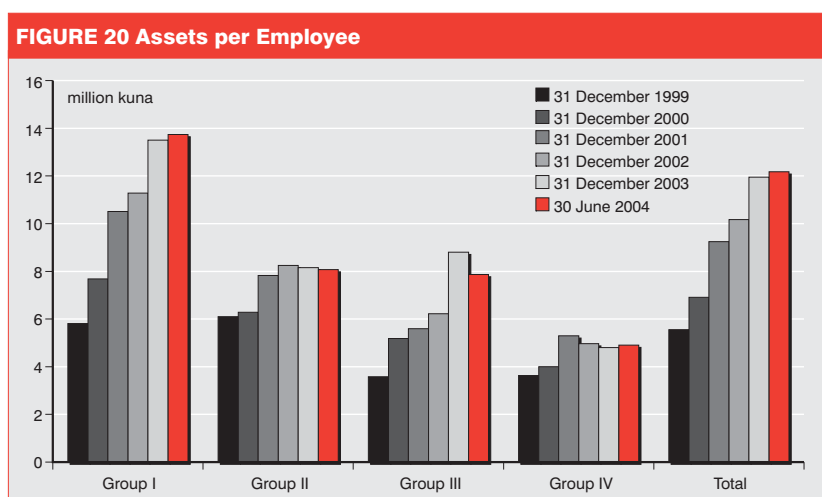
Interest rates on foreign currency deposits grew the most in first half of 2004 (0.1 percentage point). The downward trend was registered in other interest rates: interest rates on deposits without a currency clause and on loans with a currency clause fell by 0.3 percentage points and interest rates on loans without a currency clause decreased by 0.2 percentage points (Figure 19). At end-June 2004, interest rates on foreign currency deposits stood at 2.5%, while interest rates on deposits without a currency clause stood at 1.6%. In the observed period, interest rates on loans with a currency clause amounted to 7.2%, while interest rates on loans without a currency clause reached 11.6%.

Compared with end-2003, the number of persons employed by the banking system grew by 1.9% at end-June 2004, from 17,086 to 17,420. During the observed period, the number of employees rose in Group I by 499 or 0.4% and in Group III by 164 or 6.2%. It declined in other bank groups: by 245 or 7.8% in Group II, and by 84 or 10.5% in Group IV. At end-June 2004, Group I accounted for 74.8% of the total number of persons working in the banking sector, while Groups II, III and IV accounted for 16.6%, 4.5%, and 4.0%, respectively, of the total number of persons employed.

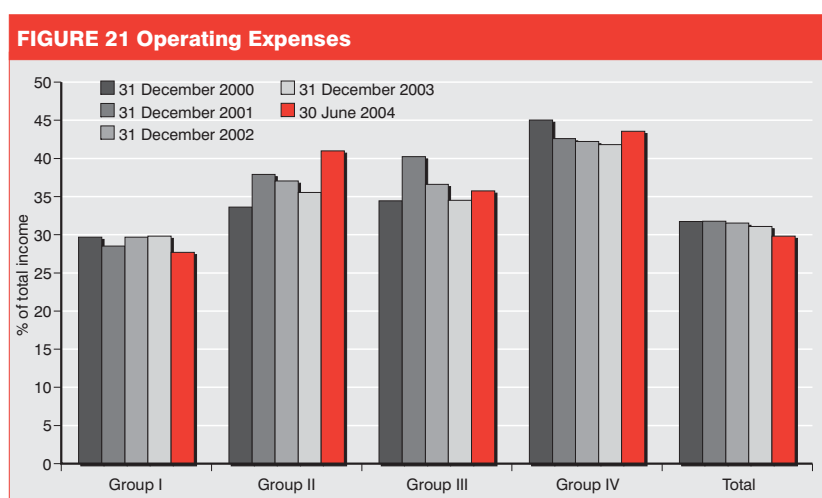
Assets per employee, on upward trend since 2000, stood at HRK 12.2m at end-June 2004, up HRK 0.2m compared with end-2003 (Figure 20). This growth can be attributed to slower employment growth, compared with assets growth, over the observed period.

Group I was the most efficacious group in terms of assets per employee at end-June 2004; its average assets per employee stood at HRK 13.7m. Groups III, II and IV followed with HRK 7.9m, HRK 8.1m

⁷ Net interest spread is calculated as the difference between interest income and interest expenses divided by the average assets.



and HRK 4.9m respectively. Group II and Group III recorded a downturn in this indicator (HRK 0.1m and HRK 0.9m respectively), while Group I and Group IV recorded an upturn of HRK 0.2m and HRK 0.1m respectively.



Operating expenses to total income ratio stood at 29.8% at end-June 2004, which was a decline of 1.3 percentage points compared with end-2003 (Figure 21). Such development can be attributed to a more rapid growth in total income and slower growth in operating expenses during the observed period.

In the first half of 2004, operating expenses to total income ratio decreased only in Group I (2.1 percentage points). It increased the most in Group II (5.5 percentage points). Groups III and IV followed with 1.2 percentage points and 1.7 percentage points respectively. Group IV had the highest operating expenses to total income ratio (43.5%) during the observed period. Groups II, III and I followed with 41.0%, 35.7% and 27.7% respectively.

2.1.7 Credit Activity

Total placements and contingent liabilities stood at HRK 220.4m at end-June 2004, up 4.4% compared with end-2003 (Table 11). In 2003, when the CNB introduced the measure aimed at reducing the growth of bank placements,⁸ the semi-annual rates of the total growth in placements and contingent liabilities stood at 5.0% in the first half and 9.8% in the second half of 2003, while the annual growth rate reached 15.3%. The lower rate of growth of bank placements and contingent liabilities registered in the first half of 2004 shows the continuation of the downward trend from 2003. By contrast, total placements and contingent liabilities grew at annual rates of 20.7% and 22.3% in 2002 and 2001 respectively.

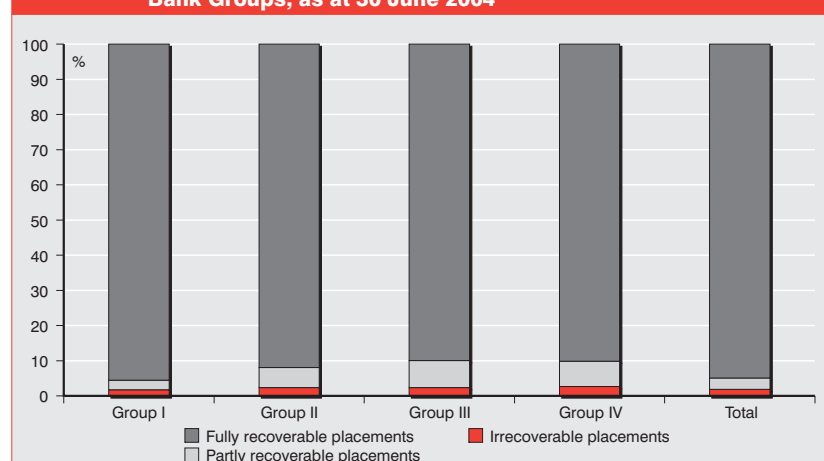
TABLE 11 Classification of Placements and Contingent Liabilities by Risk Categories, end of period, in million kuna and %

Placements	Dec. 2001		Dec. 2002		Dec. 2003		Jun. 2004	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	140,586.6	92.7	172,251.3	94.1	200,166.3	94.9	209,157.1	94.9
2. Partly recoverable placements (category B)	6,719.5	4.4	6,473.3	3.5	7,475.8	3.5	7,130.2	3.2
3. Irrecoverable placements (category C)	4,287.3	2.8	4,245.4	2.3	3,371.5	1.6	4,085.2	1.9
Total	151,593.3	100.0	182,970.0	100.0	211,013.6	100.0	220,372.6	100.0

The semi-annual rate of placements and contingent liabilities grew by 4.5% in the first half of 2004. However, their share in total placements and contingent liabilities remained unchanged at 94.9% or the same as at end-2003. Reflecting the fall of 4.6%, the share of partly recoverable placements decreased from 3.5% to 3.2%. In contrast, due to the growth of 21.2%, the share of irrecoverable placements in total placements and contingent liabilities grew by 0.3 percentage points, and reached 1.9% at the end of the observed period.

At the end-June 2004, Group I had the best quality placements and contingent liabilities. This group's share of fully recoverable placements and contingent liabilities in total placements grew from 95.2% to 95.6% (Figure 22). However, this share fell in Groups II, III and IV and stood at 91.9%, 90.9% and

FIGURE 22 Structure of Placements and Contingent Liabilities by Bank Groups, as at 30 June 2004



8 Decision on the Compulsory Purchase of CNB Bills (official gazette Narodne novine, Nos. 10/2003 and 54/2003).

90.1% respectively at the end of the observed period. Group I was also the group that registered the fall in the share of partly irrecoverable placements in the first half of 2004. The share of partly irrecoverable placements grew in all other bank groups. The share of irrecoverable placements and contingent liabilities in total placements and contingent liabilities remained unchanged in Group III and grew in all other bank groups.

Standing at 4.0%, the ratio of total placement value adjustment and provisions for contingent liabilities to total placements and contingent liabilities registered a modest fall at end-June 2004 compared with end-2003 (Table 12). Despite an increase of 1.4% in total provisions, the growth in total placements and contingent liabilities at the rate of 4.4% contributed to the further decline in the share of placement value adjustment and provisions in total placements and contingent liabilities.

The placement value adjustment and provisions for identified losses from contingent liabilities exceeded by 1.6% and provisions for unidentified losses by 0.6% their end-2003 values. Therefore, the structure of total provisions saw a slight increase in the share of the placement value adjustment and provisions for identified losses from contingent liabilities, i.e. those provisions that are allocated against identified losses (from 76.3% to 76.5%). The share of provisions for unidentified losses went down from 23.7% to 23.5%.

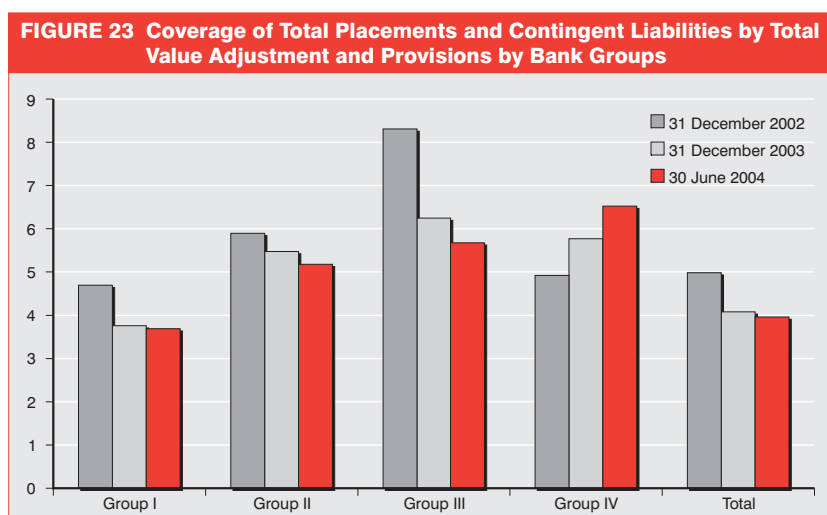
TABLE 12 Total Value Adjustment and Provisions to Total Placements and Contingent Liabilities Ratio, end of period, in million kuna and %

Placements	Dec. 2001	Dec. 2002	Dec. 2003	Jun. 2004
1. Total value adjustment against placements and provisions for contingent liabilities	9,326.7	9,121.2	8,611.5	8,729.6
1.1. Value adjustment against placements and provisions for identified losses from contingent liabilities	7,912.1	7,303.4	6,573.8	6,680.0
1.2. Provisions for unidentified losses	1,414.6	1,817.9	2,037.7	2,049.6
2. Total placements and contingent liabilities	151,593.3	182,970.0	211,013.6	220,372.6
3. Relative ratio of total value adjustment and provisions to total placements and contingent liabilities	6.2%	5.0%	4.1%	4.0%

Compared with end-2003, the placement value adjustment and provisions for identified losses from contingent liabilities and the provisions for unidentified losses grew in Group I, by 2.85% and 9.12%. However, due to the growth in total placements and contingent liabilities of 6.3%, this bank group registered a small decline in the ratio of placements and contingent liabilities to total value adjustment and provisions, from 3.8% to 3.7%. Group III also registered an increase in placements and contingent liabilities (by 15.64%), which despite an increase in total provisions by 5.12%, resulted in the fall in this group's ratio (from 6.2% to 5.7%). Groups II and IV registered the decrease in total placements and contingent liabilities, by 9.1% and 5.2% respectively. However, Group II saw a fall in the ratio to 5.2% due to a 14.0% decline in total value adjustment and provisions. The ratio grew in Group IV, from 5.8% to 6.5%, on account of a 7.2% increase in total value adjustment and provisions.

Total extended loans (net) stood at HRK 113.3bn at end-June 2004, an increase of HRK 3.3bn or 3.0% compared with end-2003⁹ (Table 13). Household loans accounted for the largest share in the increase of total extended loans (net), HRK 2.8bn or 5.3%. Their share in total extended loans (net) rose from 47.8% to 49.0%. During the observed period, total extended corporate loans grew at a rate of 1.7%, while their share in total extended loans (net) fell from 41.0% to 40.5%. Loans to public

9 Total loans (net) in Table 13 extended before June 2004 include bought receivables and rights to receivables.



enterprises grew by 9.6%, while loans to other enterprises grew by only 1.0%. Loans to government units also registered an increase in their share in total extended loans (net), from 7.8% to 7.9%. The share of loans to non-profit institutions remained unchanged at 0.3%, and the shares of loans to financial institutions and non-residents fell by 20.9% and 21.3% respectively. Taken together, loans to government units and loans to public enterprises accounted for 11.8% of total extended loans (net).

Only Group IV had a lower share of loans to households in total extended loans (net); it fell from 56.6% to 53.1%. At the same time, this was the largest share recorded by an individual bank group. Household loans of Group I and Group II also accounted for the largest share in total extended loans (net) (48.6% in Group I and 52.7% Group II). Group III was the only bank group in which the share of corporate loans exceeded the share of household loans (58.3% relative to 39.2%).

TABLE 13 Structure of Net Loans by Institutional Sectors, end of period, in million kuna

	Group I		Group II		Group III		Group IV		Total	
	Dec. 2003	Jun. 2004	Dec. 2003	Jun. 2004	Dec. 2003	Jun. 2004	Dec. 2003	Jun. 2004	Dec. 2003	Jun. 2004
1. Government units	8.167,1	8.502,7	368,0	430,4	11,0	8,8	1,3	0,0	8.547,4	8.941,9
2. Financial institutions	2.385,5	2.150,5	408,2	184,1	143,7	43,7	119,5	39,9	3.057,0	2.418,2
3. Public enterprises	3.883,4	4.214,3	115,9	146,4	43,4	71,6	1,8	0,0	4.044,5	4.432,3
4. Other enterprises	32.256,1	33.187,5	5.943,0	5.441,8	2.041,2	2.009,3	890,4	892,5	41.130,7	41.531,1
5. Non-profit institutions	267,8	281,2	64,6	49,2	9,0	7,1	1,6	3,1	343,0	340,5
6. Households	42.659,0	45.966,8	7.622,1	6.956,0	962,1	1.400,4	1.343,7	1.060,2	52.586,9	55.383,4
7. Non-residents	302,0	276,5	34,4	1,9	41,3	29,6	13,7	0,0	391,3	307,9
Total	89.920,9	94.579,4	14.556,3	13.209,7	3.251,7	3.570,5	2.371,9	1.995,7	110.100,8	113.355,3

2.1.8 Liquidity Ratios

Total CNB bills and central government bills subscribed stood at HRK 3.1bn at end-June 2004 compared with end-2003, down 60.9%. No kuna and foreign currency CNB bills were subscribed for they were not issued during the observed period. Looking at the structure of total subscribed securities at end-June 2004, T-bills accounted for 98.3%, or the largest share, and money market instruments accounted for 1.7% of the total.

TABLE 14 Purchased CNB and Central Government Bills, in million kuna and %, stock on 30 June 2004

	Group I		Group II		Group III		Group IV		Total	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. CNB bills denominated in kuna	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. CNB bills denominated in foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. MoF treasury bills	2,607.3	99.1	227.3	88.6	215.2	100.0	7.9	100.0	3,057.7	98.3
4. Other money market instruments of the central government ^a	24.9	0.9	29.3	11.4	0.0	0.0	0.0	0.0	54.2	1.7
Total	2,632.2	100.0	256.6	100.0	215.2	100.0	7.9	100.0	3,111.9	100.0

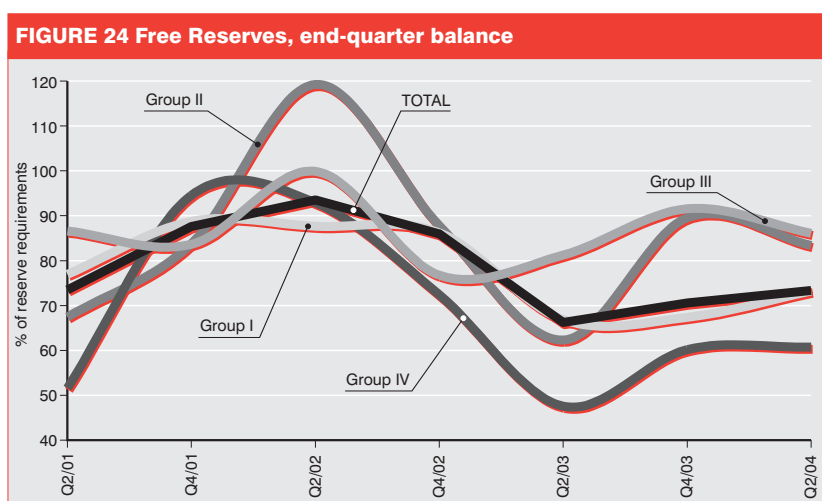
^a Includes the instruments whose price is market determined.

Loan facilities extended by the CNB stood at HRK 71.5m on average at end-June 2004 (Table 15), down 30.0% compared with end-2003. Except Lombard loans, banks used no other CNB facilities in the first six months of 2004. In addition, Lombard loans were used less than in the previous periods, probably due to the reduction in the number of days in which this central bank facility loan can be used (from 15 working days in a month to only 5 days in a month).

TABLE 15 CNB Loans, in million kuna, annual/semi-annual average

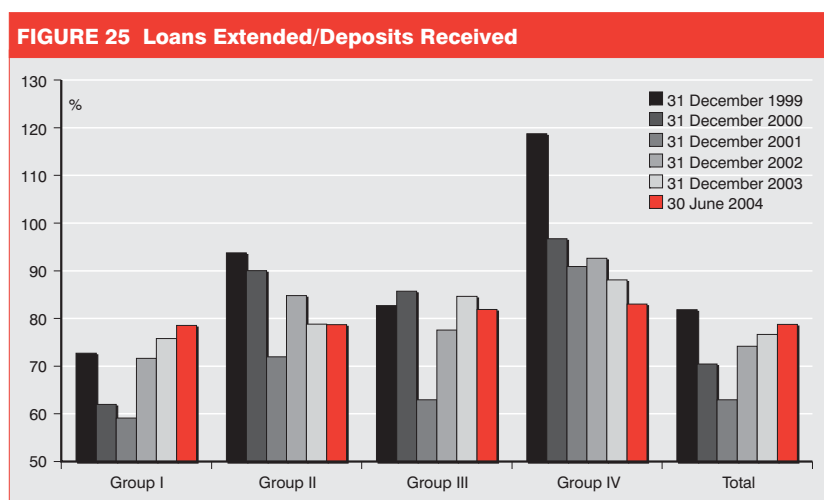
	Group I		Group II		Group III		Group IV		Total	
	2003	Jun. 2004	2003	Jun. 2004	2003	Jun. 2004	2003	Jun. 2004	2003	Jun. 2004
1. Lombard loans	15.0	69.9	85.1	1.3	1.9	0.3	0.0	0.0	102.0	71.5
2. Liquidity loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Repo CNB bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Average free reserves to average reserve requirements ratio stood at 73.4% at the end of the second quarter of 2004, which was an increase of 2.8 percentage points compared with the last quarter of 2003 (Figure 24). Group III had the highest average free reserves to average reserve requirements ratio (86.1%) at end-June 2004. Groups II and I followed with 83.4% and 73.2% respectively, while Group IV had the smallest ratio (60.7%).

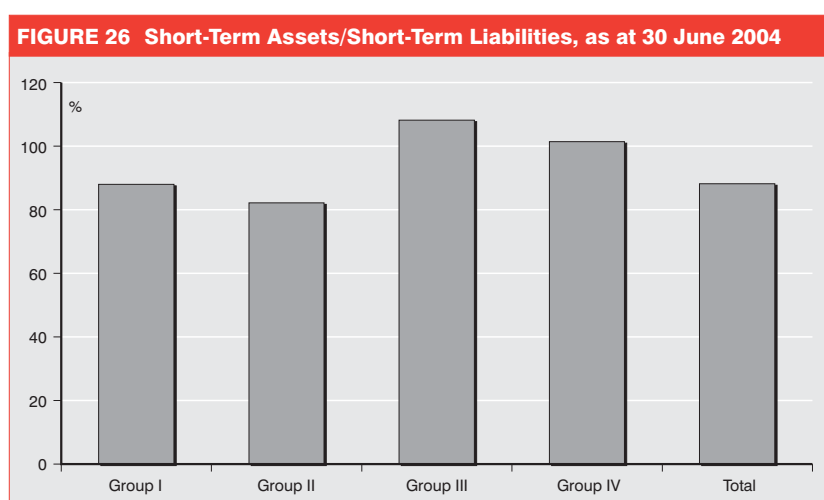


The ratio of extended loans to received deposits rose by 2.1 percentage points, reaching 78.7% at end-June 2004 (Figure 25). Extended loans grew faster (3.2%) than deposits (0.2%) during the observed period, causing the ratio's increase. Time deposits and deposits in current and giro accounts rose by 1.0% and 0.4% respectively during the observed period, and savings deposits fell by 3.0%. As

regards individual bank groups, the ratio grew in Group I by 2.8 percentage points. By contrast, the ratio declined by 5.0 percentage points in Group IV, 2.8 percentage points in Group III and 0.1 percentage point in Group II.

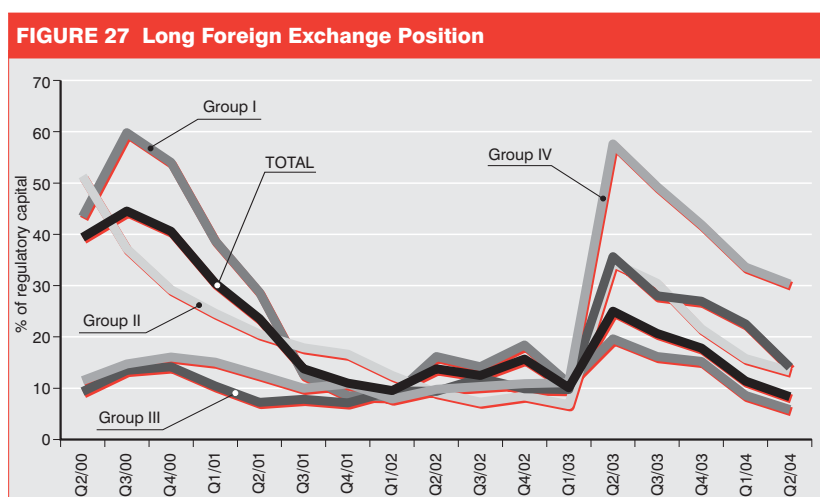


The ratio between short-term assets and short-term liabilities, calculated on the basis of data on their remaining maturity, stood at 88.1% at end-June 2004 (Figure 26). Both in Group I and Group II it was lower than 100%, i.e. these groups' short-term liabilities exceeded their short-term assets. The reverse change in the ratio was registered in the other two groups.

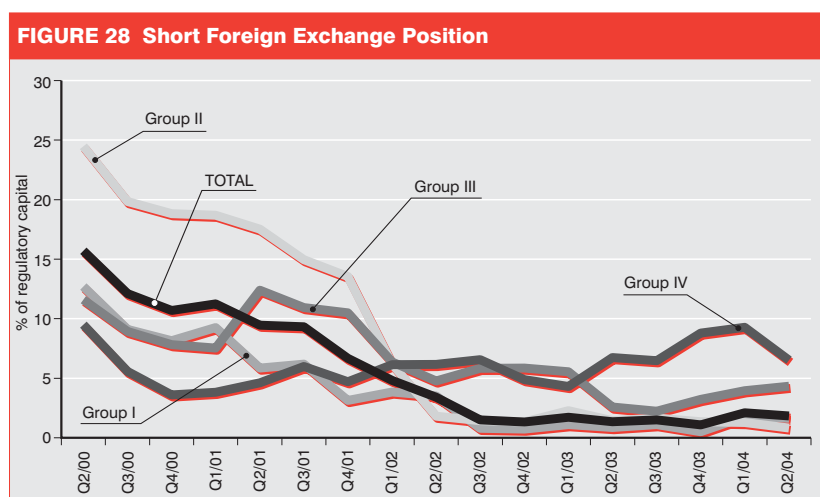


2.1.9 Currency Adjustment of Assets and Liabilities

The ratio between average long foreign exchange position and regulatory capital and the ratio between average short foreign exchange position and regulatory capital went downward at end-June 2004 compared with end-2003. The ratio of average long foreign exchange position and regulatory capital fell by 3.1 percentage points and stood at 8.3% (Figure 27). Expressed as a percentage of the regulatory capital, the average long foreign exchange position was the highest in Group IV (30.3%). Groups III, II and I followed with 14.1%, 13.3% and 5.9%.



The ratio between total average short foreign exchange position and regulatory capital stood at 1.8% at end-June 2004, down 0.3 percentage points compared with end-2003 (Figure 28). Group IV had the highest total short foreign exchange position to regulatory capital ratio (6.5%). Groups III and I followed with 4.3% and 1.6%, and Group II, as the group with the lowest ratio 0.8%.



2.2 Housing Savings Banks

At end-June 2004, there were four housing savings banks operating in Croatia.

2.2.1 Housing Savings Banks' Balance Sheet

Total housing savings bank assets stood at HRK 3.8bn at end-June 2004, up 8.02% compared with end-2003. Total housing savings bank assets accounted for 1.8% of total bank assets at end-June 2003.

Securities and other financial instruments held for trade and available for sale accounted for the largest share of total housing savings bank assets at end-June 2004 (57.66%) (Table 16). T-bills and securities and other financial instruments held to maturity and bought on issue directly from the issuer followed with 19.89% and 10.28%. Looking at each individual item of securities in housing savings banks assets, one can see that the same type of securities accounts for the largest share in each category, i.e. bonds and other long-term debt instruments of the Republic of Croatia and central government funds. In addition, the largest amounts were invested in securities available for sale. Investments in securities available for sale include investments in bonds and other long-term instruments of the Republic of Croatia (85.52%), and bonds and other long-term instruments of the central government funds (10.40%), etc.

TABLE 16 Structure of Housing Savings Bank Assets, end of period, in million kuna and %

	Dec. 2001		Dec. 2002			Dec. 2003			Jun. 2004		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	15.48	1.19	19.15	0.88	23.73	0.01	0.00	-99.96	0.03	0.00	342.86
1.1. Money assets	0.02	0.00	0.02	0.00	-33.33	0.01	0.00	-56.25	0.03	0.00	342.86
1.2. Deposits with the CNB	15.45	1.19	19.13	0.88	23.82	0.00	0.00	-100.00	0.00	0.00	0.00
2. Deposits with banking institutions	9.28	0.71	27.19	1.24	192.90	25.86	0.73	-4.92	21.36	0.56	-17.37
3. MoF treasury bills and CNB bills	404.90	31.17	561.52	25.68	38.68	748.89	21.27	33.37	756.24	19.89	0.98
4. Securities and other financial instruments held for trading and available for sale	468.74	36.08	1,149.60	52.58	145.25	766.81	21.78	-33.30	2,192.65	57.66	185.95
4.1. Securities and other financial instruments held for trading	-	-	-	-	-	-	-	-	52.43	1.38	-
4.2. Securities and other financial instruments available for sale	-	-	-	-	-	-	-	-	2,140.23	56.28	-
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	335.60	25.83	277.77	12.71	-17.23	1,527.89	43.40	450.05	391.10	10.28	-74.40
5.1. Securities and other financial instruments held to maturity	-	-	-	-	-	-	-	-	296.46	7.80	-
5.2. Securities and other financial instruments bought on issue directly from the issuer	-	-	-	-	-	-	-	-	94.64	2.49	-
6. Derivative financial assets	-	-	-	-	-	-	-	-	0.00	0.00	-
7. Loans to financial institutions	8.83	0.68	10.05	0.46	13.81	211.39	6.00	2,002.72	6.50	0.17	-96.93
8. Loans to other clients	11.59	0.89	91.32	4.18	688.02	187.78	5.33	105.62	271.18	7.13	44.42
9. 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
10. 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
11. Tangible assets (net of depreciation)	19.94	1.53	20.51	0.94	2.84	18.98	0.54	-7.44	9.05	0.24	-52.33
12. Interest, fees and other assets	24.99	1.92	30.76	1.41	23.10	39.10	1.11	27.13	168.40	4.43	330.65
13. Net of: Specific reserves for unidentified losses	0.32	0.02	1.58	0.07	396.85	6.27	0.18	297.84	13.90	0.37	121.88
TOTAL ASSETS	1,299.03	100.00	2,186.31	100.00	68.30	3,520.43	100.00	61.02	3,802.62	100.00	8.02

Housing savings bank liabilities at end-June 2004 consisted mostly of deposits (91.45%), in particular time deposits (91.45%), interest, fees and other liabilities (4.77%) and capital (3.47%) (Table 17). All other items combined accounted for 0.30% of total housing savings bank liabilities.

Total housing savings bank capital fell by 14.74% at end-June 2004 compared with end-2003 (Table 18), as a result of a larger current year loss. The current year loss rose from 6.03% at end-2003 to 24.87% at end-June 2004. The previous year loss stood at HRK 9.4bn (or 7.11%) at end-June 2004, while retained earnings grew by 5.04% and accounted for 40.95% of total housing savings bank capital. Only one housing savings bank generated profit in the previous year, and allocated that profit into legal reserves which rose 176.6% compared with end-2003.

Capital adequacy ratio of housing savings banks stood at 51.53% at end-June 2004, which was a

	Dec. 2001		Dec. 2002			Dec. 2003			Jun. 2004		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	0.00	0.00	0.00	0.00	0.00	0.39	0.01	0.00	1.00	0.03	155.75
1.1. Short-term loans	0.00	0.00	0.00	0.00	0.00	0.39	0.01	0.00	1.00	0.03	155.75
1.2. Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Deposits	1,137.58	87.57	2,012.87	92.07	76.94	3,265.14	92.75	62.21	3,477.66	91.45	6.51
2.1. Giro account and current account deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.2. Savings deposits	0.00	0.00	0.00	0.00	0.00	0.13	0.00	13,000.00	0.03	0.00	-77.10
2.3. Time deposits	1,137.58	87.57	2,012.87	92.07	76.94	3,265.01	92.74	62.21	3,477.63	91.45	6.51
3. Other loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.1. Short-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.2. Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Derivative financial liabilities and other financial liabilities held for trading	-	-	-	-	-	-	-	-	0.10	0.00	-
5. Debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.1. Short-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.2. Long-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. Subordinated instruments issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7. Hybrid instruments issued	10.00	0.77	0.00	0.00	-100.00	10.71	0.30	0.00	10.31	0.27	-3.68
8. Interest, fees and other liabilities	37.18	2.86	36.30	1.66	-2.35	89.39	2.54	146.24	181.57	4.77	103.12
TOTAL LIABILITIES	1,184.75	91.20	2,049.17	93.73	72.96	3,365.63	95.60	64.24	3,670.63	96.53	9.06
TOTAL CAPITAL	114.28	8.80	137.14	6.27	20.01	154.81	4.40	12.88	131.98	3.47	-14.74
TOTAL LIABILITIES AND CAPITAL	1,299.03	100.00	2,186.31	100.00	68.30	3,520.43	100.00	61.02	3,802.62	100.00	8.02

	Dec. 2001		Dec. 2002			Dec. 2003			Jun. 2004		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	173.04	151.42	163.36	119.12	-5.59	193.36	124.91	18.36	203.36	154.08	5.17
2. Current year profit/loss	-14.99	-13.12	33.81	24.65	-325.52	-9.33	-6.03	-127.60	-32.82	-24.87	251.75
3. Retained earnings (loss)	-55.41	-48.49	-73.20	-53.38	32.11	-51.46	-33.24	-29.71	-54.05	-40.95	5.04
4. Legal reserves	0.04	0.04	0.30	0.22	631.71	1.50	0.97	400.00	4.15	3.14	176.60
5. Total reserves provided for by the articles of association and other capital reserves	11.60	10.15	12.87	9.38	10.98	20.73	13.39	61.08	20.73	15.71	0.00
5.1. Reserves provided for by the articles of association and other capital reserves	-	-	-	-	-	-	-	-	20.73	15.71	-
5.2. Unrealised gains/losses on value adjustment of financial assets available for sale	-	-	-	-	-	-	-	-	0.00	0.00	-
5.3. Reserves arising from hedging transactions	-	-	-	-	-	-	-	-	0.00	0.00	-
6. Previous year profit/loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-9.39	-7.11	0.00
TOTAL CAPITAL	114.28	100.00	137.14	100.00	20.01	154.81	100.00	12.88	131.98	100.00	-14.74

considerable increase compared with the ratio of 30.98% registered at end-2003. During the observed period, the regulatory capital of housing savings banks stood at HRK 143.12m.

2.2.2 Housing Savings Banks' Income Statement

Housing savings banks reported HRK 32.12m in loss before taxes at end-June 2004 (Table 19), in contrast with HRK 15.19m in income before taxes reported at end-June 2003. Of the four housing savings banks, three housing savings banks ended June 2004 with HRK 34.42m in loss before taxes, of which 51.16% can be attributed to one housing savings bank. During the same period, the remaining (fourth) housing savings bank reported income before taxes of HRK 2.30m.

Interest income accounted for 92.46% or the largest share of total housing savings bank income. It was followed by income from commissions and fees and other non-interest income (due to the movements in the exchange rate, other non-interest income included the loss from trading activities, loss from activities related to assets available for sale and loss from adjusting foreign currency balance sheet items to the CNB midpoint exchange rate). Interest expenses accounted for the largest share (44.13%) of total expenses. General administrative expenses and depreciation, non-interest expenses and expenses on loss provisions accounted for 38.43%, 8.05% and 5.60%, respectively, of total expenses.

TABLE 19 Housing Savings Bank Income Statement, in million kuna

	Jan.-Jun. 2003	Jan.-Jun. 2004
1. Net interest income	28.28	37.07
1.1. Total interest income	68.37	98.03
1.2. Total interest expenses	40.10	60.96
2. Net income from commissions and fees	13.70	29.07
2.1. Total income from commissions and fees	22.01	34.31
2.2. Total expenses on commissions and fees	8.31	5.24
3. Net other non-interest income	9.86	-37.44
3.1. Other non-interest income	20.32	-26.32
3.2. Other non-interest expenses	10.46	11.12
4. Net non-interest income	23.56	-8.37
5. General administrative expenses and depreciation	35.76	53.09
6. Net operating income before loss provisions	16.08	-24.38
7. Total expenses on loss provisions	0.89	7.74
7.1. Expenses on value adjustment and provisions for identified losses	0.00	0.03
7.2. Expenses on provisions for unidentified losses	0.89	7.71
8. Income/loss before taxes	15.19	-32.12
9. Income tax	0.00	0.70
10. Current year profit/loss	15.19	-32.82

2.2.3 Credit Activity of Housing Savings Banks

Due to the change in the relevant regulations and the new method of reporting of business events that entered into force at the beginning of 2004, total placement and contingent liabilities of housing savings banks fell by 45.20% in the first half of 2004 (Table 20). Investments in securities, which in accordance with the old regulations were included in placements, were re-entered by housing savings banks into the portfolio of securities available for sale. Although total placements and contingent liabilities fell in the observed period, loans to other clients grew by 44.4% and their share went up from 5.3% to 7.1%.

At end-June 2004, fully recoverable placements and contingent liabilities accounted for 99.96% of total placements and contingent liabilities of housing savings banks, while the remaining share of 0.04% was accounted for by partly recoverable placements and contingent liabilities.

TABLE 20 Classification of Housing Savings Bank Placements and Contingent Liabilities by Risk Categories, end of period, in million kuna and %

Placements	Dec. 2001		Dec. 2002		Dec. 2003		Jun. 2004	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	800.99	100.00	889.35	100.00	2,717.31	99.99	1,489.17	99.96
2. Partly recoverable placements (category B)	0.03	0.00	0.00	0.00	0.24	0.01	0.60	0.04
3. Irrecoverable placements (category C)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	801.02	100.00	889.35	100.00	2,717.54	100.00	1,489.77	100.00

The ratio of total placement value adjustment and provisions for contingent liabilities to total placements and contingent liabilities of housing savings banks stood at 0.95% at end-June 2004, up 0.71 percentage points compared with end-2003 (Table 21). The relative ratio of total value adjustment and provisions to total placements of housing savings banks grew on account of a considerable decrease in total placements and a concurrent increase in total value adjustment and provisions (118.77%) in the first half of 2004 compared with end-2003.

At end-June 2004, the share of provisions for unidentified losses in total value adjustment and provisions of housing savings banks stood at 99.02%. In the first half of 2004, provisions for unidentified losses went up by 121.04% and reached HRK 14.08m.

TABLE 21 Total Value Adjustment and Provisions to Total Placements and Contingent Liabilities Ratio of Housing Savings Banks, end of period, in million kuna and %

	Dec. 2001	Dec. 2002	Dec. 2003	Jun. 2004
1. Total value adjustment against placements and provisions for contingent liabilities	0.02	0.00	6.50	14.22
1.1. Value adjustment against placements and provisions for identified losses from contingent liabilities	0.02	0.00	0.13	0.14
1.2. Provisions for unidentified losses	0.00	0.00	6.37	14.08
2. Total placements and contingent liabilities	801.02	889.35	2,717.54	1,489.77
3. Relative ratio of total value adjustment and provisions to total placements and contingent liabilities	0.00	0.00	0.24	0.95

3 Notes on Methodology

Figure 1 Number of Banks

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

Table 1 Bank Groups by Asset Size

In accordance with the selected criterion – the size of assets – Table 1 shows the parameters for the classification of banks into individual groups. Schedule BS is the source of data on the size (amount) of assets (Bank Statistical Report – *Narodne novine*, Nos. 166/2003 and 53/2004).

Table 2 Territorial Distribution of Branches and Sub-Branches

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

Figure 2 Geographical Concentration of Branches and Sub-Branches by Counties

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

Banks are the source of data.

Figure 3 Relative Change in the Number of Branches and Sub-Branches by Counties

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

Banks are the source of data.

Figure 4 Number of Branches and Sub-Branches and ATMs by Bank Groups

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

Table 3 Territorial Distribution of ATMs

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

Figure 5 Share of the Largest Banks' Assets/Deposits in Total Assets/Deposits

The criterion for selecting the two largest and the next three largest banks in the banking system is the size of their assets. The share of the assets of the two largest banks (the next three banks) in the total assets is calculated as a ratio between the sum of the assets of the two largest banks (the next three banks) and the total assets of all banks, and is stated in percent. The share of their deposits in the total deposits of the banking system is calculated in the same manner. Schedule BS is the source of data on the amount of assets (Bank Statistical Report – *Narodne novine*, Nos. 166/2003 and 53/2004), while Schedule BS/DEP is the source of data on the total deposits (Bank Statistical Report – *Narodne novine*, Nos. 166/2003 and 53/2004).

Figure 3 Herfindahl Index (all banks)

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

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

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

Table 4 Structure of Bank Assets

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

Figure 7 Shares of Individual Bank Groups in Total Assets

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

in percent.

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

Table 5 Structure of Bank Liabilities

Bank liabilities are calculated in the same manner as bank assets in Table 4, i.e. the share of each balance sheet item of liabilities in the total banking system liabilities is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 166/2003 and 53/2004 – Schedule BS) and the derived aggregate report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period. For comparability purposes, the value of liability items reported in the previous period has been presented in accordance with the new reporting form.

Figure 8 Shares of Received Foreign Currency Deposits with Individual Bank Groups in Total Deposits

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

Table 6 Structure of Bank Capital

This Table shows in detail the structure of the bank capital (see also Table 5). The share of each stated capital item in the total banking system capital is calculated as a ratio between each capital item and the total banking system capital, and multiplied by 100. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Table 7 Changes in Regulatory Capital

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

Figure 9 Structure of Gross Regulatory Capital

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

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

Figure 10 Core Capital

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

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

Figure 11 Supplementary Capital I

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

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

Figure 12 Capital/Deposits

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

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

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

Figure 13 Capital Adequacy by Bank Groups

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

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

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

Figure 14 Structure of Capital Requirements

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

Table 8 Income Statement

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

Table 9 Structure of Income

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

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

Table 10 Structure of Expenses

The structure of expenses is calculated in the same manner as the structure of income in Table 9, i.e. the share of each expense item in the total expenses of an individual bank group is calculated as a ratio between the sum of the same expense items from the reports of the banks in the group (Schedule IS) and the total expenses incurred by the group, and multiplied by 100. The same principle is applied to the calculation made for the banking system as a whole, i.e. the amounts of the same expense items from the reports of all banks are added up and expressed as the ratio between the sums thus calculated and the total expenses incurred by the banking system in the observed period, and multiplied by 100. For comparability purposes, the value of expense items reported in the previous period has been presented in accordance with the new reporting form.

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

Figure 15 Return on Assets

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

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

Schedule IS is the source of data on the income before taxes (Bank Statistical Report – *Narodne novine*, Nos. 166/2003 and 53/2004), Schedule BS is the source of data on the gross assets (Bank Statistical Report – *Narodne novine*, Nos. 166/2003 and 53/2004) and Schedule RC is the source of data on the provisions. Schedule RC forms an integral part of the Instruction for the Preparation of Supervisory Reports (see the Decision on Supervisory Reports of Banks, *Narodne novine*, No. 115/2003).

Figure 16 Return on Equity

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

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

Schedule IS is the source of data on the income after taxes (Bank Statistical Report – *Narodne novine*, Nos. 166/2003 and 53/2004), while Schedule BS is the source of data on the average equity (Bank Statistical Report – *Narodne novine*, Nos. 166/2003 and 53/2004).

Figure 17 Interest Income

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

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

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

Figure 18 Interest Expenses

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

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

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

Figure 19 Interest Rates

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

Kuna deposits without a currency clause (sight deposits, savings deposits and time deposits) and foreign currency deposits are reported as the weighted averages of the monthly interest rates. The basis for calculating the weighted averages is the balance in the deposits at the end of the reporting month.

The exceptions are kuna savings deposits and time deposits, whose weighted averages are calculated (since July 1995) on the basis of the amounts of deposits received in the reporting month. When the average interest rates on the total kuna deposits are calculated, all components are weighted on the basis of the balance in the relevant deposits at the end of reporting period.

The CNB statistics is the source of data.

Figure 20 Assets per Employee

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

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

Figure 21 Operating Expenses

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

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

Table 11 Classification of Placements and Contingent Liabilities by Risk Categories

Table 11 shows the amounts of placements and contingent liabilities classified by risk categories, as well as their shares in the total placements that are classified.

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

Figure 22 Structure of Placements and Contingent Liabilities by Bank Groups

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

The sources of data are the same as in Table 11.

Table 12 Total Value Adjustment and Provisions to Total Placements and Contingent Liabilities Ratio

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

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

Figure 23 Coverage of Total Placements and Contingent Liabilities by Total Value Adjustment and Provisions by Bank Groups

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

The sources of data on the amounts of provisions and total placements are the same as in Table 12.

Table 13 Structure of Net Loans by Institutional Sectors

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

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

Table 14 Purchased CNB and Central Government Bills

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

CNB bills are purchased on the basis of the Decision on Issuing Croatian National Bank Bills Denominated in Kuna (*Narodne novine*, No. 48/98) and the Decision on Issuing Croatian National Bank Bills Denominated in Foreign Currency (*Narodne novine*, Nos. 48/98 and 7/99).

Table 15 CNB Loans

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

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

Figure 24 Free Reserves

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

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

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

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

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

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

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

The CNB statistics is the source of data.

Figure 25 Loans Extended/Deposits Received

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

ture is applied to the calculation of this indicator for all banks.

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

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

Figure 26 Short-Term Assets/Short-Term Liabilities

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

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

Figure 27 Long Foreign Exchange Position

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

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

Figure 28 Short Foreign Exchange Position

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

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

Table 16 Structure of Housing Savings Bank Assets

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

riod has been presented in accordance with the new reporting form.

Table 17 Structure of Housing Savings Bank Liabilities

The liabilities of housing savings banks are calculated in the same manner as the assets of housing savings banks in Table 16, i.e. the share of each balance sheet item of liabilities in the total liabilities is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 166/2003 and 53/2004 – Schedule BS) and the derived aggregate report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period. For comparability purposes, the value of liability items reported in the previous period has been presented in accordance with the new reporting form.

Table 18 Structure of Housing Savings Bank Capital

This Table shows in detail the structure of the housing savings bank capital (see also Table 17). The share of each stated capital item in the total capital of housing savings banks is calculated as a ratio between each capital item and the total capital of housing savings banks, and multiplied by 100. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Table 19 Housing Savings Bank Income Statement

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

Table 20 Classification of Housing Savings Bank Placements and Contingent Liabilities by Risk Categories

Table 20 shows the amounts of placements and contingent liabilities classified by risk categories, as well as their shares in the total placements that are classified. Schedule RC forms an integral part of the Instruction for the Preparation of Supervisory Reports (see the Decision on Supervisory Reports of Banks, *Narodne novine*, No. 115/2003).

Table 21 Total Value Adjustment and Provisions to Total Placements and Contingent Liabilities Ratio of Housing Savings Banks

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

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

4 List of Banks

Data on individual banks' addresses, telephone numbers, fax numbers, members of management and supervisory boards, shareholders who hold 3% or more of share in the bank's share capital, and on bank auditors.

Data on shareholders who hold 3% or more of share in the bank's share capital are as at 30 June 2004.

Data on auditors relate to bank auditors for 2003.

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Management Board

Zdenko Vidaković – chairman, Mićo Tomičić

Supervisory Board

Damir Kreso – chairman, Mara Tomičić,
 Maja Vidaković

Shareholders

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

Audit firm for 2003:
 Alfa Revizija d.o.o., Slavonski Brod

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	5,018
1.1. Total interest income	7,895
1.2. Total interest expenses	2,876
2. Net income from commissions and fees	491
2.1. Total income from commissions and fees	838
2.2. Total expenses on commissions and fees	347
3. Net other non-interest income	507
3.1. Other non-interest income	742
3.2. Other non-interest expenses	236
4. Net non-interest income	997
5. General administrative expenses and depreciation	3,107
6. Net operating income before loss provisions	2,909
7. Total expenses on loss provisions	506
7.1. Expenses on value adjustment and provisions for identified losses	393
7.2. Expenses on provisions for unidentified losses	113
8. Income/loss before taxes	2,403
9. Income tax	481
10. Current year profit/loss	1,923

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	27,271
1.1. Money assets	12,550
1.2. Deposits with the CNB	14,720
2. Deposits with banking institutions	13,712
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	0
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	0
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	2,060
5.1. Securities and other financial instruments held to maturity	2,060
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	0
8. Loans to other clients	71,934
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	0
11. Tangible assets (net of depreciation)	2,146
12. Interest, fees and other assets	2,017
13. Net of: Specific reserves for unidentified losses	1,035
TOTAL ASSETS	118,104

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	79,391
2.1. Giro account and current account deposits	1,936
2.2. Savings deposits	1,775
2.3. Time deposits	75,680
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	5,198
9. CAPITAL	33,516
TOTAL LIABILITIES AND CAPITAL	118,104

1 Bank Account Number.

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Management Board

Lidija Hočurščak – chairwoman, Ratko Špirelja

Supervisory Board

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

Shareholders

1. Josip Samaržija	76.25
2. Gaj grupa d.o.o.	6.73
3. Banka Kovanica d.d.	6.42
4. Posmrtna pripomoć d.o.o.	3.74

Share in share capital (%)

Audit firm for 2003:
 Deloitte & Touche d.o.o., Zagreb
 Concordia Audit d.o.o.

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	13,761
1.1. Total interest income	28,979
1.2. Total interest expenses	15,218
2. Net income from commissions and fees	419
2.1. Total income from commissions and fees	725
2.2. Total expenses on commissions and fees	307
3. Net other non-interest income	344
3.1. Other non-interest income	1,873
3.2. Other non-interest expenses	1,528
4. Net non-interest income	763
5. General administrative expenses and depreciation	10,567
6. Net operating income before loss provisions	3,956
7. Total expenses on loss provisions	3,685
7.1. Expenses on value adjustment and provisions for identified losses	2,300
7.2. Expenses on provisions for unidentified losses	1,385
8. Income/loss before taxes	271
9. Income tax	0
10. Current year profit/loss	271

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	80,117
1.1. Money assets	27,604
1.2. Deposits with the CNB	52,513
2. Deposits with banking institutions	17,382
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	0
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	0
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	46,495
5.1. Securities and other financial instruments held to maturity	46,495
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	3
7. Loans to financial institutions	3,600
8. Loans to other clients	290,404
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	1,650
11. Tangible assets (net of depreciation)	16,487
12. Interest, fees and other assets	19,287
13. Net of: Specific reserves for unidentified losses	4,470
TOTAL ASSETS	470,954

Structure of Liabilities	
1. Loans from financial institutions	859
1.1. Short-term loans	0
1.2. Long-term loans	859
2. Deposits	386,322
2.1. Giro account and current account deposits	3,598
2.2. Savings deposits	14,258
2.3. Time deposits	368,466
3. Other loans	1,700
3.1. Short-term loans	1,700
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	1
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	18,064
8. Interest, fees and other liabilities	16,647
9. CAPITAL	47,360
TOTAL LIABILITIES AND CAPITAL	470,954

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Management Board

Anka Tomas – chairwoman, Igor Lukačić

Supervisory Board

Branko Ostović – chairman, Tatjana Ostović,
 Robert Solomun

Shareholders

1. Branko Ostović	50.39
2. Ljiljana Ostović	6.83
3. Tatjana Ostović	6.71
4. Mirjana Ostović	6.06
5. Abba d.o.o.	6.33

Share in share capital (%)

Audit firm for 2003:
 Revidicon d.o.o., Varaždin

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	19,493
1.1. Total interest income	31,899
1.2. Total interest expenses	12,406
2. Net income from commissions and fees	1,912
2.1. Total income from commissions and fees	2,243
2.2. Total expenses on commissions and fees	331
3. Net other non-interest income	1,055
3.1. Other non-interest income	2,050
3.2. Other non-interest expenses	995
4. Net non-interest income	2,967
5. General administrative expenses and depreciation	13,325
6. Net operating income before loss provisions	9,136
7. Total expenses on loss provisions	4,610
7.1. Expenses on value adjustment and provisions for identified losses	4,610
7.2. Expenses on provisions for unidentified losses	0
8. Income/loss before taxes	4,525
9. Income tax	0
10. Current year profit/loss	4,525

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	56,933
1.1. Money assets	16,641
1.2. Deposits with the CNB	40,293
2. Deposits with banking institutions	90,456
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	0
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	0
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	1,618
5.1. Securities and other financial instruments held to maturity	1,618
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	4
7. Loans to financial institutions	0
8. Loans to other clients	359,225
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	0
11. Tangible assets (net of depreciation)	10,998
12. Interest, fees and other assets	5,482
13. Net of: Specific reserves for unidentified losses	4,910
TOTAL ASSETS	519,806

Structure of Liabilities	
1. Loans from financial institutions	4,443
1.1. Short-term loans	3,500
1.2. Long-term loans	943
2. Deposits	425,305
2.1. Giro account and current account deposits	9,683
2.2. Savings deposits	20,072
2.3. Time deposits	395,550
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	4
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	27
7. Hybrid instruments issued	221
8. Interest, fees and other liabilities	29,659
9. CAPITAL	60,148
TOTAL LIABILITIES AND CAPITAL	519,806

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Management Board

Ivan Filipović² – chairman, Ivo Krolo², Mirko Vukušić

Supervisory Board

Juroslav Buljubašić – chairman, Mirko Vukušić³,
 Nataša Vuković

Shareholders

	Share in share capital (%)
1. Juroslav Buljubašić	64.41
2. Mirko Vukušić	9.60
3. Jozo Vukušić	7.54
4. Jakiša Medić	5.78
5. Ivan Marković	3.20

Audit firm for 2003:
 SD Nika d.o.o., Split

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	3,847
1.1. Total interest income	6,679
1.2. Total interest expenses	2,832
2. Net income from commissions and fees	40
2.1. Total income from commissions and fees	267
2.2. Total expenses on commissions and fees	227
3. Net other non-interest income	-441
3.1. Other non-interest income	183
3.2. Other non-interest expenses	625
4. Net non-interest income	-401
5. General administrative expenses and depreciation	3,192
6. Net operating income before loss provisions	254
7. Total expenses on loss provisions	1,856
7.1. Expenses on value adjustment and provisions for identified losses	1,795
7.2. Expenses on provisions for unidentified losses	61
8. Income/loss before taxes	-1,602
9. Income tax	0
10. Current year profit/loss	-1,602

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	19,273
1.1. Money assets	4,027
1.2. Deposits with the CNB	15,246
2. Deposits with banking institutions	18,147
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	0
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	0
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	1,976
5.1. Securities and other financial instruments held to maturity	1,976
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	0
8. Loans to other clients	82,957
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	1,644
11. Tangible assets (net of depreciation)	4,833
12. Interest, fees and other assets	2,694
13. Net of: Specific reserves for unidentified losses	1,067
TOTAL ASSETS	130,457

Structure of Liabilities	
1. Loans from financial institutions	6,000
1.1. Short-term loans	6,000
1.2. Long-term loans	0
2. Deposits	96,991
2.1. Giro account and current account deposits	304
2.2. Savings deposits	2,220
2.3. Time deposits	94,468
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	377
8. Interest, fees and other liabilities	2,113
9. CAPITAL	24,977
TOTAL LIABILITIES AND CAPITAL	130,457

2 Appointed in July 2004.

3 The membership in the Supervisory Board has been temporarily suspended in accordance with Article 261, paragraph 2 of the Company Act, due to his appointment to the Management Board.

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Management Board

Josip Šeremet⁴ – chairman, Marinko Benić⁴,
Marica Orlović

Supervisory Board

Milan Horvat – chairman, Mika Mimica,
Manda Ciprić, Vladimir Koščec,
Željko Filipović

Shareholders

	Share in share capital (%)
1. Validus d.d.	10.47
2. Đuro Đaković – Poljoprivredni strojevi i uređaji d.d.	10.12
3. Retis d.o.o.	9.20
4. Tar d.d.	9.20
5. Fima holding d.d.	7.85
6. Telecomp d.o.o.	6.38
7. Šošćarić d.o.o.	6.10
8. Croatia osiguranje d.d.	4.60
9. Đuro Đaković – Montaža d.d.	4.60
10. Đuro Đaković – Specijalna vozila d.d.	4.60
11. Đuro Đaković – Termoenergetska postrojenja d.d.	4.60
12. Klas d.d.	4.05
13. Đuro Đaković – Elektromont d.d.	3.68

Audit firm for 2003:
Šibenski Revicon d.o.o., Šibenik

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	2,045
1.1. Total interest income	4,399
1.2. Total interest expenses	2,354
2. Net income from commissions and fees	149
2.1. Total income from commissions and fees	547
2.2. Total expenses on commissions and fees	398
3. Net other non-interest income	1,006
3.1. Other non-interest income	1,231
3.2. Other non-interest expenses	224
4. Net non-interest income	1,155
5. General administrative expenses and depreciation	4,341
6. Net operating income before loss provisions	-1,140
7. Total expenses on loss provisions	13,592
7.1. Expenses on value adjustment and provisions for identified losses	13,592
7.2. Expenses on provisions for unidentified losses	0
8. Income/loss before taxes	-14,732
9. Income tax	0
10. Current year profit/loss	-14,732

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	6,713
1.1. Money assets	601
1.2. Deposits with the CNB	6,113
2. Deposits with banking institutions	107
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	180
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	180
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	0
5.1. Securities and other financial instruments held to maturity	0
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	2
7. Loans to financial institutions	0
8. Loans to other clients	41,939
9. Investments in subsidiaries and associates	37,924
10. Foreclosed and repossessed assets	8,287
11. Tangible assets (net of depreciation)	16,685
12. Interest, fees and other assets	2,515
13. Net of: Specific reserves for unidentified losses	495
TOTAL ASSETS	113,857

Structure of Liabilities	
1. Loans from financial institutions	10,022
1.1. Short-term loans	10,018
1.2. Long-term loans	4
2. Deposits	76,087
2.1. Giro account and current account deposits	3,057
2.2. Savings deposits	4,164
2.3. Time deposits	68,866
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	51
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	6,509
9. CAPITAL	21,189
TOTAL LIABILITIES AND CAPITAL	113,857

4 Appointed in July 2004.

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Shareholders

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

Share in share capital (%)

64.37
 6.02
 4.22

Management Board

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

Audit firm for 2003:

Deloitte & Touche d.o.o., Zagreb

Supervisory Board

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

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	12,899
1.1. Total interest income	20,568
1.2. Total interest expenses	7,669
2. Net income from commissions and fees	4,360
2.1. Total income from commissions and fees	6,644
2.2. Total expenses on commissions and fees	2,284
3. Net other non-interest income	1,688
3.1. Other non-interest income	2,428
3.2. Other non-interest expenses	740
4. Net non-interest income	6,048
5. General administrative expenses and depreciation	13,655
6. Net operating income before loss provisions	5,292
7. Total expenses on loss provisions	2,291
7.1. Expenses on value adjustment and provisions for identified losses	1,192
7.2. Expenses on provisions for unidentified losses	1,099
8. Income/loss before taxes	3,001
9. Income tax	0
10. Current year profit/loss	3,001

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	77,574
1.1. Money assets	7,806
1.2. Deposits with the CNB	69,768
2. Deposits with banking institutions	56,029
3. MoF treasury bills and CNB bills	15,425
4. Securities and other financial instruments held for trading and available for sale	72,919
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	72,919
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	0
5.1. Securities and other financial instruments held to maturity	0
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	0
8. Loans to other clients	308,882
9. Investments in subsidiaries and associates	869
10. Foreclosed and repossessed assets	9,366
11. Tangible assets (net of depreciation)	9,808
12. Interest, fees and other assets	9,925
13. Net of: Specific reserves for unidentified losses	4,870
TOTAL ASSETS	555,927

Structure of Liabilities	
1. Loans from financial institutions	73,922
1.1. Short-term loans	10,970
1.2. Long-term loans	62,952
2. Deposits	329,969
2.1. Giro account and current account deposits	75,102
2.2. Savings deposits	24,122
2.3. Time deposits	230,745
3. Other loans	18,062
3.1. Short-term loans	18,062
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	25,990
9. CAPITAL	107,985
TOTAL LIABILITIES AND CAPITAL	555,927

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Management Board

Šime Luketin – chairman, Mato Mišić

Supervisory Board

Mirko Vuković – chairman, Boris Barač, Dražen Bilić

Shareholders

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

Share in share capital (%)

Audit firm for 2003:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	13,128
1.1. Total interest income	25,093
1.2. Total interest expenses	11,965
2. Net income from commissions and fees	3,133
2.1. Total income from commissions and fees	4,604
2.2. Total expenses on commissions and fees	1,471
3. Net other non-interest income	-439
3.1. Other non-interest income	751
3.2. Other non-interest expenses	1,190
4. Net non-interest income	2,695
5. General administrative expenses and depreciation	11,702
6. Net operating income before loss provisions	4,120
7. Total expenses on loss provisions	1,162
7.1. Expenses on value adjustment and provisions for identified losses	-88
7.2. Expenses on provisions for unidentified losses	1,250
8. Income/loss before taxes	2,958
9. Income tax	0
10. Current year profit/loss	2,958

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	94,252
1.1. Money assets	11,313
1.2. Deposits with the CNB	82,939
2. Deposits with banking institutions	42,360
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	7,496
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	7,496
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	21,968
5.1. Securities and other financial instruments held to maturity	21,968
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	0
8. Loans to other clients	474,063
9. Investments in subsidiaries and associates	1,360
10. Foreclosed and repossessed assets	16,113
11. Tangible assets (net of depreciation)	17,183
12. Interest, fees and other assets	19,263
13. Net of: Specific reserves for unidentified losses	7,083
TOTAL ASSETS	686,976

Structure of Liabilities	
1. Loans from financial institutions	112,626
1.1. Short-term loans	31,830
1.2. Long-term loans	80,796
2. Deposits	443,343
2.1. Giro account and current account deposits	79,001
2.2. Savings deposits	27,323
2.3. Time deposits	337,019
3. Other loans	23,228
3.1. Short-term loans	0
3.2. Long-term loans	23,228
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	40,213
9. CAPITAL	67,566
TOTAL LIABILITIES AND CAPITAL	686,976

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Management Board

Krunoslav Brkljačić – chairman, Željka Prga,
 Dalibor Jandl

Supervisory Board

Niko Šeremet – chairman, Marijo Kirinić, Krešo Bačić,
 Ivan Tomljenović, Jure Šimović

Shareholders

1. State Agency for Bank Rehabilitation and Deposit Insurance

Share in share capital (%)

100.00

Audit firm for 2003:

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

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	16,622
1.1. Total interest income	41,503
1.2. Total interest expenses	24,881
2. Net income from commissions and fees	2,582
2.1. Total income from commissions and fees	7,571
2.2. Total expenses on commissions and fees	4,990
3. Net other non-interest income	-250
3.1. Other non-interest income	3,589
3.2. Other non-interest expenses	3,839
4. Net non-interest income	2,332
5. General administrative expenses and depreciation	31,229
6. Net operating income before loss provisions	-12,275
7. Total expenses on loss provisions	-12,899
7.1. Expenses on value adjustment and provisions for identified losses	-14,767
7.2. Expenses on provisions for unidentified losses	1,868
8. Income/loss before taxes	624
9. Income tax	0
10. Current year profit/loss	624

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	208,984
1.1. Money assets	32,316
1.2. Deposits with the CNB	176,668
2. Deposits with banking institutions	260,485
3. MoF treasury bills and CNB bills	40,520
4. Securities and other financial instruments held for trading and available for sale	145,152
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	145,152
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	5,444
5.1. Securities and other financial instruments held to maturity	5,444
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	18,045
8. Loans to other clients	676,691
9. Investments in subsidiaries and associates	509
10. Foreclosed and repossessed assets	43,294
11. Tangible assets (net of depreciation)	51,379
12. Interest, fees and other assets	50,682
13. Net of: Specific reserves for unidentified losses	11,175
TOTAL ASSETS	1,490,012

Structure of Liabilities	
1. Loans from financial institutions	152,691
1.1. Short-term loans	0
1.2. Long-term loans	152,691
2. Deposits	1,068,965
2.1. Giro account and current account deposits	123,095
2.2. Savings deposits	119,521
2.3. Time deposits	826,349
3. Other loans	52,677
3.1. Short-term loans	18,415
3.2. Long-term loans	34,262
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	71,111
9. CAPITAL	144,568
TOTAL LIABILITIES AND CAPITAL	1,490,012

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Shareholders

1. Dresdner Bank AG

Share in share capital (%)

100.00

Audit firm for 2003:

KPMG Croatia d.o.o., Zagreb

Management Board

Hans-Joachim Gersmann – chairman, Mato Karačić

Supervisory Board

Erich Brogl – chairman, Gisbert Jockenhöfer, Felix Friedrich Carl von Joest

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	5,064
1.1. Total interest income	12,896
1.2. Total interest expenses	7,832
2. Net income from commissions and fees	3,246
2.1. Total income from commissions and fees	3,438
2.2. Total expenses on commissions and fees	192
3. Net other non-interest income	6,698
3.1. Other non-interest income	6,698
3.2. Other non-interest expenses	0
4. Net non-interest income	9,945
5. General administrative expenses and depreciation	9,177
6. Net operating income before loss provisions	5,832
7. Total expenses on loss provisions	2,811
7.1. Expenses on value adjustment and provisions for identified losses	4,072
7.2. Expenses on provisions for unidentified losses	-1,261
8. Income/loss before taxes	3,021
9. Income tax	0
10. Current year profit/loss	3,021

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	76,252
1.1. Money assets	1,146
1.2. Deposits with the CNB	75,106
2. Deposits with banking institutions	226,023
3. MoF treasury bills and CNB bills	171,990
4. Securities and other financial instruments held for trading and available for sale	55,418
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	55,418
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	0
5.1. Securities and other financial instruments held to maturity	0
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	3,915
7. Loans to financial institutions	0
8. Loans to other clients	215,874
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	0
11. Tangible assets (net of depreciation)	2,871
12. Interest, fees and other assets	4,429
13. Net of: Specific reserves for unidentified losses	5,085
TOTAL ASSETS	751,686

Structure of Liabilities	
1. Loans from financial institutions	19,500
1.1. Short-term loans	19,500
1.2. Long-term loans	0
2. Deposits	587,123
2.1. Giro account and current account deposits	62,903
2.2. Savings deposits	51,314
2.3. Time deposits	472,907
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	5,097
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	18,750
9. CAPITAL	121,216
TOTAL LIABILITIES AND CAPITAL	751,686

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Shareholders

1. Nova banka d.d.

Share in share capital (%)

100.00

Audit firm for 2003:

Deloitte & Touche d.o.o., Zagreb

Management Board

Vlaho Sutić – chairman, Dražen Božić, Krešimir Krile

Supervisory Board

Robert Hans van Griethuysen – chairman, David Curl,
 Ronald Drake, David Mc Mahon, Damir Odak, Marijan
 Kostrenčić, Sanja Martinko

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	55,665
1.1. Total interest income	96,280
1.2. Total interest expenses	40,615
2. Net income from commissions and fees	6,524
2.1. Total income from commissions and fees	13,431
2.2. Total expenses on commissions and fees	6,907
3. Net other non-interest income	-6,079
3.1. Other non-interest income	-2,644
3.2. Other non-interest expenses	3,435
4. Net non-interest income	445
5. General administrative expenses and depreciation	37,445
6. Net operating income before loss provisions	18,665
7. Total expenses on loss provisions	-6,994
7.1. Expenses on value adjustment and provisions for identified losses	-8,472
7.2. Expenses on provisions for unidentified losses	1,478
8. Income/loss before taxes	25,659
9. Income tax	0
10. Current year profit/loss	25,659

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	417,836
1.1. Money assets	38,272
1.2. Deposits with the CNB	379,564
2. Deposits with banking institutions	664,384
3. MoF treasury bills and CNB bills	39,451
4. Securities and other financial instruments held for trading and available for sale	610,086
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	610,086
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	8,865
5.1. Securities and other financial instruments held to maturity	8,865
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	40,000
8. Loans to other clients	1,258,273
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	0
11. Tangible assets (net of depreciation)	43,772
12. Interest, fees and other assets	44,844
13. Net of: Specific reserves for unidentified losses	21,291
TOTAL ASSETS	3,106,219

Structure of Liabilities	
1. Loans from financial institutions	132,404
1.1. Short-term loans	46,126
1.2. Long-term loans	86,278
2. Deposits	2,573,519
2.1. Giro account and current account deposits	253,877
2.2. Savings deposits	472,697
2.3. Time deposits	1,846,946
3. Other loans	47,189
3.1. Short-term loans	0
3.2. Long-term loans	47,189
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	86,386
9. CAPITAL	266,720
TOTAL LIABILITIES AND CAPITAL	3,106,219

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Management Board

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

Supervisory Board

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

Shareholders

1. Erste Bank der Österreichischen Sparkassen AG	59.81
2. Die Steiermärkische Bank und Sparkassen AG	35.00

Share in share capital (%)

Audit firm for 2003:
 Ernst & Young Croatia d.o.o., Zagreb

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	312,167
1.1. Total interest income	553,250
1.2. Total interest expenses	241,083
2. Net income from commissions and fees	54,845
2.1. Total income from commissions and fees	108,030
2.2. Total expenses on commissions and fees	53,185
3. Net other non-interest income	3,301
3.1. Other non-interest income	36,502
3.2. Other non-interest expenses	33,202
4. Net non-interest income	58,146
5. General administrative expenses and depreciation	221,427
6. Net operating income before loss provisions	148,885
7. Total expenses on loss provisions	-10,760
7.1. Expenses on value adjustment and provisions for identified losses	-4,946
7.2. Expenses on provisions for unidentified losses	-5,814
8. Income/loss before taxes	159,645
9. Income tax	0
10. Current year profit/loss	159,645

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	3,217,213
1.1. Money assets	324,389
1.2. Deposits with the CNB	2,892,824
2. Deposits with banking institutions	2,381,963
3. MoF treasury bills and CNB bills	564,512
4. Securities and other financial instruments held for trading and available for sale	1,017,310
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	1,017,310
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	836,068
5.1. Securities and other financial instruments held to maturity	836,068
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	4,757
7. Loans to financial institutions	108,103
8. Loans to other clients	11,368,551
9. Investments in subsidiaries and associates	31,326
10. Foreclosed and repossessed assets	15,142
11. Tangible assets (net of depreciation)	435,540
12. Interest, fees and other assets	616,992
13. Net of: Specific reserves for unidentified losses	158,353
TOTAL ASSETS	20,439,123

Structure of Liabilities	
1. Loans from financial institutions	588,647
1.1. Short-term loans	15,000
1.2. Long-term loans	573,647
2. Deposits	12,387,157
2.1. Giro account and current account deposits	2,182,382
2.2. Savings deposits	2,398,115
2.3. Time deposits	7,806,660
3. Other loans	4,492,132
3.1. Short-term loans	28,894
3.2. Long-term loans	4,463,238
4. Derivative financial liabilities and other financial liabilities held for trading	5,859
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	304,574
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,114,122
9. CAPITAL	1,546,631
TOTAL LIABILITIES AND CAPITAL	20,439,123

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Management Board

Suzana Sučić – chairwoman, Krešimir Jerin

Supervisory Board

Izidor Sučić – chairman, Branko Josipović,
 Željko Krznarić

Shareholders

	Share in share capital (%)
1. Izidor Sučić	10.00
2. Suzana Sučić	9.89
3. Ivan Sučić	9.84
4. Kristina Sučić	9.82
5. Vesna Mijović	9.78
6. Branko Mijović	8.73
7. Željko Krznarić	8.51
8. Krešimir Jerin	8.50
9. Faktor banka d.d.	8.36
10. Gospodarsko kreditna banka d.d.	4.26
11. Branko Josipović	4.17
12. Josip Bašić	3.52

Audit firm for 2003:
 Repos d.o.o., Zagreb

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	13,801
1.1. Total interest income	18,006
1.2. Total interest expenses	4,205
2. Net income from commissions and fees	2,188
2.1. Total income from commissions and fees	3,066
2.2. Total expenses on commissions and fees	879
3. Net other non-interest income	9,421
3.1. Other non-interest income	9,836
3.2. Other non-interest expenses	415
4. Net non-interest income	11,609
5. General administrative expenses and depreciation	12,667
6. Net operating income before loss provisions	12,743
7. Total expenses on loss provisions	109
7.1. Expenses on value adjustment and provisions for identified losses	109
7.2. Expenses on provisions for unidentified losses	0
8. Income/loss before taxes	12,634
9. Income tax	0
10. Current year profit/loss	12,634

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	61,591
1.1. Money assets	34,502
1.2. Deposits with the CNB	27,089
2. Deposits with banking institutions	19,558
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	0
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	0
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	18,162
5.1. Securities and other financial instruments held to maturity	18,162
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	0
8. Loans to other clients	204,337
9. Investments in subsidiaries and associates	15
10. Foreclosed and repossessed assets	2,206
11. Tangible assets (net of depreciation)	17,625
12. Interest, fees and other assets	14,985
13. Net of: Specific reserves for unidentified losses	3,686
TOTAL ASSETS	334,794

Structure of Liabilities	
1. Loans from financial institutions	45,673
1.1. Short-term loans	6,000
1.2. Long-term loans	39,673
2. Deposits	106,797
2.1. Giro account and current account deposits	12,031
2.2. Savings deposits	22,340
2.3. Time deposits	72,425
3. Other loans	57,582
3.1. Short-term loans	18,359
3.2. Long-term loans	39,223
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	12,303
9. CAPITAL	112,439
TOTAL LIABILITIES AND CAPITAL	334,794

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Shareholders

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

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

Josip Slade – chairman, Slavko Durmiš,
 Anđelka Čavlek

Audit firm for 2003:
 Deloitte & Touche d.o.o., Zagreb

Supervisory Board

Ante Žigman – chairman, Zoran Bubaš,
 Dragan Kovačević, Drago Jakovčević, Vera Babić,
 Grga Ivezić, Branko Jakušić

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	115,008
1.1. Total interest income	156,422
1.2. Total interest expenses	41,414
2. Net income from commissions and fees	25,502
2.1. Total income from commissions and fees	293,708
2.2. Total expenses on commissions and fees	268,207
3. Net other non-interest income	-1,288
3.1. Other non-interest income	5,433
3.2. Other non-interest expenses	6,721
4. Net non-interest income	24,214
5. General administrative expenses and depreciation	59,482
6. Net operating income before loss provisions	79,740
7. Total expenses on loss provisions	20,391
7.1. Expenses on value adjustment and provisions for identified losses	6,270
7.2. Expenses on provisions for unidentified losses	14,121
8. Income/loss before taxes	59,349
9. Income tax	0
10. Current year profit/loss	59,349

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	998,399
1.1. Money assets	357,905
1.2. Deposits with the CNB	640,494
2. Deposits with banking institutions	252,098
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	1,304,716
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	1,304,716
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	44,515
5.1. Securities and other financial instruments held to maturity	0
5.2. Securities and other financial instruments bought on issue directly from the issuer	44,515
6. Derivative financial assets	4,036
7. Loans to financial institutions	127,000
8. Loans to other clients	2,796,658
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	1,376
11. Tangible assets (net of depreciation)	125,360
12. Interest, fees and other assets	86,998
13. Net of: Specific reserves for unidentified losses	41,250
TOTAL ASSETS	5,699,905

Structure of Liabilities	
1. Loans from financial institutions	264,083
1.1. Short-term loans	0
1.2. Long-term loans	264,083
2. Deposits	3,770,996
2.1. Giro account and current account deposits	1,458,045
2.2. Savings deposits	1,044,208
2.3. Time deposits	1,268,743
3. Other loans	682
3.1. Short-term loans	0
3.2. Long-term loans	682
4. Derivative financial liabilities and other financial liabilities held for trading	502
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,014,106
9. CAPITAL	649,535
TOTAL LIABILITIES AND CAPITAL	5,699,905

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Shareholders

1. Bank Austria Creditanstalt AG

Share in share capital (%)

99.74

Management Board

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

Audit firm for 2003:

Deloitte & Touche d.o.o., Zagreb

Supervisory Board

Anton Knett – chairman, Wolfgang Edelmüller,
 Wolfgang Helpa, Friedrich Kadmoska,
 Heinz Meidlinger, Harald Nogrsek, Ralf Cymanek

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	233,407
1.1. Total interest income	497,655
1.2. Total interest expenses	264,248
2. Net income from commissions and fees	67,461
2.1. Total income from commissions and fees	97,494
2.2. Total expenses on commissions and fees	30,033
3. Net other non-interest income	27,937
3.1. Other non-interest income	46,750
3.2. Other non-interest expenses	18,812
4. Net non-interest income	95,398
5. General administrative expenses and depreciation	208,184
6. Net operating income before loss provisions	120,621
7. Total expenses on loss provisions	19,941
7.1. Expenses on value adjustment and provisions for identified losses	13,941
7.2. Expenses on provisions for unidentified losses	6,000
8. Income/loss before taxes	100,680
9. Income tax	22,516
10. Current year profit/loss	78,164

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	2,689,689
1.1. Money assets	180,491
1.2. Deposits with the CNB	2,509,199
2. Deposits with banking institutions	1,465,805
3. MoF treasury bills and CNB bills	250,939
4. Securities and other financial instruments held for trading and available for sale	1,589,025
4.1. Securities and other financial instruments held for trading	1,524,782
4.2. Securities and other financial instruments available for sale	64,243
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	2,057,924
5.1. Securities and other financial instruments held to maturity	2,033,568
5.2. Securities and other financial instruments bought on issue directly from the issuer	24,356
6. Derivative financial assets	19,270
7. Loans to financial institutions	505,507
8. Loans to other clients	9,484,430
9. Investments in subsidiaries and associates	4,289
10. Foreclosed and repossessed assets	0
11. Tangible assets (net of depreciation)	230,122
12. Interest, fees and other assets	1,487,041
13. Net of: Specific reserves for unidentified losses	137,250
TOTAL ASSETS	19,646,792

Structure of Liabilities	
1. Loans from financial institutions	476,955
1.1. Short-term loans	25,771
1.2. Long-term loans	451,184
2. Deposits	11,018,904
2.1. Giro account and current account deposits	1,948,446
2.2. Savings deposits	1,950,720
2.3. Time deposits	7,119,737
3. Other loans	5,050,594
3.1. Short-term loans	596,550
3.2. Long-term loans	4,454,043
4. Derivative financial liabilities and other financial liabilities held for trading	18,407
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,760,221
9. CAPITAL	1,321,711
TOTAL LIABILITIES AND CAPITAL	19,646,792

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Management Board

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

Supervisory Board

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

Shareholders

1. Hypo Alpe-Adria-Bank AG	95.91
2. VCP Finance B.V.	4.09

Share in share capital (%)

Audit firm for 2003:

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

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	195,933
1.1. Total interest income	410,653
1.2. Total interest expenses	214,720
2. Net income from commissions and fees	50,023
2.1. Total income from commissions and fees	66,335
2.2. Total expenses on commissions and fees	16,311
3. Net other non-interest income	15,728
3.1. Other non-interest income	30,683
3.2. Other non-interest expenses	14,955
4. Net non-interest income	65,751
5. General administrative expenses and depreciation	119,646
6. Net operating income before loss provisions	142,038
7. Total expenses on loss provisions	18,831
7.1. Expenses on value adjustment and provisions for identified losses	1,735
7.2. Expenses on provisions for unidentified losses	17,096
8. Income/loss before taxes	123,207
9. Income tax	0
10. Current year profit/loss	123,207

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	2,575,791
1.1. Money assets	97,968
1.2. Deposits with the CNB	2,477,823
2. Deposits with banking institutions	3,004,965
3. MoF treasury bills and CNB bills	103,209
4. Securities and other financial instruments held for trading and available for sale	349,038
4.1. Securities and other financial instruments held for trading	174,422
4.2. Securities and other financial instruments available for sale	174,616
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	0
5.1. Securities and other financial instruments held to maturity	0
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	2,630
7. Loans to financial institutions	97,493
8. Loans to other clients	9,464,487
9. Investments in subsidiaries and associates	33,925
10. Foreclosed and repossessed assets	0
11. Tangible assets (net of depreciation)	60,903
12. Interest, fees and other assets	553,993
13. Net of: Specific reserves for unidentified losses	133,164
TOTAL ASSETS	16,113,271

Structure of Liabilities	
1. Loans from financial institutions	148,333
1.1. Short-term loans	87,700
1.2. Long-term loans	60,633
2. Deposits	12,945,101
2.1. Giro account and current account deposits	1,009,490
2.2. Savings deposits	1,087,379
2.3. Time deposits	10,848,232
3. Other loans	70,368
3.1. Short-term loans	20,000
3.2. Long-term loans	50,368
4. Derivative financial liabilities and other financial liabilities held for trading	977
5. Debt securities issued	78,278
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	78,278
6. Subordinated instruments issued	0
7. Hybrid instruments issued	1,377,231
8. Interest, fees and other liabilities	697,039
9. CAPITAL	795,945
TOTAL LIABILITIES AND CAPITAL	16,113,271

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Management Board

Branko Buljan – chairman, Milivoj Delač

Supervisory Board

Dušan Dadić – chairman, Ante Čulić, Branka Žaja

Shareholders

1. Imex trgovina d.o.o.	52.37
2. Trajektna luka Split d.d.	32.80
3. Branko Buljan	10.75
4. Ivka Mijić	4.08

Share in share capital (%)

Audit firm for 2003:
 Reviz-biro d.o.o., Split

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	6,532
1.1. Total interest income	12,303
1.2. Total interest expenses	5,770
2. Net income from commissions and fees	1,037
2.1. Total income from commissions and fees	1,267
2.2. Total expenses on commissions and fees	230
3. Net other non-interest income	-1,230
3.1. Other non-interest income	911
3.2. Other non-interest expenses	2,142
4. Net non-interest income	-193
5. General administrative expenses and depreciation	5,244
6. Net operating income before loss provisions	1,095
7. Total expenses on loss provisions	-2,400
7.1. Expenses on value adjustment and provisions for identified losses	2,498
7.2. Expenses on provisions for unidentified losses	-4,898
8. Income/loss before taxes	3,495
9. Income tax	699
10. Current year profit/loss	2,796

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	68,521
1.1. Money assets	6,226
1.2. Deposits with the CNB	62,296
2. Deposits with banking institutions	52,484
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	0
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	0
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	14,885
5.1. Securities and other financial instruments held to maturity	13,929
5.2. Securities and other financial instruments bought on issue directly from the issuer	956
6. Derivative financial assets	138
7. Loans to financial institutions	560
8. Loans to other clients	223,351
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	0
11. Tangible assets (net of depreciation)	12,111
12. Interest, fees and other assets	4,180
13. Net of: Specific reserves for unidentified losses	3,318
TOTAL ASSETS	372,911

Structure of Liabilities	
1. Loans from financial institutions	1,632
1.1. Short-term loans	0
1.2. Long-term loans	1,632
2. Deposits	298,238
2.1. Giro account and current account deposits	44,066
2.2. Savings deposits	20,610
2.3. Time deposits	233,561
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	7,033
9. CAPITAL	66,009
TOTAL LIABILITIES AND CAPITAL	372,911

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Management Board

Miro Dodić – chairman, Anton Belušić

Supervisory Board

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

Shareholders

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

Share in share capital (%)

Audit firm for 2003:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	24,583
1.1. Total interest income	40,829
1.2. Total interest expenses	16,246
2. Net income from commissions and fees	5,511
2.1. Total income from commissions and fees	9,091
2.2. Total expenses on commissions and fees	3,580
3. Net other non-interest income	1,805
3.1. Other non-interest income	2,338
3.2. Other non-interest expenses	533
4. Net non-interest income	7,317
5. General administrative expenses and depreciation	22,095
6. Net operating income before loss provisions	9,804
7. Total expenses on loss provisions	751
7.1. Expenses on value adjustment and provisions for identified losses	379
7.2. Expenses on provisions for unidentified losses	371
8. Income/loss before taxes	9,053
9. Income tax	0
10. Current year profit/loss	9,053

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	252,885
1.1. Money assets	57,029
1.2. Deposits with the CNB	195,857
2. Deposits with banking institutions	318,334
3. MoF treasury bills and CNB bills	3,982
4. Securities and other financial instruments held for trading and available for sale	67,939
4.1. Securities and other financial instruments held for trading	3,775
4.2. Securities and other financial instruments available for sale	64,164
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	81,472
5.1. Securities and other financial instruments held to maturity	63,046
5.2. Securities and other financial instruments bought on issue directly from the issuer	18,426
6. Derivative financial assets	12
7. Loans to financial institutions	6,000
8. Loans to other clients	668,073
9. Investments in subsidiaries and associates	20
10. Foreclosed and repossessed assets	12,817
11. Tangible assets (net of depreciation)	28,004
12. Interest, fees and other assets	17,432
13. Net of: Specific reserves for unidentified losses	11,374
TOTAL ASSETS	1,445,597

Structure of Liabilities	
1. Loans from financial institutions	7,642
1.1. Short-term loans	0
1.2. Long-term loans	7,642
2. Deposits	1,277,291
2.1. Giro account and current account deposits	204,418
2.2. Savings deposits	288,986
2.3. Time deposits	783,887
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	28,975
9. CAPITAL	131,689
TOTAL LIABILITIES AND CAPITAL	1,445,597

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Management Board

Ivo Šinko – chairman, Anka Bandalović,
 Željko Kardum

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Croatia osiguranje d.d.	9.75
2. Alfa d.d.	7.89
3. Importanne d.o.o.	4.81
4. Tiskara Kačić d.o.o.	4.23
5. Vodovod i odvodnja d.o.o.	4.20
6. Jadranska banka d.d.	4.12

Audit firm for 2003:
 Revicon Zagreb d.o.o., Zagreb and Deloitte & Touche
 d.o.o., Zagreb

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	13,986
1.1. Total interest income	39,137
1.2. Total interest expenses	25,150
2. Net income from commissions and fees	3,721
2.1. Total income from commissions and fees	7,087
2.2. Total expenses on commissions and fees	3,366
3. Net other non-interest income	8,825
3.1. Other non-interest income	10,736
3.2. Other non-interest expenses	1,911
4. Net non-interest income	12,546
5. General administrative expenses and depreciation	16,931
6. Net operating income before loss provisions	9,601
7. Total expenses on loss provisions	393
7.1. Expenses on value adjustment and provisions for identified losses	393
7.2. Expenses on provisions for unidentified losses	0
8. Income/loss before taxes	9,208
9. Income tax	0
10. Current year profit/loss	9,208

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	195,526
1.1. Money assets	35,924
1.2. Deposits with the CNB	159,602
2. Deposits with banking institutions	162,190
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	140,394
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	140,394
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	116,553
5.1. Securities and other financial instruments held to maturity	116,553
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	1,155
7. Loans to financial institutions	0
8. Loans to other clients	814,253
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	32,798
11. Tangible assets (net of depreciation)	25,890
12. Interest, fees and other assets	66,725
13. Net of: Specific reserves for unidentified losses	13,824
TOTAL ASSETS	1,541,661

Structure of Liabilities	
1. Loans from financial institutions	166,313
1.1. Short-term loans	29,300
1.2. Long-term loans	137,013
2. Deposits	1,159,777
2.1. Giro account and current account deposits	129,487
2.2. Savings deposits	310,397
2.3. Time deposits	719,893
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	1,204
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	10,356
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	20,372
9. CAPITAL	183,640
TOTAL LIABILITIES AND CAPITAL	1,541,661

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Management Board

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

Supervisory Board

Želimir Feitl – chairman, Vesna Goluža,
 Slavka Vuković, Helena Lenac, Ivan Podvorac

Shareholders

	Share in share capital (%)
1. Croatian Privatisation Fund	7.75
2. Lanzville Investments	5.46
3. Karlovačka pivovara d.d.	4.54
4. Munja d.d.	4.32
5. Lola Ribar d.d.	4.22
6. Validus d.d.	4.10

Audit firm for 2003:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	24,670
1.1. Total interest income	37,023
1.2. Total interest expenses	12,352
2. Net income from commissions and fees	4,543
2.1. Total income from commissions and fees	10,553
2.2. Total expenses on commissions and fees	6,010
3. Net other non-interest income	1,142
3.1. Other non-interest income	2,358
3.2. Other non-interest expenses	1,216
4. Net non-interest income	5,685
5. General administrative expenses and depreciation	20,190
6. Net operating income before loss provisions	10,165
7. Total expenses on loss provisions	6,215
7.1. Expenses on value adjustment and provisions for identified losses	4,555
7.2. Expenses on provisions for unidentified losses	1,660
8. Income/loss before taxes	3,951
9. Income tax	0
10. Current year profit/loss	3,951

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	204.192
1.1. Money assets	17.414
1.2. Deposits with the CNB	186.778
2. Deposits with banking institutions	148.301
3. MoF treasury bills and CNB bills	30.867
4. Securities and other financial instruments held for trading and available for sale	856
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	856
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	140.968
5.1. Securities and other financial instruments held to maturity	138.753
5.2. Securities and other financial instruments bought on issue directly from the issuer	2.216
6. Derivative financial assets	143
7. Loans to financial institutions	18.315
8. Loans to other clients	527.694
9. Investments in subsidiaries and associates	14.776
10. Foreclosed and repossessed assets	3.650
11. Tangible assets (net of depreciation)	31.346
12. Interest, fees and other assets	14.819
13. Net of: Specific reserves for unidentified losses	9.329
TOTAL ASSETS	1.126.600

Structure of Liabilities	
1. Loans from financial institutions	80.839
1.1. Short-term loans	132
1.2. Long-term loans	80.708
2. Deposits	881.767
2.1. Giro account and current account deposits	276.157
2.2. Savings deposits	240.679
2.3. Time deposits	364.932
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	146
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	2.026
7. Hybrid instruments issued	11.343
8. Interest, fees and other liabilities	83.157
9. CAPITAL	67.321
TOTAL LIABILITIES AND CAPITAL	1.126.600

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Management Board

Ivan Purgar – chairman, Željko Jakuš

Supervisory Board

Rudo Mikulić – chairman, Tomislav Lučić, Ivica Sertić

Shareholders

	Share in share capital (%)
1. Agrokor d.d.	18.83
2. Crodel d.o.o.	11.38
3. Investco vrijednosnice d.o.o.	9.27
4. Ledo d.d.	8.54
5. Jamnica d.d.	8.44
6. Konzum d.d.	7.09
7. Litograf d.o.o.	5.85
8. Zvijezda d.d.	5.66
9. Ivalim, d.o.o.	5.61
10. Solana Pag d.d.	5.61

Audit firm for 2003:
 PricewaterhouseCoopers d.o.o., Zagreb

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	12,645
1.1. Total interest income	25,775
1.2. Total interest expenses	13,130
2. Net income from commissions and fees	4,632
2.1. Total income from commissions and fees	12,456
2.2. Total expenses on commissions and fees	7,824
3. Net other non-interest income	13,446
3.1. Other non-interest income	14,504
3.2. Other non-interest expenses	1,058
4. Net non-interest income	18,078
5. General administrative expenses and depreciation	15,029
6. Net operating income before loss provisions	15,694
7. Total expenses on loss provisions	8,393
7.1. Expenses on value adjustment and provisions for identified losses	8,644
7.2. Expenses on provisions for unidentified losses	-251
8. Income/loss before taxes	7,302
9. Income tax	0
10. Current year profit/loss	7,302

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	125.542
1.1. Money assets	26.760
1.2. Deposits with the CNB	98.782
2. Deposits with banking institutions	117.268
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	14.794
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	14.794
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	13.146
5.1. Securities and other financial instruments held to maturity	13.146
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	548
7. Loans to financial institutions	31.007
8. Loans to other clients	417.003
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	0
11. Tangible assets (net of depreciation)	40.825
12. Interest, fees and other assets	10.656
13. Net of: Specific reserves for unidentified losses	5.258
TOTAL ASSETS	765.531

Structure of Liabilities	
1. Loans from financial institutions	41.695
1.1. Short-term loans	0
1.2. Long-term loans	41.695
2. Deposits	563.583
2.1. Giro account and current account deposits	101.826
2.2. Savings deposits	29.059
2.3. Time deposits	432.698
3. Other loans	10.345
3.1. Short-term loans	8.932
3.2. Long-term loans	1.412
4. Derivative financial liabilities and other financial liabilities held for trading	107
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	24.196
9. CAPITAL	125.606
TOTAL LIABILITIES AND CAPITAL	765.531

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Shareholders

1. Goran Delić

Share in share capital (%)

94.45

Management Board

Časlav Stošić – chairman, Sandra Brkić

Audit firm for 2003:

Mimako d.o.o., Zagreb

Supervisory Board

Dubravka Horvat – chairwoman, Željko Gagro,
 Marija Keleković

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	12,212
1.1. Total interest income	17,486
1.2. Total interest expenses	5,274
2. Net income from commissions and fees	158
2.1. Total income from commissions and fees	529
2.2. Total expenses on commissions and fees	371
3. Net other non-interest income	-1,663
3.1. Other non-interest income	58
3.2. Other non-interest expenses	1,720
4. Net non-interest income	-1,505
5. General administrative expenses and depreciation	5,852
6. Net operating income before loss provisions	4,855
7. Total expenses on loss provisions	2,161
7.1. Expenses on value adjustment and provisions for identified losses	1,603
7.2. Expenses on provisions for unidentified losses	558
8. Income/loss before taxes	2,695
9. Income tax	285
10. Current year profit/loss	2,410

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	26.188
1.1. Money assets	6.735
1.2. Deposits with the CNB	19.453
2. Deposits with banking institutions	44.384
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	0
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	0
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	0
5.1. Securities and other financial instruments held to maturity	0
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	0
8. Loans to other clients	128.505
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	0
11. Tangible assets (net of depreciation)	8.326
12. Interest, fees and other assets	1.498
13. Net of: Specific reserves for unidentified losses	1.672
TOTAL ASSETS	207.229

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	172.410
2.1. Giro account and current account deposits	0
2.2. Savings deposits	4.509
2.3. Time deposits	167.901
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	4.267
9. CAPITAL	30.553
TOTAL LIABILITIES AND CAPITAL	207.229

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Management Board

Goran Rameša – chairman, Milivoj Debelić

Supervisory Board

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

Shareholders

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

Share in share capital (%)

Audit firm for 2003:
 PricewaterhouseCoopers d.o.o., Zagreb

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	5,623
1.1. Total interest income	7,235
1.2. Total interest expenses	1,612
2. Net income from commissions and fees	2,516
2.1. Total income from commissions and fees	4,643
2.2. Total expenses on commissions and fees	2,127
3. Net other non-interest income	742
3.1. Other non-interest income	1,127
3.2. Other non-interest expenses	385
4. Net non-interest income	3,257
5. General administrative expenses and depreciation	6,156
6. Net operating income before loss provisions	2,724
7. Total expenses on loss provisions	-717
7.1. Expenses on value adjustment and provisions for identified losses	1,118
7.2. Expenses on provisions for unidentified losses	-1,835
8. Income/loss before taxes	3,441
9. Income tax	0
10. Current year profit/loss	3,441

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	33.718
1.1. Money assets	1.889
1.2. Deposits with the CNB	31.829
2. Deposits with banking institutions	30.405
3. MoF treasury bills and CNB bills	7.872
4. Securities and other financial instruments held for trading and available for sale	1.399
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	1.399
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	28.215
5.1. Securities and other financial instruments held to maturity	28.215
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	0
8. Loans to other clients	116.382
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	131
11. Tangible assets (net of depreciation)	25.564
12. Interest, fees and other assets	2.681
13. Net of: Specific reserves for unidentified losses	2.443
TOTAL ASSETS	243.922

Structure of Liabilities	
1. Loans from financial institutions	8.718
1.1. Short-term loans	6.000
1.2. Long-term loans	2.718
2. Deposits	159.827
2.1. Giro account and current account deposits	70.737
2.2. Savings deposits	19.545
2.3. Time deposits	69.545
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	7.510
9. CAPITAL	67.866
TOTAL LIABILITIES AND CAPITAL	243.922

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Shareholders

1. Privredna banka Zagreb d.d.

Udio u temeljnom kapitalu (%)

96.39

Audit firm for 2003:

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

Management Board

Nenad Jeđud – chairman, Siniša Radiković

Supervisory Board

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

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	35,846
1.1. Total interest income	60,428
1.2. Total interest expenses	24,582
2. Net income from commissions and fees	11,448
2.1. Total income from commissions and fees	13,450
2.2. Total expenses on commissions and fees	2,003
3. Net other non-interest income	-4,901
3.1. Other non-interest income	2,128
3.2. Other non-interest expenses	7,029
4. Net non-interest income	6,547
5. General administrative expenses and depreciation	24,751
6. Net operating income before loss provisions	17,642
7. Total expenses on loss provisions	730
7.1. Expenses on value adjustment and provisions for identified losses	-162
7.2. Expenses on provisions for unidentified losses	893
8. Income/loss before taxes	16,912
9. Income tax	2,963
10. Current year profit/loss	13,948

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	312.969
1.1. Money assets	45.778
1.2. Deposits with the CNB	267.191
2. Deposits with banking institutions	272.249
3. MoF treasury bills and CNB bills	110.540
4. Securities and other financial instruments held for trading and available for sale	118.303
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	118.303
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	18.704
5.1. Securities and other financial instruments held to maturity	18.704
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	1.490
8. Loans to other clients	1.054.505
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	702
11. Tangible assets (net of depreciation)	40.629
12. Interest, fees and other assets	22.025
13. Net of: Specific reserves for unidentified losses	14.284
TOTAL ASSETS	1.937.831

Structure of Liabilities	
1. Loans from financial institutions	144.024
1.1. Short-term loans	0
1.2. Long-term loans	144.024
2. Deposits	1.505.005
2.1. Giro account and current account deposits	243.898
2.2. Savings deposits	366.211
2.3. Time deposits	894.896
3. Other loans	29.463
3.1. Short-term loans	0
3.2. Long-term loans	29.463
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	70.774
9. CAPITAL	188.564
TOTAL LIABILITIES AND CAPITAL	1.937.831

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Management Board

Stipan Pamuković – chairman, Ante Samodol, Željko Škalec

Supervisory Board

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

Shareholders

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

Audit firm for 2003:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	4,556
1.1. Total interest income	10,880
1.2. Total interest expenses	6,324
2. Net income from commissions and fees	655
2.1. Total income from commissions and fees	1,484
2.2. Total expenses on commissions and fees	829
3. Net other non-interest income	1,086
3.1. Other non-interest income	1,403
3.2. Other non-interest expenses	317
4. Net non-interest income	1,742
5. General administrative expenses and depreciation	4,338
6. Net operating income before loss provisions	1,960
7. Total expenses on loss provisions	1,140
7.1. Expenses on value adjustment and provisions for identified losses	796
7.2. Expenses on provisions for unidentified losses	344
8. Income/loss before taxes	820
9. Income tax	268
10. Current year profit/loss	553

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	44.185
1.1. Money assets	4.242
1.2. Deposits with the CNB	39.943
2. Deposits with banking institutions	38.400
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	11.449
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	11.449
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	29.332
5.1. Securities and other financial instruments held to maturity	29.332
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	1
7. Loans to financial institutions	0
8. Loans to other clients	210.722
9. Investments in subsidiaries and associates	58
10. Foreclosed and repossessed assets	0
11. Tangible assets (net of depreciation)	6.468
12. Interest, fees and other assets	5.128
13. Net of: Specific reserves for unidentified losses	2.646
TOTAL ASSETS	343.097

Structure of Liabilities	
1. Loans from financial institutions	11.225
1.1. Short-term loans	5.000
1.2. Long-term loans	6.225
2. Deposits	273.136
2.1. Giro account and current account deposits	51.938
2.2. Savings deposits	27.699
2.3. Time deposits	193.499
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	9.711
9. CAPITAL	49.025
TOTAL LIABILITIES AND CAPITAL	343.097

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Shareholders

1. Reginter d.o.o.	67.80
2. SEEF holding Ltd.	23.27
3. SWR Investment Ltd.	4.52

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

Damir Odak – chairman, Helena Banjad,
 Zorislav Vidović, Sanja Martinko

Audit firm for 2003:

Deloitte & Touche d.o.o., Zagreb

Supervisory Board

Robert Hans van Griethuysen – chairman, David Curl,
 Ronald Drake, Marijan Kostrenčić, David McMahon

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	73,035
1.1. Total interest income	132,631
1.2. Total interest expenses	59,597
2. Net income from commissions and fees	19,971
2.1. Total income from commissions and fees	32,900
2.2. Total expenses on commissions and fees	12,928
3. Net other non-interest income	20,679
3.1. Other non-interest income	25,067
3.2. Other non-interest expenses	4,389
4. Net non-interest income	40,650
5. General administrative expenses and depreciation	100,813
6. Net operating income before loss provisions	12,871
7. Total expenses on loss provisions	-2,145
7.1. Expenses on value adjustment and provisions for identified losses	-11,315
7.2. Expenses on provisions for unidentified losses	9,170
8. Income/loss before taxes	15,016
9. Income tax	0
10. Current year profit/loss	15,016

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	959,240
1.1. Money assets	70,207
1.2. Deposits with the CNB	889,033
2. Deposits with banking institutions	1,070,931
3. MoF treasury bills and CNB bills	19,615
4. Securities and other financial instruments held for trading and available for sale	635,710
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	635,710
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	82,420
5.1. Securities and other financial instruments held to maturity	82,420
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	1,276
7. Loans to financial institutions	6,693
8. Loans to other clients	2,179,811
9. Investments in subsidiaries and associates	264,551
10. Foreclosed and repossessed assets	30,026
11. Tangible assets (net of depreciation)	120,073
12. Interest, fees and other assets	180,996
13. Net of: Specific reserves for unidentified losses	39,984
TOTAL ASSETS	5,511,358

Structure of Liabilities	
1. Loans from financial institutions	267,234
1.1. Short-term loans	29,463
1.2. Long-term loans	237,771
2. Deposits	4,311,420
2.1. Giro account and current account deposits	851,240
2.2. Savings deposits	1,024,900
2.3. Time deposits	2,435,280
3. Other loans	172,400
3.1. Short-term loans	38,435
3.2. Long-term loans	133,965
4. Derivative financial liabilities and other financial liabilities held for trading	1,279
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	37,661
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	143,422
9. CAPITAL	577,942
TOTAL LIABILITIES AND CAPITAL	5,511,358

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Shareholders

1. Metroholding d.d.
2. INGRA d.d.
3. Josip Kovač

Share in share capital (%)

85.96
 8.82
 4.07

Management Board

Marija Šola – chairwoman, Branka Oštrić

Audit firm for 2003:

Deloitte & Touche d.o.o., Zagreb

Supervisory Board

Borislav Škegro – chairman, Ivan Lovrinović,
 Igor Oppenheim

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	20,580
1.1. Total interest income	27,879
1.2. Total interest expenses	7,298
2. Net income from commissions and fees	5,245
2.1. Total income from commissions and fees	8,756
2.2. Total expenses on commissions and fees	3,510
3. Net other non-interest income	2,332
3.1. Other non-interest income	4,699
3.2. Other non-interest expenses	2,367
4. Net non-interest income	7,577
5. General administrative expenses and depreciation	17,969
6. Net operating income before loss provisions	10,188
7. Total expenses on loss provisions	-602
7.1. Expenses on value adjustment and provisions for identified losses	-3,173
7.2. Expenses on provisions for unidentified losses	2,571
8. Income/loss before taxes	10,790
9. Income tax	0
10. Current year profit/loss	10,790

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	84.708
1.1. Money assets	10.011
1.2. Deposits with the CNB	74.697
2. Deposits with banking institutions	78.698
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	63.224
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	63.224
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	0
5.1. Securities and other financial instruments held to maturity	0
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	6
7. Loans to financial institutions	550
8. Loans to other clients	436.259
9. Investments in subsidiaries and associates	1.370
10. Foreclosed and repossessed assets	3.041
11. Tangible assets (net of depreciation)	27.712
12. Interest, fees and other assets	17.038
13. Net of: Specific reserves for unidentified losses	7.555
TOTAL ASSETS	705.049

Structure of Liabilities	
1. Loans from financial institutions	44.347
1.1. Short-term loans	3.000
1.2. Long-term loans	41.347
2. Deposits	506.626
2.1. Giro account and current account deposits	133.888
2.2. Savings deposits	46.796
2.3. Time deposits	325.943
3. Other loans	9.109
3.1. Short-term loans	0
3.2. Long-term loans	9.109
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	23.164
9. CAPITAL	121.802
TOTAL LIABILITIES AND CAPITAL	705.049

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Management Board

Julio Kuruc – chairman, Marijan Marušić

Supervisory Board

Sigilfredo Montinari – chairman, Dario Montinari,
 Jurica (Đuro) Predović, Dolly Predović,
 Miljan Todorović

Shareholders

	Share in share capital (%)
1. Cerere S.R.L.	9.98
2. Antonia Gorgoni	9.98
3. Lorenzo Gorgoni	9.97
4. Jurica (Đuro) Predović	9.33
5. Miljan Todorović	8.73
6. Dario Montinari	5.12
7. Sigilfredo Montinari	5.12
8. Andrea Montinari	5.12
9. Piero Montinari	5.12
10. Giovanni Semeraro	4.39
11. Podravska banka d.d.	3.61

Audit firm for 2003:
 Deloitte & Touche d.o.o., Zagreb and
 Revidicon d.o.o., Varaždin

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	28,594
1.1. Total interest income	48,649
1.2. Total interest expenses	20,056
2. Net income from commissions and fees	8,566
2.1. Total income from commissions and fees	14,400
2.2. Total expenses on commissions and fees	5,834
3. Net other non-interest income	1,994
3.1. Other non-interest income	5,950
3.2. Other non-interest expenses	3,957
4. Net non-interest income	10,560
5. General administrative expenses and depreciation	31,345
6. Net operating income before loss provisions	7,809
7. Total expenses on loss provisions	2,659
7.1. Expenses on value adjustment and provisions for identified losses	1,227
7.2. Expenses on provisions for unidentified losses	1,432
8. Income/loss before taxes	5,150
9. Income tax	0
10. Current year profit/loss	5,150

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	237.009
1.1. Money assets	36.766
1.2. Deposits with the CNB	200.244
2. Deposits with banking institutions	152.785
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	86.640
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	86.640
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	43.433
5.1. Securities and other financial instruments held to maturity	12.018
5.2. Securities and other financial instruments bought on issue directly from the issuer	31.415
6. Derivative financial assets	0
7. Loans to financial institutions	33.000
8. Loans to other clients	769.000
9. Investments in subsidiaries and associates	2.939
10. Foreclosed and repossessed assets	1.792
11. Tangible assets (net of depreciation)	39.728
12. Interest, fees and other assets	33.445
13. Net of: Specific reserves for unidentified losses	10.795
TOTAL ASSETS	1.388.976

Structure of Liabilities	
1. Loans from financial institutions	80.953
1.1. Short-term loans	60.280
1.2. Long-term loans	20.673
2. Deposits	1.080.585
2.1. Giro account and current account deposits	194.259
2.2. Savings deposits	133.480
2.3. Time deposits	752.846
3. Other loans	38.057
3.1. Short-term loans	0
3.2. Long-term loans	38.057
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	40.194
9. CAPITAL	149.186
TOTAL LIABILITIES AND CAPITAL	1.388.976

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Management Board

Davorka Jakir – chairwoman,
 Andrea Zemljić-Modronja⁵

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Kamen-Ingrad d.d.	9.16
2. Hrvatske šume d.o.o.	6.79
3. Zvonko Potnik	4.66
4. Kutjevo d.d.	4.57
5. Plamen International d.o.o.	4.06
6. Croatia osiguranje d.d.	3.54
7. Zvečevo PI d.d.	3.53

Audit firm for 2003:
 Revicon Zagreb d.o.o., Zagreb

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	5,658
1.1. Total interest income	12,566
1.2. Total interest expenses	6,907
2. Net income from commissions and fees	1,367
2.1. Total income from commissions and fees	2,727
2.2. Total expenses on commissions and fees	1,360
3. Net other non-interest income	-956
3.1. Other non-interest income	-750
3.2. Other non-interest expenses	206
4. Net non-interest income	411
5. General administrative expenses and depreciation	9,246
6. Net operating income before loss provisions	-3,177
7. Total expenses on loss provisions	-2,203
7.1. Expenses on value adjustment and provisions for identified losses	316
7.2. Expenses on provisions for unidentified losses	-2,519
8. Income/loss before taxes	-974
9. Income tax	0
10. Current year profit/loss	-974

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	47,052
1.1. Money assets	5,052
1.2. Deposits with the CNB	41,999
2. Deposits with banking institutions	50,071
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	4,133
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	4,133
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	49,062
5.1. Securities and other financial instruments held to maturity	49,062
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	148
7. Loans to financial institutions	2,745
8. Loans to other clients	245,902
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	10,815
11. Tangible assets (net of depreciation)	7,122
12. Interest, fees and other assets	12,159
13. Net of: Specific reserves for unidentified losses	3,348
TOTAL ASSETS	425,861

Structure of Liabilities	
1. Loans from financial institutions	40,025
1.1. Short-term loans	15,000
1.2. Long-term loans	25,025
2. Deposits	290,007
2.1. Giro account and current account deposits	40,870
2.2. Savings deposits	15,325
2.3. Time deposits	233,812
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	80
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	6,634
9. CAPITAL	89,115
TOTAL LIABILITIES AND CAPITAL	425,861

5 Appointed in July 2004.

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Management Board

Duško Miculinić – chairman, Dražen Kurpis

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Francesco Signorio	46.15
2. Carlo Di Dato	8.14
3. J.L.L. Marc Jourdan	7.31
4. Domenico Petrella	7.19
5. Svitlana Bondareva	6.75
6. Franco Guidantoni	4.88
7. Joseph Amsellem	4.35
8. Gordana Pavletić	4.18
9. Cofisi S.A.	4.10

Audit firm for 2003:
 Revidicon d.o.o., Varaždin

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	2,913
1.1. Total interest income	3,703
1.2. Total interest expenses	791
2. Net income from commissions and fees	29
2.1. Total income from commissions and fees	313
2.2. Total expenses on commissions and fees	285
3. Net other non-interest income	4
3.1. Other non-interest income	97
3.2. Other non-interest expenses	93
4. Net non-interest income	33
5. General administrative expenses and depreciation	3,616
6. Net operating income before loss provisions	-671
7. Total expenses on loss provisions	20
7.1. Expenses on value adjustment and provisions for identified losses	-21
7.2. Expenses on provisions for unidentified losses	41
8. Income/loss before taxes	-690
9. Income tax	0
10. Current year profit/loss	-690

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	9.072
1.1. Money assets	2.807
1.2. Deposits with the CNB	6.264
2. Deposits with banking institutions	13.684
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	0
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	0
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	918
5.1. Securities and other financial instruments held to maturity	918
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	0
8. Loans to other clients	55.858
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	1.520
11. Tangible assets (net of depreciation)	465
12. Interest, fees and other assets	5.045
13. Net of: Specific reserves for unidentified losses	663
TOTAL ASSETS	85.898

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	42.608
2.1. Giro account and current account deposits	3.011
2.2. Savings deposits	6.964
2.3. Time deposits	32.633
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1.461
9. CAPITAL	41.830
TOTAL LIABILITIES AND CAPITAL	85.898

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Shareholders

1. Siegfried Rudolf Einhellig

Share in share capital (%)

99.99

Audit firm for 2003:

Deloitte & Touche d.o.o., Zagreb

Management Board

Zdenka Batinić – chairwoman, Doroteja Juras

Supervisory Board

Siegfried Rudolf Einhellig – chairman, Zoran Parać,
 Vlado Ravlić

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	5,377
1.1. Total interest income	13,258
1.2. Total interest expenses	7,881
2. Net income from commissions and fees	-158
2.1. Total income from commissions and fees	562
2.2. Total expenses on commissions and fees	720
3. Net other non-interest income	-1,689
3.1. Other non-interest income	1,180
3.2. Other non-interest expenses	2,869
4. Net non-interest income	-1,847
5. General administrative expenses and depreciation	8,035
6. Net operating income before loss provisions	-4,506
7. Total expenses on loss provisions	21,666
7.1. Expenses on value adjustment and provisions for identified losses	21,666
7.2. Expenses on provisions for unidentified losses	0
8. Income/loss before taxes	-26,172
9. Income tax	0
10. Current year profit/loss	-26,172

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	29,672
1.1. Money assets	5,151
1.2. Deposits with the CNB	24,521
2. Deposits with banking institutions	19,066
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	1,227
4.1. Securities and other financial instruments held for trading	150
4.2. Securities and other financial instruments available for sale	1,077
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	0
5.1. Securities and other financial instruments held to maturity	0
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	0
8. Loans to other clients	168,962
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	0
11. Tangible assets (net of depreciation)	11,158
12. Interest, fees and other assets	18,569
13. Net of: Specific reserves for unidentified losses	2,473
TOTAL ASSETS	246,180

Structure of Liabilities	
1. Loans from financial institutions	27,186
1.1. Short-term loans	15,100
1.2. Long-term loans	12,086
2. Deposits	196,094
2.1. Giro account and current account deposits	3,666
2.2. Savings deposits	12,806
2.3. Time deposits	179,623
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	12,836
7. Hybrid instruments issued	1,694
8. Interest, fees and other liabilities	8,861
9. CAPITAL	-492
TOTAL LIABILITIES AND CAPITAL	246,180

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Shareholders

1. Privredna banka Zagreb d.d.

Share in share capital (%)

100.00

Audit firm for 2003:

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

Management Board

Zdravka Cukon – chairwoman, Roberto Drandić

Supervisory Board

Dajana Kobeščak – chairwoman, Mario Henjak, Neven Horvat

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	13,228
1.1. Total interest income	23,006
1.2. Total interest expenses	9,778
2. Net income from commissions and fees	2,336
2.1. Total income from commissions and fees	4,426
2.2. Total expenses on commissions and fees	2,090
3. Net other non-interest income	3,707
3.1. Other non-interest income	5,013
3.2. Other non-interest expenses	1,307
4. Net non-interest income	6,042
5. General administrative expenses and depreciation	10,051
6. Net operating income before loss provisions	9,219
7. Total expenses on loss provisions	2,256
7.1. Expenses on value adjustment and provisions for identified losses	781
7.2. Expenses on provisions for unidentified losses	1,475
8. Income/loss before taxes	6,963
9. Income tax	1,546
10. Current year profit/loss	5,417

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	90,451
1.1. Money assets	51,983
1.2. Deposits with the CNB	38,469
2. Deposits with banking institutions	145,247
3. MoF treasury bills and CNB bills	27,789
4. Securities and other financial instruments held for trading and available for sale	30
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	30
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	8,455
5.1. Securities and other financial instruments held to maturity	8,455
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	0
8. Loans to other clients	415,832
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	5,367
11. Tangible assets (net of depreciation)	22,448
12. Interest, fees and other assets	12,009
13. Net of: Specific reserves for unidentified losses	6,290
TOTAL ASSETS	721,339

Structure of Liabilities	
1. Loans from financial institutions	81,761
1.1. Short-term loans	0
1.2. Long-term loans	81,761
2. Deposits	528,181
2.1. Giro account and current account deposits	58,846
2.2. Savings deposits	90,366
2.3. Time deposits	378,969
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	16,977
9. CAPITAL	94,421
TOTAL LIABILITIES AND CAPITAL	721,339

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Management Board

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

Supervisory Board

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

Shareholders

1. Intesa Bci Holding Internatio- nal S.A.	76.30
2. European Bank for Recon- struction and Development (EBRD)	20.08

Share in share capital (%)

Audit firm for 2003:
Ernst & Young Croatia d.o.o., Zagreb

Income Statement, as at 30 June 2004, in thousand kuna

1. Net interest income	628,687
1.1. Total interest income	1,103,306
1.2. Total interest expenses	474,619
2. Net income from commissions and fees	149,977
2.1. Total income from commissions and fees	252,147
2.2. Total expenses on commissions and fees	102,169
3. Net other non-interest income	36,035
3.1. Other non-interest income	439,297
3.2. Other non-interest expenses	403,262
4. Net non-interest income	186,013
5. General administrative expenses and depreciation	415,795
6. Net operating income before loss provisions	398,905
7. Total expenses on loss provisions	39,236
7.1. Expenses on value adjustment and provisions for identified losses	34,291
7.2. Expenses on provisions for unidentified losses	4,945
8. Income/loss before taxes	359,669
9. Income tax	0
10. Current year profit/loss	359,669

Balance Sheet, as at 30 June 2004, in thousand kuna

Structure of Assets	
1. Money assets and deposits with the CNB	5,220,895
1.1. Money assets	659,305
1.2. Deposits with the CNB	4,561,591
2. Deposits with banking institutions	5,379,300
3. MoF treasury bills and CNB bills	412,272
4. Securities and other financial instruments held for trading and available for sale	1,809,693
4.1. Securities and other financial instruments held for trading	1,809,693
4.2. Securities and other financial instruments available for sale	0
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	1,914,833
5.1. Securities and other financial instruments held to maturity	1,914,833
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	6,828
7. Loans to financial institutions	669,032
8. Loans to other clients	21,515,997
9. Investments in subsidiaries and associates	370,455
10. Foreclosed and repossessed assets	68,454
11. Tangible assets (net of depreciation)	690,480
12. Interest, fees and other assets	1,213,611
13. Net of: Specific reserves for unidentified losses	355,020
TOTAL ASSETS	38,916,829

Structure of Liabilities	
1. Loans from financial institutions	1,122,461
1.1. Short-term loans	349,000
1.2. Long-term loans	773,461
2. Deposits	27,246,723
2.1. Giro account and current account deposits	4,232,567
2.2. Savings deposits	4,827,450
2.3. Time deposits	18,186,706
3. Other loans	4,585,439
3.1. Short-term loans	182,228
3.2. Long-term loans	4,403,211
4. Derivative financial liabilities and other financial liabilities held for trading	20,903
5. Debt securities issued	19,384
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	19,384
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	2,315,920
9. CAPITAL	3,605,999
TOTAL LIABILITIES AND CAPITAL	38,916,829

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Management Board

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

Supervisory Board

Herbert Stepic – chairman, Heinz Hoedl, Franz Rogi

Shareholders

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

Audit firm for 2003:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	255,804
1.1. Total interest income	546,298
1.2. Total interest expenses	290,494
2. Net income from commissions and fees	73,719
2.1. Total income from commissions and fees	114,791
2.2. Total expenses on commissions and fees	41,072
3. Net other non-interest income	42,394
3.1. Other non-interest income	56,419
3.2. Other non-interest expenses	14,025
4. Net non-interest income	116,113
5. General administrative expenses and depreciation	209,484
6. Net operating income before loss provisions	162,432
7. Total expenses on loss provisions	38,070
7.1. Expenses on value adjustment and provisions for identified losses	-1,366
7.2. Expenses on provisions for unidentified losses	39,435
8. Income/loss before taxes	124,363
9. Income tax	14,947
10. Current year profit/loss	109,416

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	3,832,623
1.1. Money assets	99,725
1.2. Deposits with the CNB	3,732,897
2. Deposits with banking institutions	4,576,395
3. MoF treasury bills and CNB bills	347,099
4. Securities and other financial instruments held for trading and available for sale	1,454,152
4.1. Securities and other financial instruments held for trading	1,272,934
4.2. Securities and other financial instruments available for sale	181,218
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	13,299
5.1. Securities and other financial instruments held to maturity	0
5.2. Securities and other financial instruments bought on issue directly from the issuer	13,299
6. Derivative financial assets	15,107
7. Loans to financial institutions	334,282
8. Loans to other clients	10,278,231
9. Investments in subsidiaries and associates	207,445
10. Foreclosed and repossessed assets	8,495
11. Tangible assets (net of depreciation)	315,936
12. Interest, fees and other assets	252,477
13. Net of: Specific reserves for unidentified losses	162,983
TOTAL ASSETS	21,472,559

Structure of Liabilities	
1. Loans from financial institutions	114,448
1.1. Short-term loans	37,480
1.2. Long-term loans	76,968
2. Deposits	12,772,424
2.1. Giro account and current account deposits	2,375,455
2.2. Savings deposits	1,846,723
2.3. Time deposits	8,550,246
3. Other loans	6,272,883
3.1. Short-term loans	503,356
3.2. Long-term loans	5,769,527
4. Derivative financial liabilities and other financial liabilities held for trading	23,696
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	427,719
7. Hybrid instruments issued	209,190
8. Interest, fees and other liabilities	605,993
9. CAPITAL	1,046,206
TOTAL LIABILITIES AND CAPITAL	21,472,559

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Shareholders

1. Strahinjčica d.d.
2. Samoborka d.d.
3. JP Hrvatske šume p.o.

Share in share capital (%)

74.45
 5.15
 3.78

Management Board

Marijan Kantolić – chairman, Marijan Trusk

Audit firm for 2003:
 Rudan d.o.o., Zagreb

Supervisory Board

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

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	5,380
1.1. Total interest income	8,518
1.2. Total interest expenses	3,138
2. Net income from commissions and fees	554
2.1. Total income from commissions and fees	1,933
2.2. Total expenses on commissions and fees	1,379
3. Net other non-interest income	967
3.1. Other non-interest income	1,122
3.2. Other non-interest expenses	155
4. Net non-interest income	1,521
5. General administrative expenses and depreciation	6,301
6. Net operating income before loss provisions	600
7. Total expenses on loss provisions	-848
7.1. Expenses on value adjustment and provisions for identified losses	-1,628
7.2. Expenses on provisions for unidentified losses	779
8. Income/loss before taxes	1,448
9. Income tax	0
10. Current year profit/loss	1,448

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	70,195
1.1. Money assets	13,867
1.2. Deposits with the CNB	56,328
2. Deposits with banking institutions	89,318
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	177
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	177
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	40,690
5.1. Securities and other financial instruments held to maturity	3,903
5.2. Securities and other financial instruments bought on issue directly from the issuer	36,786
6. Derivative financial assets	0
7. Loans to financial institutions	33,000
8. Loans to other clients	114,530
9. Investments in subsidiaries and associates	18
10. Foreclosed and repossessed assets	2,517
11. Tangible assets (net of depreciation)	12,443
12. Interest, fees and other assets	2,198
13. Net of: Specific reserves for unidentified losses	2,854
TOTAL ASSETS	362,233

Structure of Liabilities	
1. Loans from financial institutions	2,849
1.1. Short-term loans	1,000
1.2. Long-term loans	1,849
2. Deposits	225,672
2.1. Giro account and current account deposits	46,226
2.2. Savings deposits	69,353
2.3. Time deposits	110,092
3. Other loans	45
3.1. Short-term loans	45
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	68,729
9. CAPITAL	64,939
TOTAL LIABILITIES AND CAPITAL	362,233

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Management Board

Angelina Horvat – chairwoman, Elvis Mališ

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. State Agency for Bank Rehabilitation and Deposit Insurance	11.12
2. Lust-prom d.o.o.	9.96
3. Rima promet d.o.o.	9.96
4. Sloper d.o.o.	9.96
5. Lustrin d.o.o.	9.96
6. Slop-prom d.o.o.	9.53
7. Ante Šimara	4.95
8. Nova banka d.d.	4.36
9. Ružica Šimara	3.50
10. Antonija Šimara	3.45
11. Tomislav Šimara	3.45
12. Sandra Šimara	3.42

Audit firm for 2003:
 Revidicon d.o.o., Varaždin

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	19,792
1.1. Total interest income	30,374
1.2. Total interest expenses	10,583
2. Net income from commissions and fees	3,004
2.1. Total income from commissions and fees	4,336
2.2. Total expenses on commissions and fees	1,332
3. Net other non-interest income	-686
3.1. Other non-interest income	284
3.2. Other non-interest expenses	970
4. Net non-interest income	2,318
5. General administrative expenses and depreciation	17,674
6. Net operating income before loss provisions	4,436
7. Total expenses on loss provisions	-1,649
7.1. Expenses on value adjustment and provisions for identified losses	-1,583
7.2. Expenses on provisions for unidentified losses	-66
8. Income/loss before taxes	6,085
9. Income tax	0
10. Current year profit/loss	6,085

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	94,189
1.1. Money assets	12,966
1.2. Deposits with the CNB	81,223
2. Deposits with banking institutions	108,431
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	178
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	178
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	47,713
5.1. Securities and other financial instruments held to maturity	47,713
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	12,130
8. Loans to other clients	404,043
9. Investments in subsidiaries and associates	7,773
10. Foreclosed and repossessed assets	5,058
11. Tangible assets (net of depreciation)	36,659
12. Interest, fees and other assets	10,201
13. Net of: Specific reserves for unidentified losses	5,367
TOTAL ASSETS	721,008

Structure of Liabilities	
1. Loans from financial institutions	36,642
1.1. Short-term loans	0
1.2. Long-term loans	36,642
2. Deposits	516,341
2.1. Giro account and current account deposits	54,451
2.2. Savings deposits	82,626
2.3. Time deposits	379,265
3. Other loans	18,360
3.1. Short-term loans	7,366
3.2. Long-term loans	10,994
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	149
8. Interest, fees and other liabilities	19,509
9. CAPITAL	130,007
TOTAL LIABILITIES AND CAPITAL	721,008

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Shareholders

1. Hypo Alpe-Adria-Bank AG	76.23
2. VCP Finance B.V.	15.93

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

Ivan Mihaljević – chairman, Tadija Vrdoljak

Audit firm for 2003:

Deloitte & Touche d.o.o., Zagreb and
 Confida revizija d.o.o., Zagreb

Supervisory Board

Günter Striedinger – chairman, Wolfgang Kulterer,
 Othmar Ederer, Gerd Penkner, Zlata Vrdoljak

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	74,568
1.1. Total interest income	130,197
1.2. Total interest expenses	55,628
2. Net income from commissions and fees	13,400
2.1. Total income from commissions and fees	24,521
2.2. Total expenses on commissions and fees	11,121
3. Net other non-interest income	1,362
3.1. Other non-interest income	3,123
3.2. Other non-interest expenses	1,761
4. Net non-interest income	14,762
5. General administrative expenses and depreciation	71,834
6. Net operating income before loss provisions	17,496
7. Total expenses on loss provisions	-1,536
7.1. Expenses on value adjustment and provisions for identified losses	78,649
7.2. Expenses on provisions for unidentified losses	-80,186
8. Income/loss before taxes	19,033
9. Income tax	2,573
10. Current year profit/loss	16,459

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	730,790
1.1. Money assets	55,960
1.2. Deposits with the CNB	674,830
2. Deposits with banking institutions	607,779
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	152,251
4.1. Securities and other financial instruments held for trading	28,656
4.2. Securities and other financial instruments available for sale	123,595
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	0
5.1. Securities and other financial instruments held to maturity	0
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	9,311
8. Loans to other clients	3,194,277
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	74,480
11. Tangible assets (net of depreciation)	53,999
12. Interest, fees and other assets	129,555
13. Net of: Specific reserves for unidentified losses	32,625
TOTAL ASSETS	4,919,817

Structure of Liabilities	
1. Loans from financial institutions	176,931
1.1. Short-term loans	34,000
1.2. Long-term loans	142,931
2. Deposits	3,570,846
2.1. Giro account and current account deposits	603,004
2.2. Savings deposits	396,646
2.3. Time deposits	2,571,195
3. Other loans	77,785
3.1. Short-term loans	0
3.2. Long-term loans	77,785
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	463,228
8. Interest, fees and other liabilities	87,574
9. CAPITAL	543,453
TOTAL LIABILITIES AND CAPITAL	4,919,817

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Management Board

Željko Udovičić – chairman, Ante Babić,
 Josip Ševerdija

Supervisory Board

Ivo Andrijić – chairman, Đuro Benček,
 Petar Ćurković

Shareholders

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

Share in share capital (%)

89.71
 5.50

Audit firm for 2003:

Revizija Spajić d.o.o., Zagreb

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	15,404
1.1. Total interest income	28,979
1.2. Total interest expenses	13,575
2. Net income from commissions and fees	3,260
2.1. Total income from commissions and fees	4,530
2.2. Total expenses on commissions and fees	1,271
3. Net other non-interest income	5,008
3.1. Other non-interest income	5,374
3.2. Other non-interest expenses	366
4. Net non-interest income	8,268
5. General administrative expenses and depreciation	5,700
6. Net operating income before loss provisions	17,972
7. Total expenses on loss provisions	2,110
7.1. Expenses on value adjustment and provisions for identified losses	21,848
7.2. Expenses on provisions for unidentified losses	-19,739
8. Income/loss before taxes	15,862
9. Income tax	0
10. Current year profit/loss	15,862

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	71,318
1.1. Money assets	5,962
1.2. Deposits with the CNB	65,355
2. Deposits with banking institutions	97,977
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	0
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	0
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	38,945
5.1. Securities and other financial instruments held to maturity	38,945
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	0
8. Loans to other clients	495,666
9. Investments in subsidiaries and associates	2,734
10. Foreclosed and repossessed assets	6,231
11. Tangible assets (net of depreciation)	49,608
12. Interest, fees and other assets	22,298
13. Net of: Specific reserves for unidentified losses	7,336
TOTAL ASSETS	777,439

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	460,807
2.1. Giro account and current account deposits	49,411
2.2. Savings deposits	35,494
2.3. Time deposits	375,902
3. Other loans	3,315
3.1. Short-term loans	0
3.2. Long-term loans	3,315
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	67,846
9. CAPITAL	245,472
TOTAL LIABILITIES AND CAPITAL	777,439

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Shareholders

1. Zagrebačka banka d.d.

Share in share capital (%)

93.80

Audit firm for 2003:

PricewaterhouseCoopers d.o.o., Zagreb

Management Board

Mato Lukinić – chairman, Pavao Parat, Borna Zane

Supervisory Board

Tea Martinčić – chairwoman, Renata Babić,
 Duilio Belić, Marijana Brcko, Čedomil Cesarec

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	91,433
1.1. Total interest income	132,846
1.2. Total interest expenses	41,412
2. Net income from commissions and fees	15,213
2.1. Total income from commissions and fees	26,683
2.2. Total expenses on commissions and fees	11,470
3. Net other non-interest income	507
3.1. Other non-interest income	8,658
3.2. Other non-interest expenses	8,152
4. Net non-interest income	15,719
5. General administrative expenses and depreciation	56,999
6. Net operating income before loss provisions	50,154
7. Total expenses on loss provisions	4,789
7.1. Expenses on value adjustment and provisions for identified losses	16,491
7.2. Expenses on provisions for unidentified losses	-11,702
8. Income/loss before taxes	45,365
9. Income tax	9,159
10. Current year profit/loss	36,207

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	645
1.1. Money assets	645
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	136,219
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading and available for sale	229
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	229
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	315,092
5.1. Securities and other financial instruments held to maturity	315,092
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	0
7. Loans to financial institutions	1,483
8. Loans to other clients	2,334,047
9. Investments in subsidiaries and associates	7,561
10. Foreclosed and repossessed assets	1,916
11. Tangible assets (net of depreciation)	182,170
12. Interest, fees and other assets	484,693
13. Net of: Specific reserves for unidentified losses	38,981
TOTAL ASSETS	3,425,072

Structure of Liabilities	
1. Loans from financial institutions	196,292
1.1. Short-term loans	111,415
1.2. Long-term loans	84,877
2. Deposits	2,338,474
2.1. Giro account and current account deposits	429,004
2.2. Savings deposits	589,089
2.3. Time deposits	1,320,381
3. Other loans	183,856
3.1. Short-term loans	51,561
3.2. Long-term loans	132,295
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	230,702
9. CAPITAL	475,747
TOTAL LIABILITIES AND CAPITAL	3,425,072

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Shareholders

1. VB International AG

Share in share capital (%)

92.13

Audit firm for 2003:

PricewaterhouseCoopers d.o.o., Zagreb

Management Board

Tomasz Jerzy Taraba – chairman, Andrea Kovacs,
 Dieter Hornbacher

Supervisory Board

Wolfgang Perdich – chairman, Christian-Georg
 Kaltenbrunner, Herbert Hartl, Hans Janeschitz,
 Denis Le Moullac, Fausto Maritan, Gerhard Wöber

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	56,388
1.1. Total interest income	93,605
1.2. Total interest expenses	37,218
2. Net income from commissions and fees	7,633
2.1. Total income from commissions and fees	10,648
2.2. Total expenses on commissions and fees	3,015
3. Net other non-interest income	1,064
3.1. Other non-interest income	4,458
3.2. Other non-interest expenses	3,394
4. Net non-interest income	8,697
5. General administrative expenses and depreciation	55,634
6. Net operating income before loss provisions	9,451
7. Total expenses on loss provisions	1,746
7.1. Expenses on value adjustment and provisions for identified losses	948
7.2. Expenses on provisions for unidentified losses	798
8. Income/loss before taxes	7,705
9. Income tax	0
10. Current year profit/loss	7,705

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	471,061
1.1. Money assets	35,965
1.2. Deposits with the CNB	435,096
2. Deposits with banking institutions	545,191
3. MoF treasury bills and CNB bills	1,959
4. Securities and other financial instruments held for trading and available for sale	83,066
4.1. Securities and other financial instruments held for trading	0
4.2. Securities and other financial instruments available for sale	83,066
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	0
5.1. Securities and other financial instruments held to maturity	0
5.2. Securities and other financial instruments bought on issue directly from the issuer	0
6. Derivative financial assets	956
7. Loans to financial institutions	56,473
8. Loans to other clients	1,728,779
9. Investments in subsidiaries and associates	0
10. Foreclosed and repossessed assets	0
11. Tangible assets (net of depreciation)	15,025
12. Interest, fees and other assets	95,658
13. Net of: Specific reserves for unidentified losses	30,890
TOTAL ASSETS	2,967,278

Structure of Liabilities	
1. Loans from financial institutions	27,111
1.1. Short-term loans	15,000
1.2. Long-term loans	12,111
2. Deposits	1,329,093
2.1. Giro account and current account deposits	204,112
2.2. Savings deposits	197,481
2.3. Time deposits	927,500
3. Other loans	1,193,696
3.1. Short-term loans	0
3.2. Long-term loans	1,193,696
4. Derivative financial liabilities and other financial liabilities held for trading	465
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	70,233
8. Interest, fees and other liabilities	158,154
9. CAPITAL	188,525
TOTAL LIABILITIES AND CAPITAL	2,967,278

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Shareholders

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

Share in share capital (%)

81.91
 13.67

Management Board

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

Audit firm for 2003:

PricewaterhouseCoopers d.o.o., Zagreb

Supervisory Board

Paolo Fiorentino – chairman, Klaus Junker, Torsten Leue, Marina Monassi, Ante Vlahović, Guiseppe Vovk, Alessandro Maria Decio, Renieri de Marchis

**Income Statement,
as at 30 June 2004, in thousand kuna**

1. Net interest income	736,672
1.1. Total interest income	1,262,740
1.2. Total interest expenses	526,068
2. Net income from commissions and fees	274,631
2.1. Total income from commissions and fees	362,827
2.2. Total expenses on commissions and fees	88,196
3. Net other non-interest income	226,680
3.1. Other non-interest income	245,866
3.2. Other non-interest expenses	19,186
4. Net non-interest income	501,311
5. General administrative expenses and depreciation	568,688
6. Net operating income before loss provisions	669,295
7. Total expenses on loss provisions	24,693
7.1. Expenses on value adjustment and provisions for identified losses	-8,808
7.2. Expenses on provisions for unidentified losses	33,501
8. Income/loss before taxes	644,603
9. Income tax	83,520
10. Current year profit/loss	561,083

**Balance Sheet,
as at 30 June 2004, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	8,210,818
1.1. Money assets	605,980
1.2. Deposits with the CNB	7,604,838
2. Deposits with banking institutions	6,052,637
3. MoF treasury bills and CNB bills	909,665
4. Securities and other financial instruments held for trading and available for sale	5,022,423
4.1. Securities and other financial instruments held for trading	278,165
4.2. Securities and other financial instruments available for sale	4,744,258
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	2,516,459
5.1. Securities and other financial instruments held to maturity	1,641,953
5.2. Securities and other financial instruments bought on issue directly from the issuer	874,506
6. Derivative financial assets	11,245
7. Loans to financial institutions	302,366
8. Loans to other clients	25,340,750
9. Investments in subsidiaries and associates	1,385,821
10. Foreclosed and repossessed assets	30,421
11. Tangible assets (net of depreciation)	830,355
12. Interest, fees and other assets	1,186,027
13. Net of: Specific reserves for unidentified losses	510,447
TOTAL ASSETS	51,288,539

Structure of Liabilities	
1. Loans from financial institutions	203,413
1.1. Short-term loans	76,800
1.2. Long-term loans	126,613
2. Deposits	35,965,741
2.1. Giro account and current account deposits	7,748,794
2.2. Savings deposits	6,111,942
2.3. Time deposits	22,105,005
3. Other loans	7,884,883
3.1. Short-term loans	4,087,254
3.2. Long-term loans	3,797,629
4. Derivative financial liabilities and other financial liabilities held for trading	59,380
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	2,412,744
9. CAPITAL	4,762,377
TOTAL LIABILITIES AND CAPITAL	51,288,539

Attachment I

List of Banks by Peer Groups, end of period					
Bank no. as at 30 June 2004	Bank name and headquarter	Peer group number			
		Dec. 2001	Dec. 2002	Dec. 2003	Jun. 2004
1.	Banka Brod d.d., Slavonski Brod	–	IV	IV	IV
2.	Banka Kovanica d.d., Varaždin	–	IV	IV	IV
3.	Banka Sonic d.d., Zagreb	–	IV	IV	III
4.	Banka Splitsko-dalmatinska d.d., Split	–	IV	IV	IV
	Bayerische Hypo- und Vereinsbank AG, Glavna podružnica Zagreb ¹	IV	–	–	–
5.	Brodsko-posavska banka d.d., Slavonski Brod	IV	IV	IV	IV
	Cassa di Risparmio di Trieste - Banca d.d., Zagreb ²	IV	IV	–	–
6.	Centar banka d.d., Zagreb	IV	IV	III	III
	Convest banka d.d., Zagreb ³	IV	IV	–	–
7.	Credo banka d.d., Split	IV	IV	III	III
8.	Croatia banka d.d., Zagreb	II	II	II	II
	Dalmatinska banka d.d., Zadar ⁴	II	–	–	–
9.	Dresdner Bank Croatia d.d., Zagreb	III	II	III	III
10.	Dubrovačka banka d.d., Dubrovnik	II	II	II	II
11.	Erste & Steiermärkische Bank d.d., Zagreb	II	I	I	I
12.	Gospodarsko kreditna banka d.d., Zagreb	IV	IV	IV	IV
13.	Hrvatska poštanska banka d.d., Zagreb	II	I	I	I
	HVB Bank Croatia d.d., Zagreb ⁵	II	II	–	–
14.	HVB Splitska banka d.d., Split ⁶	I	I	I	I
15.	Hypo Alpe-Adria-Bank d.d., Zagreb	I	I	I	I
16.	Imex banka d.d., Split	IV	IV	IV	IV
	Istarska banka d.d., Pula ⁴	II	–	–	–
17.	Istarska kreditna banka Umag d.d., Umag	II	II	II	II
18.	Jadranska banka d.d., Šibenik	II	II	II	II
19.	Karlovačka banka d.d., Karlovac	III	III	II	II
20.	Kreditna banka Zagreb d.d., Zagreb	III	III	III	III
21.	Križevačka banka d.d., Križevci	–	IV	IV	IV
22.	Kvarner banka d.d., Rijeka	IV	IV	IV	IV
23.	Međimurska banka d.d., Čakovec	II	II	II	II
24.	Nava banka d.d., Zagreb	IV	IV	IV	IV
25.	Nova banka d.d., Zagreb	–	I	I	I
26.	Partner banka d.d., Zagreb	IV	III	III	III
27.	Podravska banka d.d., Koprivnica	III	II	II	II
28.	Požeška banka d.d., Požega	IV	III	IV	IV
29.	Primorska banka d.d., Rijeka	IV	IV	IV	IV
30.	Primus banka d.d., Zagreb ⁷	IV	IV	IV	IV
31.	Privredna banka – Laguna banka d.d., Poreč	IV	III	III	III
32.	Privredna banka Zagreb d.d., Zagreb	I	I	I	I
33.	Raiffeisenbank Austria d.d., Zagreb	I	I	I	I
	Riadria banka d.d., Rijeka ⁸	II	II	II	–
	Riječka banka d.d., Rijeka ⁹	I	I	–	–
34.	Samoborska banka d.d., Samobor	IV	IV	IV	IV
	Sisačka banka d.d., Sisak ⁴	III	–	–	–
35.	Slatinska banka d.d., Slatina	III	III	III	III
36.	Slavonska banka d.d., Osijek	II	II	II	II
37.	Štedbanka d.d., Zagreb	III	III	III	III
38.	Varaždinska banka d.d., Varaždin	II	II	II	II
39.	Volksbank d.d., Zagreb	II	II	II	II
	Zagorska banka d.d., Krapina ¹⁰	–	IV	–	–
40.	Zagrebačka banka d.d., Zagreb	I	I	I	I

¹ Bayerische Hypo- und Vereinsbank AG, Glavna podružnica Zagreb transferred its operations to HVB Bank Croatia d.d., Zagreb. ² Cassa di Risparmio di Trieste - Banca d.d., Zagreb transferred its operations to Zagrebačka banka d.d., Zagreb. ³ Convest banka d.d., Zagreb initiated liquidation proceedings. ⁴ Istarska banka d.d., Pula and Sisačka banka d.d., Sisak merged with Dalmatinska banka d.d., Zadar, creating a new bank which operates under the name Nova banka d.d., Zagreb. ⁵ HVB Bank Croatia d.d., Zagreb merged with Splitska banka d.d., Split. ⁶ Splitska banka d.d., Split operates under a new name of HVB Splitska banka d.d., Split. ⁷ Prva obrtnička banka d.d., Zagreb merged with Hypobanka d.d., Zagreb in July 2002, creating a new bank which operates under the name Primus banka d.d., Zagreb. ⁸ Riadria banka d.d., Rijeka merged with Privredna banka Zagreb d.d., Zagreb. ⁹ Erste & Steiermärkische Bank d.d., Zagreb merged with Riječka banka d.d., Rijeka, which changed its name to Erste & Steiermärkische Bank d.d., Rijeka. ¹⁰ Zagorska banka d.d., Krapina merged with Samoborska banka d.d., Samobor.

Attachment II

Banking Groups, as at 30 June 2004		
Banking group	Superordinate institution	Banking group members
1. NOVA BANKA	REGINTER d.o.o., Zagreb	Nova banka d.d., Zagreb Dubrovačka banka d.d., Dubrovnik
2. PRIVREDNA BANKA ZAGREB	Privredna banka Zagreb d.d., Zagreb	PBZ American Express d.o.o., Zagreb Međimurska banka d.d., Čakovec Privredna banka - Laguna banka d.d. Poreč PBZ Leasing d.o.o., Zagreb PBZ Invest d.o.o., Zagreb PBZ Croatia osiguranje d.d., Zagreb (mandatory pension fund) Invest Holding Karlovac d.o.o., Karlovac PBZ Nekretnine d.o.o., Zagreb (real estate) PBZ Stambena štedionica d.d., Zagreb
3. RAIFFEISENBANK AUSTRIA	Raiffeisenbank Austria d.d., Zagreb	Raiffeisen leasing d.o.o., Zagreb Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb (mandatory pension fund) Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom d.o.o., Zagreb (voluntary pension fund) Raiffeisen poslovni prostori d.o.o., Zagreb (business premises) Raiffeisen upravljanje nekretninama d.o.o., Zagreb (real estate) Raiffeisen consulting d.o.o., Zagreb Raiffeisen Invest d.o.o., Zagreb Raiffeisen stambena štedionica d.d., Zagreb
4. ZAGREBAČKA BANKA	Zagrebačka banka d.d., Zagreb	Varaždinska banka d.d., Varaždin Zagrebačka banka BH d.d., Mostar Universal banka d.d., Sarajevo Prva stambena štedionica d.d., Zagreb ZB Invest d.o.o., Zagreb Pominvest d.d., Split Zagreb nekretnine d.o.o., Zagreb (real estate) Allianz ZB društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o., Zagreb (voluntary pension fund) Allianz ZB mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb (mandatory pension fund)

