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Summary

Total assets of banks at the end of 2007 were HRK 345.1bn, which is an increase of HRK 40.5bn or 13.3% compared with the end-2006 balance. Changes in banks' balance sheets in 2007 were prompted by monetary and prudential measures of the CNB, the effects of which were reflected in slower asset growth, overall balance sheet currency restructuring and substitution of a part of foreign borrowing by additional capital at the end of 2007.

Slower bank asset growth notwithstanding, the banks' profit rose by 19.8% and stood at HRK 4,068.7m in 2007. ROAA rose from 1.5% to 1.6%, while ROAE declined from 12.4% to 10.9% as a result of large bank recapitalisation efforts in 2007. Increased profit was largely due to sources of a non-interest nature and reflects banks' growing reliance on less stable sources of income such as income from fees and commissions and income from trading activities.

Balance sheet currency restructuring, involving growth of the kuna component of banks' assets and liabilities, which started at the end of 2006, continued throughout 2007. Kuna assets rose by HRK 39.8bn, while kuna liabilities and capital rose by HRK 46.9bn in 2007. The growth of the kuna component was thus evident both on the asset and liability sides of the balance sheet and was accompanied by a fall in the foreign currency and the kuna component with a currency clause. At the end of 2007, bank assets consisted of 42.5% of kuna assets, 34.4% of foreign currency indexed assets and 23.2% of foreign currency assets. On the liabilities and capital side, the kuna component accounted for 48.8%, foreign currency indexed component accounted for 5.3% and foreign currency accounted for 45.9% of the total.

Banks' share capital rose by HRK 8.6bn or 51.8% in 2007 and due to the resulting increase in the regulatory capital, the capital adequacy ratio of banks rose from 13.98% in 2006 to 16.36% at the end of 2007. All banks achieved capital adequacy ratios above the legally prescribed minimum of 10%.

Total placements and contingent liabilities of banks rose by 13.4% in 2007. Bad placements and contingent liabilities (risk categories B and C) rose by 7.9%, with their share in total placements and contingent liabilities falling from 3.2% to 3.1%. The central bank measure aimed at restricting bank placements' growth mainly led to a slower growth of lending to enterprises. The banks channelled the bulk of their credit activities towards households. As a result, loans to that sector rose by 18.2%, with household loans accounting for 50.7% of total loans (net) at the end of 2007.

Slight positive developments were seen in the business of housing savings banks. A fall in their operating losses was due to placements' restructuring throughout 2007, which involved fewer securities investments and increased credit activities. As a result, the share of loans granted exceeded for the first time ever the share of securities in housing savings banks' assets. Such changes led to higher interest income from loans and smaller losses from sale and changes in the fair value of securities. Recapitalisation and increased regulatory capital notwithstanding, the growth of loans granted by housing savings banks led to a fall in the capital adequacy ratio from 16.53% at the end of 2006 to 14.51% at the end of 2007.

1 Banking Institutions' Business Operations Indicators

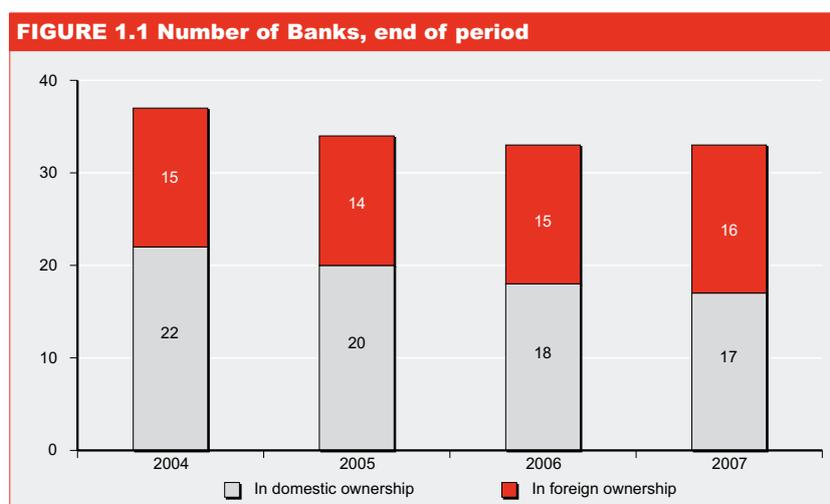
Data on the business operations of banks and housing savings banks for 2007 shown below are based on unconsolidated audited financial reports submitted to the Croatian National Bank by banks and housing savings banks.

The number of banking institutions operating in the Republic of Croatia did not change during the year so at the end of 2007 the banking sector of the Republic of Croatia comprised 33 banks and 5 housing savings banks. Banks accounted for 98.1% and housing savings banks accounted for 1.9% of total banking sector assets.

1.1 Banks

1.1.1 Structure of Banks in the Republic of Croatia

As at the end of 2006, there were 6 large, 4 medium-sized and 23 small banks operating in the Republic of Croatia at the end of 2007.¹ The share of assets of individual groups of banks in total assets of banks changed somewhat during the year (Table 1.1). The group of medium-sized and small banks increased their shares (medium-sized banks by almost one full percentage point and small banks by one third of a percentage point) which led to a fall in the share of large banks of 1.2 percentage points, for the second year in a row. Thus, large banks reduced their share in total assets to below four fifths, or to 79.0%.



¹ See Attachment I, List of Banking Institutions by Peer Groups, end of period.

The number of banks in majority foreign ownership rose from 15 at the end of 2006 to 16 at the end of 2007 (Table 1.2) as a result of a takeover of one small domestic bank in private ownership by a foreign financial institution.² The number of banks in domestic state ownership remained unchanged.

	Dec. 2004		Dec. 2005		Dec. 2006		Dec. 2007	
	Number of banks	Share						
Large banks	6	81.7	6	81.9	6	80.2	6	79.0
Medium-sized banks	4	9.9	4	10.4	4	12.0	4	12.9
Small banks	27	8.4	24	7.7	23	7.8	23	8.1
Total	37	100.0	34	100.0	33	100.0	33	100.0

Despite an increase in the number of banks in majority foreign ownership, their share in total assets of banks fell by 0.4 percentage points. This was most influenced by a growth in the assets of domestic state-owned banks (26.5%) that was twice as big as the growth in the assets of all banks together (13.3%). The assets of domestic private banks rose by 11.2%, the share of this sector falling slightly.

	Dec. 2004		Dec. 2005		Dec. 2006		Dec. 2007	
	Number of banks	Share						
Domestic ownership	22	8.7	20	8.7	18	9.2	17	9.6
Domestic private ownership	20	5.6	18	5.3	16	5.0	15	4.9
Domestic state ownership	2	3.1	2	3.4	2	4.2	2	4.7
Foreign ownership	15	91.3	14	91.3	15	90.8	16	90.4
Total	37	100.0	34	100.0	33	100.0	33	100.0

At the end of 2007, the number of banking groups subject to reporting to the Croatian National Bank through their superordinate banks, pursuant to the Decision on consolidated financial reports of a banking group, rose from eight to nine.³

1.1.2 Territorial Distribution of Banking Business Networks and Concentration in the Banking Sector

The number of operating units grew by 71, or 6.4% in 2007. The total number of ATMs grew more than twice as fast, (13.4%), reaching, with ATMs provided by other companies included,⁴ almost three thousand (Table 1.3).

The County of Zagreb and the City of Zagreb continued to have the largest concentration of operating units of banks, and accounted for over one fifth of all operating units, or 21.1% (Figure 1.2). Three counties had a concentration of around ten percent (County of Split-Dalmatia 11.9%, County of Primorje-Gorski Kotar 9.4% and County of Istria 9.2%), in contrast to other counties, where the concentration never exceeded six percent, with Osijek having a concentration of 6.0%, the highest in this group. The County of Lika-Senj again had the fewest operating units (1.4%). This county also had the smallest number of banks operating (7), while four of the counties with the highest concentration of operating units also had the largest number of banks operating, from 27 banks in the

² Cassa di Risparmio della Repubblica di San Marino S.p.A. became a majority shareholder in Banka Kovanica d.d.

³ For the composition of individual banking groups, see Attachment II, Banking Groups, as at 31 December 2007.

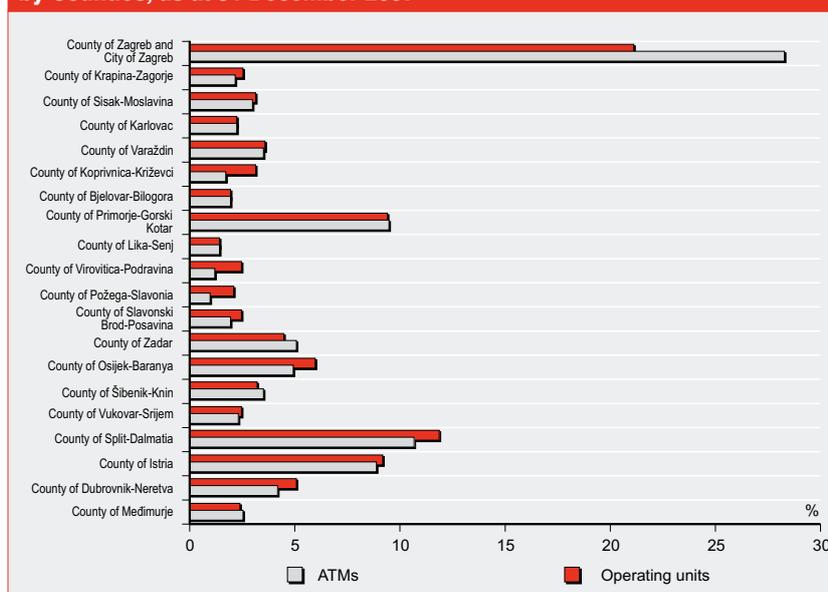
⁴ In 2006, Privredna banka Zagreb d.d. transferred its ownership of ATMs to PBZ Card d.o.o.

TABLE 1.3 Territorial Distribution of Operating Units and ATMs, end of period

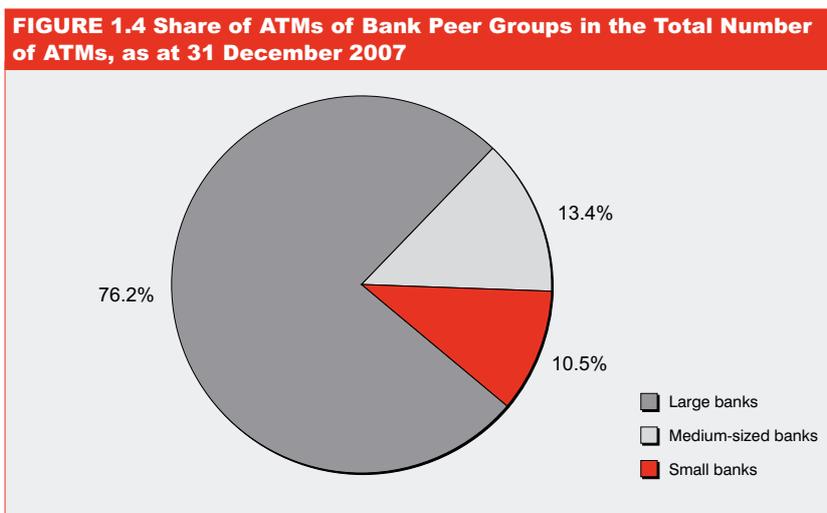
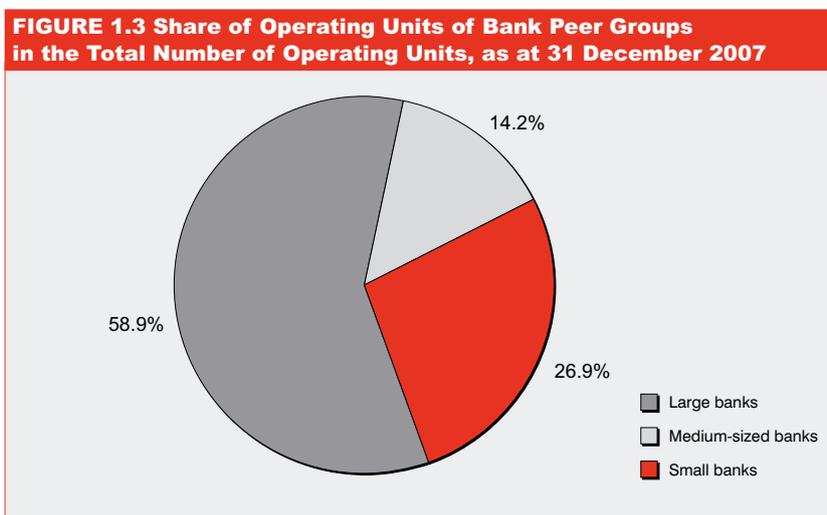
County	Dec. 2004		Dec. 2005		Dec. 2006		Dec. 2007	
	Operating units	ATMs						
County of Zagreb and City of Zagreb	201	552	224	656	229	740	251	848
County of Krapina-Zagorje	24	32	25	36	28	50	30	65
County of Sisak-Moslavina	29	47	35	59	35	80	37	90
County of Karlovac	27	42	25	50	24	61	27	67
County of Varaždin	38	67	40	82	40	93	43	105
County of Koprivnica-Križevci	31	35	51	40	36	44	37	51
County of Bjelovar-Bilogora	27	45	26	53	23	52	23	58
County of Primorje-Gorski Kotar	114	199	111	224	106	260	112	283
County of Lika-Senj	14	24	14	33	15	38	17	43
County of Virovitica-Podravina	26	19	25	25	27	36	29	36
County of Požega-Slavonia	24	22	25	24	25	32	25	30
County of Slavonski Brod-Posavina	23	31	28	38	27	49	29	57
County of Zadar	44	92	45	114	46	137	53	152
County of Osijek-Baranya	56	87	72	110	68	125	71	147
County of Šibenik-Knin	33	65	32	80	40	92	38	106
County of Vukovar-Srijem	22	38	23	51	24	57	29	70
County of Split-Dalmatia	121	214	124	251	131	279	141	320
County of Istria	103	170	107	218	109	234	109	265
County of Dubrovnik-Neretva	54	74	55	97	58	110	60	125
County of Međimurje	26	58	27	66	27	72	28	77
Total	1,037	1,913	1,114	2,307	1,118	2,641	1,189	2,995

County of Zagreb and the City of Zagreb to 18 in the Counties of Split-Dalmatia and Istria. Three banks, each through a single operating unit, operated in the territory of one county only.

The concentration of ATMs in the Republic of Croatia at the end of 2007 largely resembled that of operating units, with distinct dominance of Zagreb County and the City of Zagreb, which jointly account for over one fourth of all ATMs, or a total of 848 ATMs, amounting to 28.3% of the total. In three counties, the concentration of ATMs, as in the case of operating units, ranged around ten per cent (Split-Dalmatia 10.7%, Primorje-Gorski Kotar 9.5% and Istria 8.9%). In the County of Požega-Slavonia, there were the fewest ATMs installed (30, or 1.0%). Six small banks still had no ATMs.

FIGURE 1.2 Concentration of Banks' Operating Units and ATMs by Counties, as at 31 December 2007

All groups of banks increased the number of their operating units and ATMs. The largest increase was seen in the group of medium-sized banks, which increased the number of their operating units by 5.0% (though they continue to be the group with fewest operating units) and the number of ATMs by 14.0%. Large banks accounted for over three fourths of all the ATMs installed (76.2%) and over one half of all the operating units (58.9%).



For the purpose of analysing the concentration of shares of assets, loans and deposits in the banking sector, data on the assets levels of the ten largest banks are monitored. In the concentration analysis, banks are divided into three groups. The first group consists of the two largest banks, the second of the five largest banks, while the third group consists of the ten largest banks. Concentration is defined as the share of the amounts of assets, loans and deposits of individual bank groups in the total amount of the respective balance sheet items of all banks.

The end of 2007 saw a fall in the concentration, or the share of the said groups of largest banks in all the observed balance sheet items, i.e. assets, loans and deposits (Figure 1.5). The share of the assets of the two largest banks in the assets of all banks thus fell by 0.4 percentage points, reaching its lowest level since 2002, the share of the first five banks fell by 1.1 percentage points (its lowest level

since 2003), while the share of the ten largest banks fell by 0.4 percentage points (its lowest level since 2004). The assets of the two largest banks accounted for 40.9% of total assets, while the assets of the five largest banks accounted for almost three fourths of total assets (71.6%) and those of the ten largest banks accounted for 91.9% of the balance sheet total of all banks.

The share of the loans of the observed groups of banks in the total loans of banks also fell by 0.7 percentage points in the two largest banks, by 1.0 percentage point in the five largest banks (the share of the five largest banks being the lowest since 2003) and 0.5 percentage points in the group of the ten largest banks.

As regards the share of the deposits of the observed groups of banks in total deposits, the share of the two largest banks fell by 1.4 percentage points while that of the first ten banks group fell by 0.1 percentage point. The only increase in concentration was seen in the five largest banks group which was the only group that succeeded in increasing its share in total bank deposits by 1.9 percentage points.

With respect to shares in total loans and deposits, the shares of the observed groups were almost identical to their shares in total assets. The share of the two largest banks was a little over 40% (41.7%

FIGURE 1.5 Shares of the Largest Banks' Assets, Loans and Deposits in Total Assets, Loans and Deposits, as at 31 December 2007

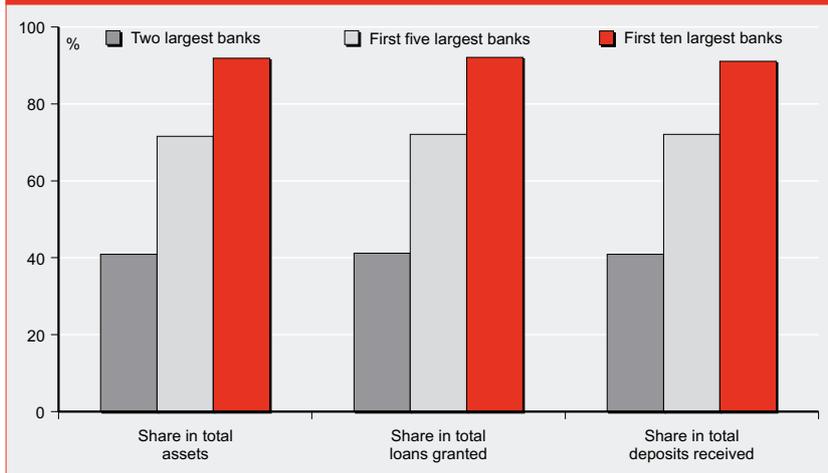
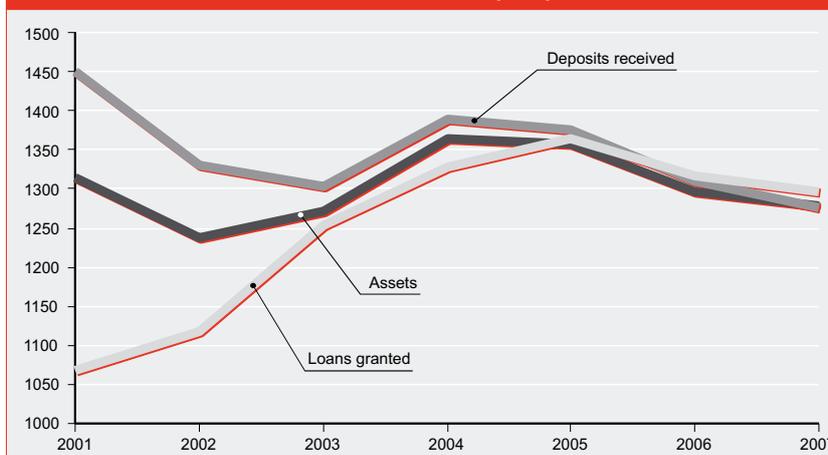


FIGURE 1.6 Herfindahl-Hirschman Index (HHI), all banks



and 41.8%, respectively), the share of the five largest banks was a little below three fourths (72.1%), while the share of the ten largest banks was over nine tenths (92.1% and 91.1%, respectively).

These falls in concentrations led to a fall in the Herfindahl-Hirschman index, which was only slightly higher in the case of assets and loans than it was in 2003, the lowest in the past five years. At the end of last year, the value of this index for asset concentration was 1278 units (only seven units up compared with 2003) while that for loan concentration was 1296 units, or 42 units more than five years ago. The value of the concentration of deposits index was the lowest in five years and stood at 1276 units.

1.1.3 Banks' Balance Sheet and Off-Balance Sheet Items

Changes in banks' balance sheets in 2007 were influenced by the monetary and prudential measures of the CNB, while the effects of the application of those measures were seen at the end of 2007 in slower assets growth, substitution of a part of foreign sources of financing with additional capital and currency restructuring of the entire balance sheet.

The total assets of all banks at the end of 2007 were HRK 345.1bn. Compared with the end-2006 balance, they rose by HRK 40.5bn, or 13.3%. Assets of almost all banks increased during that period, with the exception of two banks, where they decreased.

The annual growth rate of bank assets at the end of 2007 was slower than in the previous two years

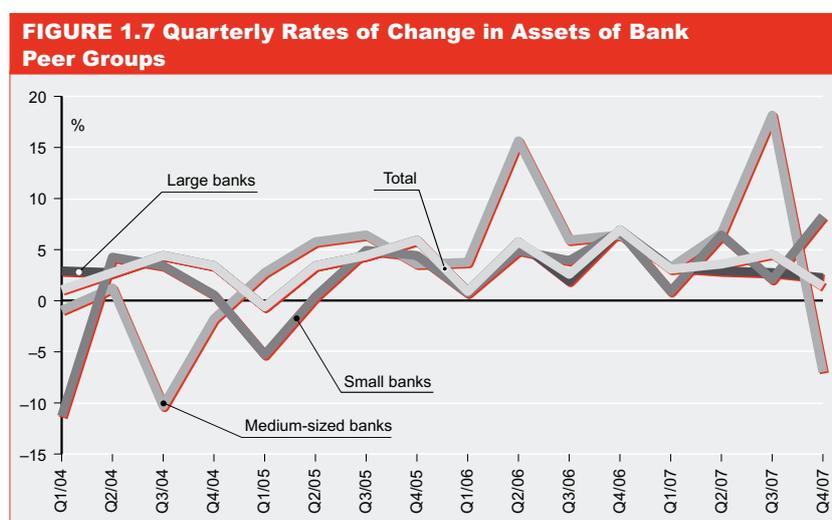
TABLE 1.4 Structure of Banks' Assets, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Dec. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	34,891.3	15.2	42,900.8	16.5	23.0	49,615.2	16.3	15.7	51,416.0	14.9	3.6
1.1. Money assets	3,062.1	1.3	3,347.1	1.3	9.3	3,931.0	1.3	17.4	4,551.9	1.3	15.8
1.2. Deposits with the CNB	31,829.2	13.9	39,553.7	15.2	24.3	45,684.2	15.0	15.5	46,864.2	13.6	2.6
2. Deposits with banking institutions	33,351.2	14.5	23,155.9	8.9	-30.6	26,005.6	8.5	12.3	35,118.0	10.2	35.0
3. MoF treasury bills and CNB bills	3,580.6	1.6	7,007.2	2.7	95.7	8,077.2	2.7	15.3	8,748.7	2.5	8.3
4. Securities and other financial instruments held for trading	6,566.1	2.9	8,285.5	3.2	26.2	7,730.4	2.5	-6.7	8,515.5	2.5	10.2
5. Securities and other financial instruments available for sale	9,918.6	4.3	11,820.8	4.5	19.2	12,678.2	4.2	7.3	11,326.4	3.3	-10.7
6. Securities and other financial instruments held to maturity	6,557.3	2.9	5,106.0	2.0	-22.1	3,311.9	1.1	-35.1	3,539.0	1.0	6.9
6.1. Securities and other financial instruments bought on issue directly from the issuer ^a	994.3	0.4	-	-	-	-	-	-	-	-	-
7. Securities and other financial instruments not traded in active markets but carried at fair value	-	-	1,101.4	0.4	-	460.1	0.2	-58.2	700.0	0.2	52.1
8. Derivative financial assets	152.0	0.1	147.3	0.1	-3.1	280.9	0.1	90.7	276.0	0.1	-1.8
9. Loans to financial institutions	3,289.5	1.4	3,867.3	1.5	17.6	4,035.4	1.3	4.3	6,949.8	2.0	72.2
10. Loans to other clients	121,912.6	53.2	148,089.7	56.9	21.5	183,740.0	60.3	24.1	209,318.8	60.7	13.9
11. Investments in subsidiaries and associates	1,687.5	0.7	1,601.8	0.6	-5.1	1,675.5	0.6	4.6	1,703.9	0.5	1.7
12. Foreclosed and repossessed assets	358.1	0.2	356.3	0.1	-0.5	445.6	0.1	25.1	355.7	0.1	-20.2
13. Tangible assets (net of depreciation)	3,786.9	1.7	4,198.8	1.6	10.9	4,434.1	1.5	5.6	4,510.5	1.3	1.7
14. Interest, fees and other assets	4,255.4	1.9	4,901.6	1.9	15.2	4,788.2	1.6	-2.3	5,471.4	1.6	14.3
15. Net of: Collectively assessed impairment provisions	1,996.1	0.9	2,263.1	0.9	13.4	2,672.6	0.9	18.1	2,866.2	0.8	7.2
TOTAL ASSETS	229,305.2	100.0	260,277.2	100.0	13.5	304,605.3	100.0	17.0	345,083.4	100.0	13.3

^a This category of financial assets is not stated in the revised IAS 39. It has been included in the above table due to its balance as at 31 December 2004.

(in 2006, bank assets grew by 17.0% and in 2005 by 13.5%). Slower bank assets growth in 2007 was mainly due to restricted placements growth as a result of the application of the measure on the subscription of compulsory CNB bills. In the first six months of 2007, assets grew by 6.8%, and the tightening of this restriction in the second half of the year caused a further growth slowdown, with banks' assets growth standing at 6.1% during the period.⁵

The largest relative influence on the slowdown of banks' assets growth was provided by the group of large banks, whose assets grew by 11.6% annually, a rate slower than that of the total bank assets and the annual growth rate of the other two peer groups of banks. For the third consecutive year, the assets of the group of medium-sized banks grew the fastest, though their assets' growth rate at the end of 2007 was slower than that in 2006 and stood at 20.9% (compared with 35.3% at the end of 2006). The assets of the group of small banks grew by 18.7% compared with the end of 2006.



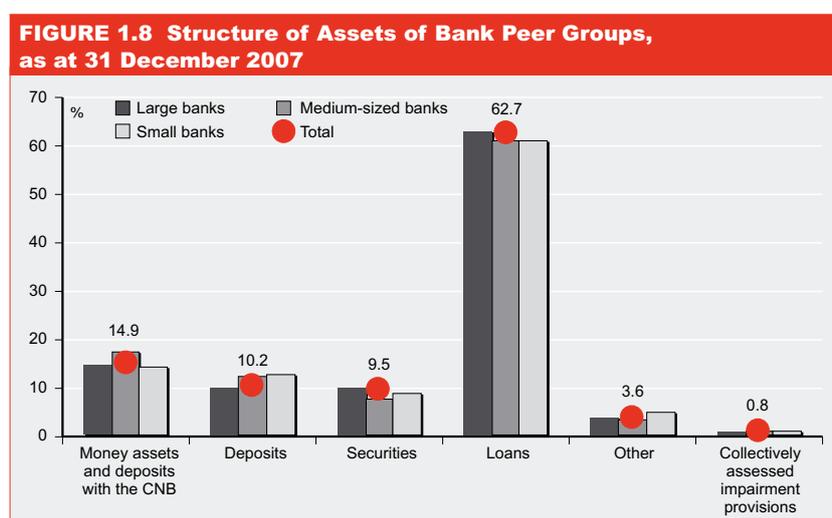
A change in the currency structure of assets and liabilities of banks during 2007 was seen in the strengthening of the kuna component of the balance sheet and a simultaneous fall in balance sheet assets indexed to a foreign currency, on both the banks' assets and liabilities sides. Almost the entire increase in assets compared with the end of 2006 was due to an increase in kuna assets which rose by HRK 39.8bn over the observed one-year period, or by 37.3%. The bulk of these changes were seen in the credit portfolios of banks, with kuna loans growing by HRK 30.3bn, or 57.1%, a growth outstripping total loans growth both in nominal and relative terms. Total assets of banks at the end of 2007 consisted of 42.5% of kuna assets, 34.4% of assets indexed to a foreign currency, and 23.2% of assets in foreign currency. Compared with the assets structure at the end of 2006, the most significant change was seen in the component of kuna assets, which rose by 7.4 percentage points, while the share of assets indexed to a foreign currency declined by 5.1 percentage points and foreign currency assets by 2.4 percentage points.

Total liabilities and capital of banks in kuna grew by HRK 46.9bn (38.6%) compared with their end-2006 balance, exceeding total liabilities growth of banks. At the same time, foreign currency

⁵ The second half of 2007 saw a further tightening of the Decision on the purchase of compulsory CNB bills. The new permissible rate of growth was set at 0.5% monthly, on a cumulative basis, instead of the previous 1% monthly, on a cumulative basis. After the CNB amended this measure towards the end of 2007 to ease inflationary pressures, the banks were no longer obligated to purchase compulsory CNB bills for the last calculation period in 2007.

indexed liabilities declined by HRK 14.9bn (45.0%). As regards the currency structure of liabilities and capital of banks at the end of 2007, 48.8% of the total consisted of liabilities and capital in kuna, 45.9% of liabilities and capital in foreign currency and 5.3% of liabilities and capital were indexed to a foreign currency. Compared with their end-2006 balance, the share of liabilities and capital indexed to a foreign currency declined by 5.6 percentage points, the share of kuna liabilities and capital rose by 8.9 percentage points while the share of liabilities and capital in foreign currency shrank by 3.3 percentage points.

The bulk of the increase in the total assets of banks in 2007 compared with their end-2006 balance was due to an increase in the total amount of loans granted, of HRK 28.5bn or 15.2%. Of the total loans, loans granted to financial institutions grew faster in relative terms (72.2%) than loans to the non-financial sector (13.9%, or HRK 25.6bn). The share of total loans granted in banks' assets rose by over one percentage point and stood at 62.7%. Despite having experienced the slowest growth (13.4%) over the observed one-year period, the loans of large banks still accounted for the major share of assets (63.1%). The amount of loans granted in medium-sized and small banks rose by 22.8% and 22.9%, respectively, with equal shares in assets (61.0%).



Credit activities of banks in 2007 were mainly focused on the household sector with loans granted to that sector increasing by HRK 16.9bn, 18.2% compared with the end of 2006. The HRK 109.5bn in net loans granted to households constituted over one half of the total amount of net loans of banks (50.7%). Home loans accounted for a little less than half of the growth in household loans. They rose by 22.5% and accounted for 41.0% of total net loans to the households and 20.7% of total net loans of banks. High growth rates (17.6%) were also seen in other household loans, which was partly due to financing provided to citizens by banks for the purchase of shares of state-owned enterprises put up for sale during 2007.

In terms of nominal increase of assets items at the end of 2007, loans came first and were followed by deposits placed to other banking institutions which rose by HRK 9.1bn or 35.0%. The bulk of this increase was associated with time deposits and notice deposits in foreign currency with foreign banks. Despite an increase of HRK 2.2bn (7.4%) in allocated reserve requirements at the end of 2007, total deposits of banks with the CNB rose by the lower HRK 1.2bn (2.6%) due to a fall in the banks' settlement accounts.

Banks increased their total securities investments only slightly compared with the end of 2006 (1.8%), with securities standing at HRK 32.8bn at the end of 2007. The increase in total securities investments was due to an increase in equity securities investments which were up 135.0%, while investments in debt securities fell by 0.4%. The significant increase in equity securities investments of banks led to an increase in the share of this type of securities in total securities from 1.6% at the end of 2006 to 3.7% at the end of 2007. Banks invested the most in corporate equity securities, with these investments accounting for 66.5% of their total equity securities stock at the end of 2007. The fall in total debt securities was due to a 4.9% fall in investments of banks into bonds and a 13.6% fall in investments in money market instruments. Looking at other types of debt securities, the biggest change was seen in banks investments in investment funds which were up 106.0% at the end of 2007 compared with the end of 2006. Bonds continued to be the most frequent instrument in total security portfolios of banks and accounted for 52.7% of the banks' total securities at the end of 2007. Banks distributed their funds equally in foreign bonds (HRK 8.0bn) and bonds of the Republic of Croatia and other government units (HRK 7.9bn).

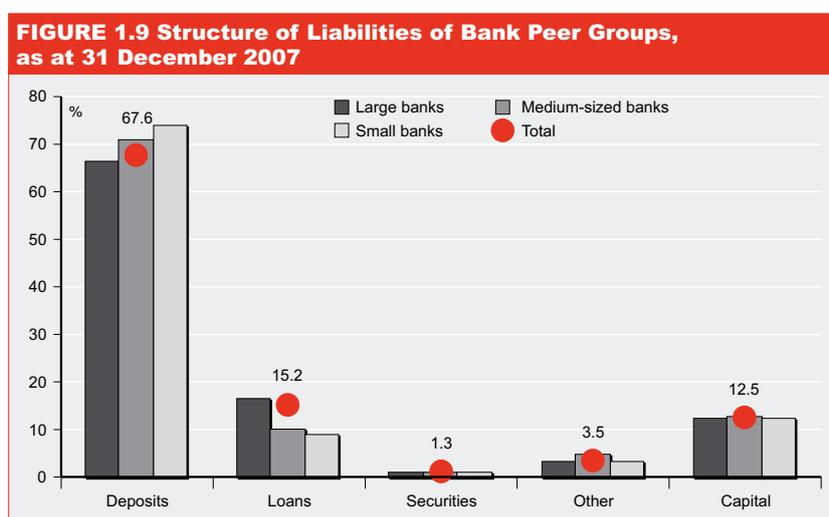
TABLE 1.5 Structure of Banks' Liabilities, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Dec. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	8,462.0	3.7	13,844.2	5.3	63.6	15,102.5	5.0	9.1	20,573.0	6.0	36.2
1.1. Short-term loans	3,592.1	1.6	7,346.5	2.8	104.5	7,286.7	2.4	-0.8	11,325.6	3.3	55.4
1.2. Long-term loans	4,869.9	2.1	6,497.7	2.5	33.4	7,815.8	2.6	20.3	9,247.4	2.7	18.3
2. Deposits	155,277.9	67.7	171,742.0	66.0	10.6	202,950.5	66.6	18.2	233,107.5	67.6	14.9
2.1. Giro account and current account deposits	25,561.2	11.1	29,175.2	11.2	14.1	37,696.5	12.4	29.2	45,283.6	13.1	20.1
2.2. Savings deposits	25,223.3	11.0	26,124.5	10.0	3.6	26,601.4	8.7	1.8	26,859.4	7.8	1.0
2.3. Time deposits	104,493.4	45.6	116,442.2	44.7	11.4	138,652.5	45.5	19.1	160,964.5	46.6	16.1
3. Other loans	31,368.3	13.7	36,191.2	13.9	15.4	39,762.9	13.1	9.9	31,738.8	9.2	-20.2
3.1. Short-term loans	5,265.3	2.3	8,213.9	3.2	56.0	10,028.1	3.3	22.1	5,528.8	1.6	-44.9
3.2. Long-term loans	26,103.0	11.4	27,977.3	10.7	7.2	29,734.8	9.8	6.3	26,210.1	7.6	-11.9
4. Derivative financial liabilities and other financial liabilities held for trading	238.8	0.1	223.7	0.1	-6.3	221.6	0.1	-0.9	218.9	0.1	-1.2
5. Debt securities issued	3,535.1	1.5	3,396.9	1.3	-3.9	3,583.4	1.2	5.5	3,476.7	1.0	-3.0
5.1. Short-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2. Long-term debt securities issued	3,535.1	1.5	3,396.9	1.3	-3.9	3,583.4	1.2	5.5	3,476.7	1.0	-3.0
6. Subordinated instruments issued	818.3	0.4	770.7	0.3	-5.8	758.1	0.2	-1.6	225.7	0.1	-70.2
7. Hybrid instruments issued	1,642.8	0.7	886.6	0.3	-46.0	552.4	0.2	-37.7	636.6	0.2	15.2
8. Interest, fees and other liabilities	8,280.3	3.6	9,778.3	3.8	18.1	10,413.5	3.4	6.5	11,782.6	3.4	13.1
TOTAL LIABILITIES	209,623.4	91.4	236,833.6	91.0	13.0	273,344.9	89.7	15.4	301,908.5	87.5	10.4
TOTAL CAPITAL	19,681.8	8.6	23,443.6	9.0	19.1	31,260.3	10.3	33.3	43,174.9	12.5	38.1
TOTAL LIABILITIES AND CAPITAL	229,305.2	100.0	260,277.2	100.0	13.5	304,605.3	100.0	17.0	345,083.4	100.0	13.3

Deposits received by banks were HRK 233.1bn, which is an increase of 14.9% compared with their end-2006 balance. Of the total increase in deposits of HRK 30.2bn at the end of 2007, HRK 28.0bn were accounted for by an increase in kuna deposits which rose by 39.0%. At the same time, total deposits indexed to a foreign currency fell by HRK 11.2bn, or 50.5%, while deposits in foreign currency rose by HRK 13.3bn, or 12.2%. As a result, the share of kuna deposits in total deposits rose from 35.4% at the end of 2006 to 42.9% at the end of 2007. The share of deposits indexed to foreign currency fell from 10.9% to 4.7% during the same period while the share of deposits in foreign currency did not undergo any significant changes and stood at 52.5%. Medium-sized banks had the highest growth rate of deposits received (20.3%). Small banks followed with 16.4%, while large banks had the lowest deposit growth rate (13.8%). Deposits continued to be most widely represented in the

liabilities structure of small banks (74.1%) while they accounted for 71.0% and 66.3% of liabilities in medium-sized and large banks, respectively.

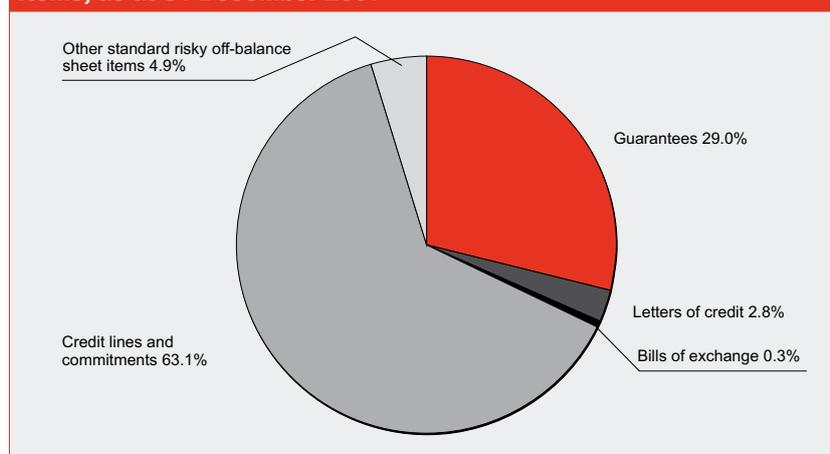
At the end of 2007, bank liabilities arising from loans received shrank by HRK 2.6bn or 4.7% compared with the end of 2006. While loans received from domestic financial institutions rose by HRK 5.5bn, or 36.2%, loans received from foreign financial institutions declined by HRK 8.0bn or 20.5%. Because of the beginning of application of the measure on the subscription of compulsory CNB bills and banks' efforts to increase their base for the growth of placements, the banks significantly increased their debt to majority foreign owners at the end of 2006. The fall in loans from foreign financial institutions at the end of 2007 was largely the result of a fall in these liabilities to majority foreign owners, with loans received from foreign owners falling by HRK 5.3bn or 23.2%. However, loans received from foreign owners still accounted for over one third of total loans, and combined with deposits of foreign owners accounted for 13.9% of total deposits and loans received by banks. Large banks used 86.6% of total loans received by all banks at the end of 2007.



At the end of 2007, banks reduced their total liabilities arising from debt securities and subordinated instruments issued while the total amount of hybrid instruments rose by 15.3%. Over the one year period observed, the share of all these instruments fell from 1.6% to 1.3% of liabilities.

Standard risky off-balance sheet items were HRK 68.9bn at the end of 2007, an increase of HRK 7.7bn or 12.5% compared with their end-2006 balance. On account of a growth in standard risky off-balance sheet items somewhat slower than in asset growth compared with the end of 2006, off-balance sheet to balance sheet assets ratio fell only slightly and stood at 20.0% at the end of 2007. Almost the full amount of the increase in standard risky off-balance sheet items can be attributed to an increase in credit lines and commitments of HRK 5.2bn and issued guarantees of HRK 2.4bn. As regards the structure of risky off-balance sheet items, the share of credit lines and commitments rose the most (0.6 percentage points), thus accounting for 63.1% of total standard risky off-balance sheet items (Figure 1.10).

Standard risky off-balance sheet items rose the most in large banks (13.4%), the least in small banks

FIGURE 1.10 Structure of Banks' Standard Risky Off-Balance Sheet Items, as at 31 December 2007

(0.2%), while medium-sized banks saw an increase of 11.2% in their standard risky off-balance sheet items.

The total contracted value of derivative financial instruments rose by 52.3% at the end of 2007 compared with their end-2006 value and stood at HRK 113.5bn. A half of the increase can be attributed to a 55.8% increase in contracted forwards agreements which accounted for the major share, or 54.4% of the total contracted value of derivative financial instruments at the end of 2007. Large banks accounted for 95.3% of the total contracted value of derivative financial instruments while medium-sized and small banks accounted for 4.2% and 0.5%, respectively, of the total contracted value.

1.1.4 Banks' Capital

CNB's monetary and prudential measures aimed at limiting bank foreign borrowing, maintaining minimum foreign currency liquidity and including currency-induced credit risk into the calculation of capital adequacy ratio have, together with an increase in costs of domestic and foreign funding, prompted banks towards a more significant use of capital as a source of growth. The ensuing recapitalisation efforts in the amount of HRK 8.6bn in 2007, led to a 51.8% increase in overall bank share capital (Table 1.6). The increase in share capital in 12 banks (three large banks, three medium-sized and six small banks) was the main generator of total bank capital growth, which was up 38.1% at the end of 2007, compared with the end of 2006. Compared with the end-2006 balance, the share capital of large banks rose by HRK 6.4bn or 54.6%. Share capital of medium-sized banks was up by HRK 1.8bn, or 66.1%, while that of small banks was up by HRK 0.4bn or 19.3%. These changes also caused the share of capital in the liabilities of banks to rise from 10.3% at the end of 2006 to 12.5% at the end of 2007.

The increase in total bank capital at the end of 2007 was also due to the current year profit which rose by 19.8% compared with the end of 2006 and the allocation of the major part of profit realised in 2006 to capital, i.e. retained earnings and reserves.

The increase in the share capital led to a change in the structure of total capital of banks, with the share of the banks' share capital standing at 58.3%, which is an increase of 5.2 percentage points compared with the end of 2006. Significant recapitalisation amounts of large banks led to an increase of 6.0 percentage points in the proportion of share capital, which reached 53.3% of their capital. The proportion of share capital in the capital of medium-sized banks also rose to 78.5% (2.9 percentage points), while in the capital of small banks it remained unchanged and stood at 74.3%.

Total capital of large banks accounted for 78.8%, or the largest proportion of total capital of banks, at the end of 2007. Total capital of medium-sized banks ranked next with a 13.0% share, while small banks accounted for 8.2% of the total capital of banks.

TABLE 1.6 Structure of Banks' Total Capital, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Dec. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	10,113.1	51.4	11,523.3	49.2	13.9	16,584.2	53.1	43.9	25,179.3	58.3	51.8
2. Current year profit/loss	3,036.8	15.4	3,247.8	13.9	6.9	3,394.8	10.9	4.5	4,068.7	9.4	19.8
3. Retained earnings/loss	1,899.0	9.6	2,499.9	10.7	31.6	3,716.8	11.9	48.7	4,212.0	9.8	13.3
4. Legal reserves	718.1	3.6	798.4	3.4	11.2	882.4	2.8	10.5	1,054.3	2.4	19.5
5. Total reserves provided for by the articles of association and other capital reserves	3,915.5	19.9	5,374.0	22.9	37.3	6,676.6	21.4	24.2	8,674.9	20.1	29.9
5.1. Reserves provided for by the articles of association and other capital reserves	3,918.2	19.9	5,350.4	22.8	36.6	6,662.0	21.3	24.5	8,644.2	20.0	29.8
5.2. Unrealised gains/losses on value adjustments of financial assets available for sale	-2.8	0.0	23.7	0.1	0.0	14.6	0.0	-38.2	30.7	0.1	109.9
5.3. Reserves arising from hedging transactions	0.0	0.0	0.0	0.0	0.0	8.3	0.0	0.0	-0.8	0.0	-109.4
6. Previous year profit/loss	-0.7	0.0	0.2	0.0	0.0	-2.7	0.0	0.0	-13.6	0.0	396.3
TOTAL CAPITAL	19,681.8	100.0	23,443.6	100.0	19.1	31,260.3	100.0	33.3	43,174.9	100.0	38.1

Bank recapitalisation efforts in 2007 also led to an increase in the regulatory capital of banks which stood at HRK 42.2bn at the end of 2007. Compared with its end-2006 balance, regulatory capital rose by HRK 10.0bn, or 31.0% (Table 1.7). Regulatory capital of medium-sized banks rose the most during the observed period (62.9%), while that of large and small banks rose by 27.5% and 21.5%, respectively.

TABLE 1.7 Changes in Banks' Regulatory Capital, end of period, in million HRK and %

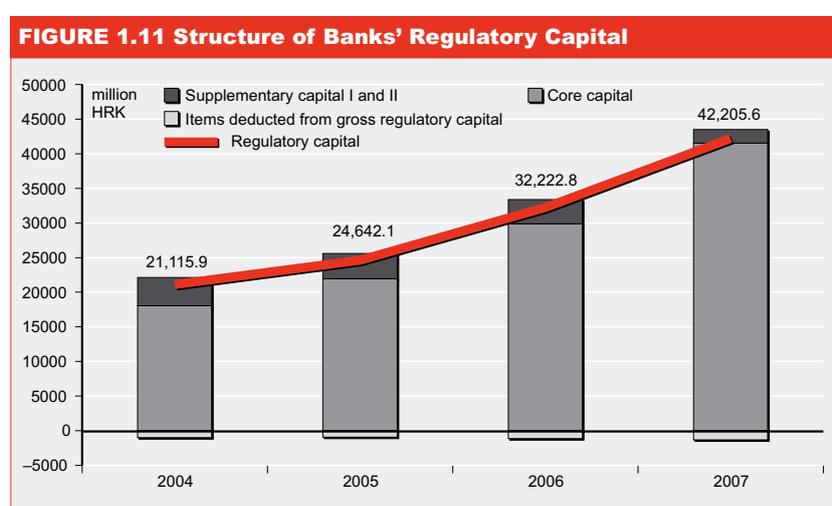
	Dec. 2004		Dec. 2005			Dec. 2006			Dec. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Large banks	15,870.3	75.2	19,160.5	77.8	20.7	25,577.9	79.4	33.5	32,612.3	77.3	27.5
Medium-sized banks	2,569.7	12.2	2,888.8	11.7	12.4	3,693.6	11.5	27.9	6,015.7	14.3	62.9
Small banks	2,675.9	12.7	2,580.7	10.5	-3.6	2,945.6	9.1	14.4	3,577.6	8.5	21.5
Total	21,115.9	100.0	24,630.0	100.0	16.6	32,217.1	100.0	30.8	42,205.6	100.0	31.0

As a result of recapitalisation and retained 2006 earnings, the core capital after deductions rose by HRK 11.9bn, or 39.8% compared with the end of 2006. On account of this change, the share of core capital after deductions rose by an additional 5.7 percentage points in the structure of gross regulatory capital, and stood at 95.5% at the end of 2007.

Supplementary capital I, which is included in the regulatory capital almost halved compared with the end of 2006. The transformation of a part of subordinated instruments into share capital and considerably bigger gross supplementary capital I deductions (183.2%) led to a 43.8% fall in supplementary

capital I which is included in the regulatory capital. The increase in gross supplementary capital I deductions was almost fully due to the exclusion of a portion of collectively assessed impairment provisions from regulatory capital, in accordance with the Decision on amendments to the instruction for the uniform implementation of the decision on the capital adequacy of banks (Official Gazette 41/2006).⁶ At the end of 2007, the banks included in their regulatory capital only a little over one third of the total amount of collectively assessed impairment provisions (HRK 1.2bn), with the portion of specific provisions which represent a deduction item from the supplementary capital I increasing by 175.5%.

Such changes in supplementary capital I led to a fall in its share in gross regulatory capital, which accounted for 4.5% of gross regulatory capital at the end of 2007, a fall of 6.0 percentage points compared with 2006.



The net value of banks' risk-weighted assets rose by HRK 38.9bn or 13.0% compared with the end of 2006, while the weighted amount of assets rose by HRK 23.9bn or 12.4%.

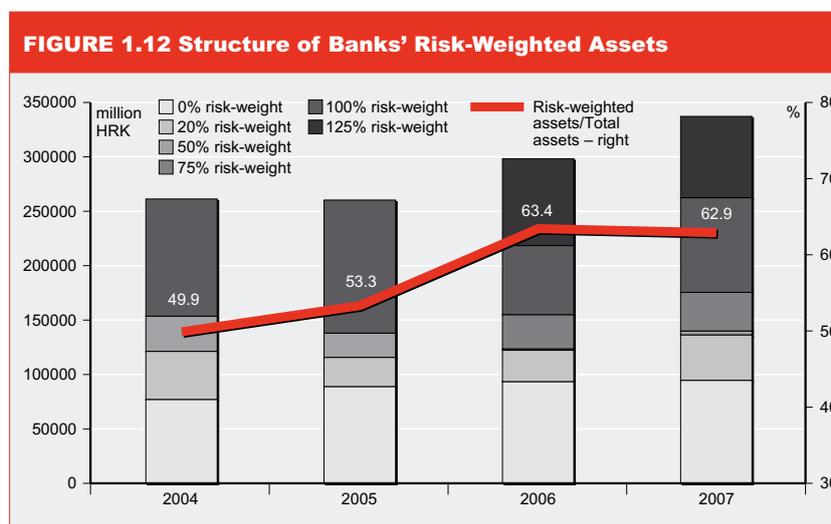
With their currency restructuring of assets in 2007, the banks reduced by HRK 5.2bn or 6.5% their inadequately covered foreign currency claims and claims with a currency clause on debtors with unmatched currency position which are on account of their maximum exposure to currency-induced credit risk assigned a risk weight of 125%. A portion of these claims was transferred into an increase in kuna claims which are weighted by a risk weight of 100% and constituted the most significant portion of the increase in the net value of weighted assets. Compared with its end-2006 balance, this portion of net assets rose by HRK 23.6bn, or 37.3%.

The increase in deposits with foreign and domestic banks led to a growth in net assets weighted by a risk weight of 20% by HRK 12.8bn or 44.5%. The growth in kuna home loans fully covered by mortgages on residential property led to an increase in net assets weighted by a risk weight of 50% by HRK 2.2bn or 154.9%. Foreign currency loans and loans with a currency clause, which are fully

⁶ In reports relating to 31 December 2007, the banks were obligated to report as a deduction item from supplementary capital I, the amount of collectively assessed impairment provisions exceeding 0.50% of the total credit risk-weighted balance sheet assets, total credit risk-weighted off-balance sheet items and total other credit risk-weighted off-balance sheet risky items.

covered and granted to debtors with unmatched currency position and assigned a risk weight of 75%, rose by HRK 4.1bn or 13.2%.

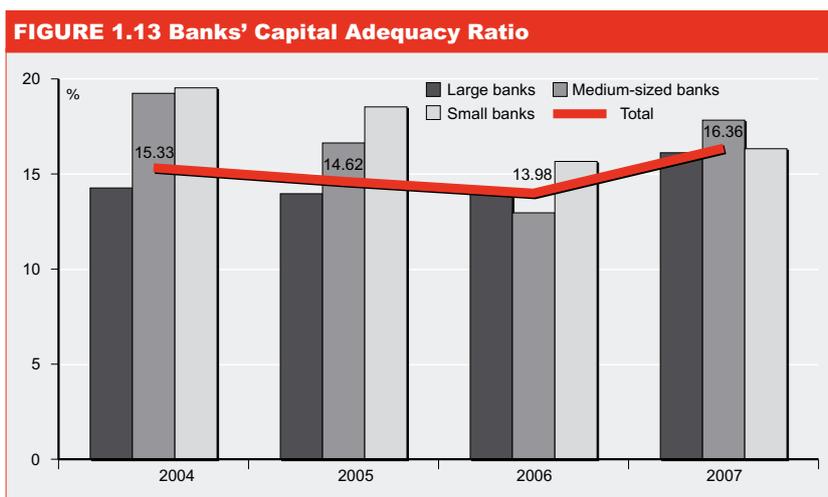
Claims assigned a risk weight of 0% rose by HRK 1.3bn or 1.4% and had the smallest impact on net assets weighted by a risk.



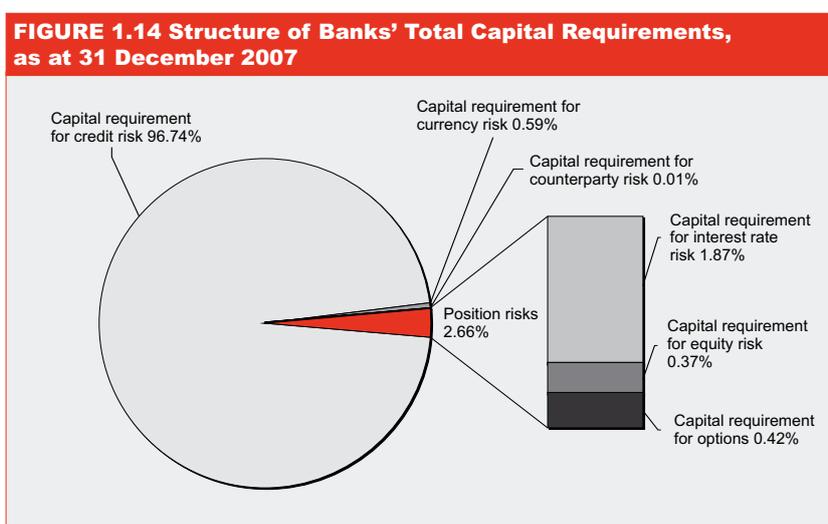
Currency restructuring of the assets of banks, most evident in changes in net assets assigned risk weights of 125% and 100%, led to changes in the structure of weighted assets of banks (Figure 1.12). Compared with their end-2006 balance, the share of assets assigned a risk weight of 125% fell from 51.7% to 43.0% at the end of 2007. At the same time, the share of assets assigned a risk weight of 100% rose from 32.8% to 40.1%. The largest share of bank net assets (28.1%) remained non-risky, i.e. assigned a risk weight of 0%. Given a slower growth of weighted assets of banks compared with total assets growth, their ratio fell from 63.4% at the end of 2006 to 62.9% at the end of 2007.

A downward trend in the capital adequacy ratio in the past few years was halted at the end of 2007, as a result of bank recapitalisation and slower growth of placements and banks exposure to risks. Banks' capital adequacy ratio at the end of 2007 was 16.36%, which is an increase of 2.38 percentage points compared with the end of 2006 (Figure 1.13). All banks achieved capital adequacy ratios above the legally prescribed minimum of 10%. Medium-sized banks had the highest and fastest growing capital adequacy ratio, which increased from 12.96% at the end of 2006 to 17.83% at the end of 2007. The group of large banks increased their capital adequacy ratio from 13.97% at the end of 2006 to 16.11% at the end of 2007, while the group of small banks increased their capital adequacy ratio from 15.64% to 16.32% during the observed period. At the end of 2007, only one small bank had a capital adequacy ratio below 11%.

Total capital requirements at the end of 2007 were HRK 25.8bn, which is an increase of 12.0% compared with the end of 2006. There was a small change in the structure of total capital requirements which involved a reduction in the capital requirements for credit risk from 97.19% at the end of 2006 to 96.74% at the end of 2007 and an increase in the capital requirements for market risks from 2.81% to 3.26% (Figure 1.14). The reason for this change lies in a growth of capital requirements



for market risks (30.0%) faster than that of the capital requirements for credit risk (11.5%). Of the risks included under market risks, the largest growth rate was seen in the capital requirements for equity risk (128.1%), with the largest nominal increase being seen in capital requirements for general interest rate risk (HRK 132.6m, or 33.2%). Compared with their end-2006 balance, total capital requirements rose the most in the medium-sized group of banks (18.4%), then in the group of small banks (16.4%), while they grew the least in the group of large banks (10.5%).



1.1.5 Banks' Income Statement

In 2007, the profit of banks totalled HRK 4,068.7m, an increase of 19.8% compared with the end of 2006.

Thirty banks achieved a total profit of HRK 4,103.7m, while three small banks which account for 0.6% of total assets of banks, reported losses totalling HRK 35.0m. Due to these losses and a fall

in profit reported by six other banks, the group of small banks reported a 4.9% fall in their profit. A fall in profit in 2007 was also reported by one large and one medium-sized bank. However, the total profit of large and medium-sized banks rose by 21.2% and 27.1%, respectively. Large banks accounted for 85.2% of total bank profit, while medium-sized and small banks accounted for relatively small shares in the total of 9.0% and 5.7%, respectively, in view of their shares in total assets of banks (12.9% and 8.1%, respectively).

Medium-sized banks increased their net interest income and other components of net income at an above-average rate and thus recorded, notwithstanding a significant increase in provision expenses, the highest profit growth rate of all bank groups. Profit growth in the large banks was mostly due to an increase in net non-interest income, mainly net income from fees and commissions and efficient cost management. Unlike the other two groups of banks, small banks did not report any considerable increase in net non-interest income, so that increased provision expenses led to a fall in profit despite their solid net interest income growth.

TABLE 1.8 Banks' Income Statement, in million HRK

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.-Dec. 2006	Jan.-Dec. 2007	Jan.-Dec. 2006	Jan.-Dec. 2007	Jan.-Dec. 2006	Jan.-Dec. 2007	Jan.-Dec. 2006	Jan.-Dec. 2007
1. Net interest income	5,890.3	6,513.9	990.2	1,137.2	810.2	904.8	7,690.7	8,555.9
1.1. Total interest income	11,694.5	14,276.6	1,737.6	2,279.9	1,455.7	1,690.0	14,887.9	18,246.5
1.2. Total interest expenses	5,804.2	7,762.7	747.4	1,142.6	645.5	785.2	7,197.2	9,690.6
2. Net income from fees and commissions	1,792.6	2,297.0	249.5	331.5	181.6	210.9	2,223.8	2,839.3
2.1. Total income from fees and commissions	2,513.1	3,056.0	790.2	833.0	294.8	318.6	3,598.1	4,207.5
2.2. Total expenses on fees and commissions	720.5	759.0	540.7	501.4	113.1	107.7	1,374.3	1,368.2
3. Net other non-interest income	800.6	1,037.6	52.6	80.6	145.2	162.6	998.5	1,280.8
3.1. Other non-interest income	1,485.1	1,557.0	166.7	233.3	246.0	285.2	1,897.8	2,075.4
3.2. Other non-interest expenses	684.5	519.3	114.1	152.6	100.7	122.6	899.3	794.6
4. Net non-interest income	2,593.2	3,334.6	302.1	412.2	326.9	373.4	3,222.2	4,120.2
5. General administrative expenses and depreciation	4,396.7	4,819.6	830.3	916.2	769.0	871.8	5,996.1	6,607.6
6. Net operating income before loss provisions	4,086.8	5,028.8	462.0	633.2	368.0	406.4	4,916.8	6,068.5
7. Total expenses on loss provisions	520.4	690.4	98.6	167.7	61.5	104.1	680.5	962.1
7.1. Expenses on value adjustments and provisions for identified losses	184.1	369.7	3.9	90.4	15.9	68.5	203.9	528.7
7.2. Expenses on collectively assessed impairment provisions	336.3	320.6	94.7	77.3	45.6	35.5	476.6	433.4
8. Income/loss before taxes	3,566.3	4,338.5	363.5	465.6	306.6	302.3	4,236.3	5,106.4
9. Income tax	706.1	870.8	74.0	97.6	61.4	69.3	841.5	1,037.7
10. Current year profit/loss	2,860.2	3,467.6	289.5	368.0	245.1	233.1	3,394.8	4,068.7

Total net income of banks (the sum of net interest and net non-interest income of banks) rose by 16.2% compared with the end of 2006. The fastest growth in net income was achieved by medium-sized banks (19.9%) while large and small banks ranked next with 16.1% and 12.4%, respectively.

Over one half of the increase in total net income of banks comes from net non-interest income, which was up HRK 898.0m (27.9%) while net interest income, the basic and most stable source of banks' income, rose by HRK 865.2m (11.3%) in 2007. CNB measures and a slowdown in placements growth notwithstanding, the growth rate of net interest income outstripped that in 2006 (9.8%), which can at least partly be attributed to increased interest rates on loans in 2007. However, due to a considerable increase in net non-interest income, the achieved rate of growth was not sufficient to increase the share of net interest income in net income which was down from 70.5% to 67.5%.

In 2007, banks relied more heavily on non-recurrent income sources such as income from fees and

commissions and earnings related to trends on the financial market, the foreign exchange market above all, which conditions derivatives operations, most of which have the exchange rate as the underlying variable, as well as on the capital market. The share of income from fees and commissions and other non-interest income rose to 22.4%, or 10.1% of net income. The biggest increase was seen in the share of net income from fees and commissions and was the result of the increase of 27.7% (HRK 615.6m) in this kind of income. The largest contribution to total income from fees and commissions was provided by increased income from fees and commissions for other banking services (securities transactions for the account of other persons, cards operations, e-banking, fees for managing deposit accounts, etc.) of 29.9% (HRK 520.2m). Income from fees for payment operations services was up by a moderate HRK 89.4m or 4.8% with income from fees for other banking services in 2007 exceeding income from fees for payment operations services for the first time ever (53.7% compared to 46.3% of income from fees and commissions).

In addition to net income from fees and commissions, the growth in net non-interest income can also be attributed to an increase in net other non-interest income of HRK 282.4m (28.3%), most notably the growth of income from trading activities (HRK 407.7m or 38.4%). Losses on securities trading fell compared with 2006 while income from derivatives trading was up by a high 125.3% (HRK 397.6m) and reached 48.6% of total income from trading activities. Income from foreign exchange trading declined somewhat (3.6%) though it continued to account for the largest share of income from trading activities (51.5%). The growth in net other non-interest income was also due to a fall in expenses on this basis of HRK 104.8m, or 11.6%. A negative impact on net other non-interest income was produced by losses on exchange rate fluctuations (HRK 260.0m) and a fall in income from activities in the category of assets available for sale of HRK 154.6m or 80.2%. A fall in income on the portfolio available for sale was due to a sale of securities from this portfolio and above all points to unfavourable developments in the price of domestic debt securities in 2007.

TABLE 1.9 Structure of Banks' Income, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.-Dec. 2006	Jan.-Dec. 2007	Jan.-Dec. 2006	Jan.-Dec. 2007	Jan.-Dec. 2006	Jan.-Dec. 2007	Jan.-Dec. 2006	Jan.-Dec. 2007
1. INTEREST INCOME	74.5	75.6	64.5	68.1	72.9	73.6	73.0	74.4
1.1. Interest income from loans granted	63.2	63.2	53.4	56.7	62.4	60.6	61.8	62.1
1.2. Interest income from deposits	4.1	5.7	4.9	6.4	4.7	6.3	4.3	5.9
1.3. Interest income from debt securities	6.6	6.3	6.1	4.9	5.6	4.6	6.4	5.9
1.4. Interest income from interest rate swaps	0.2	0.2	0.0	0.1	0.0	0.0	0.2	0.2
1.5. Net balances on exchange rate fluctuations related to interest income	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
1.6. Interest income from previous years	0.4	0.2	0.1	0.1	0.2	0.2	0.4	0.2
2. INCOME FROM FEES AND COMMISSIONS	16.0	16.2	29.3	24.9	14.8	13.9	17.7	17.2
2.1. Income from fees for payment operations services	7.2	6.5	21.8	17.0	7.5	6.5	9.1	7.9
2.2. Income from fees for other banking services	8.9	9.6	7.5	7.9	7.3	7.5	8.5	9.2
2.3. 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
3. OTHER NON-INTEREST INCOME	9.5	8.2	6.2	7.0	12.3	12.5	9.3	8.5
TOTAL INCOME	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Income expenses again outgrew interest income in 2007 (34.6%, compared to 22.6%), with their ratio increasing from 48.3% to 53.1%. Interest expenses associated with deposits rose by 39.1%, while those associated with received loans rose by 31.0%, increasing the share of interest expenses associated with deposits in total interest expenses from 69.0% to 71.3%. The increase in interest expenses

based on deposits of enterprises and households had an almost equal effect on the growth of interest expenses, despite significant differences in the growth rates of these expenses. While expenses based on deposits of enterprises rose by 62.8%, those based on deposits of households rose by 18.8%. Expenses based on deposits received from foreign persons and expenses based on loans received from domestic financial institutions also rose considerably (50.8% and 82.3%, respectively).

On the interest income side, the share of interest income from loans granted fell from 84.6% to 83.7% of total interest income and so did the share of interest income from debt securities, which fell to 8.0%, while the share of interest income from deposits rose to 7.9% owing to a 77.4% increase in interest income from deposits with foreign financial institutions. Interest income from loans rose by 21.2%. In terms of structure, the share of interest income from loans to enterprises, financial institutions and foreign persons rose while the share of interest income from loans to households, government units and non-profit institutions fell. Interest income from loans to households continued to account for the major share of interest income from loans (54.1%), while interest income from loans to enterprises accounted for 36.8% of interest income from loans. Interest income from loans to households rose by below average (16.2%), while income from cash loans, overdraft facilities and other loans and home loans rose the most (18.6% and 22.3%, respectively). Income from cash loans, overdraft facilities and other loans accounted for over one half of income from loans to households, and combined with income from home loans for around four fifths of income from loans to households.

TABLE 1.10 Structure of Banks' Expenses, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.-Dec. 2006	Jan.-Dec. 2007	Jan.-Dec. 2006	Jan.-Dec. 2007	Jan.-Dec. 2006	Jan.-Dec. 2007	Jan.-Dec. 2006	Jan.-Dec. 2007
1. INTEREST EXPENSES	47.9	53.3	32.1	39.7	38.2	39.4	44.6	49.9
1.1. Interest expenses on loans received	11.9	13.0	5.0	5.1	2.9	3.5	10.0	10.9
1.2. Interest expenses on deposits	31.5	36.4	25.1	32.4	32.9	33.7	30.7	35.6
1.3. Interest expenses on debt securities	1.8	1.3	0.2	0.5	0.4	0.4	1.4	1.1
1.4. Interest expenses on interest rate swaps	0.8	1.1	0.0	0.1	0.0	0.0	0.6	0.8
1.5. Savings deposits insurance premiums	1.8	1.6	1.6	1.5	1.9	1.7	1.8	1.6
1.6. Net balances on exchange rate fluctuations related to interest expenses	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.1
1.7. Interest expenses from previous years	0.2	0.0	0.1	0.1	0.1	0.0	0.2	0.0
2. EXPENSES ON FEES AND COMMISSIONS	5.9	5.2	23.2	17.4	6.7	5.4	8.5	7.0
2.1. Expenses on fees/commissions for banking services of residents	4.8	4.1	22.5	16.6	6.5	5.2	7.6	6.1
2.2. Expenses on fees/commissions for banking services of non-residents	1.1	1.1	0.7	0.9	0.2	0.2	1.0	1.0
2.3. 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
3. OTHER NON-INTEREST EXPENSES	5.6	3.6	4.9	5.3	6.0	6.2	5.6	4.1
4. GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION	36.3	33.1	35.6	31.8	45.5	43.8	37.1	34.0
5. LOSS PROVISION EXPENSES	4.3	4.7	4.2	5.8	3.6	5.2	4.2	5.0
5.1. Expenses on value adjustments and provisions for identified losses	1.5	2.5	0.2	3.1	0.9	3.4	1.3	2.7
5.2. Expenses on collectively assessed impairment provisions	2.8	2.2	4.1	2.7	2.7	1.8	3.0	2.2
TOTAL EXPENSES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

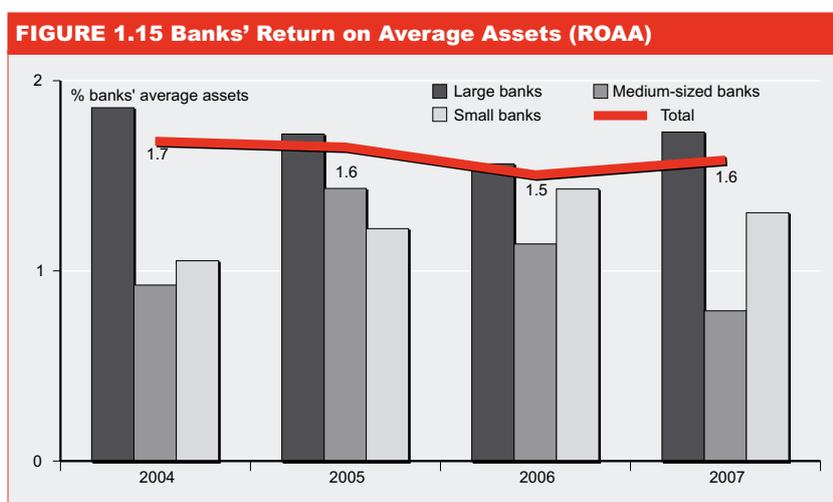
In 2007, general administrative expenses and depreciation rose by HRK 611.6m, or 10.2% and total expenses on loss provisions rose by HRK 281.6m (41.4%). The loss provision expenses to net operating income (before loss provisions) ratio rose from 13.8% in 2006 to 15.9% in 2007. The growth of

total expenses on loss provisions was due to increased expenses on placement value adjustments and provisions for identified losses on contingent liabilities (HRK 324.7m or 159.2%), while at the same time collectively assessed impairment provisions fell by HRK 43.1m (9.1%). Increased expenses on placement value adjustments and provisions for identified losses were mainly the result of higher loan value adjustment expenses (74.1%) attributable to a 5.7% increase in bad loans (categories B and C) in 2007. Bad loans rose only in large banks (8.8%), with bad loans to enterprises and households as the fastest growing category of bad loans (10.9% and 6.4%, respectively).

1.1.6 Indicators of Banks' Returns

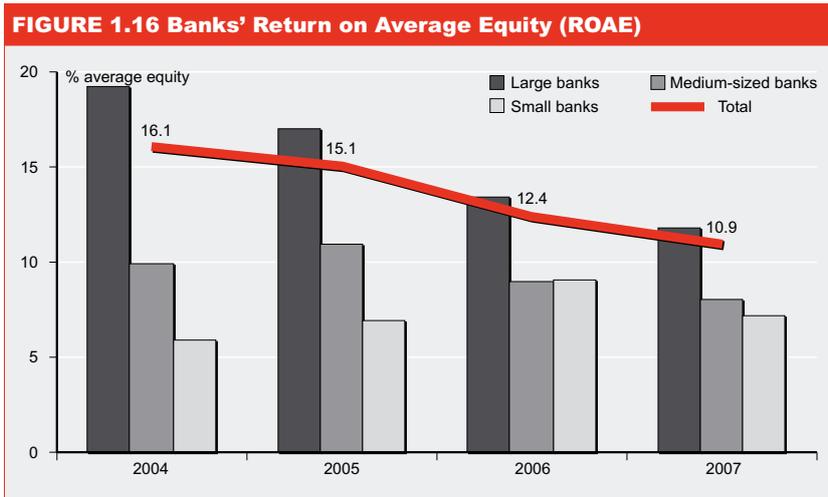
The return on the average assets of banks (as measured by ROAA) at the end of 2007 was 1.6% (Figure 1.15). As in the previous years, large banks had the highest ROAA value (1.7%), increasing by 0.1 percentage point. Small banks came next, with their ROAA indicator falling considerably from 1.4% to 1.2%, while ROAA of medium-sized banks remained the same as in 2006 (1.1%), with the lowest value among the observed groups of banks.

A slowdown in assets growth coupled with considerable increase in profit led to a 0.1 percentage point increase in ROAA of all banks compared with the end-2006 balance. Such developments were to a large extent due to developments in the said items in the group of large banks. The large increase in medium-sized banks' profit was not sufficient to increase the ROAA of this group of banks due to a concurrent increase in average assets while a decline in small banks' ROAA was the result of a fall in profit and a simultaneous increase in average assets.

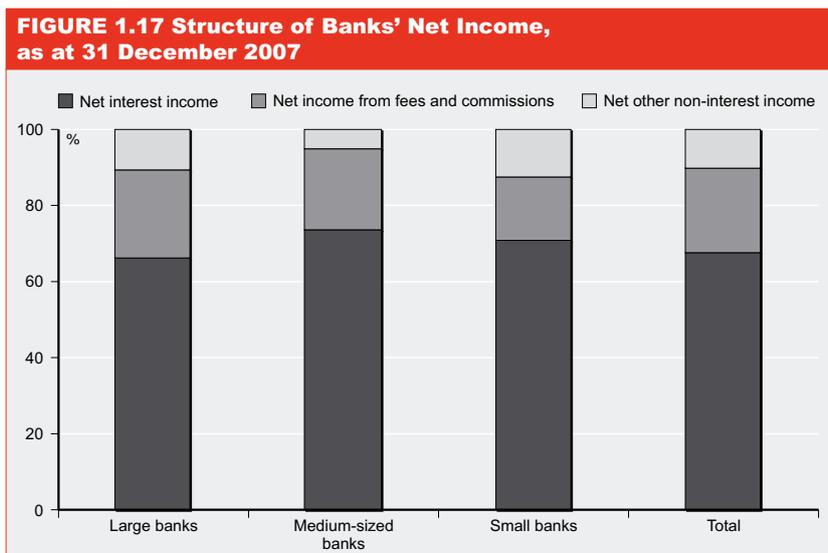


The return on average equity (ROAE) indicator in the sector was 10.9% (Figure 1.16), a fall of 1.5 percentage points compared with the end of 2006. Banks' capital rose by 38.1% in 2007 as a result of the CNB's prudential and monetary measures, which led to a 51.8% increase in banks' share capital. Therefore, not even the high profit growth could halt a further downward trend in ROAE, which has been seen for several years.

ROAE fell in all bank groups, and most notably in the group of small banks where it fell from 9.1% to 7.2%, its lowest value among all bank groups, due to a fall in profit. In both large and medium-sized

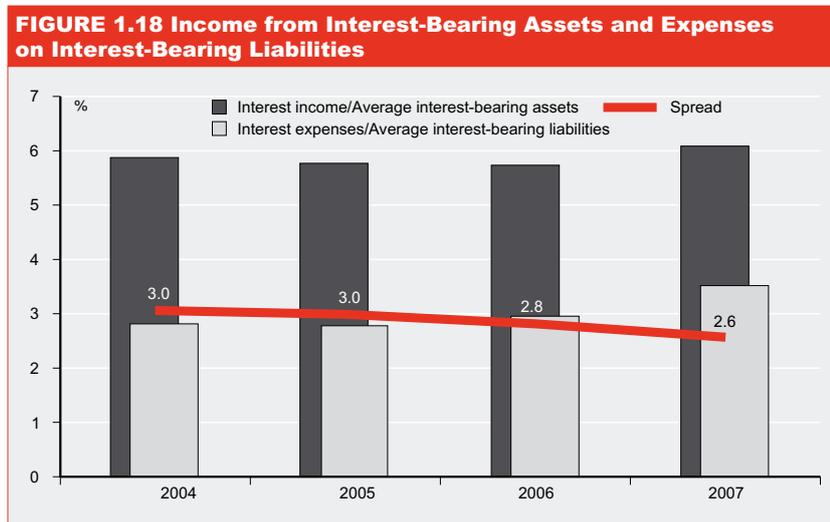


banks, the effect of average capital growth outstripped the effect of increased profit, with the ROAE of large banks falling by 1.6 percentage points to 11.8% and that of medium-sized banks falling by 1.0 percentage point to 8.0%.

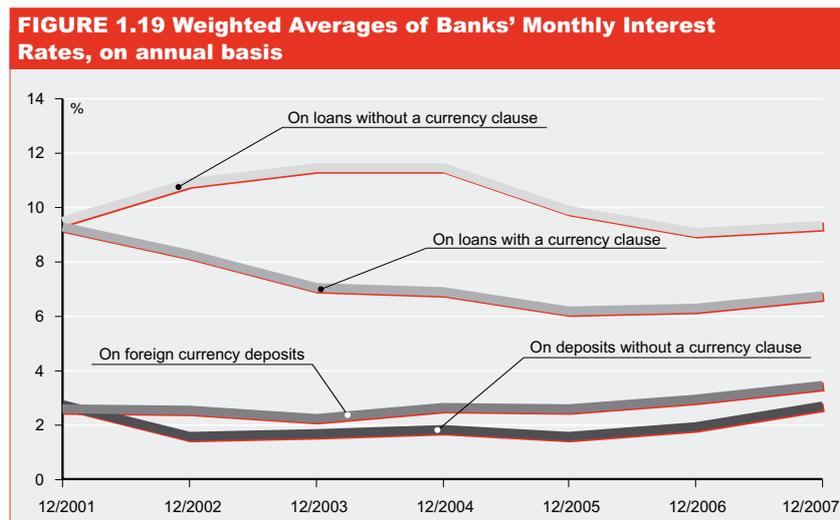


All banks reported a fall in the share of net interest income in the structure of net income. This share was smallest in the large banks (66.1%) while in small and medium-sized banks it was 70.8% and 73.4% of net income, respectively, indicating the significant reliance of these two groups of banks on traditional banking business such as lending. With 23.3% of net income in large banks, 21.4% in medium-sized banks and 16.5% of net income in small banks, net income from fees and commissions ranked next. Net other non-interest income of large banks stood at 10.5%, indicating to the volume of trading in the trading book. At 12.7% in small banks, this income reflects the importance of foreign exchange purchase and sale transactions for this group of banks. At 5.2%, the share of other non-interest income was the lowest in medium-sized banks. In general, it can be said that small banks focus more on income from lending activities than larger banks and rely more on well-established transactions such as currency exchange transactions than on new products and distribution channels, which are associated with higher initial expenses.

The average interest income rose by 0.3 percentage points and stood at 6.1% at the end of 2007, its highest value since 2003 (6.3%). With average interest expense growing even faster (up from 2.9% to 3.5%), the spread⁷ continued to trend downwards and stood at 2.6% at the end of 2007 (Figure 1.18).



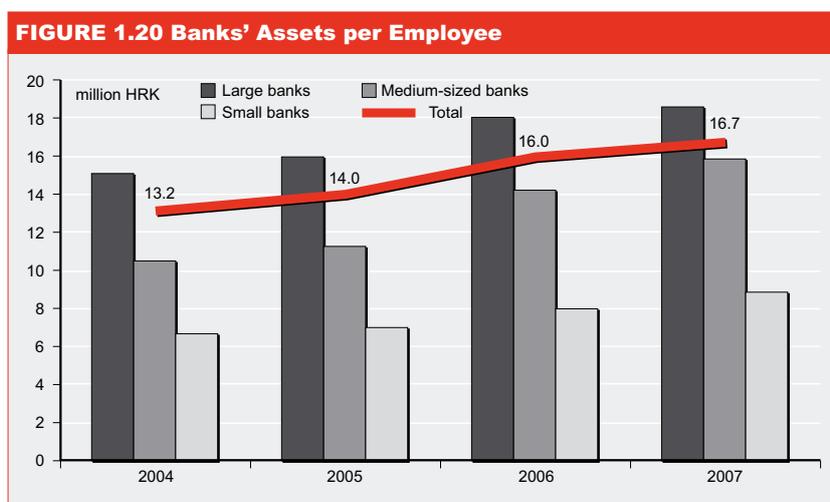
Large banks achieved the biggest increase in average interest income but also the biggest increase in average interest expense. As a result, the spread decline in large banks was the smallest. Similar developments caused the spread in medium-sized banks to decline too, this decline being the biggest among all bank groups. The spread decline in small banks was the result of a fall in average interest income and a simultaneous increase in average interest expense. The spreads in small, medium-sized and large banks stood at 3.4, 2.8 and 2.5 percentage points, respectively, at end-2007.



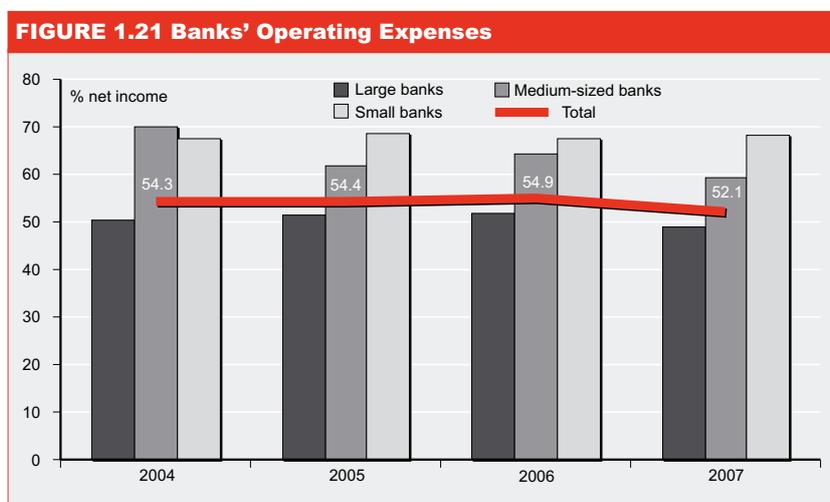
⁷ The spread was calculated as the difference between interest income earned on average interest-bearing assets and interest expense incurred on average interest-bearing liabilities.

Based on the developments in selected interest rates of banks (Figure 1.19), it can be concluded that the increase in average interest income is associated with the increase in interest rates on loans towards the end of 2007. The trend in interest rates on loans with no currency clause changed direction, i.e. the rates increased, while the rise in interest rates on loans with a currency clause was still more marked. The growth of interest rates on deposits was more considerable than a year earlier.

The number of employees in banks was up from 19 096 at the end of 2006 to 20 613 at the end of 2007, growing by 7.9%. At the same time, employee expenses increased by 10.7%. Large banks had the largest number of new employees (1 086 or 8.0%) but the most significant change was seen in the group of medium-sized banks where the number of employees rose by 8.9% (230 employees). The number of employees in small banks rose by 201 or 6.8%.



Assets per employee continued to grow, albeit somewhat slower. At the end of 2007, there was one employee for assets of HRK 16.7m (Figure 1.20). This indicator rose the most, or by 11.2%, to HRK 8.9m per employee in small banks, though it was only half of the value of the indicator reported by large banks (HRK 18.6m per employee). Despite considerable increase in the number of employees, the amount of assets per employee in medium-sized banks rose from HRK 14.2m to HRK 15.8m.



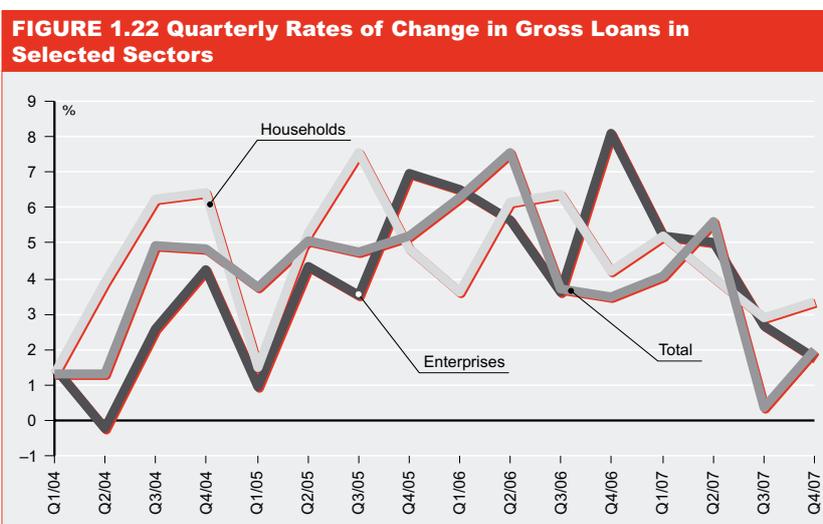
Cost efficiency, measured as costs to income ratio, continued to grow in 2007. Costs (general administrative expenses and depreciation) were up 10.2%, but the growth in net income of 16.2% led to an improvement in the cost to income ratio, i.e. its decline from 54.9% to 52.1%. Costs burden the most the operations of small banks which have the highest value of the observed indicator (68.2%), higher than at the end of 2006. The cost to income ratio in medium-sized and large banks fell and stood at 59.1% in medium-sized banks and 48.9% in large banks.

1.1.7 Banks' Exposure to Credit Risk

Total placements and contingent liabilities of banks had grown by HRK 46.8bn at the end of 2007, compared with the end of the previous year and reached HRK 396.4bn. This is an increase of 13.4%, almost one half less than the 25.5% increase in placements and contingent liabilities reported in 2006. Placements grew by a somewhat faster 13.6% while the growth of off-balance sheet contingent liabilities decreased by a little over one percentage point and stood at 12.5%. This increased the share of placements which accounted for 82.6% of total placements and contingent liabilities at the end of last year.

The biggest contribution to this increase was provided by gross loans growth of HRK 28.6bn, which is an increase of 14.8%. Deposits grew by a somewhat faster 15.1%, or HRK 10.7bn. In this way the growth of these two largest items of placements and contingent liabilities, which, combined, accounted for over three fourths of total placements and contingent liabilities (76.6%) sped up, combined, by another percentage point (loans grew 0.7 and deposits 0.3 percentage points). Contingent liabilities rose by HRK 7.7bn, causing their share to decrease by a slight 0.1 percentage point. The shares of other items remained the same as at the end of the previous year, with the largest change being sustained by the third largest item, debt securities and other assets available for sale (with a share of 3.8%) whose share shrank by 0.9 percentage points.

Due to an increase of 18.1% or HRK 17.2bn, household loans, so far also the biggest item, for the first time accounted for over one half, 50.6% to be precise, of total gross loans. The next in terms of size, loans to enterprises, grew by a slower 10.2%, with their share in the total falling by 1.6



percentage points to 38.8%. Large increases of 71.9% and 58.1%, respectively were reported for loans to financial institutions and non-residents.

The quality of placements and contingent liabilities improved only slightly in 2007, with the share of fully recoverable placements (risk category A) increasing by 0.1 percentage point (Table 1.11). The share of risk category C, or irrecoverable placements fell by exactly the same amount, while the share of partly recoverable placements and contingent liabilities (risk category B) did not change. Fully recoverable placements were up by 13.6% and bad placements and contingent liabilities (risk categories B and C) by 7.9%.

The main contribution in nominal terms to the increase in risk category A placements was provided by large banks with an increase of HRK 33.1bn (12.0%) though these placements grew the fastest (22.3%) in relative terms in medium-sized banks. By contrast, the increase in bad placements is almost entirely the result of a HRK 1.0bn or 12.6% increase in these placements in large banks, while medium-sized banks reduced these placements by 6.3% and small banks contributed to the increase by a slight 1.0%. The increase in bad placements notwithstanding, the ratio of bad to total placements of 2.8% remained the best (equal to that at end-2006) in large banks. In medium-sized banks it was 3.3% and in small banks it was 5.9% (the ratio improved in both groups of banks, relative to 2006).

TABLE 1.11 Classification of Banks' Placements and Contingent Liabilities by Risk Categories, in million HRK and %

	Dec. 2004		Dec. 2005		Dec. 2006		Dec. 2007	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	231,225.3	95.4	267,835.4	96.0	338,310.4	96.8	384,204.2	96.9
2. Partly recoverable placements (category B)	6,722.6	2.8	6,801.6	2.4	7,147.3	2.0	7,952.4	2.0
3. Irrecoverable placements (category C)	4,386.2	1.8	4,238.5	1.5	4,173.1	1.2	4,264.2	1.1
Total	242,334.1	100.0	278,875.5	100.0	349,630.8	100.0	396,420.8	100.0

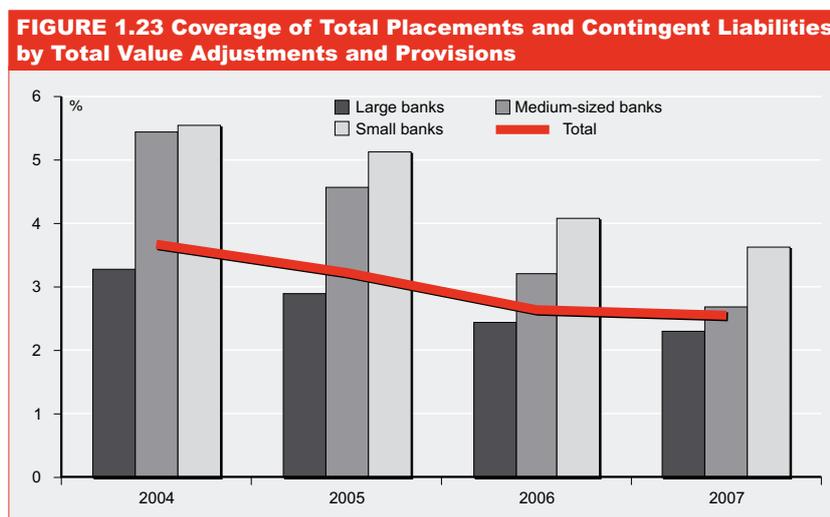
The ratio of total value adjustments and provisions to total placements and contingent liabilities continued to decline steadily throughout 2007 (Table 1.12). Its 0.1 percentage point fall is the result of faster growth of total placements and contingent liabilities compared with the growth of total value adjustments and provisions. Value adjustments and provisions were up 5.6%, less than half the increase in placements and contingent liabilities of 13.4%. Placement value adjustments and provisions for contingent liabilities rose by 1.4% and collectively assessed impairment provisions rose by 14.2%. This is due to the faster growth in risk category A placements (13.6%) compared with bad placements (risk categories B and C), which, combined, rose by 7.9% or separately by 11.3% and 2.2%, respectively.

The coverage of bad placements fell from 54.8% at the end of 2006 to 51.5% at the end of 2007 as a result of a much smaller increase in placement value adjustments and provisions for contingent liabilities (1.4%) compared with a 7.9% increase in bad placements.

TABLE 1.12 Ratio of Banks' Total Value Adjustments and Provisions to Total Placements and Contingent Liabilities, end of period, in million HRK and %

Placements	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007
1. Total value adjustments against placements and provisions for contingent liabilities	8,909.9	9,002.3	9,252.2	9,772.6
1.1. Value adjustments against placements and provisions for contingent liabilities	6,672.5	6,427.8	6,201.3	6,288.3
1.2. Collectively assessed impairment provisions	2,237.3	2,574.5	3,050.9	3,484.3
2. Total placements and contingent liabilities	242,334.1	278,875.5	349,630.8	396,420.8
3. Relative ratio: total value adjustments and provisions/total placements and contingent liabilities	3.7	3.2	2.6	2.5

The share of value adjustments and total provisions in total placements and contingent liabilities fell by 0.1 percentage point. Large banks again accounted for the smallest share in total placements and contingent liabilities (2.3% compared with 2.4% at the end of 2006). Medium-sized banks followed with 2.7% compared with 3.2% while small banks accounted for the largest share in total placements and contingent liabilities (down to 3.6% compared with 4.1% the year before).



Net loans granted in 2007 grew by 15.2% or HRK 28.5bn (Table 1.13). Net loans of medium-sized and small banks rose by almost the same amount (22.8% and 22.9%, respectively). Though at 13.4% the growth of net loans of large banks was below average, at HRK 20.3bn these loans contributed the most to the total absolute increase in net loans.

Household loans rose by HRK 16.9bn and accounted for the largest share of the increase in net loans. At 18.2%, their growth rate exceeded the total loans growth rate by 3 percentage points and increased their already biggest share in total loans, thus accounting for over one half of net loans, or 50.7% at the end of 2007. By contrast, net loans to enterprises, the second largest among net loans, rose by 11.0% or slower than loans in general, causing their share to fall by one and a half percentage points (from 40.0% to 38.5%).

The fastest growing categories in 2007 were net loans to financial institutions, which were up 72.2%, entirely as a result of high growth of loans to banks (111.2%), compared with loans to other financial institutions, which fell, and net loans to non-residents (64.6%). Both types of net loans steadily maintained their small shares in total net loans (3.2% and 0.7%, respectively). Impressive, almost tenfold, growth (940.4%) was seen in loans relating to financial leasing, though in absolute terms their value was still low and stood at HRK 7.3m.

All types of household loans grew in the past year, with their growth rates ranging from 1.5% in the case of car purchase loans, to 28.4%, the highest growth rate, for credit card loans. The largest item among household loans, other loans (cash general purpose loans, current account overdraft facilities, etc.) grew somewhat slower compared with total loans to households (17.6%) with their share in these loans falling by 0.2 percentage points to 43.7%. The next group of loans in terms of size, home loans, rose by 22.5% and accounted for 41.0% of total net loans to households at the end of 2007.

Medium-sized banks had the highest growth rate of net loans to households in 2007 (25.8%). In large banks these loans grew by 17.2% and in medium-sized banks by 16.4%, a somewhat slower growth compared to that of all the banks combined. In the groups of medium-sized and small banks, other loans accounted for the largest share of net loans granted to households. Thus other loans of medium-sized banks accounted for 51.3% of net loans granted to households while those of small banks accounted for as much as 84.0% of the total. Only large banks channelled the bulk of their net loans into home loans (44.1% compared with 39.1% of other loans). Credit card loans, which grew the fastest and accounted for 4.5% of total loans to households at the end of last year, grew the fastest in the group of medium-sized banks (56.5%) while in large banks they accounted for 5.3%, or the largest share of total net loans to households.

TABLE 1.13 Sectoral Structure of Banks' Net Loans, end of period, in million HRK

	Large banks		Medium-sized banks		Small banks		Total	
	Dec. 2006	Dec. 2007	Dec. 2006	Dec. 2007	Dec. 2006	Dec. 2007	Dec. 2006	Dec. 2007
1. Government units	13,638.2	13,693.4	813.2	540.8	66.1	82.1	14,517.4	14,316.3
2. Financial institutions	3,130.3	4,557.1	481.9	1,201.6	423.2	1,191.2	4,035.4	6,949.8
3. State-owned enterprises	7,352.1	7,186.5	480.0	695.1	108.6	107.7	7,940.6	7,989.3
4. Other enterprises	50,870.8	56,191.6	9,210.6	10,715.5	7,048.0	8,425.6	67,129.4	75,332.6
5. Non-profit institutions	438.6	469.7	27.6	38.7	39.1	36.9	505.3	545.3
6. Households	75,446.1	88,445.3	10,989.1	13,826.7	6,247.3	7,274.6	92,682.5	109,546.6
7. Non-residents	943.1	1,544.9	21.2	33.7	0.6	10.1	964.9	1,588.6
Total	151,819.2	172,088.4	22,023.6	27,052.1	13,932.7	17,128.1	187,775.4	216,268.6

The share of placements exposed to currency-induced credit risk (CICR) in total net placements fell by 6.7 percentage points in 2007 and stood at 54.3% at the end of the year. The share of unhedged placements in placements exposed to currency-induced credit risk also fell, from 76.6% to 75.5%.

The least hedged type of placements were contingent liabilities, which took a 6.5% share of hedged placements in total placements (they were the only placements whose hedge declined). They were followed by loans with a hedged share standing at 11.2% (an improvement compared with 9.8% at the end of 2006) and debt securities and other assets held to maturity with 18.2% of hedged placements. Of the institutional sectors, the non-resident sector had a very high level of hedge (over 70%) and so did the financial institutions while other sectors' hedge remained at or below 10.0%. The household sector was the least hedged of all, with the share of hedged placements in total net placements standing at 4.8%.

Large banks had the highest exposure of net placements to currency-induced credit risk (57.0%), as at the end of 2006 (63.8%). Compared with the other groups, this group of banks also had the largest share of hedged placements in placements exposed to CICR (24.7%), which is an improvement compared with the 23.6% at the end of 2006.

The share of covered net placements of banks (placements which are fully or partly covered by quality insurance instruments, such as lien or transfer of ownership of residential or business property, deposits, guarantees, securities as well as any other instruments specified as quality insurance instruments in a bank's bylaws) fell from 42.1% at the end of 2006 to 41.9% of net placements at the end of 2007. 87.7% of placements were covered by instruments of insurance (a fall compared with 88.3% in 2006). As a result, total net placements coverage fell from 37.1% at the end of 2006 to 36.7% at the end of 2007.

The bulk of banks' claims covered by quality insurance instruments, or over one third (36.8%), related to claims covered by residential property (the same instrument was also the most widely represented instrument of insurance in 2006, when it accounted for 34.7% of the total amount of insured claims). Business property accounted for 23.4%, or the second largest share of quality insurance instruments. Other quality instruments accounted for 22.5%, guarantees and securities accounted for 11.7% and deposits accounted for 5.7% of the total amount of claims covered.

Large banks again had the largest share of covered placements in total net placements (44.5%, the same as at the end of 2006). Small banks followed with 37.4% while medium-sized banks accounted for the smallest share (29.0%). The share of covered placements in total placements in the latter two groups of banks had been declining compared with the year 2006. All bank groups had the largest share of their claims covered by residential property. In this regard, medium-sized banks came first, with 50.6%, or over one half of the claims covered by this type of insurance.

1.1.8 Banks' Exposure to Liquidity Risk

Banks' total sources of financing (received deposits, received loans, issued debt securities and issued subordinated and hybrid instruments) were HRK 289.8bn at the end of 2007. Compared with the end of 2006, the sources rose by HRK 27.1bn or 10.3%. This is the result of an increase in deposits of HRK 30.2bn, or 14.9%, in contrast with all other components of sources of financing which shrank. Thus, loans fell by 4.7%, debt securities fell by 3.0% and subordinated and hybrid instruments fell by 34.2%. The share of deposits rose to 80.4% of the total sources (Table 1.14). Loans followed with 18.1%, debt securities with 1.2% and subordinated and hybrid instruments with a 0.3% share of total sources. Three banks from the group of large banks reported issued debt securities, one medium-sized and two small banks reported subordinated instruments and nine banks reported hybrid instruments (three medium-sized and six small banks).

Total sources of financing rose the most in small banks (19.0%). Those in medium-sized and large banks rose by 16.6% and 8.5%, respectively. Developments in the component parts of the total sources of financing, i.e. the growth of deposits and a fall in all other items were influenced by these items' developments in the group of large banks. Received deposits of large banks rose by 13.8% and of the other items, subordinated and hybrid instruments which had been paid in full, fell the most. Subordinated and hybrid instruments recorded the highest relative growth of all items of total sources in small and medium-sized banks. Their shares in total sources thus rose to 1.2% and 1.6%, respectively. Received loans grew only in small banks in which, high growth rate notwithstanding (35.4%), they accounted for the smallest share in total sources (10.7%), while the share of deposits in this group is commonly among the largest of all groups of banks (88.1%).

TABLE 1.14 Structure of Banks' Sources of Financing, end of period, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Dec. 2006	Dec. 2007	Dec. 2006	Dec. 2007	Dec. 2006	Dec. 2007	Dec. 2006	Dec. 2007
Deposits	75.1	78.8	83.5	86.1	90.0	88.1	77.3	80.4
Loans	22.7	19.7	16.1	12.3	9.4	10.7	20.9	18.1
Debt securities issued	1.7	1.5	0.0	0.0	0.0	0.0	1.4	1.2
Hybrid and subordinated instruments issued	0.5	0.0	0.4	1.6	0.6	1.2	0.5	0.3
TOTAL SOURCES OF FINANCING	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Deposits and loans of majority foreign owner	18.2	14.7	22.0	15.0	0.0	2.0	17.3	13.7

Deposits and loans received from the majority foreign owner relative to their end-2006 balance fell by HRK 5.8bn (12.7%) and stood at HRK 39.7% at the end of 2007. Their share in total sources of financing of banks fell from 17.3% in 2006 to 13.7% at the end of 2007. The share of deposits and loans from the majority foreign owner rose from 0.002% to 2.0 and then only in small banks. Medium-sized banks relied mainly on deposits and loans from majority foreign owners (a 15.0% share) while the share of large banks was 14.7%.

Looking at the structure of the sources of bank financing by institutional sectors,⁸ it is evident that households, despite a fall in their share compared with the end of 2006, continued to be the major source of financing of banks (42.7%). The share of non-residents also fell; it was down to 21.5%, which is a fall of 6.2 percentage points. In terms of share size, enterprises followed with 18.9%, financial institutions with 14.0% and government units with 1.9% and non-profit sector with 1.0% of total received deposits and loans. Non-resident deposits and loans fell by HRK 10.1bn or 14.1%, mainly attributable to the said fall in deposits and loans from the majority foreign owner of HRK 5.8bn (12.7%).

A decline in loans from foreign financial institutions over the observed one-year period of HRK 8.0bn (20.5%) is the main reason for the 4.7% fall in total liabilities associated with loans (Table 1.15). A major contribution to the fall in loans from foreign financial institutions was provided by a HRK 5.3bn or 23.2% fall in loans from majority foreign owners. Due to these changes, the share of loans from non-residents fell from 72.0% to 60.0% of total received loans, with loans from majority foreign owners accounting for 33.6% of loans from non-residents (41.8% at end-2006).

TABLE 1.15 Sectoral Structure of Banks' Received Loans, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Dec. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from government units	679.2	1.7	528.0	1.1	-22.3	272.9	0.5	-48.3	183.3	0.4	-32.8
Loans from financial institutions	8,462.0	21.2	13,843.8	27.7	63.6	15,102.5	27.5	9.1	20,573.0	39.3	36.2
Loans from enterprises	40.3	0.1	40.8	0.1	1.2	0.0	0.0	-99.9	189.4	0.4	420,740.0
Loans from foreign financial institutions	30,081.9	75.5	35,143.1	70.2	16.8	39,129.4	71.3	11.3	31,117.8	59.5	-20.5
Loans from other non-residents	566.8	1.4	479.3	1.0	-15.4	360.5	0.7	-24.8	248.3	0.5	-31.1
TOTAL LOANS RECEIVED	39,830.3	100.0	50,035.0	100.0	25.6	54,865.4	100.0	9.7	52,311.8	100.0	-4.7
Loans from majority foreign owner	12,131.2	30.5	17,705.0	35.4	45.9	22,925.5	41.8	29.5	17,600.8	33.6	-23.2

At the end of 2007, banks' received deposits were HRK 233.1bn, which is an increase of HRK 30.2bn (14.9%) compared with their end-2006 balance. In 2006, total deposits grew by HRK 31.2bn or 18.2%, and in 2005 deposits grew by 10.6%. Medium-sized banks reported the fastest deposits growth rate (20.3%). Small and large banks followed with 16.4% and 13.8%, respectively.

The main contribution to the increase in received deposits in 2007 was provided by an increase in household deposits and deposits of enterprises. Household deposits rose by HRK 11.5bn or 10.4%, while deposits of enterprises rose by an almost equal HRK 11.2bn or 26.3%. The highest growth rate was seen in deposits of financial institutions which rose by HRK 8.0bn or 70.2%. Deposits of government units and non-profit institutions rose by 24.7% and 17.4%, respectively, with only non-residents' deposits falling (6.2%). As a result, the share of non-residents' deposits fell to 12.9% of

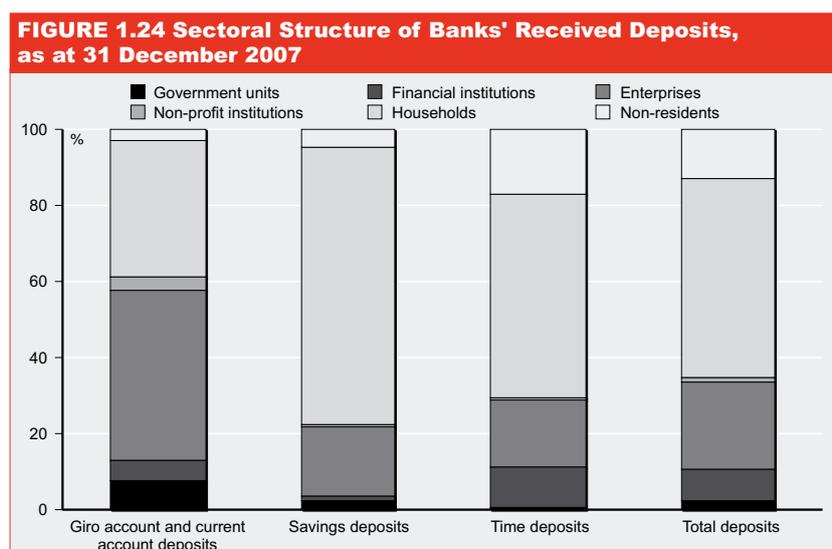
⁸ Issued debt securities and subordinated and hybrid instruments (which participate in the total structure of financing sources with 1.5%) have not been classified by sector for analysis purposes.

total deposits while a below-average growth rate caused the year-long downward trend in the share of household deposits to continue. The share of household deposits thus fell from 54.4% at the end of 2006 to 52.2% at the end of 2007. The largest increase was seen in the share of deposits of financial institutions, which rose the most (2.7 percentage points), reaching 8.3%, and deposits of enterprises, which rose by 2.1 percentage points, reaching 23.1%. Deposits of government institutions accounted for 2.3% of total deposits, while non-profit institutions accounted for by far the smallest share (1.2%).

A significant increase in deposits of financial institutions (HRK 8.0bn, or 70.2%) was influenced by an increase in deposits of investment funds and other banking institutions of HRK 4.3bn (113.2%) and deposits of non-banking financial institutions (brokerage firms, insurance companies, pension funds, etc.) of HRK 3.5bn (69.8%).

Looking at total deposits by activities, after households and financial intermediation, the most prominent increase in deposits was seen in the real estate business (HRK 5.0bn, or 67.8%). Transport, storage and communications followed with HRK 1.8bn or 20.6%, public administration and defence with HRK 1.8bn or 38.7% and trade with HRK 1.7bn or 20.1%. The real estate business had the highest deposit growth rate, and was followed by financial intermediation and hotels and restaurants whose deposit growth rates stood at 60.1% and 47.3%, respectively.

In 2007, as in 2006, time deposits rose the most, sight deposits (giro and current account deposits) had the highest rate of growth, while savings deposits, whose share in total deposits was the only one that shrank, to 11.5%, was the slowest. After increasing by HRK 22.3bn (16.1%), time deposits accounted for 69.1% of total deposits while sight deposits, after increasing by HRK 7.6bn (20.1%) accounted for 19.4% of total deposits. The share of time deposits was the highest in medium-sized banks (70.6% of deposits of medium-sized banks), then in small banks (70.3%) and large banks (69.1%). Large banks had the highest value of the share of sight deposits (19.51%) and the share of savings deposits (11.8%) of all groups of banks.

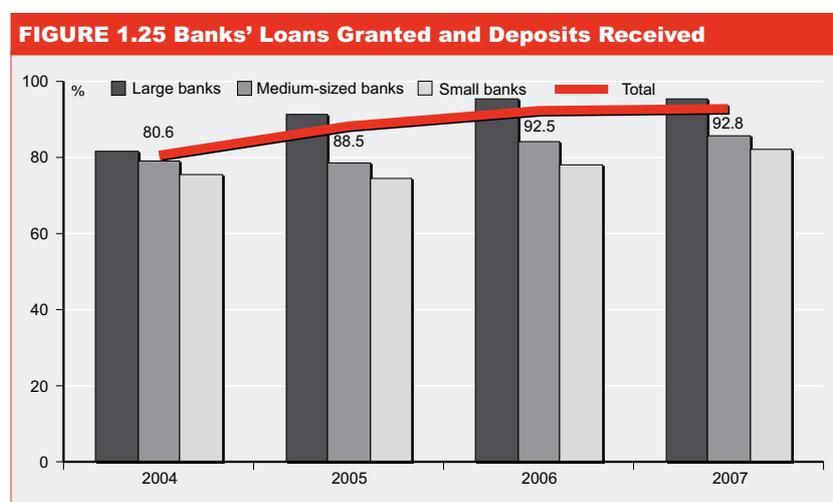


As regards sight and time deposits, the most prominent increase was seen in household deposits and deposits of enterprises. However, while households saw a bigger increase in sight deposits (26.8%

compared with 19.3%), enterprises recorded a relatively bigger increase in time deposits (34.0% compared with 11.4%). Such developments were in line with the structure of individual types of deposits. More specifically, at the end of 2007, deposits of enterprises accounted for 44.6%, or the largest share of total sight deposits, while household deposits accounted for 36.3% of the total. By contrast, household deposits accounted for 53.3% and deposits of enterprises accounted for 17.8% of time deposits (Figure 1.24).

While the share of kuna deposits in the currency structure of deposits increased over the observed one-year period, the share of kuna deposits with a currency clause and foreign currency deposits decreased. Kuna deposits rose by 39.0% (HRK 28.0bn), with their share rising to 42.9% of total deposits. Foreign currency deposits grew at a below average rate, or by 12.2% (HRK 13.3bn), with their share, though still the biggest, falling to 52.5%. The amount of kuna deposits with a currency clause halved (falling by HRK 11.2bn), with their share in total deposits falling to 4.7%. Rapid growth in kuna deposits is the result of an exceptionally large increase in kuna time deposits (HRK 20.5bn, or 62.4%), mostly as a result of an increase in the kuna time deposits of financial institutions (most notably investment funds and other banking institutions) of HRK 6.8bn (143.2%). Kuna deposits in giro and current accounts rose by HRK 7.3bn, or 20.2%, while kuna savings deposits rose by HRK 0.2bn, or 6.5%.

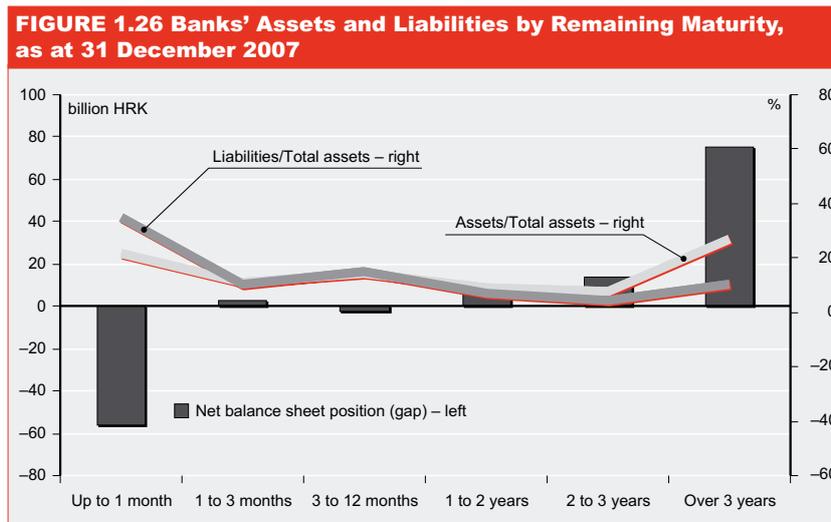
The ratio of loans granted to deposits received continued to trend upwards in 2007, albeit at a considerably slower pace (Figure 1.25). This ratio increased in medium-sized and small banks (to 89.9% and 82.9%, respectively), while it was reduced in the large banks from 95.5% to 95.2%, which is still however the greatest value of this indicator in all the groups of banks.



The analysis of the assets and liabilities maturity (mis)match points to a slight decline in the negative cumulative gap⁹ in the short-term category (up to one year, shown as a share of assets). The negative gap (a shortage of assets relative to liabilities) in the remaining maturity category of one to three months, reported in 2005 and 2006, received a positive sign, while the negative gap in the remaining maturity category of three to 12 months was less pronounced than in the previous years. The negative gap was as usual the most prominent in the remaining maturity category up to one month

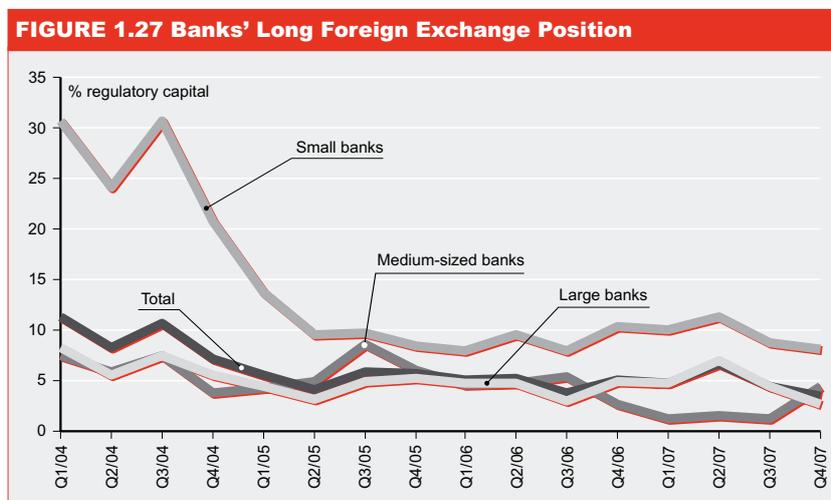
⁹ It represents the difference between net assets and liabilities (not including capital) with the same period until maturity.

(Figure 1.26) which rose somewhat compared with the year before. The positive gap in the remaining maturity category of two to three years increased, with a concurrent decrease in the positive gap in the remaining maturity category of one to two years due to a decreased term to maturity of loans granted by foreign banks and issued bonds of banks. In the remaining maturity category of over three years, the mismatch increased due to an increase in the amount of loans with a remaining maturity of over three years and a decrease in liabilities under loans from foreign banks in that category. The negative cumulative gap in the maturity category up to three years fell from 11.1% to 9.4% of assets, while the positive cumulative gap in the maturity category of over three years rose from 10.3% to 12.5% of assets.

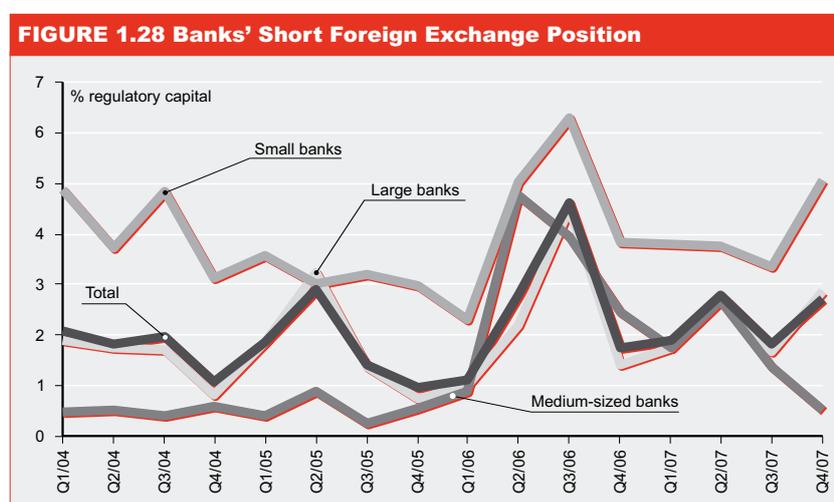


1.1.9 Currency Adjustment of Banks' Assets and Liabilities

In the last quarter of 2007, banks had a long open foreign exchange position. The average bank three-month long foreign exchange position was HRK 1.5bn and the average three-month short foreign exchange position was HRK 1.1bn. Shown as a percentage of the banks' regulatory capital, long and short positions were 3.5% and 2.7%, respectively (Figures 1.27 and 1.28).



Medium-sized and small banks had a long position (4.5% and 8.2%, respectively, of regulatory capital), while large banks, influenced by short positions in two banks in this group, had a short position (2.9% of regulatory capital).



Balance sheet currency restructuring, which started towards the end of 2006 due to the amendments to the measure on the minimum required amount of foreign currency claims,¹⁰ continued throughout 2007. The share of the foreign currency component on the liabilities side (items with a currency clause included) fell from 67.0% to 58.5%, while the share of foreign currency assets (items with a currency clause included) in the total assets of banks fell to a lesser extent (from 65.0% to 57.5%).

The share of the euro in the structure of foreign currency liabilities (those with a currency clause included) rose over the observed one year period from 82.1% to 84.5%. The Swiss franc ranked next, its share falling from 10.1% at the end of 2006 to 8.7% at the end of 2007. The share of liabilities in US dollars also fell, from 6.8% to 5.8%. All other foreign currencies combined accounted for less than 1% of the total foreign currency liabilities. On the foreign assets side (assets with a currency clause included) the share of euro, though smaller compared with 78.6% at the end of 2006, was still predominant and accounted for 76.5% of total foreign currency assets. Despite a fall in liabilities in Swiss francs, the share of assets in that currency rose from 14.7% to 18.3% of total foreign currency assets. Assets in Swiss francs rose by 25.4% as a result of a 26.2% increase in loans in the currency, reaching 26.8% of total foreign currency (and indexed) loans. Loans in the euro fell by 6.7%, with their share falling from 74.9% to 70.9% of total foreign currency (and indexed) loans. Loans in US dollars fell by a considerable 45.9%, with their share falling from 4.1% to 2.3% of total foreign currency (and indexed) loans at the end of 2007.

¹⁰ Kuna deposits with a currency clause have been included in the base for the calculation of minimum coverage of banks' foreign currency liabilities by foreign currency claims.

1.2 Housing Savings Banks

At the end of 2007, there were 5 housing savings banks operating in the Republic of Croatia. Their assets growth notwithstanding, the annual growth rate of assets of housing savings banks, compared with the growth rate of bank assets, was a relatively low 2.7%. As a result, the share of assets of housing savings banks in total banking sector assets fell for the third consecutive year, and at the end of 2007 stood at 1.86%.

As at the end of 2006, at the end of 2007 four housing savings banks were in the majority, direct or indirect, ownership of foreign shareholders who accounted for 99.1% of total housing savings banks assets. The remaining 0.9% of total assets of housing savings banks went to the one housing savings bank in majority domestic state ownership. At the end of 2007, housing savings banks had a staff of 378 persons, accounting for 1.8% of the total number of employees in the banking sector.

1.2.1 Housing Savings Banks' Balance Sheet

A slowdown in the growth of housing savings banks assets compared with the end of 2006 was the result of a fall in total assets of the two largest housing savings banks. The other three housing savings banks increased their assets. At the end of 2007, total assets of housing savings banks stood at HRK 6.5bn, increasing by HRK 173.4m (Table 1.16).

Assets growth was financed by recapitalisation operations conducted in 2007 by all housing savings banks and increased deposits of housing savings banks' savers towards the end of the year. However, the increase in the source of financing did not have any significant impact on the credit activities of housing savings banks. The 83.9% increase in the amount of loans granted was mainly the result of asset restructuring involving decreased securities investment activities. After such changes in the structure of assets, the share of loans increased considerably. They were up from 28.0% at the end of 2006 to 50.1% at the end of 2007. At the same time, the share of securities fell from 66.8% to 46.7%, with the share of loans exceeding the share of securities for the first time.

Net loans of housing savings banks rose by HRK 1.5bn at the end of 2007 compared with the end of 2006. Home loans accounted for the major share of this increase. They were up by HRK 921.3m or 61.6% from the end of 2006. Housing savings banks loaned the rest of the amount of increase to the sector of government units and the banks. At the end of 2007, only a little over one third of the deposits received from savers in housing savings banks was invested in the form of home loans, which stood at HRK 2.2bn.

Total securities investments of housing savings banks fell by HRK 1.2bn or 28.1% at the end of 2007, compared with the end of 2006. Investments fell in both types of securities in housing savings banks portfolios, with investments in bonds of the Republic of Croatia falling by HRK 1.1bn (28.3%) and those in T-bills of the Ministry of Finance falling by HRK 92.1m (26.5%).

Looking at securities portfolio distribution, it is evident that housing savings banks distribute the bulk of their securities into the available-for-sale portfolio, which stood at 42.9% of total securities at the end of 2007. Compared with the end of 2006, this portfolio rose by 18.3% and its share in total

TABLE 1.16 Structure of Housing Savings Banks' Assets, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Dec. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	0.01	0.00	0.02	0.00	42.86	0.01	0.00	-75.00	0.02	0.00	200.00
1.1. Money assets	0.01	0.00	0.02	0.00	42.86	0.01	0.00	-75.00	0.02	0.00	200.00
1.2. Deposits with the CNB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Deposits with banking institutions	332.36	6.21	720.52	11.74	116.79	111.51	1.75	-84.52	47.08	0.72	-57.78
3. MoF treasury bills and CNB bills	780.79	14.59	781.98	12.74	0.15	347.66	5.46	-55.54	255.54	3.90	-26.50
4. Securities and other financial instruments held for trading	250.18	4.68	390.64	6.36	56.14	284.39	4.46	-27.20	156.80	2.40	-44.87
5. Securities and other financial instruments available for sale	2,147.96	40.14	706.82	11.51	-67.09	1,058.33	16.61	49.73	1,246.37	19.04	17.77
6. Securities and other financial instruments held to maturity	548.19	10.24	869.63	14.17	58.64	1,303.26	20.45	49.86	871.21	13.31	-33.15
6.1. Securities and other financial instruments bought on issue directly from the issuer ^a	74.96	1.40	-	-	-	-	-	-	-	-	-
7. Securities and other financial instruments not traded in active markets but carried at fair value	-	-	1,382.46	22.52	-	1,260.63	19.79	-8.81	528.44	8.07	-58.08
8. Derivative financial assets	0.00	0.00	0.00	0.00	0.00	5.40	0.08	100.00	6.66	0.10	23.30
9. Loans to financial institutions	468.95	8.76	263.70	4.30	-43.77	69.87	1.10	-73.50	106.52	1.63	52.45
10. Loans to other clients	372.94	6.97	727.58	11.85	95.09	1,713.04	26.89	135.44	3,172.30	48.47	85.19
11. 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
12. 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
13. Tangible assets (net of depreciation)	8.72	0.16	8.17	0.13	-6.35	7.00	0.11	-14.36	8.05	0.12	15.08
14. Interest, fees and other assets	389.35	7.28	323.77	5.27	-16.84	250.78	3.94	-22.54	195.96	2.99	-21.86
15. Net of: Collectively assessed impairment provisions	23.13	0.43	36.93	0.60	59.69	40.45	0.63	9.52	50.13	0.77	23.92
TOTAL ASSETS	5,351.29	100.00	6,138.35	100.00	14.71	6,371.41	100.00	3.80	6,544.81	100.00	2.72

^a This category of financial assets is not stated in the revised IAS 39. It has been included in the above table due to its balance as at 31 December 2004.

securities rose by 16.8 percentage points. By contrast, the values of the other three portfolios fell, in the same way as their shares in total housing savings banks securities.

Deposits of housing savings banks savers at the end of 2007 were HRK 6.0bn, which is an increase of 4.0% on the end of 2006 (Table 1.17). Unlike the first half of the year when deposits fell compared with the end of 2006, the second half of 2007, and particularly the last quarter of the year saw an increase in deposits received. The usual increase in deposits towards the end of the year can be attributed to government incentives paid to savers in housing savings banks.

Despite an increase of HRK 69.6m or 24.2% in the share capital of the housing savings banks at the end of 2007, total capital increased by only HRK 48.9m (25.3%). The reason for this change lies mainly in unrealised losses on value adjustments of financial assets available for sale, which tripled compared with the end of 2006. Similarly to the situation at the end of 2006, three housing savings banks reduced their capital by their unrealised losses, while one housing savings bank realised gains on this basis (Table 1.18).

The regulatory capital of housing savings banks rose by 15.0% compared with the end of 2006 and stood at HRK 282.9m. The effects of recapitalisation on the increase in the core capital were reduced by the increase in deductions due to bigger unrealised losses on value adjustments of financial assets available for sale compared with the end of 2006, with the core capital included in the regulatory capital increasing by 26.1%. A fall in hybrid instruments and the exclusion of a part of collectively assessed impairment provisions from regulatory capital led to an 18.8% fall in supplementary capital I which is included in regulatory capital.

TABLE 1.17 Structure of Housing Savings Banks' Liabilities, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Dec. 2007		
	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	0.00	0.00	0.00	0.18	0.00	0.00
1.1. 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
1.2. Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.18	0.00	0.00
2. Deposits	4,728.25	88.36	5,514.72	89.84	16.63	5,803.62	91.09	5.24	6,038.37	92.26	4.04
2.1. Giro account and current account deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.2. Savings deposits	0.09	0.00	0.03	0.00	-71.59	0.03	0.00	32.00	0.04	0.00	18.18
2.3. Time deposits	4,728.16	88.36	5,514.69	89.84	16.64	5,803.59	91.09	5.24	6,038.33	92.26	4.04
3. Other loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.1. Short-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.2. Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Derivative financial liabilities and other financial liabilities held for trading	4.87	0.09	4.13	0.07	-15.17	0.00	0.00	-100.00	0.00	0.00	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	10.74	0.20	10.33	0.17	-3.85	61.70	0.97	497.51	39.93	0.61	-35.28
8. Interest, fees and other liabilities	452.63	8.46	388.97	6.34	-14.06	312.51	4.90	-19.66	223.86	3.42	-28.37
TOTAL LIABILITIES	5,196.48	97.11	5,918.14	96.41	13.89	6,177.83	96.96	4.39	6,302.34	96.30	2.02
TOTAL CAPITAL	154.81	2.89	220.21	3.59	42.25	193.58	3.04	-12.09	242.47	3.70	25.25
TOTAL LIABILITIES AND CAPITAL	5,351.29	100.00	6,138.35	100.00	14.71	6,371.41	100.00	3.80	6,544.81	100.00	2.72

TABLE 1.18 Structure of Housing Savings Banks' Total Capital, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Dec. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	203.36	131.36	203.36	92.35	0.00	287.48	148.51	41.37	357.09	147.27	24.21
2. Current year profit/loss	11.40	7.37	52.28	23.74	358.47	-54.50	-28.15	0.00	-44.72	-18.44	-17.95
3. Retained earnings/loss	-63.44	-40.98	-53.64	-24.36	-15.44	-37.12	-19.18	-30.79	-15.93	-6.57	-57.09
4. Legal reserves	3.48	2.25	1.94	0.88	-44.21	2.32	1.20	19.62	2.51	1.04	8.09
5. Total reserves provided for by the articles of association and other capital reserves	0.00	0.00	29.88	13.57	0.00	-13.12	-6.78	0.00	-56.49	-23.30	330.55
5.1. Reserves provided for by the articles of association and other capital reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.2. Unrealised gains/losses on value adjustments of financial assets available for sale	0.00	0.00	29.88	13.57	0.00	-13.12	-6.78	0.00	-56.49	-23.30	330.55
5.3. Reserves arising from hedging transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. Previous year profit/loss	0.00	0.00	-13.61	-6.18	0.00	8.52	4.40	0.00	0.00	0.00	-100.00
TOTAL CAPITAL	154.81	100.00	220.21	100.00	42.25	193.58	100.00	-12.09	242.47	100.00	25.25

Despite an increase in regulatory capital at the end of 2007, compared with its balance at the end of 2006, capital adequacy ratio continued to trend downwards, with the capital adequacy ratio of housing savings banks standing at 14.51% at the end of 2007 (compared with 16.53% at the end of 2006). Placement restructuring, resulting in heightened credit activities of housing savings banks, led to a higher credit risk exposure of the placements of housing savings banks. Increased housing lending also led to increased currency-induced credit risk, as almost the entire amount of housing savings banks loans are indexed to a foreign currency and granted to households which as a rule do not have a hedged currency position. At the end of 2007, risk-weighted net assets rose by 2.7% compared with the end of 2006. However, due to these changes, the weighted amount of assets rose by 54.1%, mainly as a result of an increase in net assets exposed to currency-induced credit risk assigned a 75% risk weighting (73.0%) and those assigned a 125% risk weighting (43.4%).

Asset restructuring led to changes in the capital requirements structure of housing savings banks, with the share of capital requirements for credit risk rising from 91.3% at the end of 2006 to 94.3% at the end of 2007.

1.2.2 Housing Savings Banks' Income Statement

Heightened credit activities and smaller securities investments of housing savings banks had a positive effect on their financial performance at the end of 2007, with losses after taxes falling by HRK 9.8m, or 18.0%, from the end of 2006, and standing at HRK 44.7m. Three housing savings banks reported losses totalling HRK 54.3m, while two housing savings banks reported a total income of HRK 9.6m.

The total net income of housing savings banks stood at HRK 98.1m during the observed period, increasing by 58.8%. Net interest income rose by 36.1%, net income from fees and commissions shrank by a slight 4.1%, while the loss in net other non-interest income decreased by 12.9%. On the expenses side, employee expenses rose the most (HRK 9.2m or 17.2%), fuelling high growth of general administrative expenses and depreciation compared with the end of 2006 (13.0%). Total expenses on loss provisions doubled, mainly as a result of an increase in collectively assessed impairment provisions.

Loss on securities trading, loss on securities available for sale and loss on securities not actively traded carried at fair value amounted to HRK 48.8m at the end of 2007, a 26.2% decrease compared with the end of 2006. Concurrent considerable growth in unrealised losses on value adjustments of assets available for sale as a result of securities portfolio restructuring and the increase in the available-for-sale securities portfolio did not affect the operating results of housing savings banks in 2007 as housing savings banks reported this loss, in accordance with the provisions of IAS 39, as capital loss and have accordingly reduced their capital by that amount.

TABLE 1.19 Housing Savings Banks' Income Statement, in million HRK		
	Jan.-Dec. 2006	Jan.-Dec. 2007
1. Net interest income	78.04	106.23
1.1. Total interest income	264.87	301.44
1.2. Total interest expenses	186.84	195.22
2. Net income from fees and commissions	68.58	65.76
2.1. Total income from fees and commissions	78.58	77.18
2.2. Total expenses on fees and commissions	9.99	11.42
3. Net other non-interest income	-84.83	-73.86
3.1. Other non-interest income	-50.51	-43.48
3.2. Other non-interest expenses	34.32	30.38
4. Net non-interest income	-16.25	-8.10
5. General administrative expenses and depreciation	113.71	128.44
6. Net operating income before loss provisions	-51.92	-30.31
7. Total expenses on loss provisions	6.69	13.40
7.1. Expenses on value adjustments and provisions for identified losses	2.94	3.42
7.2. Expenses on collectively assessed impairment provisions	3.75	9.98
8. Income/loss before taxes	-58.62	-43.71
9. Income tax	-4.12	1.01
10. Current year profit/loss	-54.50	-44.72

Despite significant losses generated by securities investments of housing savings banks, at the end of 2007 these investments were also the largest source of interest income of housing savings banks, accounting for 54.6% of their interest income. Compared with its end-2006 balance, this share fell by 17.1 percentage points, with the share of interest income from loans granted increasing by 18.5 percentage points and standing at 44.4%. At the end of 2007, interest income from debt securities was HRK 164.6m. Interest income from loans granted was HRK 133.7m, of which amount 69.8% went to interest income from loans granted to households.

1.2.3 Housing Savings Banks' Exposure to Credit Risk

At the end of 2007, total placements and contingent liabilities of housing savings banks were HRK 5.7bn, an increase of 25.1% compared with the end of 2006 (Table 1.20).

Although fully recoverable placements accounted for the bulk of the increase in total placements and contingent liabilities, the quality of placements continued to trend downwards. Bad placements of housing savings banks saw a relatively big increase during the observed period (150.3%), reaching HRK 18.0m. However, it should be noted that only one housing savings bank had been reporting bad placements so that, their increase notwithstanding, the share of these placements in total placements and contingent liabilities of all housing savings banks continued to be very small and stood at 0.3% at the end of 2007.

TABLE 1.20 Classification of Housing Savings Banks' Placements and Contingent Liabilities by Risk Categories, end of period, in million HRK and %

Placements	Dec. 2004		Dec. 2005		Dec. 2006		Dec. 2007	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	2,648.84	99.97	3,493.99	99.93	4,540.66	99.84	5,670.27	99.69
2. Partly recoverable placements (category B)	0.68	0.03	2.11	0.06	5.67	0.12	14.93	0.26
3. Irrecoverable placements (category C)	0.05	0.00	0.36	0.01	1.44	0.03	2.87	0.05
Total	2,649.57	100.00	3,496.46	100.00	4,547.77	100.00	5,688.07	100.00

Total placement value adjustments and provisions for contingent liabilities rose somewhat faster than placements and contingent liabilities (28.5% compared to 25.1%), with the value adjustments and provisions to total placements and contingent liabilities ratio rising only slightly (Table 1.21). Due to the structure of total placements and contingent liabilities with fully recoverable placements predominant, collectively assessed impairment provisions accounted for the major share of total value adjustments and provisions at the end of 2007.

TABLE 1.21 Ratio of Housing Savings Banks' Total Value Adjustments and Provisions to Total Placements and Contingent Liabilities, end of period, in million HRK and %

	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007
1. Total value adjustments against placements and provisions for contingent liabilities	23.48	38.36	44.79	57.56
1.1. Value adjustments against placements and provisions for contingent liabilities	0.22	0.89	3.56	6.36
1.2. Collectively assessed impairment provisions	23.26	37.47	41.23	51.21
2. Total placements and contingent liabilities	2,649.57	3,496.46	4,547.77	5,688.07
3. Relative ratio: total value adjustments and provisions/total placements and contingent liabilities	0.89	1.10	0.98	1.01

The largest share (93.8%) of housing savings banks' net placements was exposed to a currency-induced credit risk at the end of 2007. This was due to legislative restrictions under which housing savings banks can make placements mainly to two sectors, households and government units, i.e. sectors which as a rule do not have a matched currency position. The majority of placements of housing savings banks to the said sectors are denominated in kuna with a currency clause. As a result, 93.0% of the amount of net placements exposed to a currency-induced credit risk were unhedged in terms of that risk at the end of 2007.

2 Notes on Methodology

Figure 1.1 Number of Banks

With respect to ownership structure, the banks in the Republic of Croatia are divided into domestic and foreign-owned 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-owned 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 1.1 Bank Peer Groups and Their Share in Total Bank Assets

In accordance with the selected criterion – the relative share of assets of an individual bank in total bank assets – Table 1.1 shows the peer groups of banks. Depending on the size of the relative share of the bank's assets in the total assets of all banks at the end of the reporting period, banks have been divided into three peer groups: large, medium-sized and small banks. Large banks are banks whose assets exceed 5% of the total assets of all banks, medium-sized banks are banks whose assets are greater than 1% and less than 5% of the total assets of all banks, and small banks are banks whose assets are less than 1% of the total assets of all banks.

Schedule BS1-2 is the source of data on the size (amount) of assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.2 Ownership Structure of Banks and Their Share in Total Bank Assets

With respect to ownership structure, the banks in the Republic of Croatia are divided into domestic and foreign-owned banks. Banks in domestic ownership are divided into banks in domestic private ownership and banks in domestic state ownership. A bank is classified as a bank in domestic private ownership if it is in majority ownership of domestic natural and legal persons or as a bank in domestic state ownership if it is in majority ownership of government units. A bank is classified as a foreign-owned bank if it is in majority ownership of foreign natural and legal persons. The share of each bank's assets in total bank assets is calculated and shown by the type of ownership. The total number of banks is the sum of the banks in domestic ownership (i.e. domestic private and state ownership) and the banks in foreign ownership.

The CNB statistics and Schedule BS1-2 (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on the number of banks.

Table 1.3 Territorial Distribution of Operating Units and ATMs

The total number of operating units and the total number of installed ATMs of all banks in the Republic of Croatia are classified by counties. The County of Zagreb includes the data on the City of Zagreb. The reports set forth in the Decision on the obligation to submit the report on payment operations data (Official Gazette 189/2004) are the source of data.

Figure 1.2 Concentration of Banks' Operating Units and ATMs by Counties

The bars in Figure 1.2 show the relative share of the number of operating units and ATMs by counties at the end of period.

The reports set forth in the Decision on the obligation to submit the report on payment operations data (Official Gazette 189/2004) are the source of data.

Figure 1.3 Share of Operating Units of Bank Peer Groups in the Total Number of Operating Units

The number of operating units of an individual bank peer group is the sum of operating units of all banks classified into the respective peer group. The relative share of operating units in the total number of operating units is shown for each bank peer group.

The reports set forth in the Decision on the obligation to submit the report on payment operations data (Official Gazette 189/2004) are the source of data.

Figure 1.4 Share of ATMs of Bank Peer Groups in the Total Number of ATMs

The number of ATMs of an individual bank peer group is the sum of ATMs of all banks classified into the respective peer group. The relative share of ATMs in the total number of ATMs is shown for each bank peer group.

The reports set forth in the Decision on the obligation to submit the report on payment operations data (Official Gazette 189/2004) are the source of data.

Figure 1.5 Shares of the Largest Banks' Assets, Loans and Deposits in Total Assets, Loans and Deposits

The criterion for selecting the two largest banks, the first five largest banks and the first ten largest banks in the banking sector is the size of their assets. The share of assets of the selected bank groups in total assets is calculated as a ratio between the sum of assets of the selected bank groups and total assets of all banks, and is stated in percent. The share of deposits and the share of loans in total deposits and total loans of all banks is calculated in the same manner.

Schedule BS1-2 is the source of data on the size (amount) of assets, deposits and loans (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.6 Herfindahl-Hirschman Index (HHI), all banks

The Herfindahl-Hirschman index, which is used to measure the degree of concentration of assets, is calculated 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-Hirschman index can vary from 0 (perfectly competitive industry) to 10000 (monopoly).

Granted loans/received deposits concentration indices are calculated by applying the same formula.

Schedule BS1-2 is the source of data on the size (amount) of assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.4 Structure of Banks' Assets

The share of each balance sheet item of assets in total assets of all banks is calculated on the basis of data from the balance sheets of banks and the aggregate balance sheet of all banks 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.

Schedule BS1-2 is the source of data on the structure of banks' assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.7 Quarterly Rates of Change in Assets of Bank Peer Groups

The rate of change in assets of bank peer groups is calculated as a ratio between assets of an individual bank peer group, i.e. total assets of all banks at the end of the reporting period and assets of an individual bank peer group, i.e. total assets of all banks at the end of the previous reporting period. Schedule BS1-2 is the source of data on the quarterly rates of change in assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.8 Structure of Assets of Bank Peer Groups

The share of individual asset items in total assets is calculated as a ratio between individual asset items and total assets of bank peer groups, i.e. total assets of all banks at the end of the reporting period. Individual asset items comprise money assets and deposits with the CNB, deposits (with banking institutions), securities (including T-bills), loans (loans to financial institutions and other clients), other assets (derivative financial assets, investments in subsidiaries, associates and joint ventures, foreclosed and repossessed assets, tangible assets net of depreciation, and interest, fees and other assets) and collectively assessed impairment provisions.

Schedule BS1-2 is the source of data on the structure of assets of bank peer groups (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.5 Structure of Banks' Liabilities

Banks' liabilities are calculated in the same manner as banks' assets in Table 1.4, i.e. the share of each balance sheet item of liabilities in total liabilities of all banks is calculated on the basis of data from the balance sheets of banks and the aggregate balance sheet of all banks 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.

Schedule BS1-2 is the source of data on the structure of banks' liabilities (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.9 Structure of Liabilities of Bank Peer Groups

The share of individual liability items in total liabilities is calculated as a ratio between individual liability items and total liabilities of bank peer groups, i.e. total liabilities of all banks at the end of the reporting period. Individual liability items comprise deposits (giro account and current account deposits, savings deposits and time deposits), loans (loans from financial institutions and other loans), securities (issued debt securities, issued subordinated instruments and issued hybrid instruments), other liabilities (derivative financial liabilities and other financial liabilities held for trading, and interest, fees and other liabilities) and capital.

Schedule BS1-2 is the source of data on the structure of liabilities of bank peer groups (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.10 Structure of Banks' Standard Risky Off-Balance Sheet Items

The share of an individual standard risky off-balance sheet item in total standard risky off-balance sheet items is calculated as a ratio between an individual standard risky off-balance sheet item and total standard risky off-balance sheet items at the end of the reporting period.

Schedule BS/IBS1-3 is the source of data on the structure of banks' standard risky off-balance sheet items (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.6 Structure of Banks' Total Capital

Banks' capital, as one of the liability items shown in Table 1.5, is presented in detail in Table 1.6 and the share of each stated capital item in total capital of all banks is calculated as a ratio between each capital item and total capital of all banks. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Schedule BS1-2 is the source of data on the structure of banks' total capital (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.7 Changes in Banks' Regulatory Capital

The regulatory capital is calculated in accordance with the Decision on the capital adequacy of banks (Official Gazette 17/2003, 120/2003, 149/2005, 130/2006, 130/2007 and 31/2008) and the Instruction for the uniform implementation of the decision on the capital adequacy of banks (Official Gazette 195/2003, 39/2004, 41/2006, 130/2006, 14/2008 and 33/2008).

Schedule JK2 is the source of data on the changes in banks' regulatory capital (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006, 130/2006, 14/2008 and 33/2008).

Figure 1.11 Structure of Banks' Regulatory Capital

The columns in Figure 1.11 show the regulatory capital components at the end of the reporting period. The core capital is the amount of core capital decreased by the amount of deduction items, while supplementary capital I and II represent those amounts of supplementary capital I and II that are included in the regulatory capital. Items deducted from gross regulatory capital are the amount of total items deducted from gross regulatory capital.

Schedule JK2 is the source of data on the structure of banks' regulatory capital (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006, 130/2006, 14/2008 and 33/2008).

Figure 1.12 Structure of Banks' Risk-Weighted Assets

The columns in Figure 1.12 show the net value of assets weighted by risk at the end of the reporting period. Ratio is used to determine the proportion of total risk-weighted assets to total assets at the end of the reporting period.

Schedule PBA1 (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006, 130/2006, 14/2008 and 33/2008) and Schedule BS1-2 (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on the structure of banks' risk-weighted assets.

Figure 1.13 Banks' Capital Adequacy Ratio

The capital adequacy ratio is calculated as a ratio between regulatory capital and credit risk-weighted assets increased by total foreign exchange position exposure to currency risk, capital requirement for position risks (multiplied by 10), capital requirement for settlement risk and capital requirement for counterparty risk (multiplied by 10) and capital requirement for exceeding the permissible exposure limits (multiplied by 10). The capital adequacy ratio is calculated for individual bank peer groups and for all banks together.

Schedule SAK is the source of data on the banks' capital adequacy ratio (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006, 130/2006, 14/2008 and 33/2008).

Figure 1.14 Structure of Banks' Total Capital Requirements

The total capital requirements are the sum of capital requirement for credit risk, capital requirement for currency risk, capital requirement for interest rate risk, capital requirement for equity risk, capital requirement for commodity risk, capital requirement for options, capital requirement for settlement risk, capital requirement for counterparty risk and capital requirement for exceeding the permissible exposure limits. Position risks based on interest rate risk and equity risk are divided into specific and general risk.

Schedule PKZ is the source of data on the structure of banks' total capital requirements (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006, 130/2006, 14/2008 and 33/2008).

Table 1.8 Banks' Income Statement

Each income statement item is shown cumulatively for all banks and individual bank peer groups on the basis of data from the income statements of banks in the observed periods. Total amount of each income statement item represents the sum of the same income statement items stated in the income statements of banks. Total amounts are calculated for all banks and for individual bank peer groups.

Schedule RDG1-1 is the source of data on the banks' income statement (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.9 Structure of Banks' Income

The share of each income item in total income of an individual bank peer group is calculated as a ratio between the sum of the same income items from the income statements of an individual bank peer group and total income earned by the respective peer group. The share of each income item in total income of all banks is calculated in the same manner.

Schedule RDG1-1 is the source of data on the structure of banks' income (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.10 Structure of Banks' Expenses

The structure of expenses is calculated in the same manner as the structure of income in Table 1.9, i.e. the share of each expense item in total expenses of an individual bank peer group is calculated as a ratio between the sum of the same expense items from the income statements of an individual bank peer group and total expenses incurred by the respective peer group. The share of each expense item in total expenses of all banks is calculated in the same manner.

Schedule RDG1-1 is the source of data on the structure of banks' expenses (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.15 Banks' Return on Average Assets (ROAA)

The return on average assets of bank peer groups is calculated as a ratio between income before taxes and average assets. The average assets of bank peer groups are calculated as the arithmetic mean of the balance in assets at the end of the reporting period and the balance in assets at the end of the previous year.

Schedule BS1-2 and Schedule RDG1-1 are the source of data on the banks' return on average assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.16 Banks' Return on Average Equity (ROAE)

The return on average equity of bank peer groups is calculated as a ratio between income after taxes

and average equity. The average equity of bank peer groups is calculated as the arithmetic mean of the balance in equity at the end of the reporting period and the balance in equity at the end of the previous year.

Schedule BS1-2 and Schedule RDG1-1 are the source of data on the banks' return on average equity (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.17 Structure of Banks' Net Income

The columns in Figure 1.17 show the share of net interest income, net income from fees and commissions and net other non-interest income in total net income of individual bank peer groups and all banks together at the end of the reporting period.

Schedule RDG1-1 is the source of data on the structure of banks' net income (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.18 Income from Interest-Bearing Assets and Expenses on Interest-Bearing Liabilities

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

Interest-bearing assets comprise deposits with the CNB (excl. other deposits with the CNB in foreign currency), deposits with banking institutions, debt securities (excl. debt securities held for trading), loans to financial institutions and loans to other clients. The average interest-bearing assets are calculated as the arithmetic mean of the balance in interest-bearing assets at the end of the reporting period and the balance in interest-bearing assets at the end of the previous year.

Interest-bearing liabilities comprise received loans, received deposits, issued debt securities, issued subordinated instruments and issued hybrid instruments. The average interest-bearing liabilities are calculated as the arithmetic mean of the balance in interest-bearing liabilities at the end of the reporting period and the balance in interest-bearing liabilities at the end of the previous year.

Schedule BS1-2 and Schedule RDG1-1 are the source of data on the income from interest-bearing assets and the expenses on interest-bearing liabilities (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.19 Weighted Averages of Banks' Monthly Interest Rates

The basis for the calculation of the weighted averages of banks' monthly interest rates on kuna and foreign currency loans are amounts of loans bearing corresponding interest rates, which were disbursed during the reporting month, with the exception of interest rates on giro and current account overdrafts, for which the weighted averages were calculated based on the balance of these loans at the end of the reporting month.

Interest rates on kuna deposits without a currency clause comprise giro account and current account deposits, savings deposits and time deposits. The averages of interest rates on total kuna deposits without a currency clause and total foreign currency deposits are weighted by the end-of-month balances of all categories included in the calculation. The exceptions are kuna and foreign currency time deposits, whose weighted averages are calculated (since July 1995) on the basis of deposits received in the reporting month.

The CNB statistics is the source of data.

Figure 1.20 Banks' Assets per Employee

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

Schedule BS1-2 (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006) and Schedule PD3 (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006) are the source of data on the banks' assets per employee.

Figure 1.21 Banks' Operating Expenses

Operating expenses of bank peer groups and all banks together are shown as a ratio between general administrative expenses and depreciation and the sum of net interest income and net non-interest income at the end of the reporting period.

Schedule RDG1-1 is the source of data on the banks' operating expenses (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.22 Quarterly Rates of Change in Gross Loans in Selected Sectors

The rates of change in gross loans in selected sectors (enterprises and households) are calculated as a ratio between the amount of gross loans to selected sectors at the end of the reporting period and the amount of gross loans to selected sectors at the end of the previous quarter.

Schedule RS1 is the source of data on the quarterly rates of change in gross loans (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 1.11 Classification of Banks' Placements and Contingent Liabilities by Risk Categories

Placements and contingent liabilities are classified by risk categories. The share of placements and contingent liabilities in total placements that are classified according to a degree of risk is calculated for each risk category.

Schedule RS1 is the source of data on the classification of banks' placements and contingent liabilities by risk categories (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 1.12 Ratio of Banks' Total Value Adjustments and Provisions to Total Placements and Contingent Liabilities

The ratio between total value adjustments and provisions and total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. The placement value adjustments, provisions for contingent liabilities and collectively assessed impairment provisions are added up and the sum thus calculated is divided by the amount of total placements and contingent liabilities.

Schedule PIV1 and Schedule RS1 are the source of data on these ratios (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Figure 1.23 Coverage of Total Placements and Contingent Liabilities by Total Value Adjustments and Provisions

The ratio between total value adjustments and provisions and total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. The value adjustments and provisions for contingent liabilities of all banks in an individual bank peer group are added up and

the sum thus calculated is divided by the amount of total placements and contingent liabilities of the banks in the respective peer group.

Schedule RS1 is the source of data on these coverage indicators (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 1.13 Sectoral Structure of Banks' Net Loans

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

Schedule BS/KRED1-7 is the source of data on the sectoral structure of banks' net loans (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.14 Structure of Banks' Sources of Financing

The structure of sources of financing is shown for all bank peer groups and for all banks together. The share of individual sources of financing in total sources of financing is calculated as a ratio between individual sources of financing and total sources of financing. The share of deposits and loans of majority foreign owner is shown under separate line item and calculated in the same manner as above.

Schedule BS1-2, Schedule BS/DEP1-8 and Schedule BS/OK1-9 are the source of data on the structure of banks' sources of financing (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.15 Sectoral Structure of Banks' Received Loans

The amount of loans received from institutional sectors and their shares in total received loans are shown for all banks. The share of loans received from an individual institutional sector in total received loans is calculated as a ratio between the amount of loans received from an individual institutional sector and total received loans. The amount and the share of loans from majority foreign owner in total received loans are shown under separate line item.

Schedule BS/OK1-9 is the source of data on the sectoral structure of banks' received loans (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.24 Sectoral Structure of Banks' Received Deposits

Total deposits of an individual institutional sector include giro account and current account deposits, savings deposits and time deposits. The share of deposits of an individual institutional sector in total deposits of the respective institutional sector at the end of the reporting period is calculated for each deposit type.

Schedule BS/DEP1-8 is the source of data on the sectoral structure of banks' received deposits (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.25 Banks' Loans Granted and Deposits Received

Total net loans granted by individual bank peer groups and all banks together are shown as a ratio between total net granted loans and total received deposits at the end of the reporting period.

Schedule BS1-2 is the source of data on the banks' granted loans and received deposits (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.26 Banks' Assets and Liabilities by Remaining Maturity

The (mis)match between the structure of assets and the structure of liabilities is shown by remaining

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

Figure 1.27 Banks' Long Foreign Exchange Position

Each bank peer group ratio between its long foreign exchange position (f/c claims exceeding f/c liabilities) and its 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 peer group are added up. Second, regulatory capitals of all banks in the group are added up. The sums thus calculated are mutually divided.

Schedule JK2 (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006, 130/2006, 14/2008 and 33/2008) and Schedule VR-2 (Decision on the limitation of banks' exposure to foreign exchange risk – Official Gazette 17/2003 and 39/2006) are the source of data on the banks' long foreign exchange position.

Figure 1.28 Banks' Short Foreign Exchange Position

Each bank peer group ratio between its short foreign exchange position (f/c liabilities exceeding f/c claims) and its 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, regulatory capitals of all banks in the group are added up. The sums thus calculated are mutually divided.

Schedule JK2 (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006, 130/2006, 14/2008 and 33/2008) and Schedule VR-2 (Decision on the limitation of banks' exposure to foreign exchange risk – Official Gazette 17/2003 and 39/2006) are the source of data on the banks' short foreign exchange position.

Table 1.16 Structure of Housing Savings Banks' Assets

The share of each balance sheet item of assets in total assets of all housing savings banks is calculated on the basis of data from the balance sheets of housing savings banks and the aggregate balance sheet of all housing savings banks 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.

Schedule BS1-2 is the source of data on the structure of housing savings banks' assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.17 Structure of Housing Savings Banks' Liabilities

Housing savings banks' liabilities are calculated in the same manner as housing savings banks' assets in Table 1.16, i.e. the share of each balance sheet item of liabilities in total liabilities of all housing savings banks is calculated on the basis of data from the balance sheets of housing savings banks and the aggregate balance sheet of all housing savings banks 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.

Schedule BS1-2 is the source of data on the structure of housing savings banks' liabilities (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.18 Structure of Housing Savings Banks' Total Capital

Housing savings banks' capital, as one of the liability items shown in Table 1.17, is presented in detail in Table 1.18 and the share of each stated capital item in total capital of all housing savings banks is calculated as a ratio between each capital item and total capital of all housing savings banks. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Schedule BS1-2 is the source of data on the structure of housing savings banks' total capital (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.19 Housing Savings Banks' Income Statement

Each income statement item is shown cumulatively for all housing savings banks on the basis of data from the income statements of housing savings banks in the observed periods.

Schedule RDG1-1 is the source of data on the housing savings banks' income statement (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.20 Classification of Housing Savings Banks' Placements and Contingent Liabilities by Risk Categories

Placements and contingent liabilities are classified by risk categories. The share of placements and contingent liabilities in total placements that are classified according to a degree of risk is calculated for each risk category.

Schedule RS1 is the source of data on the classification of housing savings banks' placements and contingent liabilities by risk categories (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 1.21 Ratio of Housing Savings Banks' Total Value Adjustments and Provisions to Total Placements and Contingent Liabilities

The ratio between total value adjustments and provisions and total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. The placement value adjustments, provisions for contingent liabilities and collectively assessed impairment provisions are added up and the sum thus calculated is divided by the amount of total placements and contingent liabilities of housing savings banks.

Schedule PIV1 and Schedule RS1 are the source of data on these ratios (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

3 List of Banks and Housing Savings Banks

Data on individual banks' and housing savings banks' addresses, telephone numbers, fax numbers, members of management and supervisory boards, shareholders and auditors are shown in the list of banks and housing savings banks. The balance sheets and income statements of individual banks and housing savings banks are also enclosed.

Data on members of management and supervisory boards, and on shareholders who hold 3% or more of share in the share capital of a bank or housing savings bank are as at 31 December 2007.

Data on auditors relate to bank/housing savings bank auditors for 2007.

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Management Board

Goran Gazivoda – chairperson, Ivan Dujmović

Supervisory Board

Domenico De Angelis – chairperson, Lorenzo Chiappini, Massimo Minolfi, Marco Franceschini, Tin Dolički

Shareholders

1. Banco Popolare di Verona e Novara S.C.A.R.L.

Share in share capital (%)

85.25

Audit firm for 2007:

Ernst & Young d.o.o., Zagreb

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	55,922
1.1. Total interest income	112,181
1.2. Total interest expenses	56,260
2. Net income from fees and commissions	10,095
2.1. Total income from fees and commissions	12,712
2.2. Total expenses on fees and commissions	2,617
3. Net other non-interest income	1,991
3.1. Other non-interest income	10,893
3.2. Other non-interest expenses	8,902
4. Net non-interest income	12,086
5. General administrative expenses and depreciation	58,349
6. Net operating income before loss provisions	9,659
7. Total expenses on loss provisions	8,961
7.1. Expenses on value adjustments and provisions for identified losses	6,039
7.2. Expenses on collectively assessed impairment provisions	2,922
8. Income/loss before taxes	698
9. Income tax	580
10. Current year profit/loss	118

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	157,499
1.1. Money assets	15,278
1.2. Deposits with the CNB	142,221
2. Deposits with banking institutions	202,456
3. MoF treasury bills and CNB bills	16,959
4. Securities and other financial instruments held for trading	40,288
5. Securities and other financial instruments available for sale	934
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	30,000
10. Loans to other clients	1,017,967
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	893
13. Tangible assets (net of depreciation)	21,876
14. Interest, fees and other assets	25,586
15. Net of: Collectively assessed impairment provisions	12,603
TOTAL ASSETS	1,501,855

Liabilities and capital	
1. Loans from financial institutions	162,657
1.1. Short-term loans	112,700
1.2. Long-term loans	49,957
2. Deposits	1,036,226
2.1. Giro account and current account deposits	63,703
2.2. Savings deposits	30,613
2.3. Time deposits	941,910
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	8
7. Hybrid instruments issued	29,439
8. Interest, fees and other liabilities	86,764
9. CAPITAL	186,762
TOTAL LIABILITIES AND CAPITAL	1,501,855

1 Bank Account Number.

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Management Board

Zdenko Vidaković – chairperson, Mićo Tomičić

Supervisory Board

Damir Kreso – chairperson, Mara Tomičić, Maja Vidaković

Shareholders

	Share in share capital (%)
1. Mićo Tomičić	7.71
2. Damir Kreso	7.51
3. Zdenko Vidaković	7.51
4. Slobodanka Kreso	6.79
5. Mara Tomičić	6.79
6. Maja Vidaković	6.79
7. Neđo Jelčić	6.30
8. Razija Kreso	5.96
9. Karlo Tomičić	5.96
10. Mirko Vidaković	5.96
11. Krešimir Planinić	5.90
12. Željko Rački	3.29
13. Višnja Rački	3.26

Audit firm for 2007:
 Revizija Zagreb d.o.o., Zagreb

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	17,556
1.1. Total interest income	30,765
1.2. Total interest expenses	13,209
2. Net income from fees and commissions	980
2.1. Total income from fees and commissions	2,497
2.2. Total expenses on fees and commissions	1,517
3. Net other non-interest income	2,043
3.1. Other non-interest income	2,910
3.2. Other non-interest expenses	867
4. Net non-interest income	3,023
5. General administrative expenses and depreciation	10,561
6. Net operating income before loss provisions	10,018
7. Total expenses on loss provisions	8,692
7.1. Expenses on value adjustments and provisions for identified losses	8,313
7.2. Expenses on collectively assessed impairment provisions	379
8. Income/loss before taxes	1,326
9. Income tax	284
10. Current year profit/loss	1,041

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	42,503
1.1. Money assets	16,156
1.2. Deposits with the CNB	26,347
2. Deposits with banking institutions	77,284
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	4,914
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	190,513
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	2,876
14. Interest, fees and other assets	4,501
15. Net of: Collectively assessed impairment provisions	2,502
TOTAL ASSETS	320,088

Liabilities and capital	
1. Loans from financial institutions	5,714
1.1. Short-term loans	0
1.2. Long-term loans	5,714
2. Deposits	258,668
2.1. Giro account and current account deposits	11,428
2.2. Savings deposits	2,725
2.3. Time deposits	244,516
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	10,515
9. CAPITAL	45,192
TOTAL LIABILITIES AND CAPITAL	320,088

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Management Board

Lidija Hočurščak – chairperson, Ratko Špirelja

Supervisory Board

Gilberto Ghiotti – chairperson, Josip Samaržija,
 Luca Simoni, Vladimiro Renzi, Andrea Belluzzi,
 Ivan Majdak, Andrea Albertini

Shareholders

	Share in share capital (%)
1. Cassa di Risparmio della Repubblica di San Marino S.p.A.	88.55
2. Josip Samaržija	9.85

Audit firm for 2007:
 Revidicon d.o.o., Varaždin

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	26,667
1.1. Total interest income	79,217
1.2. Total interest expenses	52,550
2. Net income from fees and commissions	1,174
2.1. Total income from fees and commissions	2,368
2.2. Total expenses on fees and commissions	1,193
3. Net other non-interest income	6,036
3.1. Other non-interest income	13,463
3.2. Other non-interest expenses	7,427
4. Net non-interest income	7,211
5. General administrative expenses and depreciation	37,448
6. Net operating income before loss provisions	-3,570
7. Total expenses on loss provisions	24,795
7.1. Expenses on value adjustments and provisions for identified losses	23,761
7.2. Expenses on collectively assessed impairment provisions	1,034
8. Income/loss before taxes	-28,365
9. Income tax	0
10. Current year profit/loss	-28,365

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	117,283
1.1. Money assets	14,462
1.2. Deposits with the CNB	102,820
2. Deposits with banking institutions	71,899
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	36,813
6. Securities and other financial instruments held to maturity	123,316
7. Securities and other financial instruments not traded in active markets but carried at fair value	15,858
8. Derivative financial assets	0
9. Loans to financial institutions	74,000
10. Loans to other clients	508,109
11. Investments in subsidiaries and associates	75
12. Foreclosed and repossessed assets	402
13. Tangible assets (net of depreciation)	23,185
14. Interest, fees and other assets	18,490
15. Net of: Collectively assessed impairment provisions	8,244
TOTAL ASSETS	981,187

Liabilities and capital	
1. Loans from financial institutions	3,945
1.1. Short-term loans	3,500
1.2. Long-term loans	445
2. Deposits	814,944
2.1. Giro account and current account deposits	17,871
2.2. Savings deposits	25,984
2.3. Time deposits	771,089
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	456
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	37,955
8. Interest, fees and other liabilities	44,242
9. CAPITAL	79,645
TOTAL LIABILITIES AND CAPITAL	981,187

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Management Board

Ante Blažević – chairperson, Ivo Krolo

Supervisory Board

Juroslav Buljubašić – chairperson, Miljenko Validžić,
 Mirko Vukušić

Shareholders

	Share in share capital (%)
1. Juroslav Buljubašić	31.49
2. Hypo Alpe-Adria-Bank d.d.	10.03
3. Blue Line	9.83
4. Mirko Vukušić	5.84
5. Joško Dvornik	5.75
6. Venči Čulić Meić	3.92
7. Nataša Vuković	3.90
8. Anđa Vukušić	3.30
9. Jakša Medić	3.02

Audit firm for 2007:
 SD Nika d.o.o., Split

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	11,060
1.1. Total interest income	16,827
1.2. Total interest expenses	5,767
2. Net income from fees and commissions	2,135
2.1. Total income from fees and commissions	2,701
2.2. Total expenses on fees and commissions	566
3. Net other non-interest income	-892
3.1. Other non-interest income	824
3.2. Other non-interest expenses	1,716
4. Net non-interest income	1,243
5. General administrative expenses and depreciation	8,831
6. Net operating income before loss provisions	3,473
7. Total expenses on loss provisions	-161
7.1. Expenses on value adjustments and provisions for identified losses	-14
7.2. Expenses on collectively assessed impairment provisions	-146
8. Income/loss before taxes	3,633
9. Income tax	776
10. Current year profit/loss	2,857

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	16,388
1.1. Money assets	5,061
1.2. Deposits with the CNB	11,327
2. Deposits with banking institutions	22,695
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	1,776
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	117,934
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	230
13. Tangible assets (net of depreciation)	12,103
14. Interest, fees and other assets	2,701
15. Net of: Collectively assessed impairment provisions	1,433
TOTAL ASSETS	172,393

Liabilities and capital	
1. Loans from financial institutions	2,202
1.1. Short-term loans	2,000
1.2. Long-term loans	202
2. Deposits	109,177
2.1. Giro account and current account deposits	545
2.2. Savings deposits	3,185
2.3. Time deposits	105,447
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	7,772
9. CAPITAL	53,242
TOTAL LIABILITIES AND CAPITAL	172,393

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Shareholders

	Share in share capital (%)
1. Heruc d.d.	41.23
2. PBZ d.d. (omnibus custody account)	9.14
3. Heruc Euroholding LTD	3.85

Management Board

Fran Renko – chairperson, Darko Kosovec, Marko Brnić

Audit firm for 2007:

Revizija Zagreb d.o.o., Zagreb

Supervisory Board

Dragutin Biondić – chairperson, Igor Knežević,
 Irena Kovačević, Žarko Kraljević, Gordana Zrinščak

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	48,658
1.1. Total interest income	83,270
1.2. Total interest expenses	34,612
2. Net income from fees and commissions	18,313
2.1. Total income from fees and commissions	24,832
2.2. Total expenses on fees and commissions	6,519
3. Net other non-interest income	5,151
3.1. Other non-interest income	7,886
3.2. Other non-interest expenses	2,735
4. Net non-interest income	23,464
5. General administrative expenses and depreciation	40,020
6. Net operating income before loss provisions	32,102
7. Total expenses on loss provisions	13,191
7.1. Expenses on value adjustments and provisions for identified losses	11,072
7.2. Expenses on collectively assessed impairment provisions	2,119
8. Income/loss before taxes	18,911
9. Income tax	3,894
10. Current year profit/loss	15,017

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	143,716
1.1. Money assets	11,594
1.2. Deposits with the CNB	132,123
2. Deposits with banking institutions	88,026
3. MoF treasury bills and CNB bills	57,805
4. Securities and other financial instruments held for trading	7,092
5. Securities and other financial instruments available for sale	3,952
6. Securities and other financial instruments held to maturity	89,951
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	1
9. Loans to financial institutions	40,000
10. Loans to other clients	789,450
11. Investments in subsidiaries and associates	3,020
12. Foreclosed and repossessed assets	3,500
13. Tangible assets (net of depreciation)	6,010
14. Interest, fees and other assets	16,524
15. Net of: Collectively assessed impairment provisions	11,905
TOTAL ASSETS	1,237,143

Liabilities and capital	
1. Loans from financial institutions	232,097
1.1. Short-term loans	44,535
1.2. Long-term loans	187,562
2. Deposits	739,372
2.1. Giro account and current account deposits	180,653
2.2. Savings deposits	24,225
2.3. Time deposits	534,494
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	2
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	5,505
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	72,348
9. CAPITAL	187,819
TOTAL LIABILITIES AND CAPITAL	1,237,143

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Management Board

Šime Luketin – chairperson, Mato Mišić

Supervisory Board

Boris Barač – chairperson, Mirko Vuković, Dražen Bilić

Shareholders

	Share in share capital (%)
1. Boris Barač	25.97
2. Mirko Vuković	18.31
3. Simag d.o.o.	9.31
4. Alkom d.o.o. za graditeljstvo	8.36
5. Marko Vuković	7.90
6. Uvel d.o.o.	4.98
7. Plastal d.o.o.	3.52

Audit firm for 2007:

Deloitte d.o.o., Zagreb

Income Statement
as at 31 December 2007, in thousand HRK

1. Net interest income	35,818
1.1. Total interest income	81,423
1.2. Total interest expenses	45,605
2. Net income from fees and commissions	10,788
2.1. Total income from fees and commissions	13,687
2.2. Total expenses on fees and commissions	2,899
3. Net other non-interest income	3,605
3.1. Other non-interest income	8,645
3.2. Other non-interest expenses	5,039
4. Net non-interest income	14,393
5. General administrative expenses and depreciation	38,639
6. Net operating income before loss provisions	11,572
7. Total expenses on loss provisions	2,069
7.1. Expenses on value adjustments and provisions for identified losses	1,028
7.2. Expenses on collectively assessed impairment provisions	1,041
8. Income/loss before taxes	9,503
9. Income tax	2,368
10. Current year profit/loss	7,135

Balance Sheet
as at 31 December 2007, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	164,739
1.1. Money assets	15,387
1.2. Deposits with the CNB	149,352
2. Deposits with banking institutions	137,706
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	11,995
6. Securities and other financial instruments held to maturity	45,253
7. Securities and other financial instruments not traded in active markets but carried at fair value	46
8. Derivative financial assets	0
9. Loans to financial institutions	10,000
10. Loans to other clients	859,994
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	14,735
13. Tangible assets (net of depreciation)	21,327
14. Interest, fees and other assets	29,728
15. Net of: Collectively assessed impairment provisions	11,875
TOTAL ASSETS	1,283,648

Liabilities and capital	
1. Loans from financial institutions	157,366
1.1. Short-term loans	7,506
1.2. Long-term loans	149,860
2. Deposits	951,575
2.1. Giro account and current account deposits	156,010
2.2. Savings deposits	63,986
2.3. Time deposits	731,579
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	12,805
8. Interest, fees and other liabilities	64,200
9. CAPITAL	97,702
TOTAL LIABILITIES AND CAPITAL	1,283,648

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Management Board

Ivan Purgar – chairperson, Marko Gabela

Supervisory Board

Ivan Pažin – chairperson, Kamilo Vrana, Ivan Tomljenović, Branka Grabovac, Ivan Bukarica

Shareholders

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

Audit firm for 2007:
 Revizija Zagreb d.o.o., Zagreb

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	49,737
1.1. Total interest income	96,309
1.2. Total interest expenses	46,572
2. Net income from fees and commissions	3,646
2.1. Total income from fees and commissions	13,172
2.2. Total expenses on fees and commissions	9,526
3. Net other non-interest income	19,825
3.1. Other non-interest income	29,095
3.2. Other non-interest expenses	9,270
4. Net non-interest income	23,471
5. General administrative expenses and depreciation	68,830
6. Net operating income before loss provisions	4,377
7. Total expenses on loss provisions	1,919
7.1. Expenses on value adjustments and provisions for identified losses	-118
7.2. Expenses on collectively assessed impairment provisions	2,037
8. Income/loss before taxes	2,458
9. Income tax	509
10. Current year profit/loss	1,949

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	185,595
1.1. Money assets	22,726
1.2. Deposits with the CNB	162,869
2. Deposits with banking institutions	207,353
3. MoF treasury bills and CNB bills	43,889
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	45,341
6. Securities and other financial instruments held to maturity	18,323
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	30
9. Loans to financial institutions	73,500
10. Loans to other clients	976,689
11. Investments in subsidiaries and associates	440
12. Foreclosed and repossessed assets	41,681
13. Tangible assets (net of depreciation)	27,498
14. Interest, fees and other assets	68,138
15. Net of: Collectively assessed impairment provisions	14,173
TOTAL ASSETS	1,674,304

Liabilities and capital	
1. Loans from financial institutions	229,393
1.1. Short-term loans	42,400
1.2. Long-term loans	186,993
2. Deposits	1,197,295
2.1. Giro account and current account deposits	263,644
2.2. Savings deposits	102,094
2.3. Time deposits	831,557
3. Other loans	24,587
3.1. Short-term loans	21,975
3.2. Long-term loans	2,612
4. Derivative financial liabilities and other financial liabilities held for trading	76
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	71,112
9. CAPITAL	151,841
TOTAL LIABILITIES AND CAPITAL	1,674,304

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Management Board

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

Supervisory Board

Johannes Kinsky – chairperson, Franz Kerber, Péter Kisbenedek, Kristijan Schellander, Gerhard Maier, Peter Weiss, Peter Nemschak

Shareholders

	Share in share capital (%)
1. Erste Bank der Österreichischen Sparkassen AG	54.91
2. Die Steiermärkische Bank und Sparkassen AG	40.98

Audit firm for 2007:
 Ernst & Young d.o.o., Zagreb

Income Statement
as at 31 December 2007, in thousand HRK

1. Net interest income	1,044,283
1.1. Total interest income	2,302,128
1.2. Total interest expenses	1,257,844
2. Net income from fees and commissions	290,086
2.1. Total income from fees and commissions	421,037
2.2. Total expenses on fees and commissions	130,951
3. Net other non-interest income	173,226
3.1. Other non-interest income	241,989
3.2. Other non-interest expenses	68,763
4. Net non-interest income	463,312
5. General administrative expenses and depreciation	634,248
6. Net operating income before loss provisions	873,348
7. Total expenses on loss provisions	119,591
7.1. Expenses on value adjustments and provisions for identified losses	52,393
7.2. Expenses on collectively assessed impairment provisions	67,198
8. Income/loss before taxes	753,756
9. Income tax	154,727
10. Current year profit/loss	599,029

Balance Sheet
as at 31 December 2007, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	6,295,097
1.1. Money assets	487,632
1.2. Deposits with the CNB	5,807,466
2. Deposits with banking institutions	5,085,806
3. MoF treasury bills and CNB bills	1,207,277
4. Securities and other financial instruments held for trading	161,315
5. Securities and other financial instruments available for sale	470,421
6. Securities and other financial instruments held to maturity	458,104
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	45,953
9. Loans to financial institutions	196,236
10. Loans to other clients	25,941,717
11. Investments in subsidiaries and associates	45,957
12. Foreclosed and repossessed assets	11,889
13. Tangible assets (net of depreciation)	517,798
14. Interest, fees and other assets	487,308
15. Net of: Collectively assessed impairment provisions	366,719
TOTAL ASSETS	40,558,158

Liabilities and capital	
1. Loans from financial institutions	1,628,773
1.1. Short-term loans	510,395
1.2. Long-term loans	1,118,378
2. Deposits	31,444,570
2.1. Giro account and current account deposits	4,269,650
2.2. Savings deposits	2,994,192
2.3. Time deposits	24,180,728
3. Other loans	1,884,901
3.1. Short-term loans	3,958
3.2. Long-term loans	1,880,943
4. Derivative financial liabilities and other financial liabilities held for trading	46,493
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	1,625,144
9. CAPITAL	3,928,276
TOTAL LIABILITIES AND CAPITAL	40,558,158

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Shareholders

1. Croatian Privatisation Fund
2. Hrvatska pošta d.d.
3. Croatian Pension Insurance Administration

Share in share capital (%)

37.00
 33.56
 28.01

Management Board

Josip Protega – chairperson, Ivan Sladonja

Audit firm for 2007:

KPMG Croatia d.o.o., Zagreb

Supervisory Board

Ante Žigman – chairperson, Dragan Kovačević,
 Drago Jakovčević, Vera Babić, Grga Ivezić,
 Jadranko Mijalić, Miro Kovač

Income Statement
as at 31 December 2007, in thousand HRK

1. Net interest income	377,068
1.1. Total interest income	725,633
1.2. Total interest expenses	348,565
2. Net income from fees and commissions	124,992
2.1. Total income from fees and commissions	559,617
2.2. Total expenses on fees and commissions	434,625
3. Net other non-interest income	59,632
3.1. Other non-interest income	131,533
3.2. Other non-interest expenses	71,901
4. Net non-interest income	184,624
5. General administrative expenses and depreciation	332,146
6. Net operating income before loss provisions	229,545
7. Total expenses on loss provisions	76,260
7.1. Expenses on value adjustments and provisions for identified losses	36,765
7.2. Expenses on collectively assessed impairment provisions	39,494
8. Income/loss before taxes	153,286
9. Income tax	32,369
10. Current year profit/loss	120,916

Balance Sheet
as at 31 December 2007, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	2,594,531
1.1. Money assets	309,460
1.2. Deposits with the CNB	2,285,071
2. Deposits with banking institutions	2,069,887
3. MoF treasury bills and CNB bills	961,258
4. Securities and other financial instruments held for trading	700,952
5. Securities and other financial instruments available for sale	79,581
6. Securities and other financial instruments held to maturity	227,509
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	1,032
9. Loans to financial institutions	289,306
10. Loans to other clients	7,137,067
11. Investments in subsidiaries and associates	53,550
12. Foreclosed and repossessed assets	50,688
13. Tangible assets (net of depreciation)	207,175
14. Interest, fees and other assets	294,471
15. Net of: Collectively assessed impairment provisions	120,584
TOTAL ASSETS	14,546,422

Liabilities and capital	
1. Loans from financial institutions	2,070,939
1.1. Short-term loans	819,833
1.2. Long-term loans	1,251,106
2. Deposits	9,984,316
2.1. Giro account and current account deposits	2,717,158
2.2. Savings deposits	1,404,486
2.3. Time deposits	5,862,672
3. Other loans	29,301
3.1. Short-term loans	0
3.2. Long-term loans	29,301
4. Derivative financial liabilities and other financial liabilities held for trading	354
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	200,603
8. Interest, fees and other liabilities	1,296,630
9. CAPITAL	964,280
TOTAL LIABILITIES AND CAPITAL	14,546,422

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Management Board

Radojka Olić – chairperson, Igor Kodžoman,
 Zoran Sikirica, Krešimir Starčević

Supervisory Board

Tilo Berlin – chairperson, Josef Kircher, Othmar
 Ederer, Gerd Penkner, Wolfgang Peter

Shareholders

- Hypo Alpe-Adria-Bank International AG

Share in share capital (%)

100.00

Audit firm for 2007:
 Deloitte d.o.o., Zagreb

Income Statement
as at 31 December 2007, in thousand HRK

1. Net interest income	435,853
1.1. Total interest income	1,287,882
1.2. Total interest expenses	852,028
2. Net income from fees and commissions	210,891
2.1. Total income from fees and commissions	259,838
2.2. Total expenses on fees and commissions	48,947
3. Net other non-interest income	69,608
3.1. Other non-interest income	129,742
3.2. Other non-interest expenses	60,134
4. Net non-interest income	280,499
5. General administrative expenses and depreciation	428,372
6. Net operating income before loss provisions	287,980
7. Total expenses on loss provisions	101,452
7.1. Expenses on value adjustments and provisions for identified losses	72,039
7.2. Expenses on collectively assessed impairment provisions	29,414
8. Income/loss before taxes	186,528
9. Income tax	34,340
10. Current year profit/loss	152,188

Balance Sheet
as at 31 December 2007, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	3,943,485
1.1. Money assets	174,905
1.2. Deposits with the CNB	3,768,579
2. Deposits with banking institutions	1,740,911
3. MoF treasury bills and CNB bills	587,770
4. Securities and other financial instruments held for trading	266,220
5. Securities and other financial instruments available for sale	2,887,846
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	4,263
9. Loans to financial institutions	681,381
10. Loans to other clients	15,924,945
11. Investments in subsidiaries and associates	8,659
12. Foreclosed and repossessed assets	16,363
13. Tangible assets (net of depreciation)	167,808
14. Interest, fees and other assets	399,831
15. Net of: Collectively assessed impairment provisions	219,921
TOTAL ASSETS	26,409,561

Liabilities and capital	
1. Loans from financial institutions	1,644,331
1.1. Short-term loans	768,635
1.2. Long-term loans	875,696
2. Deposits	17,751,958
2.1. Giro account and current account deposits	2,095,727
2.2. Savings deposits	1,458,678
2.3. Time deposits	14,197,552
3. Other loans	1,598,989
3.1. Short-term loans	1,591,413
3.2. Long-term loans	7,576
4. Derivative financial liabilities and other financial liabilities held for trading	14,293
5. Debt securities issued	30,336
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	30,336
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	822,446
9. CAPITAL	4,547,208
TOTAL LIABILITIES AND CAPITAL	26,409,561

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Shareholders

	Share in share capital (%)
1. Imex trgovina d.o.o.	53.73
2. Trajektna luka Split d.d.	41.14
3. Ivka Mijić	3.88

Management Board

Čedo Maletić – chairperson, Ružica Šarić

Audit firm for 2007:
 Maran d.o.o., Split

Supervisory Board

Branko Buljan – chairperson, Ivanka Mijić,
 Marija Buljan

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	30,674
1.1. Total interest income	61,633
1.2. Total interest expenses	30,959
2. Net income from fees and commissions	3,475
2.1. Total income from fees and commissions	5,545
2.2. Total expenses on fees and commissions	2,069
3. Net other non-interest income	2,073
3.1. Other non-interest income	5,921
3.2. Other non-interest expenses	3,848
4. Net non-interest income	5,548
5. General administrative expenses and depreciation	22,912
6. Net operating income before loss provisions	13,310
7. Total expenses on loss provisions	6,681
7.1. Expenses on value adjustments and provisions for identified losses	5,278
7.2. Expenses on collectively assessed impairment provisions	1,403
8. Income/loss before taxes	6,629
9. Income tax	1,440
10. Current year profit/loss	5,189

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	129,219
1.1. Money assets	11,816
1.2. Deposits with the CNB	117,403
2. Deposits with banking institutions	145,090
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	2,485
5. Securities and other financial instruments available for sale	1,489
6. Securities and other financial instruments held to maturity	38,256
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	40,208
10. Loans to other clients	637,855
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	26,976
14. Interest, fees and other assets	13,635
15. Net of: Collectively assessed impairment provisions	8,351
TOTAL ASSETS	1,026,862

Liabilities and capital	
1. Loans from financial institutions	35,700
1.1. Short-term loans	20,000
1.2. Long-term loans	15,700
2. Deposits	874,528
2.1. Giro account and current account deposits	116,867
2.2. Savings deposits	25,512
2.3. Time deposits	732,149
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	22,462
9. CAPITAL	94,172
TOTAL LIABILITIES AND CAPITAL	1,026,862

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Management Board

Miro Dodić – chairperson, Marina Vidič

Supervisory Board

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

Shareholders

1. Intercommerce d.o.o.	16.86
2. Tvornica cementa Umag d.o.o.	15.04
3. Hempel d.o.o.	15.00
4. Serfin d.o.o.	9.66
5. Assicurazioni Generali Spa	7.63
6. Plava laguna d.d.	3.57

Share in share capital (%)

Audit firm for 2007:

PricewaterhouseCoopers d.o.o., Zagreb

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	65,481
1.1. Total interest income	110,802
1.2. Total interest expenses	45,321
2. Net income from fees and commissions	15,761
2.1. Total income from fees and commissions	21,046
2.2. Total expenses on fees and commissions	5,285
3. Net other non-interest income	15,597
3.1. Other non-interest income	18,791
3.2. Other non-interest expenses	3,194
4. Net non-interest income	31,358
5. General administrative expenses and depreciation	54,867
6. Net operating income before loss provisions	41,972
7. Total expenses on loss provisions	6,951
7.1. Expenses on value adjustments and provisions for identified losses	4,128
7.2. Expenses on collectively assessed impairment provisions	2,823
8. Income/loss before taxes	35,021
9. Income tax	7,759
10. Current year profit/loss	27,262

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	319,564
1.1. Money assets	30,769
1.2. Deposits with the CNB	288,795
2. Deposits with banking institutions	377,743
3. MoF treasury bills and CNB bills	28,338
4. Securities and other financial instruments held for trading	7,477
5. Securities and other financial instruments available for sale	63,703
6. Securities and other financial instruments held to maturity	52,701
7. Securities and other financial instruments not traded in active markets but carried at fair value	5,906
8. Derivative financial assets	0
9. Loans to financial institutions	69,000
10. Loans to other clients	1,161,761
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	1,331
13. Tangible assets (net of depreciation)	32,310
14. Interest, fees and other assets	16,273
15. Net of: Collectively assessed impairment provisions	17,411
TOTAL ASSETS	2,118,716

Liabilities and capital	
1. Loans from financial institutions	24,489
1.1. Short-term loans	0
1.2. Long-term loans	24,489
2. Deposits	1,873,088
2.1. Giro account and current account deposits	361,686
2.2. Savings deposits	367,754
2.3. Time deposits	1,143,648
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	47,399
9. CAPITAL	173,740
TOTAL LIABILITIES AND CAPITAL	2,118,716

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Management Board

Ivo Šinko – chairperson, Marija Trlaja

Supervisory Board

Ante Kulušić – chairperson, Duje Stančić, Stipe Kuvač,
 Mile Paić, Miro Petric

Shareholders

	Share in share capital (%)
1. Croatia osiguranje d.d.	9.75
2. Alfa d.d.	7.89
3. PBZ Invest d.o.o.	5.43
4. Ugo oprema i građenje, d.o.o.	4.92
5. Vinoplod-Vinarija d.d.	4.92
6. Jolly JBS d.o.o.	4.87
7. Importanne d.o.o.	4.81
8. Tiskara Malenica d.o.o.	4.23
9. Vodovod i odvodnja d.o.o.	4.20
10. Skandinaviska enskilda banken	3.67
11. Zagreb-Montaža d.o.o.	3.49

Audit firm for 2007:
 Šibenski Revicon d.o.o., Šibenik

Income Statement
 as at 31 December 2007, in thousand HRK

1. Net interest income	52,537
1.1. Total interest income	107,007
1.2. Total interest expenses	54,470
2. Net income from fees and commissions	11,266
2.1. Total income from fees and commissions	19,008
2.2. Total expenses on fees and commissions	7,742
3. Net other non-interest income	19,558
3.1. Other non-interest income	26,556
3.2. Other non-interest expenses	6,998
4. Net non-interest income	30,824
5. General administrative expenses and depreciation	45,361
6. Net operating income before loss provisions	38,000
7. Total expenses on loss provisions	5,100
7.1. Expenses on value adjustments and provisions for identified losses	932
7.2. Expenses on collectively assessed impairment provisions	4,168
8. Income/loss before taxes	32,900
9. Income tax	6,574
10. Current year profit/loss	26,327

Balance Sheet
 as at 31 December 2007, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	281,991
1.1. Money assets	45,665
1.2. Deposits with the CNB	236,326
2. Deposits with banking institutions	261,743
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	12,264
6. Securities and other financial instruments held to maturity	352,356
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	5
9. Loans to financial institutions	245,000
10. Loans to other clients	909,590
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	46,050
13. Tangible assets (net of depreciation)	28,662
14. Interest, fees and other assets	53,994
15. Net of: Collectively assessed impairment provisions	16,878
TOTAL ASSETS	2,174,777

Liabilities and capital

1. Loans from financial institutions	110,731
1.1. Short-term loans	20,000
1.2. Long-term loans	90,731
2. Deposits	1,639,792
2.1. Giro account and current account deposits	249,116
2.2. Savings deposits	355,202
2.3. Time deposits	1,035,474
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
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	182,751
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	33,125
9. CAPITAL	208,374
TOTAL LIABILITIES AND CAPITAL	2,174,777

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Management Board

Sandi Šola – chairperson, Siniša Žanetić, Marijana Trpčić-Reškovac

Supervisory Board

Danijel Žamboki – chairperson, Boris Vidić,
 Darrell Peter Saric, Ivan Podvorac, Goran Vukšić

Shareholders

	Share in share capital (%)
1. Mate Šarić	9.63
2. Dario Šimić	9.63
3. Sandi Šola	6.45
4. Batheja Pramod	5.47
5. Marijan Šarić	4.94
6. Petar Šola	4.69
7. Goran Ivanišević	4.47
8. Croatian Privatisation Fund	3.96
9. PBZ Invest d.o.o.	3.94
10. Ivan Jaime Guerrero Devlahovic	3.01

Audit firm for 2007:
 Revidicon d.o.o., Varaždin

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	68,503
1.1. Total interest income	105,855
1.2. Total interest expenses	37,352
2. Net income from fees and commissions	10,950
2.1. Total income from fees and commissions	23,832
2.2. Total expenses on fees and commissions	12,881
3. Net other non-interest income	2,386
3.1. Other non-interest income	8,146
3.2. Other non-interest expenses	5,760
4. Net non-interest income	13,336
5. General administrative expenses and depreciation	52,668
6. Net operating income before loss provisions	29,172
7. Total expenses on loss provisions	8,747
7.1. Expenses on value adjustments and provisions for identified losses	6,940
7.2. Expenses on collectively assessed impairment provisions	1,807
8. Income/loss before taxes	20,425
9. Income tax	4,064
10. Current year profit/loss	16,361

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	186,235
1.1. Money assets	20,641
1.2. Deposits with the CNB	165,594
2. Deposits with banking institutions	166,981
3. MoF treasury bills and CNB bills	19,368
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	10,909
6. Securities and other financial instruments held to maturity	147,388
7. Securities and other financial instruments not traded in active markets but carried at fair value	9,240
8. Derivative financial assets	9
9. Loans to financial institutions	3,367
10. Loans to other clients	1,085,210
11. Investments in subsidiaries and associates	14,621
12. Foreclosed and repossessed assets	1,933
13. Tangible assets (net of depreciation)	61,780
14. Interest, fees and other assets	19,645
15. Net of: Collectively assessed impairment provisions	13,473
TOTAL ASSETS	1,713,214

Liabilities and capital	
1. Loans from financial institutions	112,381
1.1. Short-term loans	32,539
1.2. Long-term loans	79,842
2. Deposits	1,352,827
2.1. Giro account and current account deposits	307,051
2.2. Savings deposits	243,059
2.3. Time deposits	802,718
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	9
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	13,627
8. Interest, fees and other liabilities	40,657
9. CAPITAL	193,712
TOTAL LIABILITIES AND CAPITAL	1,713,214

KREDITNA BANKA ZAGREB d.d.

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 http://www.kbz.hr

Management Board

Nelsi Rončević – chairperson, Ivan Dropulić

Supervisory Board

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

Shareholders

1. Euroherc osiguranje d.d.	19.90
2. Jadransko osiguranje d.d.	16.00
3. Agram životno osiguranje d.d.	12.24
4. Euroleasing d.o.o.	11.99
5. Euro daus d.d.	10.51
6. Euroduhan d.d.	4.19
7. Euroagram nekretnine d.o.o.	4.00
8. Eurodom d.o.o.	3.00

Share in share capital (%)

Audit firm for 2007:
 Deloitte d.o.o., Zagreb

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	32,652
1.1. Total interest income	65,561
1.2. Total interest expenses	32,909
2. Net income from fees and commissions	9,722
2.1. Total income from fees and commissions	21,575
2.2. Total expenses on fees and commissions	11,853
3. Net other non-interest income	9,286
3.1. Other non-interest income	11,459
3.2. Other non-interest expenses	2,173
4. Net non-interest income	19,007
5. General administrative expenses and depreciation	38,954
6. Net operating income before loss provisions	12,705
7. Total expenses on loss provisions	-2,695
7.1. Expenses on value adjustments and provisions for identified losses	-3,435
7.2. Expenses on collectively assessed impairment provisions	740
8. Income/loss before taxes	15,401
9. Income tax	4,111
10. Current year profit/loss	11,290

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	221,281
1.1. Money assets	41,303
1.2. Deposits with the CNB	179,978
2. Deposits with banking institutions	119,929
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	8,391
6. Securities and other financial instruments held to maturity	393
7. Securities and other financial instruments not traded in active markets but carried at fair value	17,257
8. Derivative financial assets	445
9. Loans to financial institutions	114,000
10. Loans to other clients	772,813
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	36,997
14. Interest, fees and other assets	34,670
15. Net of Collectively assessed impairment provisions	10,322
TOTAL ASSETS	1,315,854

Liabilities and capital	
1. Loans from financial institutions	111,329
1.1. Short-term loans	94,450
1.2. Long-term loans	16,879
2. Deposits	989,949
2.1. Giro account and current account deposits	324,503
2.2. Savings deposits	56,157
2.3. Time deposits	609,289
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	15
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	47,667
9. CAPITAL	166,893
TOTAL LIABILITIES AND CAPITAL	1,315,854

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Shareholders

1. BKS Bank AG

Share in share capital (%)

96.62

Audit firm for 2007:
 KPMG Croatia d.o.o., Zagreb

Management Board

Goran Rameša – chairperson, Milivoj Debelić

Supervisory Board

Herta Stockbauer – chairperson, Heimo Penker,
 Marijan Ključariček, Josef Morak, Dubravko Orlovac

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	13,869
1.1. Total interest income	21,464
1.2. Total interest expenses	7,596
2. Net income from fees and commissions	3,568
2.1. Total income from fees and commissions	6,097
2.2. Total expenses on fees and commissions	2,529
3. Net other non-interest income	2,771
3.1. Other non-interest income	4,885
3.2. Other non-interest expenses	2,114
4. Net non-interest income	6,339
5. General administrative expenses and depreciation	15,650
6. Net operating income before loss provisions	4,557
7. Total expenses on loss provisions	367
7.1. Expenses on value adjustments and provisions for identified losses	40
7.2. Expenses on collectively assessed impairment provisions	327
8. Income/loss before taxes	4,190
9. Income tax	766
10. Current year profit/loss	3,424

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	52,867
1.1. Money assets	1,986
1.2. Deposits with the CNB	50,880
2. Deposits with banking institutions	48,204
3. MoF treasury bills and CNB bills	9,000
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	5,399
6. Securities and other financial instruments held to maturity	40,326
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	50,000
10. Loans to other clients	195,740
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	383
13. Tangible assets (net of depreciation)	24,616
14. Interest, fees and other assets	6,552
15. Net of: Collectively assessed impairment provisions	4,154
TOTAL ASSETS	428,934

Liabilities and capital	
1. Loans from financial institutions	38,502
1.1. Short-term loans	0
1.2. Long-term loans	38,502
2. Deposits	304,784
2.1. Giro account and current account deposits	127,949
2.2. Savings deposits	29,238
2.3. Time deposits	147,597
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	10,886
9. CAPITAL	74,762
TOTAL LIABILITIES AND CAPITAL	428,934

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Shareholders

1. Privredna banka Zagreb d.d.

Share in share capital (%)

96.39

Audit firm for 2007:
 Deloitte d.o.o., Zagreb

Management Board

Nenad Jeđud – chairperson, Ljiljana Horvat

Supervisory Board

Ivan Krolo – chairperson, Zoran Kureljušić,
 Siniša Špoljarec, Ivanka Petrović, Ljiljana Miletić

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	107,099
1.1. Total interest income	170,297
1.2. Total interest expenses	63,198
2. Net income from fees and commissions	30,503
2.1. Total income from fees and commissions	34,970
2.2. Total expenses on fees and commissions	4,467
3. Net other non-interest income	-5,575
3.1. Other non-interest income	7,371
3.2. Other non-interest expenses	12,946
4. Net non-interest income	24,928
5. General administrative expenses and depreciation	60,280
6. Net operating income before loss provisions	71,747
7. Total expenses on loss provisions	14,924
7.1. Expenses on value adjustments and provisions for identified losses	12,706
7.2. Expenses on collectively assessed impairment provisions	2,218
8. Income/loss before taxes	56,823
9. Income tax	11,618
10. Current year profit/loss	45,204

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	356,988
1.1. Money assets	62,479
1.2. Deposits with the CNB	294,509
2. Deposits with banking institutions	525,117
3. MoF treasury bills and CNB bills	108,470
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	156,182
6. Securities and other financial instruments held to maturity	3,304
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	1
9. Loans to financial institutions	33,449
10. Loans to other clients	1,464,351
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	839
13. Tangible assets (net of depreciation)	38,682
14. Interest, fees and other assets	25,755
15. Net of: Collectively assessed impairment provisions	29,289
TOTAL ASSETS	2,683,850

Liabilities and capital	
1. Loans from financial institutions	153,316
1.1. Short-term loans	8,300
1.2. Long-term loans	145,016
2. Deposits	2,014,446
2.1. Giro account and current account deposits	423,245
2.2. Savings deposits	357,565
2.3. Time deposits	1,233,636
3. Other loans	161,153
3.1. Short-term loans	0
3.2. Long-term loans	161,153
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	78,943
9. CAPITAL	275,992
TOTAL LIABILITIES AND CAPITAL	2,683,850

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Management Board

Stipan Pamuković – chairperson, Željko Škalec

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Kemika d.d.	14.51
2. I.C.F. Invest d.o.o.	6.71
3. Dragica Predović	4.56
4. Hypo Alpe-Adria-Bank AG	4.13
5. GIP Pionir d.d.	3.96
6. Euroherc osiguranje d.d.	3.95
7. Stipan Pamuković	3.92
8. Željko Škalec	3.92
9. Gradko d.o.o.	3.63
10. Agram životno osiguranje d.d.	3.30
11. Aling J.T.D.	3.30
12. Jadransko osiguranje d.d.	3.30
13. Branko Škarica	3.07

Audit firm for 2007:
 Revizija Zagreb d.o.o., Zagreb/SAM-SEC Samobor

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	12,411
1.1. Total interest income	31,186
1.2. Total interest expenses	18,775
2. Net income from fees and commissions	1,943
2.1. Total income from fees and commissions	4,268
2.2. Total expenses on fees and commissions	2,325
3. Net other non-interest income	4,800
3.1. Other non-interest income	5,556
3.2. Other non-interest expenses	756
4. Net non-interest income	6,743
5. General administrative expenses and depreciation	10,316
6. Net operating income before loss provisions	8,839
7. Total expenses on loss provisions	4,908
7.1. Expenses on value adjustments and provisions for identified losses	4,413
7.2. Expenses on collectively assessed impairment provisions	495
8. Income/loss before taxes	3,931
9. Income tax	769
10. Current year profit/loss	3,162

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	70,528
1.1. Money assets	5,950
1.2. Deposits with the CNB	64,578
2. Deposits with banking institutions	57,324
3. MoF treasury bills and CNB bills	4,995
4. Securities and other financial instruments held for trading	11,355
5. Securities and other financial instruments available for sale	57,846
6. Securities and other financial instruments held to maturity	19,153
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	8
9. Loans to financial institutions	8,300
10. Loans to other clients	289,595
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	42
13. Tangible assets (net of depreciation)	6,910
14. Interest, fees and other assets	12,466
15. Net of: Collectively assessed impairment provisions	4,296
TOTAL ASSETS	534,227

Liabilities and capital	
1. Loans from financial institutions	13,546
1.1. Short-term loans	10,400
1.2. Long-term loans	3,146
2. Deposits	421,914
2.1. Giro account and current account deposits	97,874
2.2. Savings deposits	7,292
2.3. Time deposits	316,748
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	2
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	7,943
9. CAPITAL	90,823
TOTAL LIABILITIES AND CAPITAL	534,227

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<http://www.otpbanka.hr>

Shareholders

1. OTP Bank RT

**Share in share
 capital (%)**
 100.00

Audit firm for 2007:
 KPMG Croatia d.o.o., Zagreb

Management Board

Damir Odak – chairperson, Zorislav Vidović,
 Balazs Pal Bekeffy

Supervisory Board

Antal Gyorgy Kovacs – chairperson, Gabor Czikora,
 Laszlo Kecskés, Gabor Kovacz, Balazs Fekete

**Income Statement
 as at 31 December 2007, in thousand HRK**

1. Net interest income	326,654
1.1. Total interest income	623,238
1.2. Total interest expenses	296,584
2. Net income from fees and commissions	87,454
2.1. Total income from fees and commissions	124,948
2.2. Total expenses on fees and commissions	37,494
3. Net other non-interest income	1,448
3.1. Other non-interest income	40,736
3.2. Other non-interest expenses	39,289
4. Net non-interest income	88,901
5. General administrative expenses and depreciation	262,355
6. Net operating income before loss provisions	153,200
7. Total expenses on loss provisions	21,172
7.1. Expenses on value adjustments and provisions for identified losses	6,005
7.2. Expenses on collectively assessed impairment provisions	15,168
8. Income/loss before taxes	132,028
9. Income tax	27,243
10. Current year profit/loss	104,785

**Balance Sheet
 as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	1,733,921
1.1. Money assets	130,482
1.2. Deposits with the CNB	1,603,440
2. Deposits with banking institutions	1,458,470
MoF treasury bills and CNB bills	160,784
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	668,863
6. Securities and other financial instruments held to maturity	84,672
7. Securities and other financial instruments not traded in active markets but carried at fair value	8,064
8. Derivative financial assets	218
9. Loans to financial institutions	301,000
10. Loans to other clients	7,233,417
11. Investments in subsidiaries and associates	80,428
12. Foreclosed and repossessed assets	208
13. Tangible assets (net of depreciation)	168,316
14. Interest, fees and other assets	173,493
15. Net of: Collectively assessed impairment provisions	98,232
TOTAL ASSETS	11,973,623

Liabilities and capital	
1. Loans from financial institutions	702,820
1.1. Short-term loans	180,705
1.2. Long-term loans	522,115
2. Deposits	9,090,352
2.1. Giro account and current account deposits	1,742,449
2.2. Savings deposits	1,170,439
2.3. Time deposits	6,177,464
3. Other loans	698,781
3.1. Short-term loans	132
3.2. Long-term loans	698,650
4. Derivative financial liabilities and other financial liabilities held for trading	767
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	37,453
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	320,772
9. CAPITAL	1,122,678
TOTAL LIABILITIES AND CAPITAL	11,973,623

PARTNER BANKA d.d.

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Shareholders

1. Metroholding d.d.

Share in share capital (%)

99.99

Audit firm for 2007:

PricewaterhouseCoopers d.o.o., Zagreb

Management Board

Marija Šola – chairperson, Branka Oštrić

Supervisory Board

Borislav Škegro – chairperson, Igor Oppenheim,
 Ivan Ćurković

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	49,072
1.1. Total interest income	82,079
1.2. Total interest expenses	33,007
2. Net income from fees and commissions	9,074
2.1. Total income from fees and commissions	15,163
2.2. Total expenses on fees and commissions	6,088
3. Net other non-interest income	6,279
3.1. Other non-interest income	8,726
3.2. Other non-interest expenses	2,448
4. Net non-interest income	15,353
5. General administrative expenses and depreciation	47,250
6. Net operating income before loss provisions	17,175
7. Total expenses on loss provisions	3,291
7.1. Expenses on value adjustments and provisions for identified losses	2,363
7.2. Expenses on collectively assessed impairment provisions	927
8. Income/loss before taxes	13,885
9. Income tax	2,679
10. Current year profit/loss	11,206

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	131,444
1.1. Money assets	12,048
1.2. Deposits with the CNB	119,396
2. Deposits with banking institutions	87,038
3. MoF treasury bills and CNB bills	19,290
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	66,055
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	19
9. Loans to financial institutions	1,000
10. Loans to other clients	904,508
11. Investments in subsidiaries and associates	2,883
12. Foreclosed and repossessed assets	6,449
13. Tangible assets (net of depreciation)	35,229
14. Interest, fees and other assets	19,312
15. Net of: Collectively assessed impairment provisions	9,865
TOTAL ASSETS	1,263,362

Liabilities and capital	
1. Loans from financial institutions	233,146
1.1. Short-term loans	10,000
1.2. Long-term loans	223,146
2. Deposits	822,353
2.1. Giro account and current account deposits	202,673
2.2. Savings deposits	49,099
2.3. Time deposits	570,581
3. Other loans	12,270
3.1. Short-term loans	0
3.2. Long-term loans	12,270
4. Derivative financial liabilities and other financial liabilities held for trading	9
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	26,596
9. CAPITAL	168,989
TOTAL LIABILITIES AND CAPITAL	1,263,362

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Management Board

Julio Kuruc – chairperson, Davorka Jakir,
 Marijan Marušić

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Lorenzo Gorgoni	9.66
2. Assicurazioni Generali Spa	9.34
3. Cerere S.R.L.	9.33
4. Antonia Gorgoni	8.83
5. Miljan Todorovic	8.16
6. Andrea Montinari	5.64
7. Dario Montinari	5.64
8. Piero Montinari	5.64
9. Sigilfredo Montinari	5.64
10. Podravska banka d.d. (custody account)	4.59
11. Giovanni Semeraro	4.10

Audit firm for 2007:
 PricewaterhouseCoopers d.o.o., Zagreb

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	91,071
1.1. Total interest income	170,934
1.2. Total interest expenses	79,863
2. Net income from fees and commissions	38,950
2.1. Total income from fees and commissions	53,233
2.2. Total expenses on fees and commissions	14,283
3. Net other non-interest income	11,427
3.1. Other non-interest income	23,870
3.2. Other non-interest expenses	12,442
4. Net non-interest income	50,377
5. General administrative expenses and depreciation	105,196
6. Net operating income before loss provisions	36,252
7. Total expenses on loss provisions	17,468
7.1. Expenses on value adjustments and provisions for identified losses	14,568
7.2. Expenses on collectively assessed impairment provisions	2,900
8. Income/loss before taxes	18,784
9. Income tax	-633
10. Current year profit/loss	19,417

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	384,397
1.1. Money assets	52,001
1.2. Deposits with the CNB	332,396
2. Deposits with banking institutions	431,572
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	106,117
6. Securities and other financial instruments held to maturity	59,898
7. Securities and other financial instruments not traded in active markets but carried at fair value	40,029
8. Derivative financial assets	8
9. Loans to financial institutions	179,000
10. Loans to other clients	1,493,217
11. Investments in subsidiaries and associates	1,530
12. Foreclosed and repossessed assets	2,414
13. Tangible assets (net of depreciation)	77,948
14. Interest, fees and other assets	60,013
15. Net of: Collectively assessed impairment provisions	21,850
TOTAL ASSETS	2,814,293

Liabilities and capital	
1. Loans from financial institutions	152,067
1.1. Short-term loans	89,000
1.2. Long-term loans	63,067
2. Deposits	2,313,981
2.1. Giro account and current account deposits	436,689
2.2. Savings deposits	256,984
2.3. Time deposits	1,620,308
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	6
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	100,248
9. CAPITAL	247,991
TOTAL LIABILITIES AND CAPITAL	2,814,293

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Management Board

Duško Miculinić – chairperson, Željka Pavić, Anto Pekić

Supervisory Board

Francesco Signorio – chairperson, Carlo Cattaneo, Gordana Pavletić, Domenico Petrella, Franco Brunati

Shareholders

	Share in share capital (%)
1. Francesco Signorio	49.85
2. Carlo Di Dato	8.95
3. Svetlana Signorio	8.85
4. Domenico Petrella	6.09
5. Cofisi S.A.	5.51
6. IBS S.R.L.	5.00
7. J.L.L. Marc Jourdan	4.75

Audit firm for 2007:
 Revidicon d.o.o., Varaždin

Income Statement
as at 31 December 2007, in thousand HRK

1. Net interest income	6,074
1.1. Total interest income	9,226
1.2. Total interest expenses	3,152
2. Net income from fees and commissions	400
2.1. Total income from fees and commissions	1,195
2.2. Total expenses on fees and commissions	795
3. Net other non-interest income	692
3.1. Other non-interest income	969
3.2. Other non-interest expenses	277
4. Net non-interest income	1,092
5. General administrative expenses and depreciation	7,366
6. Net operating income before loss provisions	-200
7. Total expenses on loss provisions	287
7.1. Expenses on value adjustments and provisions for identified losses	184
7.2. Expenses on collectively assessed impairment provisions	103
8. Income/loss before taxes	-487
9. Income tax	0
10. Current year profit/loss	-487

Balance Sheet
as at 31 December 2007, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	13,154
1.1. Money assets	2,354
1.2. Deposits with the CNB	10,801
2. Deposits with banking institutions	24,985
3. MoF treasury bills and CNB bills	1,910
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	4,381
6. Securities and other financial instruments held to maturity	474
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	81,643
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	674
14. Interest, fees and other assets	4,348
15. Net of: Collectively assessed impairment provisions	1,122
TOTAL ASSETS	130,447

Liabilities and capital	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	80,888
2.1. Giro account and current account deposits	9,477
2.2. Savings deposits	8,674
2.3. Time deposits	62,737
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	3,000
8. Interest, fees and other liabilities	4,269
9. CAPITAL	42,290
TOTAL LIABILITIES AND CAPITAL	130,447

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Shareholders

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

Management Board

Božo Prka – chairperson, Ivan Gerovac,
 Tomislav Lazarić, Marco Capellini, Gabriela Pace,
 Mario Henjak, Draženko Kopljar

Audit firm for 2007:
 Deloitte d.o.o., Zagreb

Supervisory Board

György Surányi – chairperson, Adriano Arietti,
 Paolo Grandi, Anne Fossemale, Giovanni Boccolini,
 Massimo Pierdicchi, Massimo Malagoli

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	1,637,900
1.1. Total interest income	3,274,141
1.2. Total interest expenses	1,636,241
2. Net income from fees and commissions	373,395
2.1. Total income from fees and commissions	595,844
2.2. Total expenses on fees and commissions	222,449
3. Net other non-interest income	233,412
3.1. Other non-interest income	436,035
3.2. Other non-interest expenses	202,623
4. Net non-interest income	606,807
5. General administrative expenses and depreciation	1,054,078
6. Net operating income before loss provisions	1,190,629
7. Total expenses on loss provisions	43,563
7.1. Expenses on value adjustments and provisions for identified losses	9,581
7.2. Expenses on collectively assessed impairment provisions	33,982
8. Income/loss before taxes	1,147,067
9. Income tax	215,319
10. Current year profit/loss	931,747

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	10,090,796
1.1. Money assets	1,074,245
1.2. Deposits with the CNB	9,016,551
2. Deposits with banking institutions	5,855,497
3. MoF treasury bills and CNB bills	1,493,302
4. Securities and other financial instruments held for trading	2,614,745
5. Securities and other financial instruments available for sale	478,670
6. Securities and other financial instruments held to maturity	1,217,019
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	32,692
9. Loans to financial institutions	856,346
10. Loans to other clients	37,082,149
11. Investments in subsidiaries and associates	348,336
12. Foreclosed and repossessed assets	41,172
13. Tangible assets (net of depreciation)	868,231
14. Interest, fees and other assets	901,095
15. Net of: Collectively assessed impairment provisions	537,650
TOTAL ASSETS	61,342,401

Liabilities and capital	
1. Loans from financial institutions	4,067,635
1.1. Short-term loans	2,772,116
1.2. Long-term loans	1,295,519
2. Deposits	41,218,878
2.1. Giro account and current account deposits	7,659,544
2.2. Savings deposits	5,892,223
2.3. Time deposits	27,667,111
3. Other loans	6,138,960
3.1. Short-term loans	36,473
3.2. Long-term loans	6,102,487
4. Derivative financial liabilities and other financial liabilities held for trading	37,789
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	2,031,696
9. CAPITAL	7,847,442
TOTAL LIABILITIES AND CAPITAL	61,342,401

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Management Board

Zdenko Adrović – chairperson, Vlasta Žubrinić-Pick,
 Jasna Širola, Zoran Koščak, Vesna Ciganek Vuković

Supervisory Board

Herbert Stepic – chairperson, Heinz Hoedl,
 Franz Rogi, Peter Lennkh, Martin Gruell

Shareholders

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

Audit firm for 2007:
 KPMG Croatia d.o.o., Zagreb

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	829,602
1.1. Total interest income	2,007,892
1.2. Total interest expenses	1,178,290
2. Net income from fees and commissions	376,711
2.1. Total income from fees and commissions	506,281
2.2. Total expenses on fees and commissions	129,570
3. Net other non-interest income	121,369
3.1. Other non-interest income	175,761
3.2. Other non-interest expenses	54,392
4. Net non-interest income	498,080
5. General administrative expenses and depreciation	690,192
6. Net operating income before loss provisions	637,490
7. Total expenses on loss provisions	150,835
7.1. Expenses on value adjustments and provisions for identified losses	103,307
7.2. Expenses on collectively assessed impairment provisions	47,528
8. Income/loss before taxes	486,655
9. Income tax	99,191
10. Current year profit/loss	387,464

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	5,105,693
1.1. Money assets	418,758
1.2. Deposits with the CNB	4,686,935
2. Deposits with banking institutions	3,795,761
3. MoF treasury bills and CNB bills	973,382
4. Securities and other financial instruments held for trading	3,306,461
5. Securities and other financial instruments available for sale	2,389
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	483,155
8. Derivative financial assets	103,723
9. Loans to financial institutions	1,377,618
10. Loans to other clients	22,550,802
11. Investments in subsidiaries and associates	228,945
12. Foreclosed and repossessed assets	283
13. Tangible assets (net of depreciation)	412,156
14. Interest, fees and other assets	647,145
15. Net of: Collectively assessed impairment provisions	284,102
TOTAL ASSETS	38,703,411

Liabilities and capital	
1. Loans from financial institutions	1,801,697
1.1. Short-term loans	1,084,034
1.2. Long-term loans	717,664
2. Deposits	23,424,817
2.1. Giro account and current account deposits	4,992,977
2.2. Savings deposits	2,594,335
2.3. Time deposits	15,837,505
3. Other loans	8,508,587
3.1. Short-term loans	1,576,909
3.2. Long-term loans	6,931,677
4. Derivative financial liabilities and other financial liabilities held for trading	74,684
5. Debt securities issued	157,933
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	157,933
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,114,303
9. CAPITAL	3,621,390
TOTAL LIABILITIES AND CAPITAL	38,703,411

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Management Board

Marijan Kantolić – chairperson, Verica Ljubičić

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Aqua vivae d.d.	79.34
2. Samoborka d.d.	5.15
3. Raiffeisenbank Austria d.d. (custody account)	3.48

Audit firm for 2007:
 Revidicon d.o.o., Varaždin

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	12,852
1.1. Total interest income	20,126
1.2. Total interest expenses	7,274
2. Net income from fees and commissions	548
2.1. Total income from fees and commissions	3,492
2.2. Total expenses on fees and commissions	2,944
3. Net other non-interest income	5,634
3.1. Other non-interest income	7,081
3.2. Other non-interest expenses	1,447
4. Net non-interest income	6,182
5. General administrative expenses and depreciation	11,530
6. Net operating income before loss provisions	7,503
7. Total expenses on loss provisions	-1,322
7.1. Expenses on value adjustments and provisions for identified losses	-1,591
7.2. Expenses on collectively assessed impairment provisions	269
8. Income/loss before taxes	8,825
9. Income tax	1,779
10. Current year profit/loss	7,047

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	46,905
1.1. Money assets	9,888
1.2. Deposits with the CNB	37,017
2. Deposits with banking institutions	105,065
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	13,174
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	50
9. Loans to financial institutions	47,000
10. Loans to other clients	156,794
11. Investments in subsidiaries and associates	53
12. Foreclosed and repossessed assets	771
13. Tangible assets (net of depreciation)	28,419
14. Interest, fees and other assets	2,958
15. Net of: Collectively assessed impairment provisions	3,093
TOTAL ASSETS	398,095

Liabilities and capital	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	296,401
2.1. Giro account and current account deposits	80,971
2.2. Savings deposits	74,609
2.3. Time deposits	140,820
3. Other loans	44
3.1. Short-term loans	44
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	24,792
9. CAPITAL	76,858
TOTAL LIABILITIES AND CAPITAL	398,095

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Management Board

Angelina Horvat – chairperson, Elvis Mališ

Supervisory Board

Alma Curl – chairperson, Oleg Uskoković, Krunoslav Lisjak, Blaženka Eror Matić, Mirko Lukač

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

1. State Agency for Bank Rehabilitation and Deposit Insurance	8.32
2. Soci�t� G�n�rale-Splitska banka d.d./ East Capital asset management	7.41
3. Soci�t� G�n�rale-Splitska banka d.d./ Gustavus Capital asset management	4.95
4. PBZ d.d./Deutsche Bank	4.48
5. PBZ Invest d.o.o.	4.43
6. Erste & Steierm�rkische Bank d.d./ CSC	4.30
7. Ingra d.d.	4.08
8. Vaba d.d.	3.81
9. HPB d.d./Kapitalni fond d.d.	3.78
10. Hypo Alpe-Adria-Bank d.d./SZIF d.d.	3.31
11. Croatia Lloyd d.d.	3.02

Audit firm for 2007:
 Revizija Zagreb d.o.o., Zagreb

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	36,596
1.1. Total interest income	69,564
1.2. Total interest expenses	32,968
2. Net income from fees and commissions	8,288
2.1. Total income from fees and commissions	11,645
2.2. Total expenses on fees and commissions	3,357
3. Net other non-interest income	2,582
3.1. Other non-interest income	2,810
3.2. Other non-interest expenses	228
4. Net non-interest income	10,870
5. General administrative expenses and depreciation	32,924
6. Net operating income before loss provisions	14,542
7. Total expenses on loss provisions	520
7.1. Expenses on value adjustments and provisions for identified losses	-94
7.2. Expenses on collectively assessed impairment provisions	614
8. Income/loss before taxes	14,022
9. Income tax	4,185
10. Current year profit/loss	9,837

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	124,363
1.1. Money assets	16,829
1.2. Deposits with the CNB	107,534
2. Deposits with banking institutions	154,017
3. MoF treasury bills and CNB bills	30,408
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	75
6. Securities and other financial instruments held to maturity	59,713
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	2
9. Loans to financial institutions	56,331
10. Loans to other clients	543,946
11. Investments in subsidiaries and associates	6,119
12. Foreclosed and repossessed assets	3,047
13. Tangible assets (net of depreciation)	28,346
14. Interest, fees and other assets	14,683
15. Net of: Collectively assessed impairment provisions	8,267
TOTAL ASSETS	1,012,784

Liabilities and capital	
1. Loans from financial institutions	35,553
1.1. Short-term loans	0
1.2. Long-term loans	35,553
2. Deposits	768,643
2.1. Giro account and current account deposits	141,687
2.2. Savings deposits	79,136
2.3. Time deposits	547,820
3. Other loans	16,499
3.1. Short-term loans	0
3.2. Long-term loans	16,499
4. Derivative financial liabilities and other financial liabilities held for trading	2
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	26
8. Interest, fees and other liabilities	43,845
9. CAPITAL	148,215
TOTAL LIABILITIES AND CAPITAL	1,012,784

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Management Board

Ivan Mihaljević – chairperson, Branka Štinc

Supervisory Board

Thomas Morgl – chairperson, Paul Kocher,
 Zlata Vrdoljak

Shareholders

1. Hypo Alpe-Adria-Bank
 International AG

**Share in share
 capital (%)**

100.00

Audit firm for 2007:
 Deloitte d.o.o., Zagreb

**Income Statement
 as at 31 December 2007, in thousand HRK**

1. Net interest income	243,692
1.1. Total interest income	548,233
1.2. Total interest expenses	304,541
2. Net income from fees and commissions	79,628
2.1. Total income from fees and commissions	99,511
2.2. Total expenses on fees and commissions	19,883
3. Net other non-interest income	11,633
3.1. Other non-interest income	32,810
3.2. Other non-interest expenses	21,177
4. Net non-interest income	91,261
5. General administrative expenses and depreciation	188,979
6. Net operating income before loss provisions	145,974
7. Total expenses on loss provisions	38,555
7.1. Expenses on value adjustments and provisions for identified losses	24,555
7.2. Expenses on collectively assessed impairment provisions	14,000
8. Income/loss before taxes	107,419
9. Income tax	22,750
10. Current year profit/loss	84,669

**Balance Sheet
 as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	2,543,161
1.1. Money assets	74,937
1.2. Deposits with the CNB	2,468,225
2. Deposits with banking institutions	809,147
3. MoF treasury bills and CNB bills	87,828
4. Securities and other financial instruments held for trading	1,411
5. Securities and other financial instruments available for sale	168,421
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	125
9. Loans to financial institutions	150,000
10. Loans to other clients	6,620,248
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	79,235
13. Tangible assets (net of depreciation)	66,608
14. Interest, fees and other assets	110,803
15. Net of: Collectively assessed impairment provisions	85,553
TOTAL ASSETS	10,551,435

Liabilities and capital	
1. Loans from financial institutions	337,120
1.1. Short-term loans	8,500
1.2. Long-term loans	328,620
2. Deposits	7,780,052
2.1. Giro account and current account deposits	1,100,320
2.2. Savings deposits	429,404
2.3. Time deposits	6,250,327
3. Other loans	38,065
3.1. Short-term loans	0
3.2. Long-term loans	38,065
4. Derivative financial liabilities and other financial liabilities held for trading	1,162
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	269,344
8. Interest, fees and other liabilities	238,355
9. CAPITAL	1,887,338
TOTAL LIABILITIES AND CAPITAL	10,551,435

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Shareholders

1. Soci t  G n rale

**Share in share
 capital (%)**
 99.76

Audit firm for 2007:
 Ernst & Young d.o.o., Zagreb

Management Board

Pierre Boursot – chairperson, Philippe Marcotte de
 Quivi res, Henri Bellenger, Ivo Bili , Vedrana Carevi , Florian Urban

Supervisory Board

Jean-Didier Reigner – chairperson, Serge Eveill , Alexis Juan

**Income Statement
 as at 31 December 2007, in thousand HRK**

1. Net interest income	652,044
1.1. Total interest income	1,434,089
1.2. Total interest expenses	782,045
2. Net income from fees and commissions	197,625
2.1. Total income from fees and commissions	258,570
2.2. Total expenses on fees and commissions	60,945
3. Net other non-interest income	139,971
3.1. Other non-interest income	137,062
3.2. Other non-interest expenses	-2,908
4. Net non-interest income	337,596
5. General administrative expenses and depreciation	594,005
6. Net operating income before loss provisions	395,636
7. Total expenses on loss provisions	28,150
7.1. Expenses on value adjustments and provisions for identified losses	22,780
7.2. Expenses on collectively assessed impairment provisions	5,371
8. Income/loss before taxes	367,485
9. Income tax	79,527
10. Current year profit/loss	287,958

**Balance Sheet
 as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	3,496,369
1.1. Money assets	252,012
1.2. Deposits with the CNB	3,244,356
2. Deposits with banking institutions	2,920,277
3. MoF treasury bills and CNB bills	573,901
4. Securities and other financial instruments held for trading	55,460
5. Securities and other financial instruments available for sale	1,927,293
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	3,596
9. Loans to financial institutions	534,526
10. Loans to other clients	15,724,456
11. Investments in subsidiaries and associates	11,277
12. Foreclosed and repossessed assets	1,181
13. Tangible assets (net of depreciation)	255,199
14. Interest, fees and other assets	459,822
15. Net of: Collectively assessed impairment provisions	213,865
TOTAL ASSETS	25,749,490

Liabilities and capital	
1. Loans from financial institutions	1,331,430
1.1. Short-term loans	151,993
1.2. Long-term loans	1,179,437
2. Deposits	12,870,447
2.1. Giro account and current account deposits	2,886,744
2.2. Savings deposits	1,890,753
2.3. Time deposits	8,092,950
3. Other loans	8,069,343
3.1. Short-term loans	1,296,502
3.2. Long-term loans	6,772,840
4. Derivative financial liabilities and other financial liabilities held for trading	16,969
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	902,690
9. CAPITAL	2,558,610
TOTAL LIABILITIES AND CAPITAL	25,749,490

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Management Board

Ante Babić – chairperson, Zdravko Zrинуšić,
 Christian Panjol-Tuflija

Supervisory Board

Ivo Andriјanić – chairperson, Đuro Benček,
 Petar Ćurković

Shareholders

1. Šted-Invest d.d.	80.74
2. Željko Udovičić	9.87
3. Paveko 2000 d.o.o.	6.35

Share in share capital (%)

Audit firm for 2007:
 Revizija Zagreb d.o.o., Zagreb

Income Statement
as at 31 December 2007, in thousand HRK

1. Net interest income	39,370
1.1. Total interest income	68,136
1.2. Total interest expenses	28,767
2. Net income from fees and commissions	7,251
2.1. Total income from fees and commissions	9,379
2.2. Total expenses on fees and commissions	2,128
3. Net other non-interest income	26,040
3.1. Other non-interest income	41,188
3.2. Other non-interest expenses	15,148
4. Net non-interest income	33,291
5. General administrative expenses and depreciation	18,701
6. Net operating income before loss provisions	53,960
7. Total expenses on loss provisions	-13,897
7.1. Expenses on value adjustments and provisions for identified losses	-14,497
7.2. Expenses on collectively assessed impairment provisions	600
8. Income/loss before taxes	67,856
9. Income tax	15,361
10. Current year profit/loss	52,495

Balance Sheet
as at 31 December 2007, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	93,459
1.1. Money assets	2,957
1.2. Deposits with the CNB	90,502
2. Deposits with banking institutions	116,547
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	67,051
6. Securities and other financial instruments held to maturity	3,240
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	129
9. Loans to financial institutions	111,000
10. Loans to other clients	653,847
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	10,951
13. Tangible assets (net of depreciation)	52,889
14. Interest, fees and other assets	12,576
15. Net of: Collectively assessed impairment provisions	8,944
TOTAL ASSETS	1,112,764

Liabilities and capital	
1. Loans from financial institutions	4,312
1.1. Short-term loans	0
1.2. Long-term loans	4,312
2. Deposits	707,295
2.1. Giro account and current account deposits	195,263
2.2. Savings deposits	31,478
2.3. Time deposits	480,555
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	49,703
9. CAPITAL	351,454
TOTAL LIABILITIES AND CAPITAL	1,112,764

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Management Board

Igor Čičak – chairperson, Zvonimir Jasek

Supervisory Board

Milan Horvat – chairperson, Balz Thomas Merkli,
 Stjepan Bunić, Vladimir Koščec, Anisur Rehman Khan,
 Artur Gedike, Ljiljana Weissbarth

Shareholders

	Share in share capital (%)
1. Fima Validus d.d.	33.82
2. Balkan Financial Sector	19.04
3. Fima grupa d.d.	10.99
4. Nikomat d.d.	5.35
5. Gara Secundus d.o.o.	4.96

Audit firm for 2007:
 Deloitte d.o.o., Zagreb

Income Statement as at 31 December 2007, in thousand HRK

1. Net interest income	22,355
1.1. Total interest income	56,656
1.2. Total interest expenses	34,301
2. Net income from fees and commissions	8,288
2.1. Total income from fees and commissions	10,874
2.2. Total expenses on fees and commissions	2,586
3. Net other non-interest income	20,106
3.1. Other non-interest income	29,199
3.2. Other non-interest expenses	9,093
4. Net non-interest income	28,394
5. General administrative expenses and depreciation	46,601
6. Net operating income before loss provisions	4,148
7. Total expenses on loss provisions	3,658
7.1. Expenses on value adjustments and provisions for identified losses	458
7.2. Expenses on collectively assessed impairment provisions	3,199
8. Income/loss before taxes	490
9. Income tax	0
10. Current year profit/loss	490

Balance Sheet as at 31 December 2007, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	220,750
1.1. Money assets	13,001
1.2. Deposits with the CNB	207,749
2. Deposits with banking institutions	64,522
3. MoF treasury bills and CNB bills	14,321
4. Securities and other financial instruments held for trading	97,135
5. Securities and other financial instruments available for sale	26,928
6. Securities and other financial instruments held to maturity	9,653
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	18
9. Loans to financial institutions	6,000
10. Loans to other clients	708,915
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	725
13. Tangible assets (net of depreciation)	29,547
14. Interest, fees and other assets	37,883
15. Net of: Collectively assessed impairment provisions	8,832
TOTAL ASSETS	1,207,565

Liabilities and capital	
1. Loans from financial institutions	193,410
1.1. Short-term loans	193,410
1.2. Long-term loans	0
2. Deposits	811,065
2.1. Giro account and current account deposits	45,347
2.2. Savings deposits	13,877
2.3. Time deposits	751,842
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	19,296
9. CAPITAL	183,794
TOTAL LIABILITIES AND CAPITAL	1,207,565

VENETO BANKA d.d.

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Shareholders

1. Veneto banca

**Share in share
 capital (%)**
 97.91

Audit firm for 2007:

PricewaterhouseCoopers d.o.o., Zagreb

Management Board

Adriano Carisi – chairperson, Jasna Mamić

Supervisory Board

Armando Bressan – chairperson, Mauro Gallea,
 Stefano Bertolo

**Income Statement
 as at 31 December 2007, in thousand HRK**

1. Net interest income	18,946
1.1. Total interest income	39,902
1.2. Total interest expenses	20,956
2. Net income from fees and commissions	3,803
2.1. Total income from fees and commissions	5,401
2.2. Total expenses on fees and commissions	1,598
3. Net other non-interest income	1,883
3.1. Other non-interest income	10,844
3.2. Other non-interest expenses	8,961
4. Net non-interest income	5,686
5. General administrative expenses and depreciation	38,857
6. Net operating income before loss provisions	-14,225
7. Total expenses on loss provisions	-8,467
7.1. Expenses on value adjustments and provisions for identified losses	-12,014
7.2. Expenses on collectively assessed impairment provisions	3,547
8. Income/loss before taxes	-5,758
9. Income tax	376
10. Current year profit/loss	-6,134

**Balance Sheet
 as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	464,457
1.1. Money assets	10,600
1.2. Deposits with the CNB	453,856
2. Deposits with banking institutions	23,577
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	494
5. Securities and other financial instruments available for sale	962
6. Securities and other financial instruments held to maturity	11,702
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	417,355
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	1,739
13. Tangible assets (net of depreciation)	33,690
14. Interest, fees and other assets	18,573
15. Net of: Collectively assessed impairment provisions	8,347
TOTAL ASSETS	964,202

Liabilities and capital	
1. Loans from financial institutions	63,384
1.1. Short-term loans	24,000
1.2. Long-term loans	39,384
2. Deposits	428,998
2.1. Giro account and current account deposits	135,718
2.2. Savings deposits	33,334
2.3. Time deposits	259,946
3. Other loans	242,645
3.1. Short-term loans	91,564
3.2. Long-term loans	151,081
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	17,948
9. CAPITAL	211,226
TOTAL LIABILITIES AND CAPITAL	964,202

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Shareholders

1. VB International AG

**Share in share
 capital (%)**
 99.18

Audit firm for 2007:
 Ernst & Young d.o.o., Zagreb

Management Board

Tomasz Jerzy Taraba – chairperson, Andrea Kovacs,
 Dieter Hornbacher

Supervisory Board

Gerhard Woeber – chairperson, Joerg Poglits,
 Fausto Maritan, David Krepelka

**Income Statement
 as at 31 December 2007, in thousand HRK**

1. Net interest income	189,813
1.1. Total interest income	382,765
1.2. Total interest expenses	192,952
2. Net income from fees and commissions	39,460
2.1. Total income from fees and commissions	48,877
2.2. Total expenses on fees and commissions	9,417
3. Net other non-interest income	7,924
3.1. Other non-interest income	28,198
3.2. Other non-interest expenses	20,274
4. Net non-interest income	47,384
5. General administrative expenses and depreciation	132,689
6. Net operating income before loss provisions	104,508
7. Total expenses on loss provisions	31,683
7.1. Expenses on value adjustments and provisions for identified losses	23,081
7.2. Expenses on collectively assessed impairment provisions	8,602
8. Income/loss before taxes	72,825
9. Income tax	15,236
10. Current year profit/loss	57,589

**Balance Sheet
 as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	733,010
1.1. Money assets	54,903
1.2. Deposits with the CNB	678,107
2. Deposits with banking institutions	1,021,698
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	4,409
5. Securities and other financial instruments available for sale	136,899
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	10,879
9. Loans to financial institutions	461,310
10. Loans to other clients	4,859,729
11. Investments in subsidiaries and associates	1,000
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	17,216
14. Interest, fees and other assets	93,973
15. Net of: Collectively assessed impairment provisions	60,697
TOTAL ASSETS	7,279,427

Liabilities and capital	
1. Loans from financial institutions	504,721
1.1. Short-term loans	470,000
1.2. Long-term loans	34,721
2. Deposits	4,630,253
2.1. Giro account and current account deposits	492,103
2.2. Savings deposits	209,940
2.3. Time deposits	3,928,211
3. Other loans	123,018
3.1. Short-term loans	0
3.2. Long-term loans	123,018
4. Derivative financial liabilities and other financial liabilities held for trading	5,591
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	69,845
8. Interest, fees and other liabilities	289,992
9. CAPITAL	1,656,008
TOTAL LIABILITIES AND CAPITAL	7,279,427

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Shareholders

1. Bank Austria Creditanstalt AG
2. Allianz AG

Share in share capital (%)

84.21
 11.72

Management Board

Franjo Luković – chairperson, Milivoj Goldštajn,
 Tomica Pustišek, Sanja Rendulić, Miljenko Živaljić,
 Christian Suppanz, Marko Remenar

Audit firm for 2007:

KPMG Croatia d.o.o., Zagreb

Supervisory Board

Erich Hampel – chairperson, Stefano Lo Faso,
 Jakša Barbić, Paolo Fiorentino, Klaus Junker,
 Thomas Gross, Robert Zadrazil, Marco Iannaccone,
 Carlo Marini, Franco Andreetta, Torsten Leue

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	1,914,195
1.1. Total interest income	3,970,491
1.2. Total interest expenses	2,056,296
2. Net income from fees and commissions	848,243
2.1. Total income from fees and commissions	1,014,403
2.2. Total expenses on fees and commissions	166,159
3. Net other non-interest income	300,062
3.1. Other non-interest income	436,366
3.2. Other non-interest expenses	136,303
4. Net non-interest income	1,148,306
5. General administrative expenses and depreciation	1,418,736
6. Net operating income before loss provisions	1,643,765
7. Total expenses on loss provisions	246,782
7.1. Expenses on value adjustments and provisions for identified losses	109,630
7.2. Expenses on collectively assessed impairment provisions	137,153
8. Income/loss before taxes	1,396,982
9. Income tax	287,735
10. Current year profit/loss	1,109,247

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	10,954,493
1.1. Money assets	1,133,422
1.2. Deposits with the CNB	9,821,071
2. Deposits with banking institutions	6,843,654
3. MoF treasury bills and CNB bills	2,348,481
4. Securities and other financial instruments held for trading	1,238,249
5. Securities and other financial instruments available for sale	3,806,065
6. Securities and other financial instruments held to maturity	467,347
7. Securities and other financial instruments not traded in active markets but carried at fair value	120,420
8. Derivative financial assets	72,765
9. Loans to financial institutions	910,953
10. Loans to other clients	50,307,302
11. Investments in subsidiaries and associates	896,940
12. Foreclosed and repossessed assets	16,535
13. Tangible assets (net of depreciation)	1,171,313
14. Interest, fees and other assets	1,384,051
15. Net of: Collectively assessed impairment provisions	641,668
TOTAL ASSETS	79,896,899

Liabilities and capital	
1. Loans from financial institutions	4,408,258
1.1. Short-term loans	3,844,644
1.2. Long-term loans	563,614
2. Deposits	54,104,100
2.1. Giro account and current account deposits	13,377,399
2.2. Savings deposits	6,573,219
2.3. Time deposits	34,153,482
3. Other loans	4,191,702
3.1. Short-term loans	909,794
3.2. Long-term loans	3,281,908
4. Derivative financial liabilities and other financial liabilities held for trading	168,854
5. Debt securities issued	3,288,429
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	3,288,429
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	2,206,635
9. CAPITAL	11,528,920
TOTAL LIABILITIES AND CAPITAL	79,896,899

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Shareholders

1. Hrvatska poštanska banka d.d.

Share in share capital (%)

100.00

Audit firm for 2007:

KPMG Croatia d.o.o., Zagreb

Management Board

Dunja Vidošević – chairperson, Jasminka Makarun

Supervisory Board

Marijo Kirinić – chairperson, Ana Klarić, Josip Ivančić

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	1,483
1.1. Total interest income	1,850
1.2. Total interest expenses	367
2. Net income from fees and commissions	607
2.1. Total income from fees and commissions	708
2.2. Total expenses on fees and commissions	101
3. Net other non-interest income	-807
3.1. Other non-interest income	199
3.2. Other non-interest expenses	1,005
4. Net non-interest income	-200
5. General administrative expenses and depreciation	4,722
6. Net operating income before loss provisions	-3,439
7. Total expenses on loss provisions	211
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on collectively assessed impairment provisions	211
8. Income/loss before taxes	-3,651
9. Income tax	0
10. Current year profit/loss	-3,651

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	0
1.1. Money assets	0
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	5,421
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	37,635
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	11,985
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	35
14. Interest, fees and other assets	5,310
15. Net of Collectively assessed impairment provisions	489
TOTAL ASSETS	59,896

Liabilities and capital	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	25,280
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	25,280
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	6,703
9. CAPITAL	27,913
TOTAL LIABILITIES AND CAPITAL	59,896

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Management Board

Mirko Brozović – chairperson, Branimir Čosić

Supervisory Board

Tomislav Lazarić – chairperson, Zoran Kureljušić,
 Dražen Kovačić, Nenad Štimac, Andrea Pavlović

Shareholders

1. Privredna banka Zagreb d.d.

Share in share capital (%)

100.00

Audit firm for 2007:
 Deloitte d.o.o., Zagreb

Income Statement
as at 31 December 2007, in thousand HRK

1. Net interest income	8,255
1.1. Total interest income	48,946
1.2. Total interest expenses	40,691
2. Net income from fees and commissions	12,030
2.1. Total income from fees and commissions	13,297
2.2. Total expenses on fees and commissions	1,267
3. Net other non-interest income	-2,503
3.1. Other non-interest income	-667
3.2. Other non-interest expenses	1,836
4. Net non-interest income	9,527
5. General administrative expenses and depreciation	10,769
6. Net operating income before loss provisions	7,013
7. Total expenses on loss provisions	3,100
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on collectively assessed impairment provisions	3,100
8. Income/loss before taxes	3,913
9. Income tax	331
10. Current year profit/loss	3,582

Balance Sheet
as at 31 December 2007, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	0
1.1. Money assets	0
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	1,659
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	1,061,724
6. Securities and other financial instruments held to maturity	305,374
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	8,837
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	306
14. Interest, fees and other assets	19,708
15. Net of: Collectively assessed impairment provisions	11,876
TOTAL ASSETS	1,385,732

Liabilities and capital	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	1,329,908
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	1,329,908
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	15,565
9. CAPITAL	40,260
TOTAL LIABILITIES AND CAPITAL	1,385,732

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Management Board

Snježana Herceg – chairperson, Srećko Maceković

Supervisory Board

Tomica Pustišek – chairperson, Zvonimir Jurjević,
 Davor Pavlić

Shareholders

1. Zagrebačka banka d.d.

Share in share capital (%)

100.00

Audit firm for 2007:

KPMG Croatia d.o.o., Zagreb

Income Statement
as at 31 December 2007, in thousand HRK

1. Net interest income	22,099
1.1. Total interest income	85,961
1.2. Total interest expenses	63,862
2. Net income from fees and commissions	15,217
2.1. Total income from fees and commissions	19,342
2.2. Total expenses on fees and commissions	4,124
3. Net other non-interest income	-10,162
3.1. Other non-interest income	-840
3.2. Other non-interest expenses	9,322
4. Net non-interest income	5,055
5. General administrative expenses and depreciation	19,134
6. Net operating income before loss provisions	8,020
7. Total expenses on loss provisions	665
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on collectively assessed impairment provisions	665
8. Income/loss before taxes	7,354
9. Income tax	1,319
10. Current year profit/loss	6,035

Balance Sheet
as at 31 December 2007, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	0
1.1. Money assets	0
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	2,012
3. MoF treasury bills and CNB bills	250,414
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	60,379
6. Securities and other financial instruments held to maturity	496,612
7. Securities and other financial instruments not traded in active markets but carried at fair value	6,703
8. Derivative financial assets	0
9. Loans to financial institutions	28,000
10. Loans to other clients	1,089,924
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	1,759
14. Interest, fees and other assets	66,499
15. Net of: Collectively assessed impairment provisions	17,524
TOTAL ASSETS	1,984,779

Liabilities and capital	
1. Loans from financial institutions	181
1.1. Short-term loans	0
1.2. Long-term loans	181
2. Deposits	1,810,504
2.1. Giro account and current account deposits	0
2.2. Savings deposits	39
2.3. Time deposits	1,810,465
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	88,260
9. CAPITAL	85,834
TOTAL LIABILITIES AND CAPITAL	1,984,779

RAIFFEISEN STAMBENA ŠTEDIONICA d.d.

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<http://www2.raiffeisenstambena.hr>

Shareholders

1. Raiffeisen Bausparkasse GmbH	82.91
2. Raiffeisenbank Austria d.d.	17.09

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

Hans Christian Vallant – chairperson, Franjo Franjić

Audit firm for 2007:

KPMG Croatia d.o.o., Zagreb

Supervisory Board

Johann Ertl – chairperson, Zdenko Adrović,
 Christian Ratz

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	47,105
1.1. Total interest income	113,927
1.2. Total interest expenses	66,821
2. Net income from fees and commissions	21,981
2.1. Total income from fees and commissions	27,534
2.2. Total expenses on fees and commissions	5,553
3. Net other non-interest income	-38,727
3.1. Other non-interest income	-28,562
3.2. Other non-interest expenses	10,165
4. Net non-interest income	-16,746
5. General administrative expenses and depreciation	54,465
6. Net operating income before loss provisions	-24,106
7. Total expenses on loss provisions	7,042
7.1. Expenses on value adjustments and provisions for identified losses	3,417
7.2. Expenses on collectively assessed impairment provisions	3,625
8. Income/loss before taxes	-31,147
9. Income tax	-642
10. Current year profit/loss	-30,506

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	1
1.1. Money assets	1
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	24,145
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	486,701
8. Derivative financial assets	6,657
9. Loans to financial institutions	20,033
10. Loans to other clients	1,413,575
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	3,523
14. Interest, fees and other assets	94,816
15. Net of: Collectively assessed impairment provisions	12,712
TOTAL ASSETS	2,036,740

Liabilities and capital	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	1,872,087
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	1,872,087
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	14,663
8. Interest, fees and other liabilities	99,514
9. CAPITAL	50,476
TOTAL LIABILITIES AND CAPITAL	2,036,740

WÜSTENROT STAMBENA ŠTEDIONICA d.d.

Heinzelova 33A, 10000 Zagreb
 Phone: +385 1/4803-777
 Fax: +385 1/4803-798
<http://www.wuestenrot.hr>

Shareholders

1. Bausparkasse Wüstenrot AG
2. Wüstenrot Bank AG
3. Bank Austria AG

Share in share capital (%)

66.78
 25.63
 7.59

Management Board

Zdravko Anđel – chairperson, Ivan Ostojić

Audit firm for 2007:

Ernst & Young d.o.o., Zagreb

Supervisory Board

Wolfgang Radlegger – chairperson,
 Marlies Wiest-Jetter, Frank Weber, Werner Wabscheg,
 Klaus Wöhry

**Income Statement
as at 31 December 2007, in thousand HRK**

1. Net interest income	27,286
1.1. Total interest income	50,760
1.2. Total interest expenses	23,474
2. Net income from fees and commissions	15,928
2.1. Total income from fees and commissions	16,300
2.2. Total expenses on fees and commissions	372
3. Net other non-interest income	-21,663
3.1. Other non-interest income	-13,611
3.2. Other non-interest expenses	8,052
4. Net non-interest income	-5,735
5. General administrative expenses and depreciation	39,348
6. Net operating income before loss provisions	-17,797
7. Total expenses on loss provisions	2,381
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on collectively assessed impairment provisions	2,381
8. Income/loss before taxes	-20,178
9. Income tax	0
10. Current year profit/loss	-20,178

**Balance Sheet
as at 31 December 2007, in thousand HRK**

Assets	
1. Money assets and deposits with the CNB	14
1.1. Money assets	14
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	13,846
3. MoF treasury bills and CNB bills	5,128
4. Securities and other financial instruments held for trading	156,795
5. Securities and other financial instruments available for sale	86,632
6. Securities and other financial instruments held to maturity	69,220
7. Securities and other financial instruments not traded in active markets but carried at fair value	35,038
8. Derivative financial assets	0
9. Loans to financial institutions	58,488
10. Loans to other clients	647,975
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	2,429
14. Interest, fees and other assets	9,623
15. Net of: Collectively assessed impairment provisions	7,526
TOTAL ASSETS	1,077,662

Liabilities and capital	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	1,000,592
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	1,000,592
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	25,272
8. Interest, fees and other liabilities	13,814
9. CAPITAL	37,985
TOTAL LIABILITIES AND CAPITAL	1,077,662

Attachment I

List of Banking Institutions by Peer Groups, end of period					
Ordinal no. as at 31 December 2007	Name of banking institution and its registered office	Peer group identifier			
		Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007
1.	Banco Popolare Croatia d.d., Zagreb ¹⁾	S	S	S	S
2.	Banka Brod d.d., Slavonski Brod	S	S	S	S
3.	Banka Kovanica d.d., Varaždin	S	S	S	S
4.	Banka Splitsko-dalmatinska d.d., Split	S	S	S	S
5.	Centar banka d.d., Zagreb	S	S	S	S
6.	Credo banka d.d., Split	S	S	S	S
7.	Croatia banka d.d., Zagreb	S	S	S	S
	Dresdner Bank Croatia d.d., Zagreb ²⁾	S	–	–	–
8.	Erste & Steiermärkische Bank d.d., Rijeka	L	L	L	L
9.	Hrvatska poštanska banka d.d., Zagreb	MS	MS	MS	MS
10.	Hypo Alpe-Adria-Bank d.d., Zagreb	L	L	L	L
11.	Imex banka d.d., Split	S	S	S	S
12.	Istarska kreditna banka Umag d.d., Umag	S	S	S	S
13.	Jadranska banka d.d., Šibenik	S	S	S	S
14.	Karlovačka banka d.d., Karlovac	S	S	S	S
15.	Kreditna banka Zagreb d.d., Zagreb	S	S	S	S
	Križevačka banka d.d., Križevci ³⁾	S	–	–	–
16.	Kvarner banka d.d., Rijeka	S	S	S	S
17.	Međimurska banka d.d., Čakovec	S	S	S	S
18.	Nava banka d.d., Zagreb	S	S	S	S
19.	OTP banka Hrvatska d.d., Zadar	MS	MS	MS	MS
20.	Partner banka d.d., Zagreb	S	S	S	S
21.	Podravska banka d.d., Koprivnica	S	S	S	S
	Požeška banka d.d., Požega ⁴⁾	S	S	–	–
22.	Primorska banka d.d., Rijeka	S	S	S	S
	Privredna banka – Laguna banka d.d., Poreč ⁵⁾	S	–	–	–
23.	Privredna banka Zagreb d.d., Zagreb	L	L	L	L
24.	Raiffeisenbank Austria d.d., Zagreb	L	L	L	L
25.	Samoborska banka d.d., Samobor	S	S	S	S
26.	Slatinska banka d.d., Slatina	S	S	S	S
27.	Slavonska banka d.d., Osijek	MS	MS	MS	MS
28.	Société Générale – Splitska banka d.d., Split	L	L	L	L
29.	Štedbanka d.d., Zagreb	S	S	S	S
30.	Vaba d.d. banka Varaždin, Varaždin	S	S	S	S
31.	Veneto banka d.d., Zagreb ⁶⁾	S	S	S	S
32.	Volksbank d.d., Zagreb	MS	MS	MS	MS
33.	Zagrebačka banka d.d., Zagreb	L	L	L	L
1.	HPB stambena štedionica d.d., Zagreb	–	–	HSB	HSB
2.	PBZ stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB
3.	Prva stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB
4.	Raiffeisen stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB
5.	Wüstenrot stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB

¹⁾ Banka Sonic d.d., Zagreb changed its name into Banco Popolare Croatia d.d. on 23 April 2007. ²⁾ Dresdner Bank Croatia d.d., Zagreb merged with Zagrebačka banka d.d., Zagreb. ³⁾ Križevačka banka d.d., Križevci initiated winding-up proceedings. ⁴⁾ Požeška banka d.d., Požega merged with Podravska banka d.d., Koprivnica. ⁵⁾ Privredna banka – Laguna banka d.d., Poreč merged with Privredna banka Zagreb d.d., Zagreb. ⁶⁾ Gospodarsko-kreditna banka d.d., Zagreb changed its name into Veneto banka d.d. on 6 April 2007.

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

Attachment II

Banking Groups, as at 31 December 2007		
Banking group	Superordinate institution	Banking group members
1. ERSTE & STEIERMÄRKISCHE BANK	Erste & Steiermärkische Bank d.d., Rijeka	MBU d.o.o., Zagreb Erste nekretnine d.o.o., Zagreb Erste DMD d.o.o. za upravljanje dobrovoljnim mirovinskim fondom, Zagreb Erste d.o.o. za upravljanje obveznim mirovinskim fondom, Zagreb S Immorent leasing Zeta d.o.o.za poslovanje nekretninama, Zagreb Erste factoring d.o.o., Zagreb IT Services d.o.o., Bjelovar
2. HRVATSKA POŠTANSKA BANKA	Hrvatska poštanska banka d.d.	HPB stambena štedionica d.d., Zagreb
3. HYPO ALPE-ADRIA-BANK	Hypo Alpe-Adria-Bank d.d., Zagreb	Hypo Alpe-Adria-Invest d.d., Zagreb Hypo Alpe-Adria-Ulaganje d.o.o., Zagreb Hypo Alpe-Adria-Nekretnine d.o.o., Zagreb Alpe Adria Centar d.o.o., Zagreb Magus d.o.o., Zagreb Projekt nekretnine d.o.o., Zagreb
4. KARLOVAČKA BANKA	Karlovačka banka d.d., Karlovac	Kaba nekretnine d.o.o., Karlovac
5. OTP BANKA HRVATSKA	OTP banka Hrvatska d.d.	OTP Invest d.o.o., Zagreb OTP Nekretnine d.o.o., Zadar
6. PRIVREDNA BANKA ZAGREB	Privredna banka Zagreb d.d., Zagreb	PBZ Card d.o.o., Zagreb Međimurska banka d.d., Čakovec PBZ Leasing d.o.o., Zagreb PBZ Invest d.o.o., Zagreb PBZ Croatia osiguranje d.d., Zagreb Invest Holding Karlovac d.o.o., Karlovac PBZ Nekretnine d.o.o., Zagreb PBZ stambena štedionica d.d., Zagreb Cards d.o.o., Skoplje Centurion d.o.o., Ljubljana Centurion d.o.o., Sarajevo
7. 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 Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom d.o.o., Zagreb Raiffeisen poslovni prostori d.o.o., Zagreb Raiffeisen upravljanje nekretninama d.o.o., Zagreb Raiffeisen consulting d.o.o., Zagreb Raiffeisen Invest d.o.o., Zagreb Raiffeisen stambena štedionica d.d., Zagreb Raiffeisen factoring d.o.o., Zagreb Raiffeisen mirovinsko osiguravajuće društvo d.o.o., Zagreb
8. SLATINSKA BANKA	Slatinska banka d.d.	Turbina d.o.o., Slatina
9. ZAGREBAČKA BANKA	Zagrebačka banka d.d., Zagreb	UniCredit Zagrebačka banka d.d., Mostar Prva stambena štedionica d.d., Zagreb ZB Invest d.o.o., Zagreb Pominvest d.d., Split Zagreb nekretnine d.o.o., Zagreb Allianz ZB društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o., Zagreb Allianz ZB mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb

Abbreviations

bn	– billion
CNB	– Croatian National Bank
IAS	– International Accounting Standards
m	– million
MoF	– Ministry of Finance
ROAA	– return on average assets
ROAE	– return on average equity
CICR	– currency-induced credit risk

