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1 New Legislative Framework for the Operations of Banks and Other Credit Institutions

1.1 Credit Institutions Act

Introduction

For the purpose of aligning domestic legislation in the area of banking with the *acquis communautaire*, the expert staff of the Croatian National Bank (hereinafter: CNB) prepared its proposal for the Credit Institutions Act. Following the release of the Act's first and second drafts in July 2007 and April 2008, respectively and the completion of public debate on it, the Act's final draft was submitted to the Ministry of Finance in June 2008. The Credit Institutions Act, repealing the Banking Act, was enacted in September 2008 and entered into force on 1 January 2009.

The Credit Institutions Act transposes the *Capital Requirements Directive* 2006/48 (CRD) and *the Winding-Up Directive* (Directive 2001/24/EC), as well as a series of other EU regulations. This Act additionally incorporates changes which arose from a critical assessment and reformulation of the Banking Act in the light of the CNB's oversight experiences and the experiences of banks as the subjects of supervision. It also takes into account the changes in the relevant domestic legislation such as the Accounting Act, the Companies Act, etc.

Most of the novelties introduced in the Credit Institutions Act, compared with the Banking Act, are associated with the CRD, i.e. Basel II.[1] The Credit Institutions Act incorporates new risk management rules in credit institutions, including all three Basel II pillars. This Act also introduces the system of a "single passport" which enables credit institutions in the Republic of Croatia to operate in the territory of other Member States and credit institutions from other Member States to operate in the Republic of Croatia.

1 Basel II is the commonly used term for the document *International convergence of capital measurement and capital standards, A Revised Framework* of the Basel Committee on Banking Supervision.

General and Status Provisions

The Credit Institutions Act introduces the term credit institution, which is defined as a legal person whose core activity is to receive deposits and other repayable funds from the public and to grant credits for its own account or to issue means of payment in the form of electronic money. A credit institution may be established as a bank, savings bank, housing savings bank or an electronic money institution.

To explain what is meant under the term "deposit", the Credit Institutions Act expressly states what is not considered a deposit. Thus, deposits are not receipts of funds that are immediately exchanged for electronic money, acceptance of deposits or other repayable funds from the Republic of Croatia and units of local and regional self-government, acceptance of deposits or other repayable funds from governments and regional or local governments of the Member States, acceptance of deposits from its members by a credit union, receipt of funds in the form of membership fees, voluntary contributions or similar non-repayable funds by associations, receipts from the issuance of debt securities by a legal person (other than a credit institution) and receipts of payment institutions' funds.

The provisions governing the initial capital and acquisition of shares or holdings in a credit institution are largely identical to those contained in the Banking Act. One of the novelties is that legal persons with qualifying holdings are obliged to notify the Croatian National Bank of any changes in their status, such as participation in mergers, acquisitions or divisions, within eight days of effecting such changes. The other novelty is that a parent financial holding company or a parent mixed-activity financial holding company is obliged to notify the Croatian National Bank of any change in its management board within eight days of effecting the change.

One of the most significant changes introduced by the new Act is the shorter time limit and simplified criteria for decision-making on the acquisition of a qualifying holding. In accordance with Directive 2007/44/EC, the time limit for decision-making on the application to acquire a qualified holding has been reduced to 60 days. Therefore, the CNB has to decide on the application for acquisition of a qualified holding within 60 working days after the date of receipt of a completed application. The rationale behind the new approach of the European Commission lies in market liberalisation with a view to ensuring greater capital mobility and company consolidation, i.e. their mergers or acquisitions. The criteria based upon which decisions are made to approve acquisition of a qualifying holding have also been simplified. They now include the reputation of the acquirer, the reputation, aptitude and expertise of any person who will manage the credit institution, the financial soundness of the acquirer, the issue of whether the credit institution will be able to comply on an ongoing basis with the provisions of this Act and whether there are reasonable grounds to suspect that, in connection with acquisition, money laundering or terrorism financing is being or has been committed or attempted.

The Credit Institutions Act envisages only three cases in which an application to acquire a qualifying holding may be refused. These include unsuitability or financial status of the acquirer, market concentration that could distort free market competition and an acquisition which would or could adversely affect the implementation of monetary and foreign exchange policies in the Republic of Croatia. It should be mentioned that, following accession of the Republic of Croatia to the European Union, the latter two cases will cease to apply. Market competition will then fall within the jurisdiction of the Croatian Competition Agency and the European Commission and the monetary policy of the Republic of Croatia will no longer constitute grounds for refusal.

The provisions on the management board of a credit institution also contain some new elements. The management board must have a minimum of two members and it must direct the operations of a credit institution from within the territory of the Republic of Croatia. A novelty also introduced by the Credit Institutions Act is that the bank must appoint one of the members of the management board as its chairperson and that this person must obtain the prior approval from the CNB for that function. To prevent a procurator, i.e. a person who has not received prior approval from the CNB, from independently directing the operations of a bank, limitations on the powers of the procurator have been introduced. Namely, the management board may authorise one or more procurators to represent the credit institution jointly with minimum one member of the credit institution's management board. A minimum of one management board member must have sufficient command of the Croatian language to perform this function.

In accordance with the CRD and international standards, a credit institution's management board shall ensure that the credit institution operates in compliance with the rules of the profession, laws and other regulations. The management board is obligated to inform the supervisory board of any events which threaten the solvency or liquidity of a credit institution or if the institution fails to secure the capital levels prescribed by law. The members of the management board may be issued a warning by the CNB in case of failure to implement measures imposed by a memorandum of understanding or a decision of the Croatian National Bank. A management board member who has been issued three warnings within a five-year-period will have his/her approval to perform the functions of a management board member revoked by the CNB.

The Credit Institutions Act stipulates that at a minimum one member of a credit institution's supervisory board must be independent. The supervisory board is obliged to issue its opinion on CNB measures within 30 days. The supervisory board is also obliged to oversee the rectitude of internal audit procedures.

Provision of Services

The Credit Institutions Act provides a different definition of banking services compared to that stipulated by the Banking Act. It thus defines banking services as receiving of deposits and other repayable funds from the public and granting of credits for its own account. Under the Banking Act, banking services were defined as acceptance of monetary deposits and extending of loans and other placements from these resources by a bank, in its own name and for its own account, as well as issuing of means of payment in the form of electronic money.

The principal difference in the definition of banking services lies in the broader range of sources which a credit institution may employ for its lending operations. The definition now goes beyond deposits to include all other repayable funds which are received from the public. The term public usually implies a natural or a legal person without financial knowledge, not connected to the credit institution. A more detailed definition of deposits has also been provided and given that it is mainly used as such in Title XXIV on consumer protection, it is related to the definition of cash deposits as defined in the Civil Obligations Act. The issuing of electronic money is no longer considered a banking service as, in accordance with the recently adopted Act on Electronic Money Institutions, electronic money may also be issued, in addition to credit institutions, by institutions licensed under the Act on Electronic Money Institutions.

Thus defined, banking services may be provided in the territory of the Republic of Croatia exclusively by:

1) credit institutions with a registered office in the Republic of Croatia authorised by the CNB;
2) as of the date of accession of the Republic of Croatia into the European Union, credit institutions of Member States; and
3) branches of third country credit institutions authorised by the CNB.

The Banking Act prohibited the provision of banking services by entities other than banks. Since the definition of banking services also included the granting of loans, the interpretation of this prohibition caused considerable dilemmas among the public. The Credit Institutions Act explicitly prohibits receiving of deposits and other repayable funds by entities other than credit institutions. This ensures that the basic objectives of European legislation such as business uniformity, a strong regulatory base and efficient oversight of persons receiving funds from the public can be achieved and thus ensure confidence in the banking system.

Additionally, the Credit Institutions Act aligns the definition of financial services by dividing them into core and additional financial services. Core financial services are defined so that a list of mutually recognised services can be prescribed which credit institutions in the Republic of Croatia will be allowed to provide in the territory of other Member States, or which credit institutions from other Member States will be allowed to provide in the Republic of Croatia after Croatia's EU accession. The other reason for providing a definition of the list of core financial services is the definition of financial institutions which is linked to the activities listed as core. Since in comparison to the Banking Act, the amendments to the definitions of core financial services are solely terminological in nature, they do not imply any re-registration requirements on the part of credit institutions. It should be noted that shortly prior to the adoption of the Credit Institutions Act, the Capital Market Act was adopted which defines investment services and activities. All investment services and activities defined in the Capital Market Act are considered core financial services. By contrast, additional financial services are all those services for which no single EU passport can be used and which must be specifically authorised by the CNB. They also include activities which, provided that a business specifies them as an exclusive or principal activity, put the business in a position in which it is not considered a financial institution. In other words, under the Credit Institutions Act, insurance undertakings are not deemed financial institutions.

The Credit Institutions Act thoroughly defines the procedures involving mergers, acquisitions, divisions and split and transfers of a portion of assets and a proportionate share of liabilities to another credit institution, while the Banking Act regulated only mergers and acquisitions. The most important novelty introduced by the Credit Institutions Act is the obligation of a credit institution to obtain authorisation from the CNB to transfer a portion of its assets and a proportionate share of its liabilities to another credit institution in or outside the Republic of Croatia.

As to the reasons for withdrawing authorisation, the Credit Institutions Act stipulates that the CNB will, in addition to cases prescribed by the Banking Act, withdraw its authorisation from a credit institution which repeatedly fails to meet its reporting requirements vis-à-vis the CNB in timely and accurate fashion within a three-year period. However, the most significant novelty is the introduction of a mechanism which links the activation of the deposit insurance scheme and grounds for bankruptcy with the decision on the unavailability of deposits. To prevent unnecessary stalling of payment of deposits covered by a guarantee scheme, in 1994 the European Union issued Directive 94/19/EC prescribing the maximum time limit in which an oversight authority (in the Republic of Croatia: the CNB) has to issue a decision on the unavailability of deposits and the time limit, counted from the date of the decision, until which the guarantee scheme must pay out deposits covered by the guarantee scheme. Therefore, as provided by the Credit Institutions Act, the Croatian National Bank will adopt a decision on the unavailability of deposits within 21 days from the date it has established that a credit institution has not paid its due and payable deposits, if it is satisfied that the credit institution, as a result of its financial situation, is not or will not be able to repay deposits that are due and payable in the near future. The Credit Institutions Act also defines the first reason for bankruptcy as a situation in which a credit institution is unable to repay deposits that are due and payable for 21 consecutive days without interruption. In such a case, under this Act, the CNB is obliged to adopt a decision on the unavailability of deposits. This Decision also activates the payment of deposits covered by the guarantee scheme, which may in no case exceed a period of 9 months.

Upon the accession of the Republic of Croatia to the EU, it will be possible for credit institutions from the Republic of Croatia and their subsidiary financial institutions to establish branches (a legally dependant entity – not a legal entity) and directly provide banking and core financial services, provided they have completed the simplified procedure of notification of the host country supervisor. The same applies to credit institutions from other Member States and their subsidiary financial institutions: as of that date, it will be possible for them to provide banking and core financial services in the territory of the Republic of Croatia after they have completed the simplified procedure of notification of the CNB. However, until the date of accession of the Republic of Croatia to the European Union, credit institutions from Member States wishing to establish a branch will have to undergo the procedure envisaged for third countries. The procedure for establishing branches of third country credit institutions remains strict. There are no branches of foreign credit institutions operating in the Republic of Croatia at the moment.

Risk Management

The Credit Institutions Act defines risk management and all significant risks to which a credit institution is or may be exposed. A very broad definition of risk management is provided which covers risk identification, measurement, evaluation, containment, monitoring and reporting. If compared with the risk control function as defined under this Act, it will be noted that risk management implies active management and not only risk control. It should also be noted that this term does not include the assumption of risk as it is, or position-taking because the main assumption of quality risk management lies precisely in the separation of assuming risk from risk control activities. The principal risks defined under the Credit Institutions Act include credit risk, market risk, settlement and counterparty risk, interest rate risk in the non-trading book, liquidity risk, operational risk, compliance risk, concentration risk, residual risk and dilution risk. Credit institutions are also obliged to manage other risks, such as strategic risk, reputation risk and country risk.

The Credit Institutions Act has retained the basic provisions on risk management which require that credit institutions maintain at all times a level of capital that is proportionate to the nature, scale and complexity of the services they provide and the risks they are or may be exposed to. However, this principle goes beyond the capital adequacy requirement and requires credit institutions to assess and maintain the amounts, types and distribution of internal capital on a continual basis. One of the most significant changes introduced by the Credit Institutions Act is the assessment of internal capital requirements and incorporation of this procedure in own risk management system.

Scope of Application

The Credit Institutions Act thoroughly defines the requirements that a credit institution must meet on an individual and consolidated basis. Though it may not seem so at first glance, there are differences between requirements met on an individual and consolidated basis. Namely, a credit institution subsidiary to a credit institution with a registered office in the Republic of Croatia and its parent credit institution are not obligated to meet the requirements regarding holdings in non-financial institutions and internal capital on an individual basis, given that such a credit institution has to meet this requirement on a consolidated basis. Also, the public disclosure requirement does not have to be met on an individual basis by a credit institution which is subsidiary to a credit institution which has to meet this requirement (unless a subsidiary credit institution is exempt from consolidation), i.e. which is not a parent credit institution. Upon accession to the EU, the public disclosure requirement will be met at the level of a parent credit institution in the European Union or at the level of a parent financial holding company in the European Union.

Capital Adequacy

The introduction of Basel II to the calculation of the capital adequacy of credit institutions brings significant changes. These include the introduction of capital requirements for operational risk and the use of internal models for all risks and not only market risk as was the case before, the abandonment of the so-called OECD approach by the standardised approach for the calculation of capital requirements for credit risk in favour of a greater emphasis on rating agencies.

A credit institution wishing to use internal models for capital adequacy calculation is obliged to obtain the relevant authorisation from the CNB. This will change upon the date of Croatia's accession to the European Union, when the application for a parent credit institution in the European Union and its subsidiary institutions will be submitted jointly to the oversight authority charged with supervision on a consolidated basis which, given the structure of ownership of the Croatian banks, in most cases will not be the CNB.

As a result of the capital relaxation that will ensue as a result of the use of standardised approaches, the required minimum capital adequacy ratio was raised from the previous 10% to 12%. This ratio is expected to keep the capital of Croatian banks at the existing level.

Large Exposures

The restrictions on large exposures are largely equal to those in the Banking Act. This means that the Republic of Croatia has used national discretion in imposing limits lower than those in the CRD. The Credit Institutions Act offers a simplified definition of a group of connected persons and persons in a special relationship. It also provides for unrestricted exposure to either a parent or a subsidiary credit institution, in cases where all of them are subject to consolidated supervision by the CNB. Also, the prior approval of the credit institution's supervisory board is no longer required for any legal arrangement which results in a credit institution's exposure to natural persons in a special relationship insofar as such a legal arrangement is concluded in accordance with the conditions prescribed in the credit institution's general operating conditions. A credit institution may exceed the maximum permitted exposure limits if the excess arises exclusively and entirely from trading book positions, if the credit institution covers the capital requirement for exceeding the permitted exposure limits with its own funds, if the sum of the credit institution's exposures does not exceed 375% of the credit institution's own funds, if no more than 10 days have lapsed from the day of the excess, or 450%, if more than 10 days have lapsed from the day of the excess.

Holdings in Non-Financial Institutions and Tangible Assets

While the Credit Institutions Act does not introduce any changes to the limits on holdings in non-financial institutions (15% of the credit institution's own funds, or 30% of the credit institution's own funds, respectively, in terms of total holdings), it does stipulate that these limits may be exceeded if there is coverage in own funds. There are no limits on holdings in insurance and reinsurance undertakings, nor on shares held during underwriting, or shares/holdings acquired on behalf of others or shares/holdings held in the trading book.

Under the Credit Institutions Act, a credit institution is obliged to obtain prior approval from the CNB for any holdings exceeding 10% of the credit institution's own funds that would result in the acquisition of a holding of 20% or more in the capital or voting rights of another legal person. Under the Banking Act, approval was required for any holding exceeding 10% of the bank's own capital, regardless of the size of the holding.

Outsourcing

The Credit Institutions Act introduces the term "outsourcing" as a contractual agreement whereby external service providers are engaged to perform activities which would otherwise be performed by the credit institution. This Act defines management of risks related to outsourcing and requires the credit institution to notify the CNB in case materially important activities are outsourced. A credit institution which intends to outsource materially important activities shall notify the CNB thereof and submit the prescribed documentation not less than 90 days before concluding an outsourcing contract.

Banking Secrecy

The Credit Institutions Act introduces a broader range of exemptions from the obligation of banking secrecy. The reasons for the broader range of exemptions include due diligence, sale of receivables and outsourcing.

Business Books, Financial Statements and Public Disclosure

In a manner similar to the Banking Act, a credit institution is obliged to maintain business books, other business documentation and records, evaluate assets and liabilities and prepare and publish annual financial statements and annual reports in accordance with applicable regulations and professional standards. Although under the Accounting Act a credit institution may maintain subledgers for only seven years, the Credit Institutions Act stipulates obligatory maintenance of all business books for a minimum of eleven years. The Croatian National Bank retains the right to require a chart of accounts to be applied by all credit institutions. Also, under the Credit Institutions Act, the CNB may prescribe the form and content of a credit institution's annual financial statements which are submitted to the Financial Agency and the form and content of financial statements, and other reports which are publicly disclosed.

A credit institution is obliged to publish on its web site its audited financial statements and, not less than annually, data on its risk management, own funds, internal capital, measurement of individual capital requirements and exposure to individual risks. This ensures a credit institution's maximum operational transparency and inclusion of market discipline in the regulatory mechanism.

Internal Control System

Each credit institution shall establish and implement an effective internal control system in all areas of operation. Among other things, this implies the establishment of three control functions: a risk control function, a compliance function and an internal audit function. Although the Croatian National Bank may regulate the scope and method of operation of each individual function in detail, the Credit Institutions Act stipulates the primary objectives of each function. Thus the risk control function must encompass risk analysis and monitoring, reporting on risks, and participation in the design, implementation and oversight of risk management methods and models. The compliance function must include compliance risk identification and assessment, counsel to the management board on the implementation of the relevant laws, standards and rules, assessment of the effects of amendments to the relevant regulations, new product compliance verification and provision of training-related advice.

The internal audit function is the only function already stipulated in detail by law. It is the only control function which has to be set up as a separate organisational unit, and the only function which as a rule, under the Credit Institutions Act, cannot be outsourced. Outsourcing of the internal audit is allowed provided prior approval from the CNB is obtained. In exceptional cases, specific areas of an internal audit may be outsourced, but a credit institution is obliged to notify the CNB of any such case without delay. This exception has been envisaged for the internal audit of individual areas which require specific specialist knowledge, such as, for instance, an IT system audit, internal models audit, etc. And while thus far credit institutions were obliged to notify the CNB about the planned appointment of a person responsible for internal audits, henceforward, they will be obliged to notify the CNB only upon this person's appointment. The Credit Institutions Act has prescribed, in addition to a standard report on internal audit activities which is prepared periodically, the content of reports on each audit conducted. Under the previous law, the internal audit report was prepared on a semi-annual basis and delivered to the management and supervisory boards. Under the Credit Institutions Act, the same report will have to be prepared on a quarterly basis and delivered to the management board and the audit committee on a quarterly basis, to the supervisory board semi-annually and to the CNB annually.

Relationships with External Auditors

As a rule, the annual financial statements of a credit institution are audited in accordance with the laws governing accounting and audits. Given the specific character of credit institutions, the management board of a credit institution is obliged to deliver to the CNB a decision on the appointment of an audit firm. An audit firm may audit the financial statements of a particular credit institution for maximum of seven consecutive years and only if the audit firm in question did not derive over one half of its total income in the preceding year from audits of the financial statements of that particular credit institution or credit institution group of which that credit institution is a member. The Credit Institutions Act has introduced the obligation for an audit firm to prepare, following an audit, a letter of recommendation to the management board and deliver it to the credit institution's management board.

The Credit Institutions Act clearly distinguishes between non-acceptance of an audit report and rejection of an audit report. In case of an audit conducted by an audit firm that was not allowed to do so due to legal restrictions, the CNB will not accept such an audit report. With regard to a credit institution, non-acceptance of an audit report implies its legislative non-compliance with respect to audit report delivery, and with respect to the audit firm, it will have no direct bearing on it. By contrast, where the CNB establishes that the audit of financial statements has not been conducted in accordance with law or that the audit opinion is not based on true and objective facts, it may reject such an audit report. The consequences of rejection will be borne by the credit institution which will have to cover the costs of another audit to be conducted by certified auditors of another audit firm and by the audit firm whose audit reports will not be accepted by the CNB for the following five years.

In addition to audits of financial statements, an audit firm is expected to provide to the CNB with an assessment of compliance with risk management rules, the operations of the risk control function, the state of the IT system and the regularity of reports delivered to the CNB. The CNB may require the auditor to correct or supplement the assessment or it may decide to reject it. In case of rejection, the CNB will require that the assessment be made by certified auditors of a different audit firm at the expense of the credit institution.

Consumer Protection

The Credit Institutions Act stipulates that each credit institution has to entrust a minimum of one of its employees with the task of addressing consumer complaints. A credit institution has to present to the customer all essential elements of the agreement before its conclusion. A credit institution has to disclose amendments to its general operating conditions at least fifteen days prior to their entry into force. A consumer may notify the CNB of any complaints filed against a credit institution. However, the Croatian National Bank does not address individual consumer complaints but requires the credit institution in question to make a statement on the complaint and delivers it to the consumer. The CNB may initiate and carry out on-site examination of a credit institution based on a consumer notification, where it deems that a complaint has a system-wide character.

Supervision and Supervisory Measures

The Credit Institutions Act introduces the term of supervision as a new term which places emphasis on the content rather than the form of supervision. The objective of supervision is to determine if credit institutions operate in a safe and stable manner and if they comply with risk management rules and other provisions of this Act and other relevant regulations.

The Credit Institutions Act thoroughly defines cooperation between the CNB as the supervisor of credit institutions in the Republic of Croatia and other oversight authorities in the Republic of Croatia and the competent authorities of the Member States and third countries. It also establishes the competence of the CNB for the operations of branches of EU banks operating in the Republic of Croatia (following accession of the Republic of Croatia to the European Union).

The greatest novelty in the Credit Institutions Act associated with supervisory measures is the introduction of memoranda of understanding. These memoranda are a globally recognised instrument which is used to promote cooperation between supervisors and credit institutions in resolving identified problems. Under these memoranda, instead of unilateral measures being imposed on an institution by the supervisor, the supervisor and the subject of supervision agree on the measures to be taken with a view to improving the situation in an institution. It is a bilateral agreement which may result in better implementation of corrective measures.

Trusteeship and Special Administration

To improve the odds of success of supervisory measures, the Credit Institutions Act allows the CNB to appoint a trustee to a credit institution when the capital adequacy ratio of that credit institution falls below the legally prescribed minimum or when the CNB has granted a liquidity loan to such a credit institution. The trustee does not manage the credit institution but monitors the implementation of the supervisory measures imposed.

Another instrument available in this regard is the appointment of special administration. The CNB will appoint special administration if the credit institution has failed to implement supervisory measures and thus jeopardises its liquidity and solvency or if the credit institution, supervisory measures imposed notwithstanding, has not succeeded in achieving the required capital adequacy ratio, i.e. if its capital adequacy ratio falls below 6%. The powers of the former members of the management and supervisory boards will cease with the appointment of a special administration. The tasks of the special administration is to find a solution for the problems in the credit institution through sale of assets, reduction of operating expenses, improved risk management, provision of new capital (subject to shareholder approval), etc.

Winding-up and Bankruptcy

A credit institution may be wound up by means of a voluntary winding-up procedure. It may also be wound up based on a CNB decision on compulsory winding-up if the CNB finds that conditions in the credit institution cannot be improved and there are no grounds for initiating bankruptcy proceedings. Where a liquidator subsequently establishes that grounds for initiating bankruptcy proceedings have arisen, the liquidator is obliged to terminate the compulsory winding-up procedure and openbankruptcy proceedings.

The Credit Institutions Act contains several characteristic provisions on the bankruptcy of credit institutions. The reasons for such a specific approach lie in credit institutions' vulnerability. Namely, a credit institution's inability to meet its obligations to depositors may put it at risk of a run by its depositors and the ensuing blockade. As a result, bankruptcy of a credit institution must be more rapid than bankruptcy of any other legal person. This Act introduces as a new reason for bankruptcy the inability of a credit institution to repay deposits that are due and payable for 21 or more days. Where this is the case, the CNB or another creditor may request the opening of bankruptcy proceedings. The opening of a bankruptcy proceeding may also be requested by the management board and the liquidator. The competent court is obliged to schedule a hearing within 10 days from the date of receipt of the request for bankruptcy and to hear the testimony of the CNB as the supervisor. The court is obliged to decide on the request for opening a bankruptcy proceeding at this hearing, without conducting expert examination.

Reorganisation and Bankruptcy with International Implications

For the single European market to function properly, there must be harmonised mechanisms in place for market exit. In this context, the European Union adopted the so-called *Winding-Up Directive* (2001/24/EC) which regulates reorganisation measures in cases where an entity operates in several Member States. The provisions of this Directive have been incorporated into the Credit Institutions Act. Where a competent court in another Member State imposes reorganisation measures on a credit institution operating in the Republic of Croatia through a branch, such measures are effective without delay or any additional Croatian court decisions. The same applies to credit institutions authorised in the Republic of Croatia with branches in another Member State.

Consolidated Supervision

The Credit Institutions Act defines consolidated supervision as supervision of groups of credit institutions. The basis for the recognition of a group has been broadened to include a situation where a parent institution controls a subsidiary institution based on a management contract and a situation where two or more entities are linked by management on a unified basis. This Act provides for full consolidation and, in exceptional cases, proportional consolidation.

Transitional Provisions

The Credit Institutions Act has been drafted to enable its use both before and after Croatia's accession to the European Union. Provisions governing the system of a single passport, consolidation, and similar provisions will enter into force as of the date of Croatia's EU accession. Individual provisions giving the CNB discretionary powers which the CNB will not have once the Republic of Croatia becomes an EU Member State will become invalid as of the date of the country's EU accession. These include provisions such as those governing the grounds for refusal of applications for a holder of a qualifying holding associated with distortion of free market competition or those that may adversely affect the implementation of monetary and foreign exchange policies in the Republic of Croatia. As of Croatia's accession to the EU, the CNB's responsibility for administrative and expert services in the area of market competition in banking and finance provided by credit institutions will be transferred to the Croatian Competition Agency.

Given the large number of novelties introduced by the Credit Institutions Act and despite the fact that the public was continually notified thereof, credit institutions were granted additional time, until 1 July 2009, to adjust their operations with the provisions on capital adequacy, large exposures, holdings in non-financial institutions and tangible assets, powers of procurators, the composition of the supervisory board, internal capital, the conduct of analyses of alternative scenarios related to liquidity risk management, contingency plans and business continuity plans, outsourcing of certain operations, public disclosure, compliance function monitoring and use of advanced electronic signatures.

1.2 Act on Electronic Money Institutions

In the European Union, the issuing of electronic money is regulated by Directives 2000/46/EC and 2006/48/EC. The Act on Electronic Money Institutions ensures alignment of Croatian regulations with these Directives. Electronic money institutions are classified as credit institutions. This may seem somewhat paradoxical as these institutions may neither grant loans nor receive deposits. It is exactly this inconsistency which provoked amendments to the regulations governing electronic money. In the future, electronic money institutions will not be classified as credit institutions but will be regulated in accordance with the rules applicable to payment institutions. In its proposal for a new electronic money directive, issued on 13 October 2008, the European Commission put forward exactly this type of solution.

Nevertheless, the Republic of Croatia is obligated to align its legislation with existing Directives. The Act on Electronic Money Institutions defines electronic money as monetary value represented by a claim on the issuer of electronic money which is:
1) stored on an electronic device;
2) issued upon receipt of funds in an amount not less in value than the monetary value issued; and
3) accepted as a means of payment by undertakings other than the issuer.

Worth noting is that under this definition, electronic money is not a deposit.

An electronic money institution is defined as a credit institution which issues electronic money as its core business. Like all other credit institutions, electronic money institutions are obligated to obtain authorisation of the CNB for their operations. In addition to issuing electronic money, electronic money institutions may provide services which are closely related to the issuance of electronic money, such as storage of data on an electronic device on behalf of other companies or public institutions. Electronic money institutions may not acquire holdings in the capital of other persons, except the capital of other electronic money institutions and ancillary services undertakings.

The initial capital of an electronic money institution must be a minimum of HRK 8m, or just over EUR 1m. The own funds of an electronic money institution must be a minimum of HRK 8m and they must at all times constitute not less than 2% of either of the following two amounts, whichever is higher: the current amount of financial liabilities pertaining to outstanding electronic money, or the average of the preceding six-month total financial liabilities pertaining to outstanding electronic money. It should be noted that these amounts by far exceed the amounts that payment institutions are obliged to maintain under *Payment Services Directive* 2007/64/EC, which requires minimums ranging between EUR 20,000 and EUR 125,000, depending on the services offered by the institution.

It is precisely the size of the requirements imposed on electronic money institutions that prompted waivers under Directive 2000/46/EC. Pursuant to the Act on Electronic Money Institutions, issuers of electronic money may be granted a waiver, provided one of the following conditions is met:
1) the outstanding electronic money normally does not exceed HRK 40m and never exceeds HRK 48m;
2) electronic money issued by the institution is accepted as a means of payment only by subsidiaries of the institution or parent undertaking of the institution;
3) electronic money issued by the institution is accepted as a means of payment only by a person in the same business premises or persons in close financial or business relationship with the institution, such as a common marketing or distribution scheme.

An electronic money institution operating under a waiver need not be authorised by the Croatian National Bank, need not meet minimum capital requirements nor comply with large exposure restrictions and restrictions on the acquisition of holdings in the capital of other legal persons.

To ensure protection of electronic money users, the Act on Electronic Money Institutions obliges an electronic money institution to redeem electronic money without impediment and fees. The minimum threshold for redemption may not exceed HRK 35. In this way, this Act guarantees users simple transformation of electronic money into money.

Finally, it should be noted that amendments to Directive 2000/46/EC are expected in the first half of 2009. Under this Directive, electronic money institutions would be placed under the category of payment institutions and their minimum capital requirements would be reduced to EUR 125,000. It remains to be seen whether entities will decide to wait for the new Directive and the ensuing amendments to domestic regulations.

2 Performance Indicators of Banking Institutions

Summary

Further implementation of monetary measures aimed at restricting placement growth and foreign borrowing by banks led, together with changes in the international and domestic environment, to a significant slowdown in bank asset growth in 2008. Banks focused on lending, and given the contraction in received deposits and loans, the growth of loans granted was made possible to a large extent by changes in the structure of assets and a decline in almost all other forms of placements as well as an increase in capital and hybrid instruments. Declining corporate deposits led to a small drop in total deposits in contrast with household deposits, most notably time deposits, which rose considerably.

Asset restructuring to the benefit of higher credit activities and rising loan prices with simultaneous improvement in their recoverability led to high profit growth compared to the same period of the preceding year. ROAA stood at a record 1.9% and ROAE, following a three-year decline, rose and stood at 12.1%. Large banks accounted for the major share of profits while the small bank group was the only group that recorded declining profits.

The credit activities of banks again focused largely on household lending, particularly general purpose loans (cash loans, lines of credit and other loans) and home loans. Faster growth in bad placements (partly recoverable and irrecoverable) and contingent liabilities compared to fully recoverable placements and contingent liabilities led to a small deterioration in the quality of total placements and contingent liabilities. Nevertheless, the banks estimated higher recoverability of bad placements which led to a decline in the coverage of bad placements by value adjustments. Bad loan growth was largely due to growth in bad household loans, most notably bad general purpose loans (cash loans, lines of credit and other loans).

Growth in foreign currency (and indexed) placements to clients with an unmatched currency position led to an increase in the share of unhedged placements exposed to currency-induced credit risk, thus halting the downward trend present since the first half of 2006 when this risk first started to be monitored. The increase in foreign currency (and indexed) placements to clients with an unmatched currency position, caused by an increase in foreign currency (and indexed) household loans (most notably general purpose loans) and foreign currency (and indexed) loans to non-

government enterprises, led, together with regulatory changes (increased weights for claims on debtors with an unmatched currency position) to total risk exposure growth. As a result, further capital position strengthening notwithstanding, capital adequacy ratio of banks fell and stood at what is still nevertheless considered a relatively high value of 15.16%.

Losses on securities trading in the first half of 2008 had a negative impact on the total financial performance of housing savings banks. Housing savings banks earned minimum profits, while total realised and unrealised losses on securities investments outperformed income earned by housing savings banks on this basis. The growth of housing savings bank assets was the result of recapitalisation efforts and an increase in hybrid instruments, while the deposits of depositors in housing savings banks fell. Owing to asset restructuring which involved a decline in securities investments, home lending trended upwards again. Recapitalisations and regulatory capital increases notwithstanding, the growth of loans granted caused the capital adequacy ratio of housing savings banks to fall to 13.87%.

2.1 Introduction

At the end of the first half of 2008, there were 33 banks and 5 housing savings banks operating in the Republic of Croatia. Total banking sector assets stood at HRK 354.9bn, or 129% of GDP.[1] Bank assets, akin to the end of 2007, accounted for 98.1% of banking sector assets, while housing savings banks accounted for the remaining 1.9% of banking sector assets.

The year 2007 saw the introduction of the Credit Unions Act[2] and the Act on Amendments to the Banking Act,[3] which stipulated the inclusion of new forms of financial institutions to the domestic financial system, or more precisely, the inclusion of savings banks and credit unions, with the simultaneous abolishment of savings and loan co-operatives. In April 2008, authorisation was granted to A štedna banka malog poduzetništva d.d., Zagreb. In June 2008, authorisation was also granted to Obrtnička štedna banka d.d., Zagreb, as the first savings and loan co-operative which managed to transform into a savings bank. As at the date of this report, i.e. 30 June 2008, these two savings banks were not entered in the register of companies and were not operative.

The Credit Institutions Act,[4] adopted in October 2008, entered into force on 1 January 2009 and replaced the Banking Act. The Credit Institutions Act regulates the business of banks, housing savings banks, savings banks and electronic money institutions. Credit unions, which are not considered credit institutions under this Act, are regulated by the Credit Unions Act under which the institution responsible for their supervision is the CNB. Until mid-October 2008, 16 credit unions were authorised and entered in the register of companies.

1 GDP data (gross domestic product) refers to 2007, when it totalled HRK 275.078m. Source: Bulletin No. 140, CNB.
2 OG 141/2006.
3 OG 141/2006.
4 OG 117/2008.

2.2 Banks

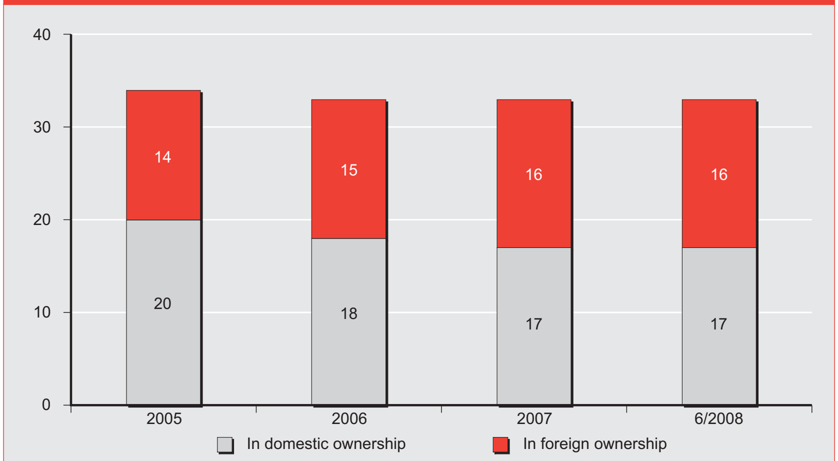
2.2.1 Structure of Banks in the Republic of Croatia

The number of banks operating in the Republic of Croatia has not changed in the past two and a half years. The number of banks by observed peer groups did not change during that period, either, so that at the end of the first half of 2008 there were six large, four medium-sized and 23 small banks[5] operating in the Republic of Croatia. The shares of individual bank groups in total assets of all banks changed only slightly compared to the end of 2007. The small bank group increased its share in total assets by 0.1 percentage point thus continuing their upward trend which started towards the end of 2006, while medium-sized banks reduced their share in total assets by the same amount (Table 2.1).

TABLE 2.1 Bank Peer Groups and Their Share in Total Bank Assets, end of period

	Dec. 2005		Dec. 2006		Dec. 2007		Jun. 2008	
	Number of banks	Share	Number of banks	Share	Number of banks	Share	Number of banks	Share
Large banks	6	81.9	6	80.2	6	79.0	6	79.0
Medium-sized banks	4	10.4	4	12.0	4	12.9	4	12.8
Small banks	24	7.7	23	7.8	23	8.1	23	8.2
Total	34	100.0	33	100.0	33	100.0	33	100.0

FIGURE 2.1 Number of Banks, end of period



The number of banks under domestic and foreign ownership also remained unchanged (17 and 16, respectively), with the share of banks in majority foreign ownership rising to 90.5% of assets of all banks (Table 2.2).

TABLE 2.2 Ownership Structure of Banks and Their Share in Total Bank Assets, end of period

	Dec. 2005		Dec. 2006		Dec. 2007		Jun. 2008	
	Number of banks	Share	Number of banks	Share	Number of banks	Share	Number of banks	Share
Domestic ownership	20	8.7	18	9.2	17	9.6	17	9.5
Domestic private ownership	18	5.3	16	5.0	15	4.9	15	4.9
Domestic state ownership	2	3.4	2	4.2	2	4.7	2	4.5
Foreign ownership	14	91.3	15	90.8	16	90.4	16	90.5
Total	34	100.0	33	100.0	33	100.0	33	100.0

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

The share of banks under domestic ownership changed by a slight 0.1 percentage point (to 9.5%) due to a fall in the share of banks under state ownership in total assets of all banks from 4.7% to 4.6% owing to a 2.4% decline in the assets of these banks compared to the end of the preceding year.

At the end of the first half of 2008, the number of banking groups subject to reporting to the CNB on a consolidated basis through their superordinate banks pursuant to the Decision on consolidated financial reports of a banking group rose from 9 to 10.[6]

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

In the first half of 2008, the number of operating units, ATMs and employees continued to trend upwards. On average, banks had 37 operating units, 654 employees and 96 ATMs, and thus provided a sizeable operating network needed for business support under highly competitive conditions, particularly in the household sector.

TABLE 2.3 Territorial Distribution of Operating Units and ATMs, end of period

	Dec. 2005		Dec. 2006		Dec. 2007		Jun. 2008	
	Operating units	ATMs	Operating units	ATMs	Operating units	ATMs	Operating units	ATMs
County of Zagreb and City of Zagreb	224	656	229	740	251	848	252	881
County of Krapina-Zagorje	25	36	28	50	30	65	29	68
County of Sisak-Moslavina	35	59	35	80	37	90	37	95
County of Karlovac	25	50	24	61	27	67	28	76
County of Varaždin	40	82	40	93	43	105	45	122
County of Koprivnica-Križevci	51	40	36	44	37	51	38	58
County of Bjelovar-Bilogora	26	53	23	52	23	58	26	60
County of Primorje-Gorski Kotar	111	224	106	260	112	283	113	285
County of Lika-Senj	14	33	15	38	17	43	17	47
County of Virovitica-Podravina	25	25	27	36	29	36	30	38
County of Požega-Slavonia	25	24	25	32	25	30	27	35
County of Slavonski Brod-Posavina	28	38	27	49	29	57	31	67
County of Zadar	45	114	46	137	53	152	57	159
County of Osijek-Baranya	72	110	68	125	71	147	71	153
County of Šibenik-Knin	32	80	40	92	38	106	39	114
County of Vukovar-Srijem	23	51	24	57	29	70	32	78
County of Split-Dalmatia	124	251	131	279	141	320	145	344
County of Istria	107	218	109	234	109	265	112	278
County of Dubrovnik-Neretva	55	97	58	110	60	125	62	136
County of Međimurje	27	66	27	72	28	77	30	78
Total	1,114	2,307	1,118	2,641	1,189	2,995	1,221	3,172

After opening 71 new operating units (a 6.4% increase), the number of operating units of banks rose by 32 (2.7%) in the first half of 2008, reaching a total of 1,221 operating units. The total number of ATMs rose by 177, or 5.9%, reaching a total of over 3,000 ATMs (Table 2.3). The increase in the number of operating units was accompanied by an increase in the number of employees in the banks. In the first half of 2008, the number of employees rose by 963 (4.7%), reaching a total of 21,576.

The County of Zagreb and the City of Zagreb accounted for by far the largest number of operating

6 For the composition of individual banking groups, see Attachment II, Banking Groups, as at 30 June 2008.

units in the Republic of Croatia. Although the share of operating units of the County of Zagreb and the City of Zagreb in the total fell by 0.5 percentage points, it still accounted for over 1/5 or 20.6% of the total. The next three counties with the largest number of operating units (Split-Dalmatia, Primorje-Gorski Kotar and Istria Counties) accounted for approximately 10% of the total while the concentration of operating units in other counties stood at below 6%, with the highest concentration being reported in Osijek-Baranya County (5.8%). Lika-Senj and Bjelovar-Bilogora Counties had the lowest concentration of operating units (below 2%). The highest number of banks (28), or one more compared to the end of 2007, were present in the Zagreb County and the City of Zagreb with Primorje-Gorski Kotar, Split-Dalmatia and Istria Counties following with 24 banks and 19 banks present, respectively. The smallest number of banks operated in Lika-Senj (6), Krapina-Zagorje (8) and Karlovac (9) Counties. There were three banks, similar to the end of 2007, operating in only one county and there was only one bank which operated in all twenty counties through its operating units.

FIGURE 2.2 Concentration of Bank Operating Units and ATMs by Counties, as at 30 June 2008

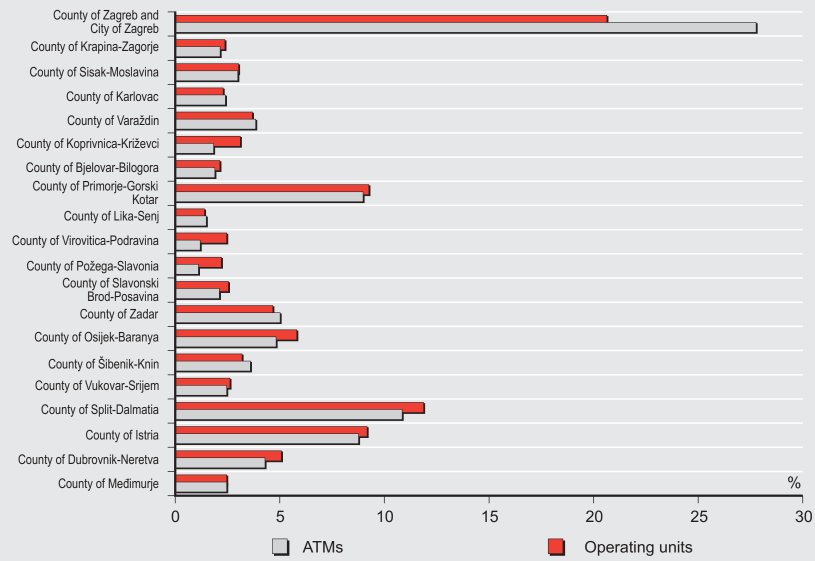
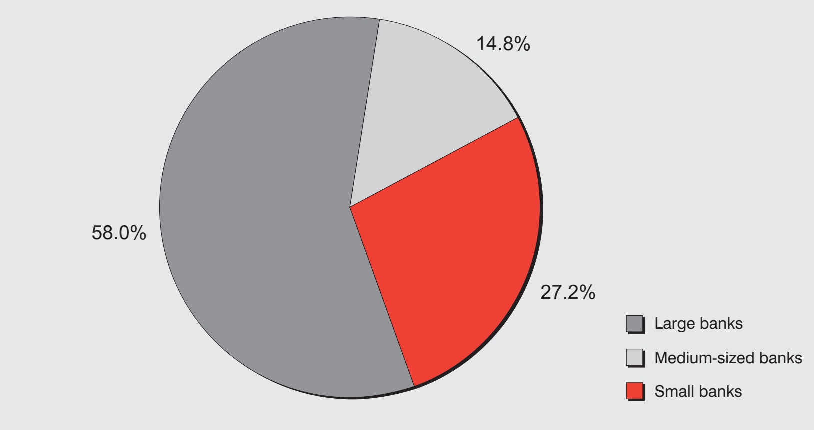


FIGURE 2.3 Share of Operating Units of Bank Peer Groups in the Total Number of Operating Units, as at 30 June 2008



The share of the County of Zagreb and the City of Zagreb, as the county with the largest number of ATMs, fell by over 0.5 percentage points and stood at 27.8%, although this county came first in the number of newly installed ATMs (33). In terms of the number of ATMs, the Split-Dalmatia, Primorje-Gorski Kotar and Istria Counties followed with a concentration of approximately 10%. The smallest number of ATMs, with a concentration below 1.5%, was seen in the Požega-Slavonia, Virovitica-Podravina and Lika-Senj Counties. Six small banks still had no ATMs.

With reference to the number of operating units and ATMs, the greatest increase was seen in the groups of banks with the smallest number of ATMs. Thus, the medium-size bank group came first in terms of an increase in the number of operating units (7.1% or 12 operating units), while the small bank group reported the highest relative increase in the number of ATMs (9.3%). The large bank group with the highest number of operating units (over 1/2) and the highest number of installed ATMs (over 3/4) recorded the smallest increase of 1.1% and 5.1%, respectively.

FIGURE 2.4 Share of ATMs of Bank Peer Groups in the Total Number of ATMs, as at 30 June 2008

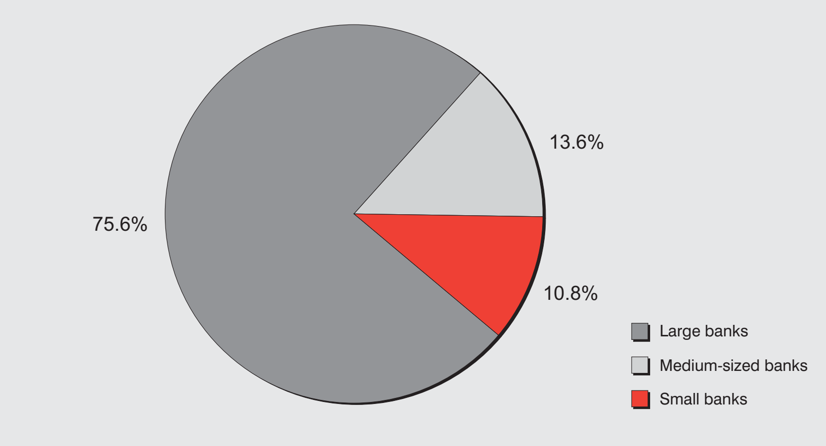
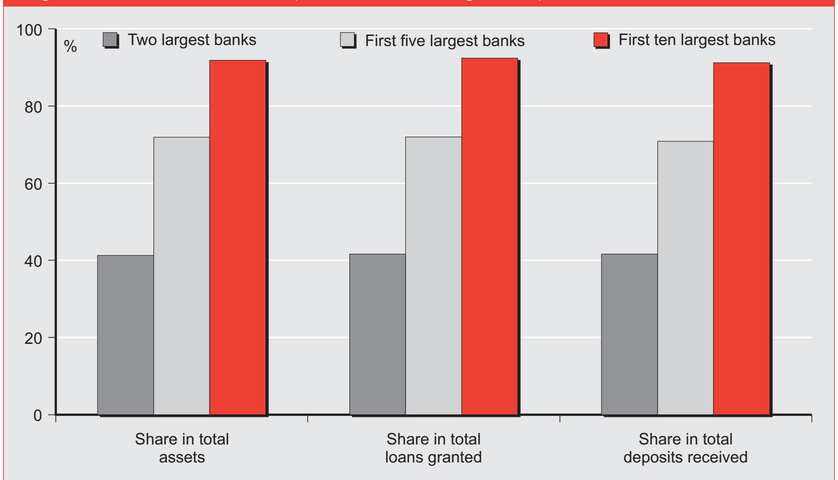


FIGURE 2.5 Shares of Assets of the Largest Banks, Loans and Deposits in Total Assets, Loans and Deposits, as at 30 June 2008



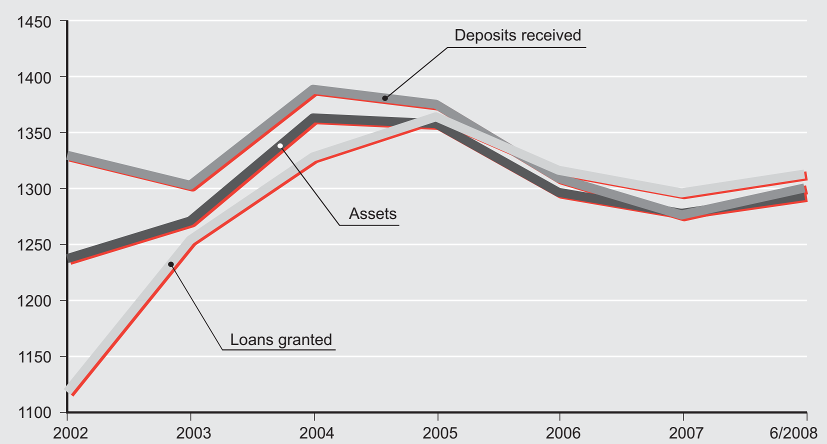
In the first half of 2008, the concentration of the share of assets, loans and deposits mostly rose in all of the observed bank peer groups (Figure 2.5) with the Herfindahl-Hirschman index rising slightly (Figure 2.6). This increase notwithstanding, the concentration of the banking system based on the given indicators may be considered moderate.

The assets of the two largest banks accounted for 41.2% of total assets, while the assets of the five largest and ten largest banks accounted for 71.9% and 91.8% of total balance sheet assets of all banks. The share of assets of the two largest banks in the assets of all banks rose by 0.3 percentage points, and the share of the five largest banks rose by 0.4 percentage points, their highest level in the past two years. By contrast, the share of assets of the ten largest banks fell, though by less than 0.1 percentage point.

The share of loans of the two largest banks and the ten largest banks in total bank loans rose by 0.4 percentage points, and decreased by a slight 0.1 percentage point in the five largest banks. Similar developments were seen in the shares of deposits of the observed bank groups in the total deposits of all banks. The share of deposits of the two largest banks and ten largest banks rose by 0.7 and 0.1 percentage points, respectively, in contrast with the group of the five largest banks where it shrank by 1.2 percentage points.

Such developments in asset concentration, loans granted and received deposits of banks put a stop to the downward trend in the Herfindahl-Hirschman index, present since 2004, and 2005 in the case of loan concentration. Its increase, compared to the end of 2007, was the highest in the group of received deposits (24 units), while the increase in concentration of assets and loans granted was smaller and stood at 16 and 17 units, respectively. The concentration of loans granted was the highest of all, similarly as in the past two years, and stood at 1,313 units.

FIGURE 2.6 Herfindahl-Hirschman Index (HHI), all banks



2.2.3 Bank Balance Sheet and Off-Balance Sheet Items

Growth of bank assets slowed considerably in the first half 2008, owing to, in addition to CNB measures, changes in the international and domestic environment. Banks focused their activities on lending, and due to a fall in received deposits and loans, the growth of loans granted was largely made possible by asset restructuring and a decline in almost all other forms of placements.

As specified by the Decision on the subscription of compulsory CNB bills,[7] the permissible growth

7 OG 132/2007 and 29/2008.

of placements and contingent liabilities of banks in 2008 was 12%. The permissible growth of those parts of assets which are considered placements in terms of that Decision was 6% for the first six months of the year while actual growth during that period was 4.5%, or 1.5 percentage points below the permissible rate. It is possible that the fall in received deposits and loans (partly compensated by capital and hybrid instrument increases) provoked such developments, though high growth rates in the previous periods, lending interest rate growth and lending term tightening in individual banks may also have contributed to a slowdown on the domestic loan demand side.

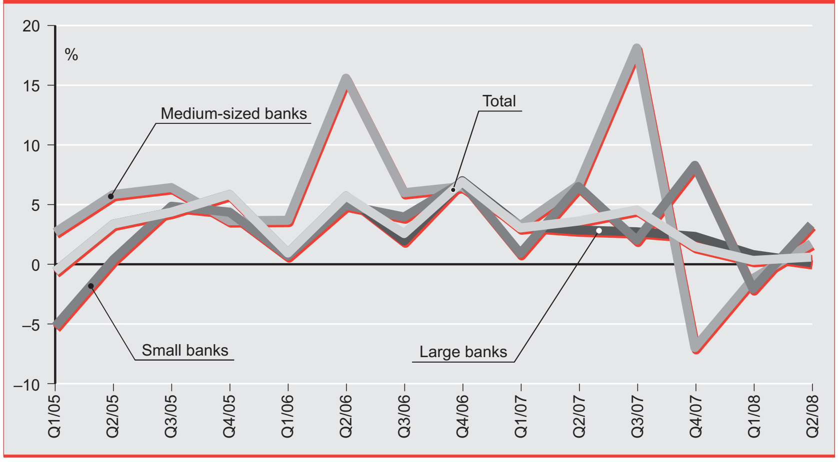
Liquidity shortfall in the foreign interbank market, as a result of the financial crisis following the subprime market crash in the United States has so far not influenced readiness of foreign owners to finance their Croatian subsidiaries, so the effects of this crisis on the domestic market have so far been mainly psychological in nature which could lead to a decline in confidence in the system. It should be noted that household deposits, which account for over one half of total deposits grew by 7.3% on a half-year basis, while household time deposits rose by 11.0%. Of the total sources of financing of domestic banks (received deposits, received loans, issued debt securities and issued subordinated and hybrid instruments) deposits accounted for 88.1%.

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

	Dec. 2005		Dec. 2006			Dec. 2007			Jun. 2008		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	42,900.8	16.5	49,615.2	16.3	15.7	51,415.9	14.9	3.6	52,674.6	15.1	2.4
1.1. Money assets	3,347.1	1.3	3,931.0	1.3	17.4	4,551.7	1.3	15.8	4,913.9	1.4	8.0
1.2. Deposits with the CNB	39,553.7	15.2	45,684.2	15.0	15.5	46,864.2	13.6	2.6	47,760.7	13.7	1.9
2. Deposits with banking institutions	23,155.9	8.9	26,005.6	8.5	12.3	35,118.0	10.2	35.0	28,198.4	8.1	–19.7
3. MoF treasury bills and CNB bills	7,007.2	2.7	8,077.2	2.7	15.3	8,748.7	2.5	8.3	7,729.3	2.2	–11.7
4. Securities and other financial instruments held for trading	8,285.5	3.2	7,730.4	2.5	–6.7	8,515.5	2.5	10.2	6,541.0	1.9	–23.2
5. Securities and other financial instruments available for sale	11,820.8	4.5	12,678.2	4.2	7.3	11,326.4	3.3	–10.7	10,306.1	3.0	–9.0
6. Securities and other financial instruments held to maturity	5,106.0	2.0	3,311.9	1.1	–35.1	3,536.7	1.0	6.8	3,544.5	1.0	0.2
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	590.5	0.2	–15.6
8. Derivative financial assets	147.3	0.1	280.9	0.1	90.7	276.0	0.1	–1.8	426.6	0.1	54.6
9. Loans to financial institutions	3,867.3	1.5	4,035.4	1.3	4.3	6,949.8	2.0	72.2	4,797.1	1.4	–31.0
10. Loans to other clients	148,089.7	56.9	183,740.0	60.3	24.1	209,319.6	60.7	13.9	223,430.9	64.2	6.7
11. Investments in subsidiaries and associates	1,601.8	0.6	1,675.5	0.6	4.6	1,703.9	0.5	1.7	1,778.1	0.5	4.4
12. Foreclosed and repossessed assets	356.3	0.1	445.6	0.1	25.1	355.7	0.1	–20.2	359.2	0.1	1.0
13. Tangible assets (net of depreciation)	4,198.8	1.6	4,434.1	1.5	5.6	4,510.4	1.3	1.7	4,539.6	1.3	0.6
14. Interest, fees and other assets	4,901.6	1.9	4,788.2	1.6	–2.3	5,471.0	1.6	14.3	6,178.8	1.8	12.9
15. Net of: Collectively assessed impairment provisions	2,263.1	0.9	2,672.6	0.9	18.1	2,866.2	0.8	7.2	2,885.4	0.8	0.7
TOTAL ASSETS	260,277.2	100.0	304,605.3	100.0	17.0	345,081.4	100.0	13.3	348,209.2	100.0	0.9

The total assets of all banks at the end of the first half of 2008 were HRK 348.2bn, which is an increase of HRK 3.1bn, or only 0.9% compared to their year-end balance in 2007. During the observed half-year period, assets rose in 21 banks, while the assets of the remaining 12 banks fell. Following a continuous upward growth trend of several small banks, the small bank group grew the most (1.2% or HRK 335.7m). The assets of large banks rose by HRK 2.6bn (0.9%) and assets of medium-sized banks rose by HRK 232.7m (0.5%) (Figure 2.7).

FIGURE 2.7 Quarterly Rates of Change in Bank Peer Group Assets



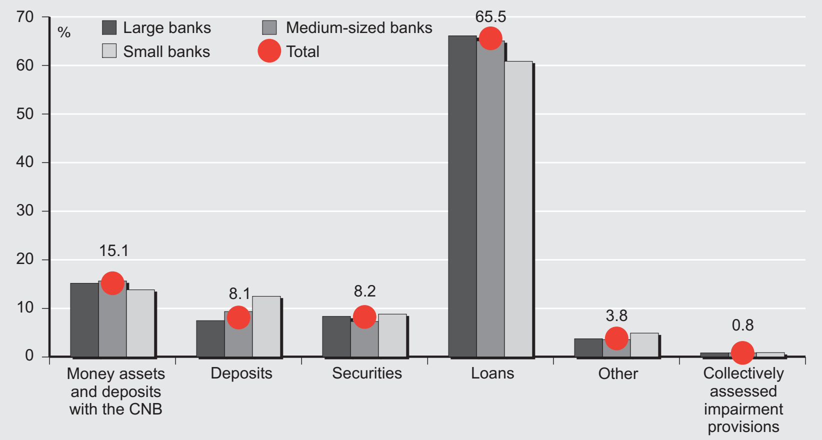
Total net loans rose by HRK 12.0bn, almost a four-fold increase compared to asset growth. So much higher growth of loans granted compared to total asset growth was supported by structural changes in bank assets. Bank investments in deposits and securities fell by a total of HRK 11.0bn. Despite a visible slowdown in net loans growth, which grew by 5.5%, a significant decline compared to the same period of the preceding year (9.9%), a simultaneous drop in other types of placements led to a further increase in the share of loans in bank assets.

Compared to the end of 2007, the share of loans in bank assets rose by almost 3.0 percentage points, with net loans accounting for 65.5% of bank assets at the end of the first half of 2008. Given that loans granted to financial institutions fell compared to year's end in 2007, the entire increase in the net loan and assets share can be attributed to loans granted to non-financial sectors. During the observed half-year period, the amount of loans granted rose the most in the small bank group (7.2%) in which their share also rose the most (from 61.0% at the end of 2007 to 65.0% at the end of the first half of 2008). Loans grew the least in the small bank group (0.9%) in which loans account for 60.8% of assets. Loans rose by 5.7% in the large bank group and accounted for the largest share of assets (66.1%) in this group (Figure 2.8).

As in 2007, banks primarily focused their credit activities on households, granting over one half of the total increase in net loans to this sector. Household loans rose by HRK 7.0bn or 6.4%, reaching HRK 116.5bn, or 51.0% of total net bank loans. In terms of individual types of household loans, home loans grew at the same rate as other loans (6.7%). The major share of the total increase in home loans of HRK 3.0bn was denominated in kuna and indexed to a foreign currency (HRK 1.9bn) while kuna loans rose by HRK 1.1bn. Owing to relatively faster growth of kuna home loans (31.6%) compared to loans tied to the currency clause (4.6%), the kuna component in the total amount of home loans granted rose additionally from 8.0% at the end of 2007 to 9.9% at the end of the first half of 2008.

Loans to enterprises rose by HRK 4.3bn (5.2%), with the largest share of the increase in these types of loans being denominated in kuna and indexed to a foreign currency. Compared to year's end in 2007, the largest increase in relative terms was seen in loans granted to the government (19.5% or HRK 2.8bn) with the entire increase attributable to foreign currency loans, which ultimately led to

FIGURE 2.8 Structure of Bank Peer Group Assets, as at 30 June 2008



the relatively greatest increase in total net loans in foreign currencies (14.2%). The other two components of total net loans, in kuna and kuna tied to the currency clause, rose compared to the end of 2007 by 4.4% and 4.9%, respectively, though their share in total net loans did not change significantly. Similarly as at the end of 2007, the largest share of total net loans (52.2%) was denominated in kuna and indexed to a foreign currency, 38.2% of net loans were kuna loans and the remaining 9.6% were foreign currency loans.

In adjusting to the measure of compulsory CNB bills subscription, at the end of 2007 banks deposited a fraction of their capital increase with banking institutions because deposits are not subject to restrictions. In the first half of this year, banks reduced these deposits by a total of HRK 6.9bn (19.7%), fully as a result of the fall in deposits with foreign banks, while deposits with domestic banks rose by HRK 575m (42.8%). Time deposits with foreign banks fell by HRK 7.4bn (23.1%), greatly influenced by the reduction in the minimum required coverage of foreign currency liabilities by foreign currency claims from 32% to 28.5%[8] in May 2008. This enabled asset restructuring and greater credit activity by banks in the public sector, i.e. greater participation of banks in public debt refinancing.[9] The share of deposits in bank assets fell by over 2.0 percentage points (from 10.2% at end of 2007 to 8.1% at the end of the first half of 2008).

The share of total securities in the assets of banks fell by 1.3 percentage points compared to the end of 2007, and stood at 8.2% at the end of the first half of 2008. As a result of a significant decline in securities investments by large banks (15.5% or HRK 4.2bn), a lesser decline in securities investments by medium-sized banks (1.1%), and a 4.9% increase in securities investments by small banks, total securities investments (Ministry of Finance T-bills included) by all banks fell by 12.5% (HRK 4.1bn) compared to the end of 2007. Looking at debt security instruments, it can be seen that almost one half of the total decline in securities investments can be attributed to bonds (almost HRK 2.0bn, or 11.4%), most notably bonds issued by foreign financial institutions. Declining by 11.7%, or HRK 1.0bn, bank investments in Ministry of Finance T-bills were the next item which fell

8 Decision on the minimum required amount of foreign currency claims (OG 59/2008).
9 In May 2008, the Croatian Government adopted the Decision on the borrowing of the Republic of Croatia via a syndicated loan with domestic banks, worth EUR 760m. At the end of June 2008, a share of these funds was not drawn, i.e. it was recorded as an off-balance sheet item (financing commitment).

the most. Banks also reduced their investments in equity securities by 12.3%, as a result of a one-third drop in investments in enterprise equity securities. As at the end of 2007, 96.3% of securities investments could be attributed to debt and 3.7% to equity securities. With a 53.3% share, of which domestic issuers accounted for 29.7%, bonds were still the most widely represented securities in bank portfolios.

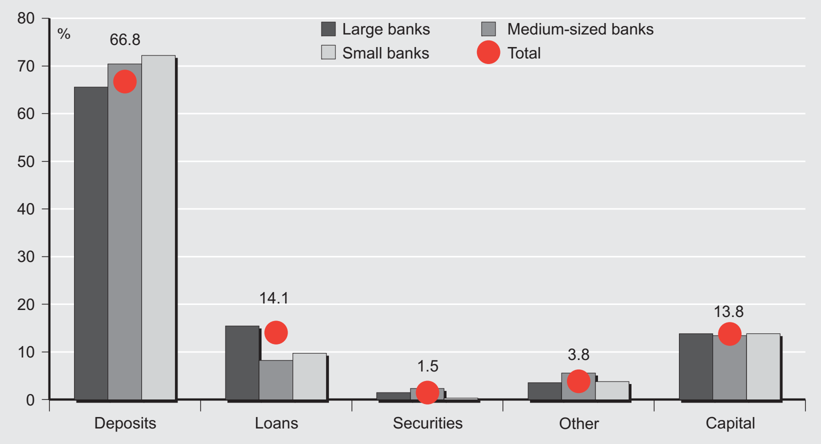
Compared to the end of 2007, loans received by banks fell by 6.2%. Received deposits fell by 0.3%, and issued securities and subordinated instruments also fell. Compensation for the decrease in these sources of financing was to an extent provided by a HRK 1.2bn (185.2%) increase in hybrid instruments so that total liabilities of banks fell by HRK 1.8bn (0.6%) compared to the end of 2007 (Table 2.5).

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

	Dec. 2005		Dec. 2006			Dec. 2007			Jun. 2008		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	13,844.2	5.3	15,102.5	5.0	9.1	20,573.0	6.0	36.2	17,861.6	5.1	–13.2
1.1. Short-term loans	7,346.5	2.8	7,286.7	2.4	–0.8	11,325.6	3.3	55.4	7,726.4	2.2	–31.8
1.2. Long-term loans	6,497.7	2.5	7,815.8	2.6	20.3	9,247.4	2.7	18.3	10,135.2	2.9	9.6
2. Deposits	171,742.0	66.0	202,950.5	66.6	18.2	233,108.0	67.6	14.9	232,431.2	66.8	–0.3
2.1. Giro account and current account deposits	29,175.2	11.2	37,696.5	12.4	29.2	45,284.0	13.1	20.1	40,736.0	11.7	–10.0
2.2. Savings deposits	26,124.5	10.0	26,601.4	8.7	1.8	26,859.4	7.8	1.0	26,756.4	7.7	–0.4
2.3. Time deposits	116,442.2	44.7	138,652.5	45.5	19.1	160,964.5	46.6	16.1	164,938.8	47.4	2.5
3. Other loans	36,191.2	13.9	39,762.9	13.1	9.9	31,738.8	9.2	–20.2	31,190.3	9.0	–1.7
3.1. Short-term loans	8,213.9	3.2	10,028.1	3.3	22.1	5,528.8	1.6	–44.9	6,766.3	1.9	22.4
3.2. Long-term loans	27,977.3	10.7	29,734.8	9.8	6.3	26,210.1	7.6	–11.9	24,423.9	7.0	–6.8
4. Derivative financial liabilities and other financial liabilities held for trading	223.7	0.1	221.6	0.1	–0.9	367.5	0.1	65.9	355.2	0.1	–3.3
5. Debt securities issued	3,396.9	1.3	3,583.4	1.2	5.5	3,476.7	1.0	–3.0	3,409.0	1.0	–1.9
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	3,396.9	1.3	3,583.4	1.2	5.5	3,476.7	1.0	–3.0	3,409.0	1.0	–1.9
6. Subordinated instruments issued	770.7	0.3	758.1	0.2	–1.6	225.7	0.1	–70.2	54.9	0.0	–75.7
7. Hybrid instruments issued	886.6	0.3	552.4	0.2	–37.7	636.6	0.2	15.2	1,815.8	0.5	185.2
8. Interest, fees and other liabilities	9,778.3	3.8	10,413.5	3.4	6.5	11,781.4	3.4	13.1	13,020.2	3.7	10.5
TOTAL LIABILITIES	236,833.6	91.0	273,344.9	89.7	15.4	301,907.8	87.5	10.4	300,138.3	86.2	–0.6
TOTAL CAPITAL	23,443.6	9.0	31,260.3	10.3	33.3	43,173.6	12.5	38.1	48,070.9	13.8	11.3
TOTAL LIABILITIES AND CAPITAL	260,277.2	100.0	304,605.3	100.0	17.0	345,081.4	100.0	13.3	348,209.2	100.0	0.9

At the end of the first half of 2008, received deposits of banks stood at HRK 232.4bn, which is a decline of HRK 676.7m (0.3%) compared to year's end in 2007. Over one half of banks reported a decline in deposits, with this decline affecting all bank groups. Deposits fell the most both in absolute and relative terms in small banks (HRK 296.8m or 1.4%). The largest contribution to declining deposits came from a HRK 8.2bn (3.5%) decrease in corporate deposits, both sight and time deposits. Owing to growth in household deposits, most notably time deposits, which rose by 11% compared to the end of 2007, total time deposits rose by 2.5%, while total giro account and current account deposits fell by 10.0% and savings deposits by 0.4%. Over two-thirds of the increase in household time deposits were deposited in foreign currency, causing total deposits in foreign currency to increase by 4.2%. In the observed half-year period, influenced by a fall in corporate giro account and current account deposits and time deposits, total kuna deposits fell by 3.1% and deposits in kuna tied to the currency clause fell by 24.5%, due to a fall in these deposits from all institutional sectors.

FIGURE 2.9 Structure of Bank Peer Group Liabilities, as at 30 June 2008



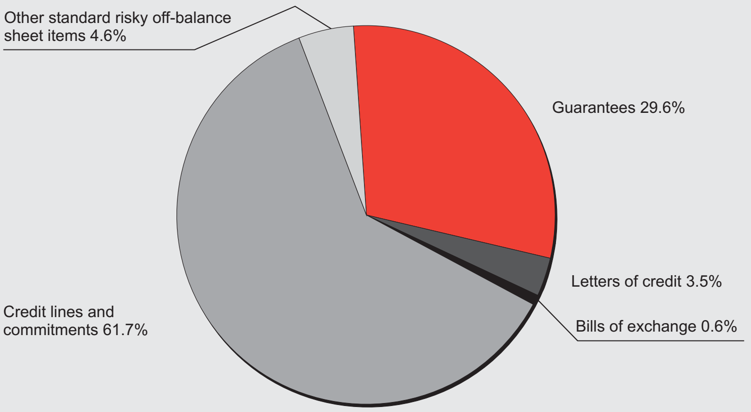
At the end of the first half of 2008, bank liabilities arising from loans received shrank by HRK 3.3bn (6.2%) compared to the end of 2007, with the largest share of the decline in loans being attributable to a HRK 2.7bn, or a 13.2% decline in liabilities towards domestic financial institutions. Liabilities to foreign financial institutions and foreign majority owners did not change significantly so that, as a result of the smaller significance of domestic creditors in the total amount of loans received, the share of loans from foreign majority owners rose from 33.6% at the end of 2007 to 35.9% at the end of the first half of 2008. Together with deposits, the funds of foreign owners accounted for 13.6% of the total received loans and deposits of banks. A larger than average share of these sources was seen in large and medium-sized banks (14.4% and 14.9%, respectively), while it was still much lower in small banks (4.2%) although small banks more than doubled the liabilities to their foreign owners.

At the end of the first half of 2008, banks significantly increased their liabilities arising from issued hybrid instruments (HRK 1.2bn, or 185.2%), with the major share of the increase being attributable to two banks and payments made by their foreign majority owners. As liabilities arising from issued subordinated instruments and long-term issued securities shrank by a total of HRK 238.5m, the total share of securities rose compared to the end of 2007 and accounted for 1.5% of bank liabilities.

Standard risky off-balance sheet items of banks were HRK 70.0bn at the end of the first half of 2008. Compared to their balance at the end of 2007, these items rose by HRK 1.1bn, or 1.6% and in the same way as in case of assets, the increase in standard risky off-balance sheet items during the observed period was much smaller than in the same period in the preceding year when they grew by 5.9%. Given the somewhat faster growth of standard risky off-balance sheet items compared to bank asset growth, compared to the end of 2007, the off-balance sheet assets to balance sheet assets ratio rose very little at the end of the first half of 2008 and stood at 20.1%. Standard risky off-balance sheet items fell only in small banks (7.3%) and rose by 6.1% and 1.6% respectively in medium-sized and large banks.

The increase in standard risky off-balance sheet items was largely due to an increase in guarantees of HRK 766.7m, while lines of credit, which recorded the largest nominal growth in the past periods, fell by HRK 299.0m in the first half of 2008. This decline notwithstanding, lines of credit and commitments obligations again constituted the most significant part of risky off-balance sheet items of banks (Figure 2.10).

FIGURE 2.10 Structure of Bank Standard Risky Off-Balance Sheet Items, as at 30 June 2008



The total contracted value of derivative financial instruments rose by 22.9% at the end of the first half of 2008 compared with their value at year's end in 2007 and stood at HRK 139.6bn. The major part of the increase can be attributed to a 31.9% increase in contracted other forwards contracts which accounted for the biggest share, or 58.4% of the total contracted value of derivative financial instruments at the end of the first half of 2008. With regard to distribution of the total contracted value of derivative financial instruments, no significant changes were observed in the bank groups so that, similarly as in the previous periods, large banks accounted for the largest share of the total contracted value of these instruments (95.9%) while medium-sized and small banks accounted for 3.7% and 0.4%, respectively of the total contracted value.

2.2.4 Bank Capital

Following high growth in 2006 and 2007 (33.3% and 38.1%, respectively), the capital of banks continued to grow at a significant pace in the first half of 2008 (HRK 4.9bn or 11.3%), reaching a share of 13.8% of bank liabilities. During the observed period, capital rose by 12.1% in large and small banks and by 6.4% in medium-sized banks. The share of capital in the liabilities structure rose in all bank groups, with an almost equal value of the indicator in all bank groups (13.9% in large and small banks and 13.4% in medium-sized banks), similar to the end of 2007. The convergence of the value of the share of capital in liabilities, i.e. this indicator's significant growth in large and medium-sized banks in 2007, were influenced by monetary and prudential measures of the CNB. In earlier years, the value of this indicator was inversely proportional to the amount of bank assets, so that the larger the bank the smaller the indicator and the smaller the bank the larger the indicator, a trend which literature considers usual for this indicator.[10] So for instance, at the end of 2004, the share of capital in liabilities stood at 7.9% in large, 10.2% in medium-sized and 13.8% in small banks, and at 8.6% at the overall bank level.

10 A larger share of capital in the balance sheets of small banks is usually explained as a consequence of the unfavourable public perception of small banks and thus related poorer accessibility of sources of financing, primarily of received loans. In addition, in order to be able to approve loans in the same nominal amount as large banks and thus attract larger and more stable clients, small banks must have higher regulatory capital since legally permitted exposure to one person is limited to 25% of regulatory capital (Article 75 of the Banking Act, OG 84/2002 and 141/2006).

The increase in the share of capital in the liabilities structure of banks is the result of substitution of foreign borrowing by capital investments, or more precisely, capital injections provided by foreign bank owners with a view to optimising operations in the light of CNB measures on marginal reserve requirements[11] and minimum foreign currency liquidity.[12] In addition to these two monetary measures, the growth of share capital was also influenced by changes in prudential regulations relating to the introduction of currency-induced credit risk in the calculation of the capital adequacy ratio in mid-2006 and their further tightening in 2008 when weights were increased for foreign currency (and foreign currency indexed) claims on clients with an unmatched currency position. Also introduced in 2008 were additional minimum adequacy requirements for banks whose quarterly placement growth, calculated on the basis of the rate of use of secondary funding sources and the capital adequacy ratio, exceeds the maximum permitted growth rate.[13]

In the first half of 2008, two large, one medium-sized and six small banks were recapitalised with almost HRK 3.0bn, of which over one half went to the recapitalisation of one large bank. As a result, bank share capital rose by 11.7% in the first half of 2008 (Table 2.6) and was the most significant generator of growth of total bank capital and its major component (58.5%). Small banks achieved the highest growth rate of share capital (20.1%), while the capital of large and medium-sized banks grew by 12.1% and 4.9%, respectively.

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

	Dec. 2005		Dec. 2006			Dec. 2007			Jun. 2008		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	11,523.3	49.2	16,584.2	53.1	43.9	25,179.3	58.3	51.8	28,124.4	58.5	11.7
2. Current year profit/loss	3,247.8	13.9	3,394.8	10.9	4.5	4,067.4	9.4	19.8	2,750.9	5.7	–32.4
3. Retained earnings/loss	2,499.9	10.7	3,716.8	11.9	48.7	4,212.0	9.8	13.3	5,714.4	11.9	35.7
4. Legal reserves	798.4	3.4	882.4	2.8	10.5	1,054.3	2.4	19.5	1,097.4	2.3	4.1
5. Total reserves provided for by the articles of association and other capital reserves	5,374.0	22.9	6,676.6	21.4	24.2	8,674.1	20.1	29.9	10,392.0	21.6	19.8
5.1. Reserves provided for by the articles of association and other capital reserves	5,350.4	22.8	6,662.0	21.3	24.5	8,644.2	20.0	29.8	10,345.5	21.5	19.7
5.2. Unrealised gains/losses on value adjustments of financial assets available for sale	23.7	0.1	14.6	0.0	–38.2	30.7	0.1	109.9	46.6	0.1	51.7
5.3. Reserves arising from hedging transactions	0.0	0.0	8.3	0.0	–	–0.8	0.0	–109.4	0.0	0.0	–100.0
6. Previous year profit/loss	0.2	0.0	–2.7	0.0	–1,300.9	–13.6	0.0	396.3	–8.1	0.0	–40.2
TOTAL CAPITAL	23,443.6	100.0	31,260.3	100.0	33.3	43,173.6	100.0	38.1	48,070.9	100.0	11.3

Developments in capital benefited from decisions by banks to retain major shares of profits earned in 2007. The banks used almost 80% of profits to reinforce their capital positions so that legal reserves, reserves stipulated by the articles of association and other capital reserves rose by HRK 1.7bn (18.1%) and retained profits by HRK 1.5bn (35.7%), with HRK 0.8bn paid to shareholders.

Bank recapitalisation efforts in the first half of 2008 had a favourable impact on developments in core capital, as well as the regulatory capital of banks, which rose by 9.4% during the observed period,

11 Pursuant to the Decision on the marginal reserve requirement (OG 146/2005, 69/2006 and 130/2007), banks had to set aside 55% of their foreign debt growth to an account with the CNB. This Decision ceased to be valid on 10 October 2008.

12 At the end of 2006, kuna loans and deposits tied to the currency clause (one-way or two-way) have been included in the base for the calculation of minimum coverage of bank foreign currency liabilities by foreign currency claims. These loans and deposits, although denominated in kuna, are in principle mostly liabilities to foreign creditors and depositors.

13 Decision on the capital adequacy of banks (OG 17/2003, 120/2003, 130/2006, 130/2007 and 31/2008).

reaching HRK 46.2bn (Figure 2.11). Core capital, as the highest quality component of regulatory capital, rose by 8.3%, but with higher growth of supplementary capital I (31.3%) which is included in regulatory capital, the share of core capital in gross regulatory capital fell somewhat – from 95.5% at the end of 2007 to 94.6% in mid-2008. Regulatory capital rose the most in medium-sized banks (11.2%), mainly as a result of an increase in supplementary capital I (60.0%), or more precisely, the issue of hybrid instruments, while in large and small banks it rose by 9.3% and 7.4%, respectively, mainly as a result of recapitalisations (Table 2.7).

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

	Dec. 2005		Dec. 2006			Dec. 2007			Jun. 2008		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Large banks	19,160.5	77.8	25,577.9	79.4	33.5	32,612	77.3	27.5	35,634	77.2	9.3
Medium-sized banks	2,888.8	11.7	3,693.6	11.5	27.9	6,016	14.3	62.9	6,692	14.5	11.2
Small banks	2,580.7	10.5	2,945.6	9.1	14.4	3,584	8.5	21.7	3,847	8.3	7.3
Total	24,630.0	100.0	32,217.1	100.0	30.8	42,211.7	100.0	31.0	46,172.9	100.0	9.4

In addition to medium-sized banks, large banks also significantly increased (34.4%) supplementary capital I which is included in regulatory capital, also as a result of issued hybrid instruments. As a result, the share of supplementary capital I in gross regulatory capital rose from 4.5% to 5.4%, and its growth would have been even more pronounced had it not been for the significant increase in deductions from supplementary capital I (19.1%), as a result of a gradual exclusion of collectively assessed impairment provisions from regulatory capital.[14] Despite a low share of supplementary capital I at the overall bank level, individual banks, particularly medium-sized banks, relied more heavily on this form of capital, taking account of the restriction under which the sum total of supplementary capital I and II cannot exceed one half of regulatory capital. Supplementary capital II has been reported by only two small banks, so its share in gross regulatory capital of all banks stood at only 0.01%.

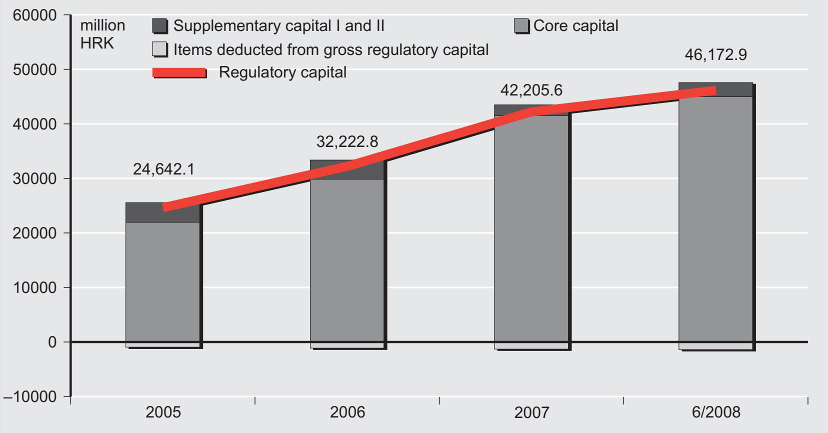
The net value of banks' risk-weighted assets rose by HRK 3.7bn or 1.1% compared to the end of 2007, while the weighted amount of assets rose by HRK 42.7bn or 19.7%. As a result, the weighted to total assets ratio rose considerably – from 62.9% at the end of 2007 to 74.6% at the end of the second half of 2008 (Figure 2.12).

The reason for the robust growth in the weighted amount of assets lies in tightened weighting conditions for claims not hedged against currency-induced credit risk (CICR)[15] and in major growth of these net asset items. In the first half of 2008, the item consisting of uncovered foreign currency (and indexed) claims on clients with an unmatched currency position (weight 150% instead of the previous 125%) rose by HRK 10.3bn (13.7%), while total weighted net assets rose by HRK 3.7bn (1.1%). As a result, this item's share in net assets rose from 22.2% to 24.9% in the observed period while its share in the weighted value of assets rose from 43.0% to 49.0%. The share of covered foreign currency (and

14 Pursuant to the Decision on amendments to the instruction for the uniform implementation of the decision on the capital adequacy of banks (OG 41/2006), as of 31 December 2006, provisions on a collective basis shall be gradually excluded from the regulatory capital. Thus, as at 31 December 2007 banks had to exclude from the regulatory capital an amount that exceeds 0.50% and, as at 30 June 2008, an amount that exceeds 0.25% of the sum of risk-weighted assets, standard and other off-balance sheet items. Until 31 December 2006, those provisions were allowed to be included in the amount of up to 1.25% of the sum of risk-weighted assets, standard and other off-balance sheet items.

15 As of the beginning of 2008, instead of risk weights of 75% for collateralised and 125% for uncollateralised foreign currency (foreign currency indexed) claims on clients with an unmatched currency position, new weights are applied, of 100% and 150% respectively.

FIGURE 2.11 Structure of Bank Regulatory Capital



indexed) claims on clients with an unmatched currency position in the net value of assets fell from 10.5% towards the end of 2007 to 9.8% towards the end of the second half of 2008 as a result of a HRK 2.1bn (5.9%) fall in these claims. However, due to a weight increase from 75% to 100%, the weighted amount rose by 25.4% and accounted for 12.9% of weighted assets. Growth in kuna home loans led to an increase of HRK 1.1bn (35.8%) in the component which is weighted by a 50% weight, while the component which is weighted by a 20% weight fell by a high HRK 7.9bn (18.9%) due to relaxation of rules on the minimum foreign currency coverage and the associated decline in claims on foreign banks.

Therefore, the growth of weighted balance sheet assets was caused not only by direct regulatory changes, but also by a high increase in unhedged claims exposed to CICR and, with an increase in foreign currency (and indexed) loans to the household sector which as a rule do not have a matched currency position, and as a result of an increase in foreign currency (and indexed) cash (and other) household loans, it also reflects an increase in foreign currency (and indexed) loans to non-government enterprises.

In addition to weighted balance sheet assets, total credit risk exposure for the purposes of capital adequacy ratio calculation also comprises weighted standard (guarantees, commitments, etc.) and

FIGURE 2.12 Structure of Bank Risk-Weighted Assets

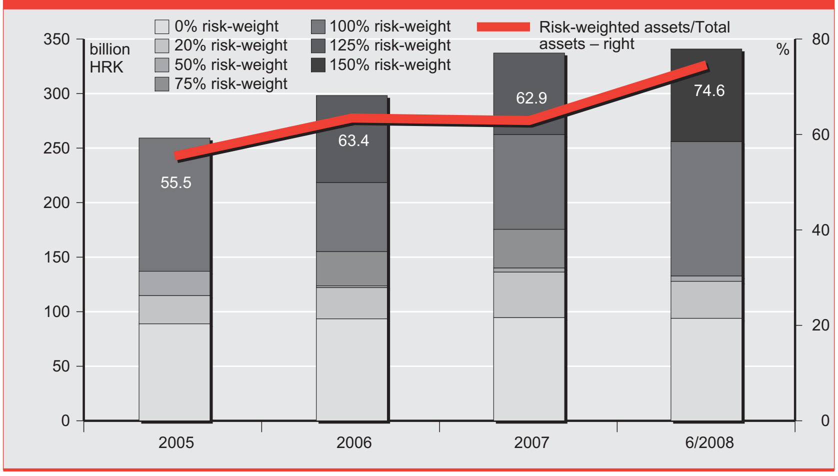
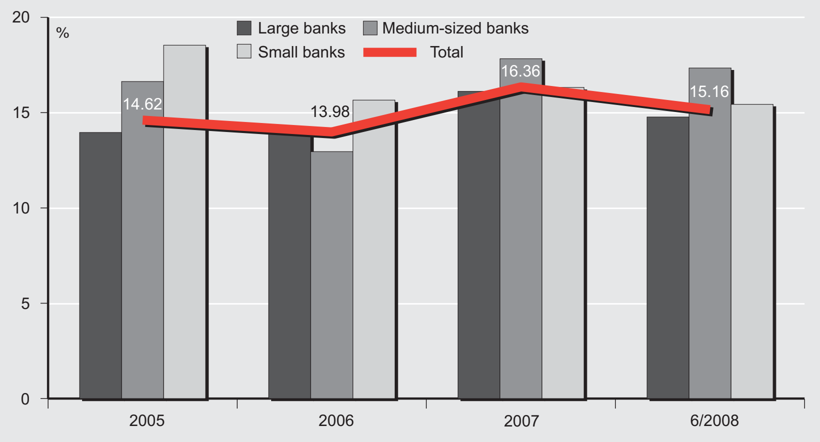


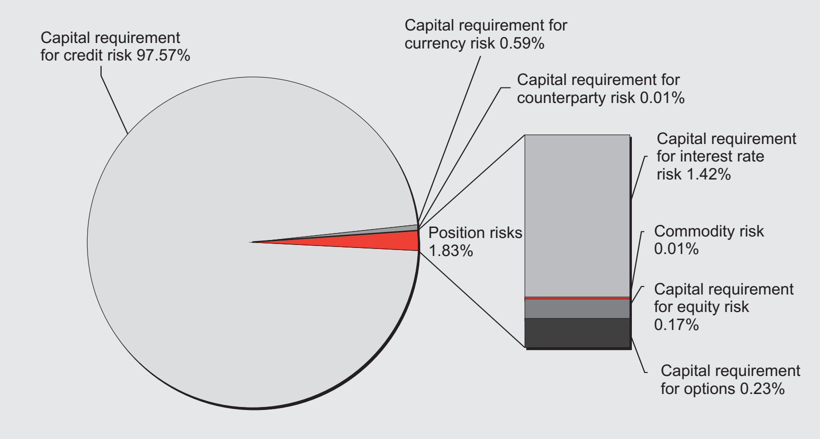
FIGURE 2.13 Bank Capital Adequacy Ratio



other off-balance sheet items (interest rate agreements, currency agreements, etc.). The share of weighted balance sheet assets rose during the observed period and stood at a dominant 87.4%, while the share of weighted standard off-balance sheet items stood at 12.4% and that of other off-balance sheet items stood at 0.16%. As a result of an increase in all components, total weighted balance sheet and off-balance sheet items (standard and others) rose by 19.6% in the first half of 2008. Given a fall in market risk exposure (11.9%), there was an increase in risk exposure (HRK 7.6bn or 18,1%) which is used in the calculation of the capital adequacy ratio. Significant growth of regulatory capital, supported by recapitalisation efforts and hybrid instruments issues, could not offset the high growth in risk exposure, so that capital adequacy ratio of all banks fell from 16.36% to 15.16% (Figure 2.13). The fall in capital adequacy ratio of banks is a continuation of its persistent downward trend, which only temporarily came to a halt towards the end of 2007.

Though it fell in all bank groups, the capital adequacy ratio fell the most in large banks, from 16.11% to 14.78%, as a result of high growth in weighted balance sheet and off-balance sheet (standard and others) items (20.3%). The smallest change was seen in medium-sized banks, whose capital

FIGURE 2.14 Structure of Bank Total Capital Requirements, as at 30 June 2008



adequacy ratio, similarly to the end of 2007, was the highest and stood at 17.34% while that of small banks stood at 15.43%.

All banks achieved capital adequacy ratios above the legally prescribed minimum of 10%. Four banks, which accounted for 5.6% of all bank assets, reported capital adequacy ratios below 11%. All banks also met the additional capital adequacy ratio requirements introduced in 2008, with 30 June 2008 being the first control date. Only one bank reported placements growth at a rate above the maximum permitted growth rate in the second quarter of 2008, calculated as at 31 March 2008 on the basis of the rate of use of secondary sources of funds and capital adequacy ratio. However, following its recapitalisation in the second quarter, as at 30 June 2008, the bank achieved a capital adequacy ratio above the prescribed minimum.

The capital requirement for position risks was reported in mid-2008 by nine banks whose trading book activities exceeded the minimum stipulated volume of trading book activities. They were six large, two medium-sized and one small bank. The remaining 24 banks were not subject to the full capital regime, but were obliged to calculate capital requirements for credit and currency risk only. The capital requirement for position risks was reduced as a result of a fall in all of its components, except commodity risk, with the most significant decline taking place in capital requirements for interest rate risk and equity securities investment risk. No bank reported capital requirements for the risk of exceeding the permitted exposure limits and settlement risk. Due to a fall in the capital requirement for position risks, the capital requirement for market risks declined by 11.9% despite an increase in the capital requirement for currency risk. As a result, its share fell to 2.4% of the capital requirement (Figure 2.14). Such developments may be associated with the smaller volume of bank trading activities due to unfavourable developments in the domestic and foreign financial markets, most notably the capital market.

The capital requirement for position risks fell in all bank groups. The capital requirement for market risks rose only in small banks as a result of an increase in the capital requirement for currency risk.

2.2.5 Bank Income Statement

Asset restructuring to accelerate credit activities and rising loan prices with simultaneous improvement in their recoverability led to high profit growth (34.4%) compared to the same period in the preceding year. As a result, ROAA reached a record 1.9%, and following a three-year fall, ROAE rose to 12.1%.

At the end of the first half of 2008, pre-tax profit was HRK 3,341.2m (Table 2.8). Twenty eight banks generated profits, while the remaining five banks generated losses totalling HRK 50.9m. The remaining five banks belong to the small bank group and two of them had been operating with losses for the second consecutive year. Compared to the first half of 2007, the largest relative increase in pre-tax profit was seen in the medium-size bank group (67.3%), and large banks (36.1%) while it fell by 20.2% in the small bank group. At the end of the first half of 2008, large banks generated 88.6% of the total profit before taxes of all banks, exceeding by almost 10.0 percentage points their share of assets in total bank assets.

As a result of the focus on lending activities and an increase in interest rates on loans, of all total

TABLE 2.8 Bank Income Statement, in million HRK

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.-Jun. 2007	Jan.-Jun. 2008	Jan.-Jun. 2007	Jan.-Jun. 2008	Jan.-Jun. 2007	Jan.-Jun. 2008	Jan.-Jun. 2007	Jan.-Jun. 2008
1. Net interest income	3.165,3	3.719,4	523,4	607,4	424,9	491,9	4.113,7	4.818,7
1.1. Total interest income	6.694,1	8.110,3	1.037,0	1.282,0	794,7	938,4	8.525,7	10.330,7
1.2. Total interest expenses	3.528,8	4.390,9	513,5	674,6	369,8	446,4	4.412,1	5.511,9
2. Net income from fees and commissions	1.042,5	1.149,8	142,9	201,9	103,7	109,1	1.289,0	1.460,8
2.1. Total income from fees and commissions	1.384,4	1.519,9	398,6	436,4	155,1	159,9	1.938,1	2.116,2
2.2. Total expenses on fees and commissions	341,9	370,1	255,8	234,6	51,4	50,8	649,1	655,4
3. Net other non-interest income	600,8	883,1	34,5	7,4	82,1	3,1	717,5	893,6
3.1. Other non-interest income	815,5	1.116,8	91,2	72,4	133,2	45,2	1.039,8	1.234,4
3.2. Other non-interest expenses	214,7	233,7	56,6	64,9	51,0	42,2	322,3	340,8
4. Net non-interest income	1.643,3	2.032,9	177,4	209,3	185,8	112,2	2.006,5	2.354,4
5. General administrative expenses and depreciation	2.307,0	2.631,9	448,6	507,1	417,6	455,9	3.173,2	3.594,9
6. Net operating income before loss provisions	2.501,6	3.120,4	252,2	309,6	193,1	148,3	2.946,9	3.578,3
7. Total expenses on loss provisions	327,8	161,2	100,1	55,2	41,6	20,7	469,6	237,0
7.1. Expenses on value adjustments and provisions for identified losses	208,5	163,7	67,9	58,5	29,0	18,3	305,3	240,5
7.2. Expenses on collectively assessed impairment provisions	119,3	–2,5	32,2	–3,3	12,6	2,4	164,2	–3,5
8. Income/loss before taxes	2.173,8	2.959,2	152,1	254,4	151,5	127,6	2.477,4	3.341,2
9. Income tax	388,3	522,2	21,2	30,0	25,0	38,1	434,5	590,3
10. Current year profit/loss	1.785,5	2.437,1	130,9	224,4	126,4	89,5	2.042,9	2.750,9

income items, interest income rose the most (HRK 1.8bn, or 21.2%). This change additionally increased the significance of this source of income in banks, with the share of interest income in total income rising from 74.1% to 75.5% at the end of the first half of 2008, compared to the same period 2007 (Table 2.9).

Interest income from loans granted rose by 21.0%, as a result of an increase in this income from all the institutional sectors. Interest income from two major sectors, the household sector and the enterprise sector, rose at somewhat slower rates than average (20.3% and 20.2%, respectively). As a result, the share of income from loans to these sectors in total interest income from loans fell only slightly, with household loans and loans to enterprises continuing to be the major source of interest

TABLE 2.9 Structure of Bank Income, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.-Jun. 2007	Jan.-Jun. 2008	Jan.-Jun. 2007	Jan.-Jun. 2008	Jan.-Jun. 2007	Jan.-Jun. 2008	Jan.-Jun. 2007	Jan.-Jun. 2008
1. INTEREST INCOME	75.3	75.5	67.9	71.6	73.4	82.1	74.1	75.5
1.1. Interest income from loans granted	63.0	63.0	56.7	60.6	62.3	69.4	62.1	63.2
1.2. Interest income from deposits	5.2	5.7	5.9	6.3	6.1	6.9	5.4	5.9
1.3. Interest income from debt securities	6.6	6.0	5.2	4.7	4.9	5.6	6.3	5.8
1.4. Interest income from interest rate swaps	0.2	0.5	0.0	0.0	0.0	0.0	0.1	0.4
1.5. Net balances on exchange rate fluctuations related to interest income	0.0	0.0	–0.1	0.0	0.0	0.0	0.0	0.0
1.6. Interest income from previous years	0.2	0.3	0.1	0.1	0.1	0.1	0.2	0.3
2. INCOME FROM FEES AND COMMISSIONS	15.6	14.1	26.1	24.4	14.3	14.0	16.8	15.5
2.1. Income from fees for payment operations services	6.5	5.8	18.4	15.8	6.7	6.4	8.1	7.1
2.2. Income from fees for other banking services	9.0	8.4	7.7	8.6	7.6	7.6	8.7	8.3
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	9.2	10.4	6.0	4.0	12.3	4.0	9.0	9.0
TOTAL INCOME	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

income from loans (54.6% and 36.5%, respectively).

The non-interest income bearing activities of banks generated an 18.7% increase in other non-interest income and a 9.2% increase in income from fees and commissions. A fall in income from all trading activities led to an 86.1% decline in income compared to the end of the same period in 2007 and with reference to securities trading and value adjustments of assets not traded in active markets, banks reported a loss. Banks generated a larger profit in the category of assets available for sale, assets held to maturity and equity investments and unlike the same period in the preceding year when they reported losses on exchange rate fluctuations, at the end of the first half of 2008, banks reported profit on this item.

Income expenses again outpaced interest income in the first half of 2008 (24.9%, compared to 21.2%), with their ratio increasing from 51.7% to 53.4%. Interest expenses on deposits, which accounted for 73.6% of interest expenses, rose the most (30.3%). Interest expenses on household deposits rose by 25.0%, and those on deposits of enterprises by 45.5%. There was also an increase in expenses on deposits received from all other institutional sectors with the largest relative increase being reported in expenses on deposits from financial institutions (74.4%). The lesser reliance of banks on received loans led to relatively slow growth in interest expenses on loans received (10.1%), with a lower-than-average increase in interest expenses being reported in interest expenses on foreign financial institutions (7.3%) which accounted for 69.5% of total interest expenses on received loans.

Bank operating expenses (general administrative expenses and depreciation) rose by HRK 421.6m or 13.3%, compared to the same period 2007, with their largest increase being reported in large banks (14.1%). In medium-sized and small banks, these expenses rose by 13.0% and 9.2%, respectively.

TABLE 2.10 Structure of Bank Expenses, in %

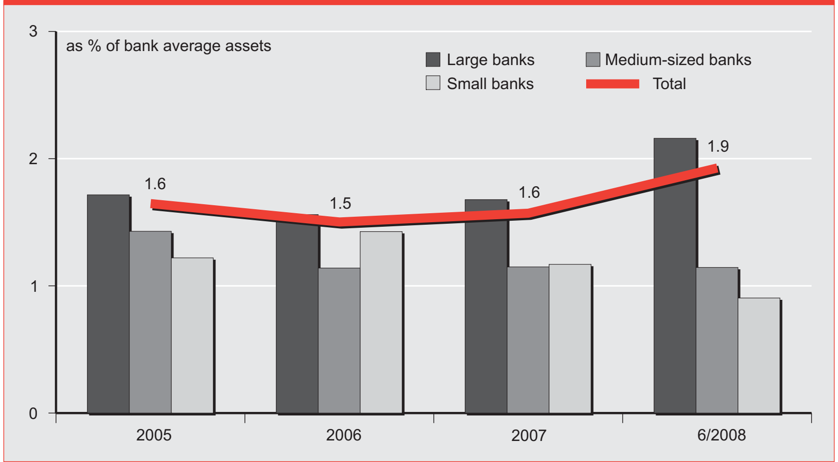
	Large banks		Medium-sized banks		Small banks		Total	
	Jan.-Jun. 2007	Jan.-Jun. 2008	Jan.-Jun. 2007	Jan.-Jun. 2008	Jan.-Jun. 2007	Jan.-Jun. 2008	Jan.-Jun. 2007	Jan.-Jun. 2008
1. INTEREST EXPENSES	52.5	56.4	37.4	43.9	39.7	43.9	48.9	53.3
1.1. Interest expenses on loans received	13.0	12.4	4.9	4.1	3.4	4.5	10.8	10.4
1.2. Interest expenses on deposits	35.4	40.0	30.5	36.7	34.0	37.3	34.5	39.2
1.3. Interest expenses on debt securities	1.6	1.1	0.3	1.5	0.5	0.4	1.3	1.1
1.4. Interest expenses on interest rate swaps	0.9	1.5	0.0	0.0	0.0	0.0	0.6	1.1
1.5. Savings deposits insurance premiums	1.7	1.5	1.5	1.5	1.8	1.7	1.7	1.5
1.6. Net balances on exchange rate fluctuations related to interest expenses	–0.1	–0.2	–0.1	–0.1	–0.1	–0.1	–0.1	–0.2
1.7. Interest expenses from previous years	0.0	0.1	0.3	0.2	0.1	0.0	0.1	0.1
2. EXPENSES ON FEES AND COMMISSIONS	5.1	4.8	18.6	15.3	5.5	5.0	7.2	6.3
2.1. Expenses on fees/commissions for banking services of residents	4.2	3.7	17.9	14.5	5.3	4.7	6.4	5.4
2.2. Expenses on fees/commissions for banking services of non-residents	0.9	1.0	0.7	0.7	0.2	0.3	0.8	0.9
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	3.2	3.0	4.1	4.2	5.5	4.2	3.6	3.3
4. GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION	34.3	33.8	32.6	33.0	44.8	44.9	35.2	34.8
5. LOSS PROVISION EXPENSES	4.9	2.1	7.3	3.6	4.5	2.0	5.2	2.3
5.1. Expenses on value adjustments and provisions for identified losses	3.1	2.1	4.9	3.8	3.1	1.8	3.4	2.3
5.2. Expenses on collectively assessed impairment provisions	1.8	0.0	2.3	–0.2	1.4	0.2	1.8	0.0
TOTAL EXPENSES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Expenses on loss provisions fell by HRK 225.3m, or 48.7% at the end of the first half of 2008, compared with the year before. A contribution to a fall in total expenses on loss provisions was also provided by slower growth of A placements in the first half of the year (1.4%) compared to the same period in 2007 (6.7%), which led to a fall in provisions for identified losses on category A placements of HRK 123.8m, or 86.6%. The fall in total expenses on loss provisions was also due to the assessment of higher recoverability of placements by banks. Namely, the share of bad placements and contingent liabilities in total placements and contingent liabilities fell from 3.3% at the end of the first half of previous year to 3.2% at the end of the same period this year, while the coverage of bad placements and contingent liabilities by value adjustments declined from 51.5% to 48.1%. Expenses on value adjustments and provisions for identified losses on an individual basis fell by HRK 57.5m or 19.3% compared to the same period in the preceding year, largely as a result of a 22.6% drop in loan value adjustment expenses. Total expenses on loss provisions fell in all the three groups of banks, with the largest fall taking place in large banks (50.8%), then in medium-sized and small banks (44.9% and 39.9%, respectively).

2.2.6 Indicators of Bank Returns

A considerable increase in bank profits coupled with a slowdown in asset growth contributed to a rise in the return on the average assets of banks (as measured by ROAA), so at the end of the first half of 2008 this indicator stood at 1.9% (Figure 2.15).

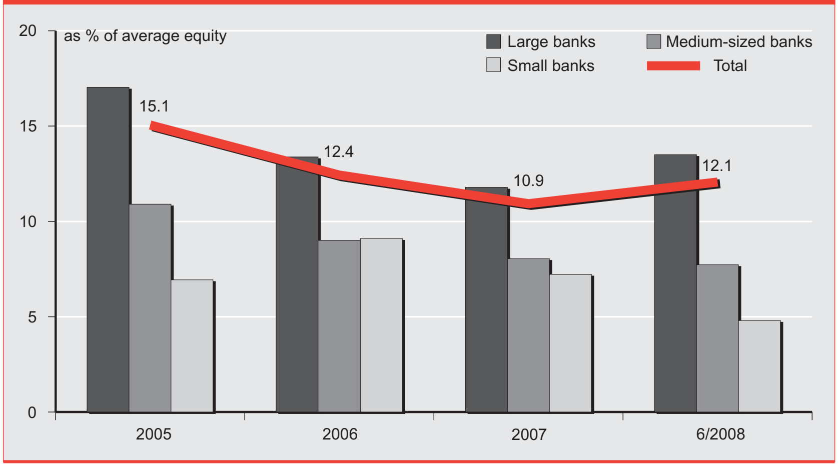
FIGURE 2.15 Bank Return on Average Assets (ROAA)



By reviewing ROAA movements in the past five years it may be observed that the value attained at the end of the period under review was the highest primarily thanks to the increase in ROAA of large banks. ROAA of large banks increased the most, from 1.7% at the end of 2007 to 2.2% at the end of the first half of 2008, ROAA of medium-sized banks remained the same as at the end of 2006 (1.1%), while ROAA of small banks declined by 0.3 percentage points relative to the end of 2007, due to rising assets and shrinking profits, and totalled 0.9%.

The inflow of new capital to banks over previous years contributed to a decline in the return on average equity (as measured by ROAE) and the effects of recapitalisation, i.e. improved employment of

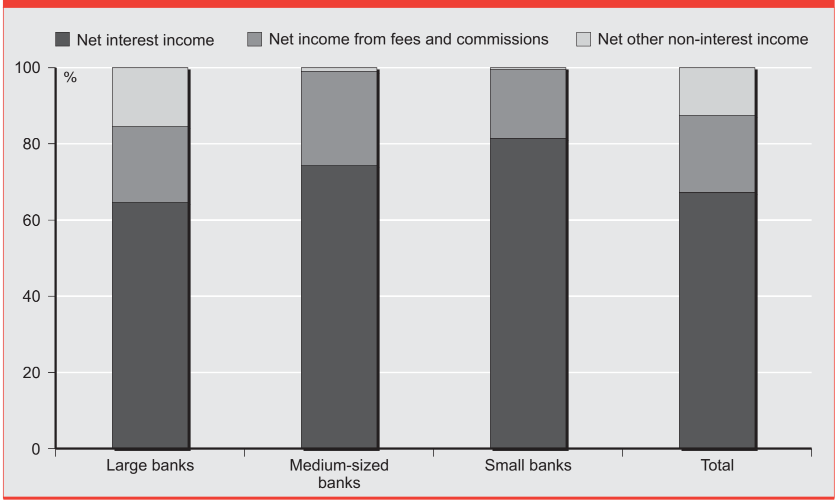
FIGURE 2.16 Bank Return on Average Equity (ROAE)



capital, became visible in 2008, as may be seen in the increased value of this indicator. The return on average equity at the end of the first half of 2008 totalled 12.1%, increasing by 1.1 percentage points compared with the end of 2007 (Figure 2.16). Just as ROAA, the value of ROAE of all banks was influenced by the performance of large banks which achieved above-average ROAE of 13.5%. In the semi-annual period, ROAE increased only in the large bank group (by 1.7 percentage points), while in the medium-size bank group it fell from 8.0% at the end of 2007 to 7.7% and in the small bank group from 7.2% to 4.8%.

Net income of banks rose by 17.2% compared with the end of the first half of 2007, with both components of net income rising at almost the same pace: net interest income by 17.1% and net non-interest income by 17.3%. As a result, there were no major changes in the structure of net income and, same as at the end of the first half of 2007, net interest income accounted for 67.2% of net income. A minor change was registered in the distribution of non-interest income due to stronger growth of net other non-interest income (24.6%) than the growth of net income from fees and commissions (13.3%), so net income from fees and commissions accounted for 20.4% and other non-interest income for 12.5% of bank net income.

FIGURE 2.17 Structure of Bank Net Income, as at 30 June 2008



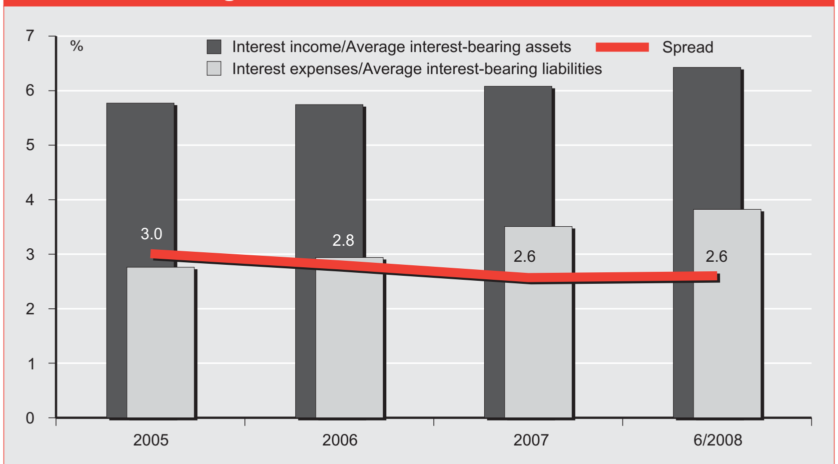
At the end of the first half of 2008, the share of net interest income in net income was the lowest in large banks (65.8%), with medium-sized banks following (74.7%). In large and medium-sized banks this share declined compared to the same period in the preceding year, while in small banks it increased sizeably (by 11.8 percentage points) to 81.4%. This change in the structure of net income of small banks was a consequence of losses that arose from investments in securities, which decreased the net amount of other non-interest income and its share in net income by almost double, from 13.4% at the end of the first half of 2007 to a mere 0.5% at the end of the first half of 2008. Losses from securities, foreign exchange and derivatives trading was the main reason for the reduction of net other non-interest income in medium-sized banks, which pushed down its share in the net income of these banks by 4.0 percentage points to a mere 0.9%. Medium-sized banks had the largest share of net income from fees and commissions in net income, totalling 24.7%, while the share of large and small banks stood at 20.0% and 18.1%, respectively, of net income.

The spread[16] stood at 2.6 percentage points (Figure 2.18), the same as in the middle and at the end of the previous year. Although after having risen by 0.3 percentage points, the average interest income attained its highest level (6.4%) in the last five years, average interest expenses rose at the same rate, totalling 3.8%.

The spread narrowed only in medium-sized banks, standing at 2.5 percentage points, due to growth of average interest income slower than the growth of average interest expenses. Large banks saw the largest increase in average interest income and expenses, which resulted in a minimum spread growth of 0.1 percentage point so the spread reached 2.5 percentage points, the same as in medium-sized banks. There were no changes in spread in small banks. As in previous periods, it remained the highest among the spreads of all bank groups, totalling 3.3 percentage points.

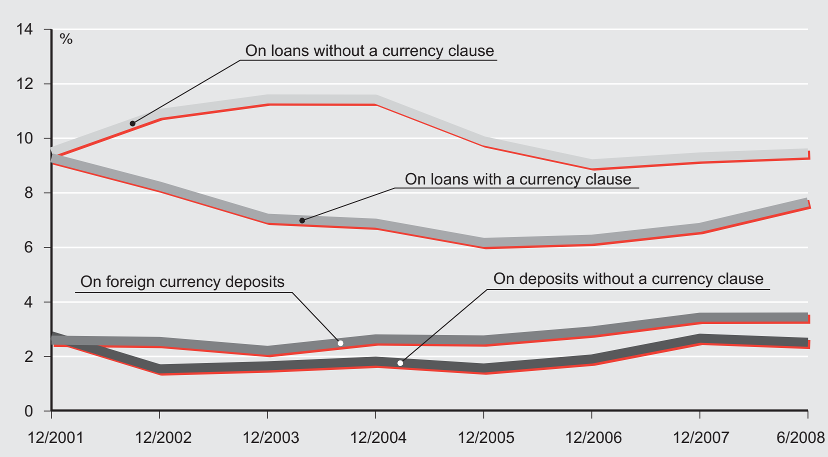
The increase in the average interest income of banks was under the influence of the rise in loan rates which continued growing in the first half of 2008. Based on developments in selected interest rates of banks, it can be concluded that interest rates on loans tied to the currency clause went up the most,

FIGURE 2.18 Income from Interest-Bearing Assets and Expenses on Interest-Bearing Liabilities



16 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.

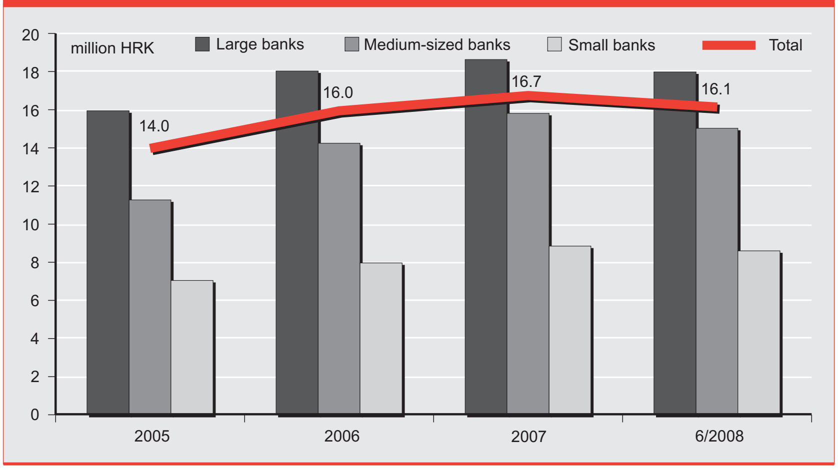
FIGURE 2.19 Weighted Averages of Bank Monthly Interest Rates, on annual basis



while the growth of interest rates on loans not tied to the currency clause was more moderate (Figure 2.19). In the same period, interest rates on deposits maintained their end-of-2007 level (foreign currency deposits) or mildly declined (deposits not tied to the currency clause).

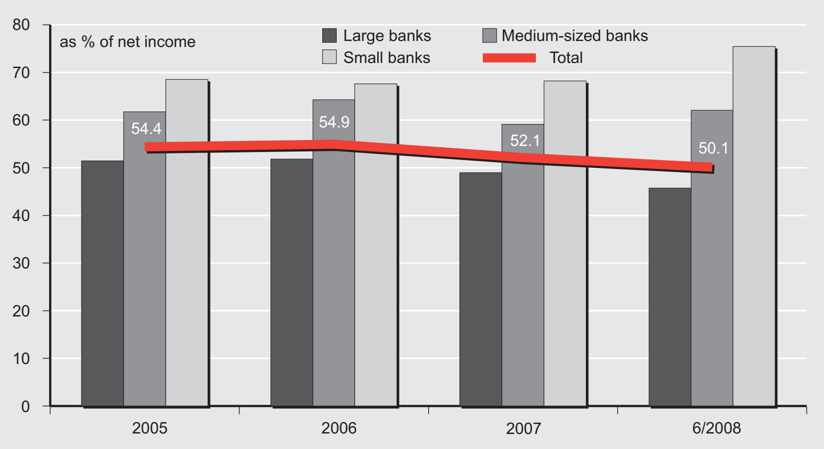
A slowdown in bank asset growth in the first half of 2008 paired with simultaneous growth in the number of employees contributed to a decline in bank assets per employee to HRK 16.1m (Figure 2.20). The number of employees in banks was up from 20,613 at the end of 2007 to 21,576, up 4.7%. The number of employees went up the most in medium-sized banks (5.7%), which also saw the highest rise in the number of business units, while in large banks the number of employees increased by 4.6% and by 4.2% in small banks.

FIGURE 2.20 Bank Assets per Employee



Assets per employee above the average for all banks were seen in large banks, totalling HRK 18.0m, while there was one employee for assets of HRK 15.0m in medium-sized banks. Assets per employee were lowest in small banks, totalling HRK 8.6m, so it still may be noticed that small banks employ a relatively large number of employees (15.3% of the total number of employees).

FIGURE 2.21 Bank Operating Expenses



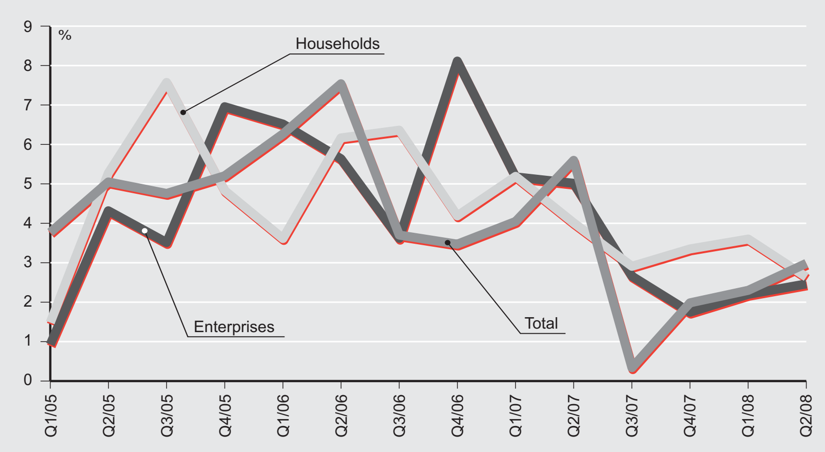
Cost effectiveness, measured as costs to income ratio, continued to grow under the influence of changes in large banks. Bank operating costs grew by 13.3%, primarily due to the rise in employee costs. However, growth in net income (17.2%) stronger than the growth in general costs contributed to an improvement in their ratio, with the value of the cost to income ratio declining to 50.1% at the end of the first half of 2008, from 52.1% at the end of 2007. The value of this indicator differs greatly for different groups of banks. Only large banks improved their cost efficiency relative to the end of 2007, by reducing the value of the indicator by 3.2 percentage points, to 45.8%. The cost effectiveness of medium-sized and small banks deteriorated as reflected in the increase of the cost effectiveness indicator by 3.0 percentage points or 7.3 percentage points respectively, to 62.1% in medium-sized banks and 75.5% in small banks.

2.1.7 Bank Exposure to Credit Risk

Total bank exposure to credit risk, i.e. their total placements and contingent liabilities, went up HRK 6.0bn in the first half of this year, at a semi-annual growth rate of 1.5%, to HRK 402.4bn. In the past year, the growth of placements and contingent liabilities continued slowing down with total placements and contingent liabilities growing by 7.9% compared with the first half of 2007, which was much lower than the annual growth rate achieved in 2007 and 2006 (13.4% and 25.5% respectively). The placements and contingent liabilities of large banks went up by 1.8% in the period under review, while medium-sized and small banks recorded much lower growth rates of 0.4% and 0.1% respectively.

Bank placements (balance sheet items) grew by HRK 4.9bn (1.5%) in the first half of 2008, while contingent liabilities (standard off-balance sheet items) grew by HRK 1.1bn or 1.6%, so just as at the end of 2007, placements accounted for 82.6% and contingent liabilities for 17.4% of placements and contingent bank liabilities. However, some types of placements sustained significant changes: the share of loans increased from 56.0% to 58.1% of placements and contingent liabilities, while the deposit and securities shares reduced to 18.8% and 4.5% respectively. The shares of other items (income-based claims, embedded derivatives and other claims) remained almost unchanged.

FIGURE 2.22 Quarterly Rates of Change in Gross Loans



The increase in placements, i.e. balance sheet items, was almost solely a result of the rise in gross loans, which increased by HRK 11.9bn or 5.4%, but also, to a limited extent, of the increase in claims arising from income and other placements. Other important types of placements also went down relative to the end of 2007: deposits by 3.4%, debt securities and other assets held to maturity by 5.3% and debt securities and other assets available for sale by 6.8%.

The lion's share of growth in gross loans was spurred by the rise in household loans, which went up by HRK 7.1bn or 6.3%. The largest nominal growth among household loans was realised by cash loans, overdraft facilities and other household loans, totalling HRK 3.3bn or 6.7%, followed by home loans, which went up by HRK 3.0bn or 6.8%. Loans to enterprises rose by HRK 4.1bn or 4.7%, while loans to government units rose by HRK 2.8bn or by a high 19.5%. The already mentioned refinancing of public debt and the associated relaxation of the minimum foreign exchange coverage measure contributed to growth of loans to government units and a reduction in deposits in foreign banks. Gross loans to financial institutions shrank by 30.9%, which, together with all the previously mentioned changes, led to smaller changes in the structure of gross loans with the share of the household sector and government units increasing and the share of all other institutional sectors decreasing. Household loans accounted for 51.1% of gross loans, loans to enterprises accounted for 38.6%, while loans to government units and loans to financial institutions accounted for 7.3% and 2.1% respectively. The share of loans to the non-resident sector and the non-profit institutions totalled less than 1%.

At the end of the first half 2008, the banks allocated 3.2% of their placements and contingent liabilities in risk categories B (partly recoverable placements and contingent liabilities) and C (irrecoverable placements and contingent liabilities).[17] Of this figure, risk category B (provisioning percentage of 1% to 90%) accounted for 2.2%, while category C (provisioning percentage of 90% to 100%) accounted for 1.0% of total placements and contingent liabilities.

The quality of placements and contingent liabilities deteriorated slightly in the first half of 2008, with the share of fully recoverable placements (risk category A) decreasing by 0.1 percentage point (Table 2.11). Fully recoverable placements and contingent liabilities were up by 1.4% compared with the end

17 Classification of placements and contingent liabilities into risk categories is carried out pursuant to the Decision on the classification of placements and contingent liabilities of banks (OG 17/2003, 149/2005 and 74/2006).

TABLE 2.11 Classification of Bank Placements and Contingent Liabilities by Risk Categories, in million HRK and %

	Dec. 2005		Dec. 2006		Dec. 2007		Jun. 2008	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	267,835.4	96.0	338,310.4	96.8	384,204.3	96.9	389,498.6	96.8
2. Partly recoverable placements (category B)	6,801.6	2.4	7,147.3	2.0	7,946.5	2.0	8,733.4	2.2
3. Irrecoverable placements (category C)	4,238.5	1.5	4,173.1	1.2	4,270.3	1.1	4,187.8	1.0
Total	278,875.5	100.0	349,630.8	100.0	396,421.2	100.0	402,419.8	100.0

of 2007 and total bad placements (risk categories B and C) by 5.8%. The growth of bad placements was induced by the growth of placements classified into risk category B (9.9%), which was to the greatest extent accounted for by placements classified into subcategory B1 (provisioning percentage of 1% to 30%), while placements classified into risk group C went down by 1.9%.

The ratio of bad to total placements and contingent liabilities increased in all bank groups. The largest growth of bad placements, in relative terms, belonging exclusively to risk category B, was registered by medium-sized banks (10.1%), which increased the share of bad placements in this bank group by 0.3 percentage points to 3.6%. The ratio of bad to total placements was again highest in small banks (6.0%), where in the first half of 2008 bad placements grew at the lowest rate (2.8%). Bad placements went up by 5.6% in large banks, with their share accounting for 2.9% of total placements.

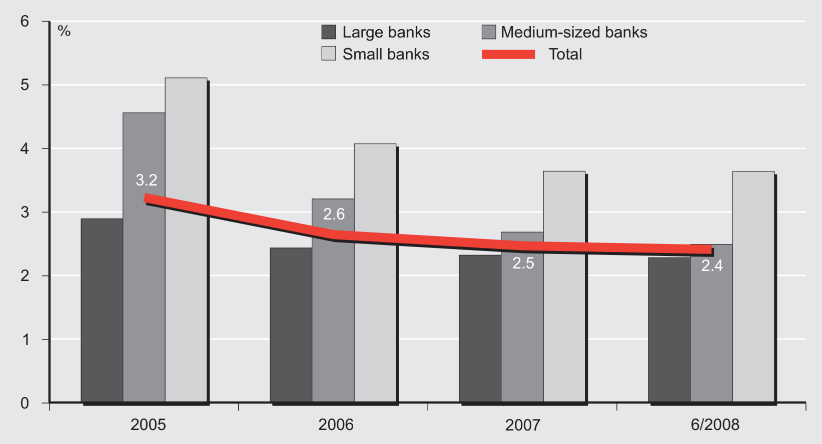
The growth of bad placements and contingent liabilities in the first half of this year was not accompanied by growth of value adjustments, which went down by 0.8% due to the reduction in individually and collectively assessed impairment provisions (1.2% and 0.1%, respectively). Although the total amount of placements and contingent liabilities which are expected to generate loss increased, banks estimated higher degrees of recoverability, that is, collection on bad placements and contingent liabilities. Such an estimate resulted in the reduction of coverage of bad placements by value adjustments, from 51.5% at the end of 2007 to 48.1% at the end of the first half of 2008. The greatest change was registered in medium-sized banks, where the coverage of bad placements declined by 10.0 percentage points to 45.3%. Large banks followed, with the still largest coverage (49.1%) after a decrease of 2.6 percentage points. Small banks continued to have the lowest coverage of bad placements by value adjustments, which totalled 45.6% after having declined by 1.5 percentage points. The average coverage of category B placements and contingent liabilities went down from 25.4% to 23.2%.

TABLE 2.12 Ratio of Total Bank Value Adjustments and Provisions to Total Placements and Contingent Liabilities, end of period, in million HRK and %

	Dec. 2005	Dec. 2006	Dec. 2007	Jun. 2008
1. Total value adjustments against placements and provisions for contingent liabilities	9,002.3	9,252.2	9,774.6	9,696.2
1.1. Value adjustments against placements and provisions for contingent liabilities	6,427.8	6,201.3	6,290.3	6,215.3
1.2. Collectively assessed impairment provisions	2,574.5	3,050.9	3,484.3	3,480.8
2. Total placements and contingent liabilities	278,875.5	349,630.8	396,421.2	402,419.8
3. Relative ratio: total value adjustments and provisions/total placements and contingent liabilities	3.2	2.6	2.5	2.4

In the same period, the slight downward trend in the ratio of total value adjustments and provisions to total placements and contingent liabilities continued, so that banks estimated 2.4% of total placements and contingent liabilities as irrecoverable (Table 2.12). The ratio of total value adjustments and provisions to total placements and contingent liabilities reduced in all bank groups, most significantly in medium-sized banks (Figure 2.23).

FIGURE 2.23 Ratio of Total Bank Peer Group Value Adjustments and Provisions to Total Placements and Contingent Liabilities



Total bad loans went up at a rate (5.0%) slightly lower than the average growth rate of total bad placements and contingent liabilities of banks (5.8%), making up the bulk of the total increase in bad placements and contingent liabilities (HRK 538.4m of HRK 704.3m). In contrast to pervious periods, the growth of total bad loans was primarily spurred by the 6.2% growth of bad household loans (HRK 259.0m) followed by the 3.6% growth of bad loans to enterprises (HRK 228.2m). However, enterprises continue to account for the lion's share of the total amount of bad loans, totalling 58.4%, which is as much as 20.0 percentage points more than the share of this sector in total gross loans. With reference to the household sector, the situation is quite the reverse: the share of this sector's bad loans in overall bad loans (39.8%) is notably lower than the share of household loans in total gross bank loans (51.0%).

The growth of bad cash loans, overdraft facilities and other household loans (HRK 198.5m or 7.0%) contributed most to the growth of bad household loans, followed by bad home loans (HRK 54.0m or 7.4%). The most prominent growth rate of 33.9% was realised by bad credit card loans, which raised their share in the distribution of bad household loans but it continued to remain very low (1.8%). Bad cash loans, overdraft facilities and other household loans accounted for the vast majority of bad household loans (67.8%), which is much higher than the share of cash loans, overdraft facilities and other household loans in total household loans (44.6%). Bad cash loans, overdraft facilities and other household loans went up the most in large banks (8.0%), while in medium-sized and small banks they rose by 7.2% and 2.1% respectively.

The due but unpaid share of receivables from loans totalled HRK 8.6bn at the end of the first half of 2008, or approximately 3.7% of gross loans. The major portion of this amount (60.7%) was made up by due loans to enterprises, which accounted for 5.8% of gross loans granted to this sector. Past due household loans made up 2.6% of gross household loans, with their share accounting for 35.7% of total loans due. Bad household loans were covered by value adjustments to a large extent (66.8%) compared with the average coverage of bad loans (51.2%), in contrast to enterprises, whose coverage of bad loans was below average, totalling 40.1%.

Total value adjustments of gross loans totalled HRK 5.7bn (2.5% of gross loans) at the end of the first half of 2008, while net loans reached HRK 228.2bn, or 5.5% more than at the end of 2007. Net loans of medium-sized banks went up the most in the semi-annual period under review, by 7.2%, while net loans of large banks and net loans of small banks went up by 5.7% and 0.9% respectively (Table 2.13).

TABLE 2.13 Sectoral Structure of Net Bank Loans, end of period, in million HRK

	Large banks		Medium-sized banks		Small banks		Total	
	Dec. 2007	Jun. 2008	Dec. 2007	Jun. 2008	Dec. 2007	Jun. 2008	Dec. 2007	Jun. 2008
1. Government units	13,693.4	16,055.2	540.8	946.1	82.1	103.7	14,316.3	17,105.0
2. Financial institutions	4,557.1	3,049.4	1,201.6	971.3	1,191.2	776.4	6,949.8	4,797.1
3. State-owned enterprises	7,186.5	7,316.1	695.1	704.1	107.7	99.6	7,989.3	8,119.8
4. Other enterprises	56,191.6	59,610.2	10,715.5	11,234.3	8,427.5	8,666.1	75,334.6	79,510.6
5. Non-profit institutions	469.7	504.3	38.7	39.7	36.9	53.2	545.3	597.2
6. Households	88,445.3	93,874.3	13,826.7	15,059.1	7,273.5	7,564.3	109,545.5	116,497.7
7. Non-residents	1,544.9	1,547.8	33.7	32.9	10.1	19.8	1,588.6	1,600.6
Total	172,088.4	181,957.5	27,052.1	28,987.4	17,129.0	17,283.1	216,269.5	228,228.0

Total placements and contingent liabilities exposed to currency-induced credit risk (CICR),[18] i.e. all placements and contingent liabilities in foreign currency and indexed to foreign currency, amounted to HRK 216.7bn[19] or 54.7% of total placements and contingent liabilities at the end of the first half of 2008. In the semi-annual period under review placements and contingent liabilities exposed to CICR went up by 4.7bn or 2.2%, pushing up the share of exposed placements in net placements compared to the end of 2007 when it totalled 54.3%. This reversed the downward trend of this indicator. At the end of the first half of 2007, the share of exposed placements and contingent liabilities totalled 56.3%, while at the end of the first half of 2006, when CICR monitoring was introduced, this indicator totalled 64.6%.

Loans exposed to CICR went up by HRK 7.9bn (5.7%) in the first half of 2008, contingent liabilities exposed to CICR went up by HRK 458.0m (1.9%), while all other placements exposed to CICR declined. Broken down by sector, the most substantial rise in placements and contingent liabilities exposed to CICR was realised with respect to government units (HRK 5.3bn or 38.1%). Since the share of placements to government units in total exposure to CICR went up by more than 2.0 percentage points (to 8.9%) and since this sector, together with non-profit institutions and households, in principle has no foreign exchange inflows and no matched foreign exchange position, the aggregate indicator of placements and contingent liabilities hedged from the effects of CICR was reduced from 24.5% to 22.1%. In other words, of the total amount of placements and contingent liabilities exposed to CICR, some 77.9% was not appropriately hedged against the effects of CICR. The increase in placements and contingent liabilities exposed to CICR in the non-government enterprise and household sectors contributed to the deterioration of the indicator. Household loans exposed to CICR increased by 4.1%, as a consequence of the rise in cash loans, overdraft facilities and other household loans by 14.3%.

Small banks had the smallest share of exposed placements and contingent liabilities in total placements and contingent liabilities exposed to CICR (43.2%) and the best level of exposed portfolio hedges (30.4%). The reason for this is a smaller share of foreign exchange and indexed placements in the structure of credit exposure and a large share of small amount short-term placements which

18 The risk that, in case of the weakening of domestic currency, clients that do not have stable foreign currency income will not be able to repay their foreign currency or foreign currency indexed liabilities.

19 Net book value, i.e. the amount reduced by value adjustments.

are, pursuant to regulations, reported as hedged.

The share of placements (excluding contingent liabilities), protected by quality collateral,[20] went up from 40.2% at the end of 2007 to 42.7% of total placements at the end of the first half of 2008. Collateral covered 89.1% of the value of placements subject to insurance. The most important instruments of collateral were residential and commercial real estate (37.9% and 23.2%, respectively of the collateralised receivables), followed by other instruments (as laid down by the internal bylaws of banks) with a share of 24.3%.

Of all bank groups, large banks boasted the largest share of collateralised placements to total placements (45.2%), which may be explained by substantial financing of housing needs and the connected quality collateral. In this bank group, 39.0% of collateralised placements have residential real estate as collateral. Medium-sized banks had low percentage of collateralised placements (29.7%) due to an extremely low share of placement collateralisation in one of the banks from this group. Small banks had 38.1% of collateralised placements, with commercial real estate as the predominant collateral instrument (39.4%).

2.2.8 Bank Exposure to Liquidity Risk

Total bank sources of financing (received deposits, received loans, issued debt securities and issued subordinated and hybrid instruments) were HRK 268.8bn at the end of the first half of 2008. Compared with the end of 2007, sources of bank financing fell by HRK 3.0bn or 1.0%. The decline in deposits (HRK 676.6m or 0.3%), in received loans (HRK 3.3bn or 6.2%) and issued subordinate instruments (HRK 170.8m or 75.7%) was softened to an extent by a rise in the amount of issued hybrid instruments in four banks by a total of HRK 1.2bn or 185.2%. Due to aforementioned developments in the structure of sources of financing, minor changes were registered compared to the end of 2007, with deposits increasing to 81.1% of total sources, the share of hybrid and subordinated instruments increasing to 0.7%, and the share of received loans decreasing to 17.1% of total sources of financing (Table 2.14). Total sources of financing declined equally in all bank groups, with the largest decrease in medium-sized banks (1.3%), while in large and small banks the rate of reduction of total sources of financing was the average 1.0%.

At the end of the first half of 2008, received deposits totalled HRK 232.4bn, which was a decrease of HRK 676.7m (0.3%) compared with the end of 2007. The largest nominal decrease in received deposits compared with the end of 2007 was seen by small banks (HRK 296.8m or 1.4%) due to a decrease in deposits in 12 small banks. Additionally, deposits declined in two large banks, which contributed to a fall in total deposits of large banks by HRK 280.7m or 0.2%, and two medium-sized banks, pushing down total deposits of medium-sized banks by HRK 99.2m or 0.3%.

Loans received by banks were HRK 49.1bn, which is a decrease of HRK 3.3bn or 6.2% compared with their end of 2007 balance. Relative to the end of 2007, received loans grew only in the small

20 Quality instruments of collateral are residential and commercial real estate property, deposits, guarantees or securities of domestic government units and the CNB, government units and central banks of OECD member states, domestic banks and banks of OECD member states but also all other instruments specified as quality collateral instruments in internal bank bylaws.

bank group, by HRK 246.3m or 9.7%, as a consequence of the rise in these liabilities in 13 small banks. Among the other banks, only one large and two medium-sized banks increased the amount of received loans, so total loans of large banks declined by HRK 2.7bn (5.9%) and received loans of medium-sized banks declined by HRK 835.3m (18.5%).

Despite substantial changes in the sources of financing of small banks, deposits continued to dominate the structure of their sources of financing with a share of 87.7%, while the share of received loans increased to 11.9%. Securities and other instruments accounted for merely 0.4% of the sources of small bank financing. Large banks continued to have the smallest share of deposits and the largest share of loans in total sources (79.4% and 18.7%, respectively), while in medium-sized banks deposits accounted for 86.9% and received loans for 10.2%.

TABLE 2.14 Structure of Bank Sources of Financing, end of period, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Dec. 2007	Jun. 2008	Dec. 2007	Jun. 2008	Dec. 2007	Jun. 2008	Dec. 2007	Jun. 2008
Deposits	78.8	79.4	86.1	86.9	88.1	87.7	80.4	81.1
Loans	19.7	18.7	12.3	10.2	10.7	11.9	18.1	17.1
Debt securities issued	1.5	1.5	0.0	0.0	0.0	0.0	1.2	1.2
Hybrid and subordinated instruments issued	0.0	0.3	1.6	2.9	1.2	0.4	0.3	0.7
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	14.7	14.1	15.0	14.4	2.0	4.2	13.7	13.4

Relative to their year-end balance in 2007, deposits and loans received from the majority foreign owner fell by HRK 1.4bn (3.6%) and stood at HRK 38.3bn at the end of the first half of 2008. Their share in total sources of financing of banks fell from 13.7% in 2007 to 13.4% at the end of June 2008. Due to the higher amount of received deposits, the share of deposits and loans from the majority foreign owner rose only in small banks, from 2.0% at the end of 2007 to 4.2% at the end of June 2008. Medium-sized banks relied the most on deposits and loans of foreign majority owners, which accounted for 14.4% of their total sources, while these funds accounted for a slightly smaller share of sources of financing of large banks (14.1%).

Households continued to be the major source of financing of banks, with the importance of the sector increasing, which is reflected in the structure of the sources of bank financing reviewed by institutional sectors.[21] As compared with the end of 2007, the share of households in total loans and deposits increased by 3.4 percentage points to 46.4%, while the share of non-residents, the next most important sector by the size of its share, slightly fell to 21.2%. Enterprises accounted for 16.2% of total bank loans and deposits, declining by 2.7 percentage points compared with the end of 2007.

The structure of sources of financing differs among individual bank group. Small banks rely on households the most (57.7%) and medium-sized banks the least (44.5%), while in large banks the share of households as the source of financing totalled 45.5%. In large banks, non-residents are the second source of financing in terms of the size of their share (23.4%), while in small and medium-sized banks the second source of financing are financial institutions, accounting for 20.9% and 18.8% respectively.

21 Issued debt securities and subordinated and hybrid instruments (which participate in the total structure of sources of financing with 1.9%) have not been classified by sector for analysis purposes.

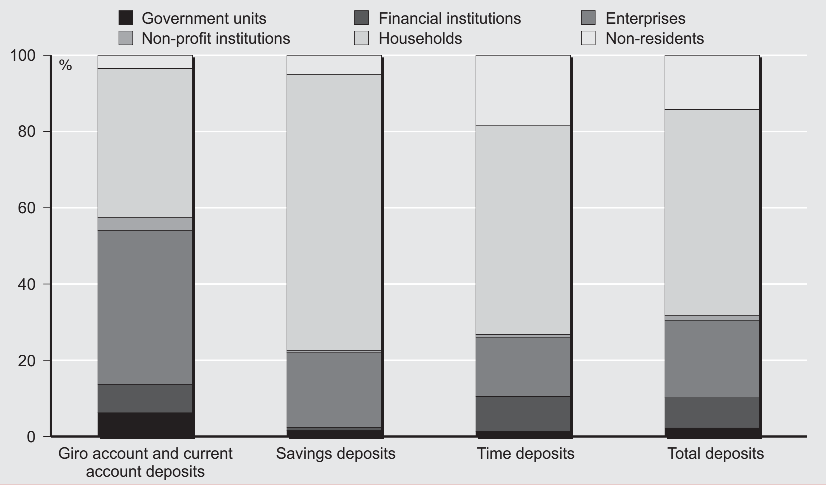
Compared with the end of 2007, banks reduced their liabilities arising from received loans to all institutional sectors, the most, in nominal terms, to domestic financial institutions (Table 2.15). Bank liabilities to the CNB decreased more than received loans from the above-mentioned sector (by HRK 2.5bn or 60.1%). Foreign financial institutions, including foreign majority owners, continue to be the most important sources of loans for domestic banks, making up 62.9% of total received loans at the end of the first half of 2008.

TABLE 2.15 Sectoral Structure of Received Loans, end of period, in million HRK and %

	Dec. 2005		Dec. 2006			Dec. 2007			Jun. 2008.		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from government units	528.0	1.1	272.9	0.5	–48.3	183.3	0.4	–32.8	141.1	0.3	–23.1
Loans from financial institutions	13,843.8	27.7	15,102.5	27.5	9.1	20,573.0	39.3	36.2	17,861.6	36.4	–13.2
Loans from enterprises	40.8	0.1	0.0	0.0	–99.9	189.4	0.4	0.0	0.0	0.0	–100.0
Loans from foreign financial institutions	35,143.1	70.2	39,129.4	71.3	11.3	31,117.8	59.5	–20.5	30,860.9	62.9	–0.8
Loans from other non-residents	479.3	1.0	360.5	0.7	–24.8	248.3	0.5	–31.1	188.3	0.4	–24.2
TOTAL LOANS RECEIVED	50,035.0	100.0	54,865.4	100.0	9.7	52,311.8	100.0	–4.7	49,051.9	100.0	–6.2
Loans from majority foreign owner	17,705.0	35.4	22,925.5	41.8	29.5	17,600.8	33.6	–23.2	17,617.7	35.9	0.1

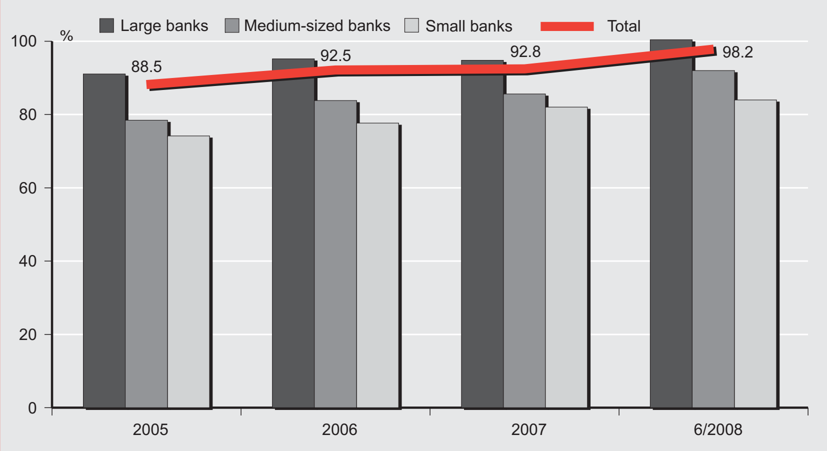
The decrease in deposits of enterprises by HRK 8.2bn (15.3%) contributed the most to the decrease in received deposits of banks in the first half of 2008, while the decline in deposits of non-residents (HRK 1.7bn or 5.8%) and deposits of financial institutions (HRK 767.1m or 3.9%) accounted for a smaller share of the decrease. Simultaneous growth of household deposits (HRK 8.8bn or 7.3%), deposits of government institutions (HRK 1.1bn or 20.9%) and deposits of non-profit institutions (HRK 137.6m or 5.1%) softened the fall of overall deposits.

FIGURE 2.24 Sectoral Structure of Received Deposits, as at 30 June 2008



Said changes were reflected in the structure of total deposits, with the most significant change being the increase in the share of households of 56.2% of total deposits or 4.0 percentage points. The share of deposits of enterprises went down by 3.5 percentage points to 19.6%, while the shares of all other sectors changed by less than 1.0 percentage point. There were also changes in the maturity structure of deposits, with the share of time deposits increasing and the share of sight deposits decreasing. Giro account and current account deposits (HRK 3.8bn) accounted for close to half of the total decrease in deposits of enterprises. As a result of the parallel decrease in deposits of government units, total deposits at giro and current accounts with banks were down by HRK 4.5bn or 10.0%. Although time deposits of enterprises also went down significantly (HRK 4.9bn or 17.2%) and deposits of financial institutions and non-residents also declined (HRK 1.0bn or 6.1% and HRK 1.9bn or 6.8%, respectively), this reduction did not lead to a decline in total time deposits thanks to the rise in these deposits in the household sector and the government units sector. Household time deposits went up by HRK 9.4bn (11.0%), and the amount of time deposits of government units almost doubled by increasing HRK 2.3bn.

FIGURE 2.25 Bank Loans Granted and Deposits Received

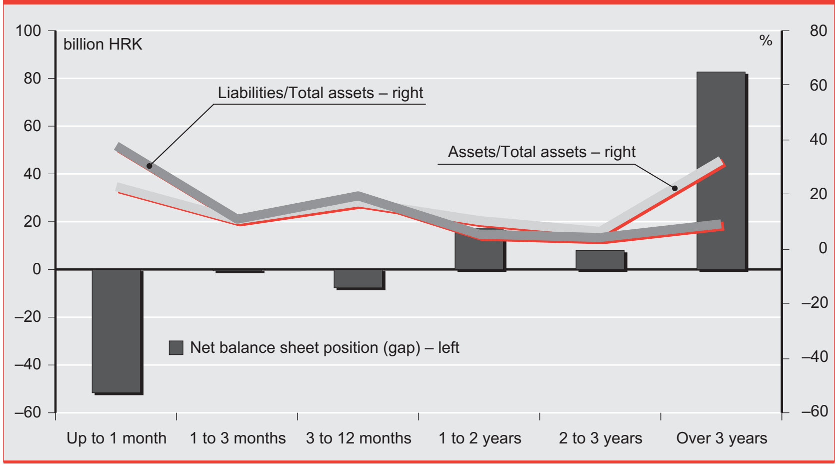


At the end of the first half of 2008, time deposits accounted for 71.0% of total deposits, which is an increase of 1.9 percentage points compared to the end of 2007. The share of deposits with giro and current accounts went down by the same number of percentage points, to 17.5% of total deposits. No changes were recorded in shares of savings deposits, which continued to account for 11.5% of total deposits.

The increase in household time deposits primarily consisted of foreign currency deposits (HRK 6.6bn or 9.9%), and thanks to this change, total foreign currency deposits increased by HRK 5.1bn (4.2%). It was this change that contributed to the change in the currency structure of deposits and to the share of total foreign currency deposits rising by 2.3 percentage points to HRK 54.8% of total deposits. The decrease in kuna deposits, i.e. deposits at giro and current accounts of enterprises and government units, was reflected in the decline of the share of kuna deposits in total deposits of 1.2 percentage points to 41.7%. The decline in deposits of non-residents indexed to a foreign currency (HRK 1.2bn or 44.3%) was the main reason for the narrowing share of deposits indexed to foreign currency in total deposits by 1.1 percentage points, to 3.6% of overall deposits.

The ratio of loans granted to deposits received grew at a faster rate in the first half of 2008 (Figure 2.25) as a result of continued growth of loans with the parallel decline in deposits. This ratio was highest in large banks, where, after having increased by 5.9 percentage points compared with the end of 2007, it totalled 100.8%. In medium-sized banks, this ratio went up by 7.5 percentage points to 92.4%, while in small banks this ratio was the lowest, totalling 84.3%, despite having increased by 2.4 percentage points.

FIGURE 2.26 Asset and Liability Maturity (Mis)Match, as at 30 June 2008



The restructuring of placements and a decline in bank liabilities led to minor changes in the maturity structure of bank assets and liabilities. The negative cumulative gap[22] (a shortage of assets relative to liabilities) in the maturity category of up to one year widened by HRK 3.8bn (6.9%) compared with the end of 2007. This was a result of the decline in deposits and investments in securities, which pushed down short-term assets by HRK 4.6bn (2.5%). In the same period, short-time liabilities went down by HRK 0.8bn (0.3%) due to the decline in deposits at giro and current accounts. This contributed to the decline in the share of short-term assets (with remaining maturity of up to one year) in total assets from 52.5% to 50.7% and the decline in the share of short-term liabilities in total assets from 69.0% to 68.1%. The positive gap in the remaining maturity category of one to two years increased predominantly due to the larger amount of granted loans and a decrease in liabilities arising from received loans in this maturity category. The positive gap in the remaining maturity category of two to three years narrowed, while in the remaining maturity category of over three years the positive gap widened due to the growth of granted loans and the decline in long-term time deposits.

2.2.9 Currency Adjustment of Bank Assets and Liabilities

In the first and second quarter of 2008, the average open foreign exchange position of banks was short, which means that the amount of foreign exchange items and items indexed to foreign exchange on the liabilities side outstripped the amount of foreign exchange items and items indexed to foreign exchange on the asset side that are included in the calculation of the open foreign exchange position pursuant to regulations.[23] In the second quarter, the average short position was HRK 1.6bn and the average long position HRK 1.1.bn. Shown as a percentage of the regulatory capital of banks, short and long positions were 3.5% and 2.3% respectively (Figures 2.27 and 2.28). Large and medium-sized banks had a short position (3.5% and 2.0% respectively, of regulatory capital), while small banks had a long position (5.7% of regulatory capital).

22 It represents the difference between net assets and liabilities (not including capital) with the same period until maturity.
23 Decision on the limitation of bank exposure to foreign exchange risk (OG 17/2003, 39/2006 and 130/2006).

FIGURE 2.27 Long Foreign Exchange Position of Banks, quarterly averages

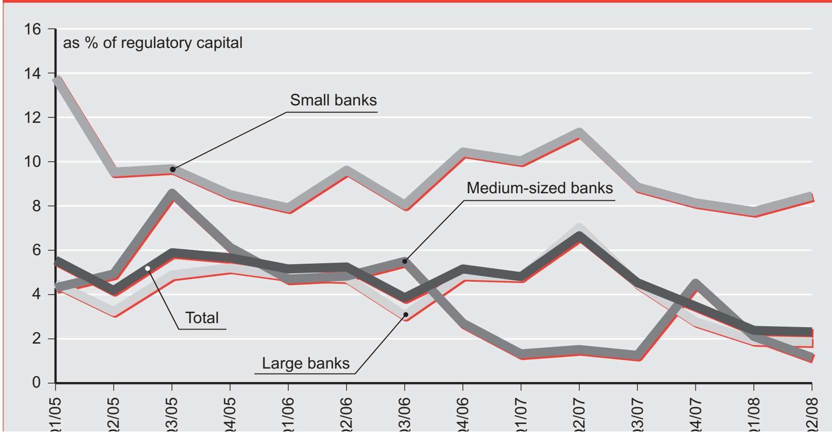
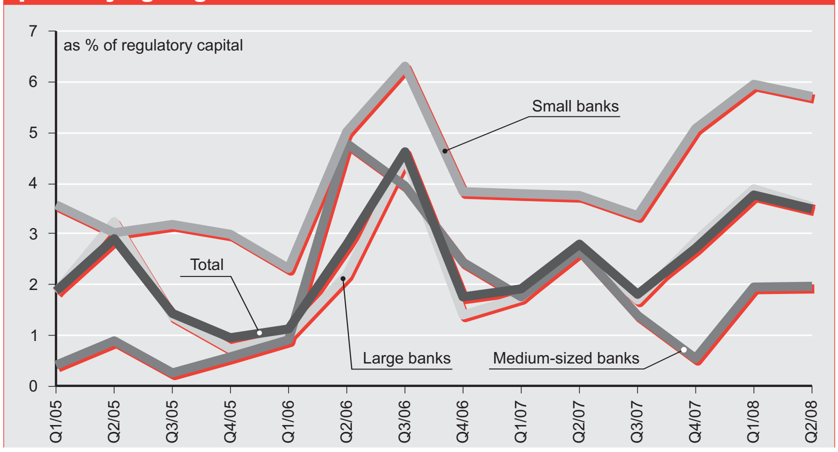


FIGURE 2.28 Short Foreign Exchange Position of Banks, quarterly agerages



There were no major changes in the bank balance sheet currency structure in the first half of 2008. The share of the foreign currency component on the asset and liabilities side (including items with a currency clause) slightly increased, from 57.5% to 57.9% on the assets side and from 51.2% to 51.9% on the liabilities side. However, significant changes occurred in the structure of foreign currency assets (including assets indexed to foreign currency) despite the continued domination of the euro. The share of the euro thus declined from 76.5% to 71.6% in the observed semi-annual period, while the shares of the US dollar and the Swiss franc increased. Overall, the share of the US dollar increased from 4.2% to 8.4%, which, in nominal terms, totalled HRK 8.3bn, while the share of Swiss franc increased from 18.3% to 19.1%. All other foreign currencies accounted for shares smaller than 1%. The growth of assets in US dollars and the fall of assets in euros is a result of the growth in dollar and the fall in euro deposits, while the rise of loans in Swiss francs resulted in the growth of total assets in that currency.

Loans granted in or indexed to the three most significant currencies (the euro, the Swiss franc and the US dollar) all went up, but only loans in euros also increased their share in total foreign currency (and indexed) loans. Loans in the euro increased by 6.1%, with their share in total foreign currency loans increasing from 70.9% to 71.1%. Loans in Swiss francs went up by 5.7%, with their share mildly decreasing from 26.8% to 26.7% at the end of the first half of 2008 relative to the end of 2007. Similar movements were registered by loans in US dollars, which increased by an overall 2.3%, while their share reduced from 2.3% to 2.2%. This was a consequence of their slower growth relative to the average growth of total foreign currency loans.

On the foreign liabilities side (including those with a currency clause) there were no major changes in the currency structure over the observed semi-annual period. The share of the euro mildly increased to 85.3% of currency liabilities as compared with the end of 2007 (when it totalled 84.5%), while the share of the Swiss franc went down by almost 1.0% to 7.7%.

2.3 Housing Savings Banks

At the end of the first half of 2008, there were 5 housing savings banks operating in the Republic of Croatia. Thanks to the growth of their assets outstripping the growth of bank assets, the decline in the share of assets of housing savings banks in total banking sector assets was halted so it stood at 1.9% at the end of the first half of 2008.

As at the end of 2007, four housing savings banks were under the direct or indirect majority ownership of foreign shareholders and their assets accounted for 98.9% of total housing savings bank assets. The remaining 1.1% of total assets of housing savings banks went to the sole housing savings bank in majority state ownership. At the end of the first half of 2008, housing savings banks had a staff of 387 persons, accounting for 1.8% of the total number of employees in the banking sector.

2.3.1 Housing Savings Bank Balance Sheet

At the end of the first half 2008, total assets of housing savings banks stood at almost HRK 6.7bn, increasing by HRK 120.1m (1.8%) relative to the end of 2007 (Table 2.16). In the semi-annual period under review total assets went down in one housing savings bank, while in others they went up.

The growth of assets of housing savings banks was financed by the increase in share capital and issued hybrid instruments, while the deposits of housing savings bank depositors dropped again in the first quarter of 2008, after having increased slightly in late 2007. The upward trend of loans granted continued, while the credit activities of housing savings banks were, as in 2007, predominantly a result of asset restructuring carried out through decreased securities investments. As a result, the asset structure of housing savings banks continued to change, with the share of investments in securities going down and the share of net loans in total assets going up. At the end of first half of 2008, net loans made up 53.1% of total assets of housing savings banks, which was 15.0 percentage points more than in the same period 2007 and 5.9 percentage points less than at the end of 2007.

Net loans of housing savings banks rose by HRK 260.6m (8.0%) at the end of the first half of 2008 relative to the end of 2007. Home loans went up (HRK 321.4m or 14.5%) more than total loans,

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

	Dec. 2005		Dec. 2006			Dec. 2007			Jun. 2008		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	0.02	0.00	0.01	0.00	–75.00	0.02	0.00	200.00	0.03	0.00	80.00
1.1. Money assets	0.02	0.00	0.01	0.00	–75.00	0.02	0.00	200.00	0.03	0.00	80.00
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	720.52	11.74	111.51	1.75	–84.52	47.08	0.72	–57.78	119.74	1.80	154.32
3. MoF treasury bills and CNB bills	781.98	12.74	347.66	5.46	–55.54	255.54	3.90	–26.50	101.55	1.52	–60.26
4. Securities and other financial instruments held for trading	390.64	6.36	284.39	4.46	–27.20	156.80	2.40	–44.87	103.21	1.55	–34.17
5. Securities and other financial instruments available for sale	706.82	11.51	1,058.33	16.61	49.73	1,246.37	19.04	17.77	1,269.05	19.04	1.82
6. Securities and other financial instruments held to maturity	869.63	14.17	1,303.26	20.45	49.86	871.21	13.31	–33.15	883.68	13.26	1.43
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	364.63	5.47	–31.00
8. Derivative financial assets	0.00	0.00	5.40	0.08	100.00	6.66	0.10	23.30	0.00	0.00	–100.00
9. Loans to financial institutions	263.70	4.30	69.87	1.10	–73.50	106.52	1.63	52.45	67.80	1.02	–36.35
10. Loans to other clients	727.58	11.85	1,713.04	26.89	135.44	3,172.30	48.47	85.19	3,471.59	52.09	9.43
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)	8.17	0.13	7.00	0.11	–14.36	8.05	0.12	15.08	9.53	0.14	18.39
14. Interest, fees and other assets	323.77	5.27	250.78	3.94	–22.54	195.96	2.99	–21.86	326.50	4.90	66.62
15. Net of: Collectively assessed impairment provisions	36.93	0.60	40.45	0.63	9.52	50.13	0.77	23.92	52.43	0.79	4.60
TOTAL ASSETS	6,138.35	100.00	6,371.41	100.00	3.80	6,544.81	100.00	2.72	6,664.88	100.00	1.83

while loans granted to financial institutions and government units went down by 36.4% and 2.3%. At the end of the first half of 2008, housing savings banks accounted for 5.0% of total home loans granted by the banking sector. The increase in the amount of housing savings bank loans increased the ratio of loans granted to and deposits received from housing savings bank depositors from 36.6% at the end of 2007 to 42.9% at the end of the first half of 2008.

The total securities investments of housing savings banks fell by HRK 336.2m or 11.0% at the end of the first half of 2008, compared with the end of 2007. Investments fell in both types of securities in housing savings bank portfolios, with investments in Republic of Croatia bonds falling by HRK 182.2m (6.5%) and those in Ministry of Finance T-bills falling by HRK 154.0m (60.3%).

The portfolio of securities not traded in active markets and carried at fair value through profit or loss almost halved (48.4%), the portfolio held for trading declined by 34.2%, while the two remaining portfolios slightly increased. The majority of securities (50.0%) were distributed in the portfolio of available-for-sale securities and the portfolio of securities held to maturity (32.7%).

The deposits of housing savings bank depositors at the end of the first half of 2008 were HRK 5.9bn, which is decrease of 2.2% on the end of 2007 (Table 2.17). The increase in deposits in 2007 was mostly registered late in the year so it can be attributed to government incentives paid to depositors in housing savings banks. Although the deposits of housing savings bank depositors increased slightly (0.3%) in the second quarter of 2008, the decline in the first quarter (2.5%) contributed to the overall deposit decline in the first half of 2008. Three housing savings banks increased the amount of issued hybrid instruments, by HRK 50.9m (127.4%) in total.

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

	Dec. 2005		Dec. 2006			Dec. 2007			Jun. 2008		
	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	0.18	0.00	0.00	0.17	0.00	–8.29
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	0.18	0.00	0.00	0.17	0.00	–8.29
2. Deposits	5,514.72	89.84	5,803.62	91.09	5.24	6,038.37	92.26	4.04	5,906.04	88.61	–2.19
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	0.03	0.00	0.03	0.00	32.00	0.04	0.00	18.18	0.01	0.00	–74.36
2.3. Time deposits	5,514.69	89.84	5,803.59	91.09	5.24	6,038.33	92.26	4.04	5,906.03	88.61	–2.19
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	4.13	0.07	0.00	0.00	–100.00	0.00	0.00	0.00	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	10.33	0.17	61.70	0.97	497.51	39.93	0.61	–35.28	90.83	1.36	127.44
8. Interest, fees and other liabilities	388.97	6.34	312.51	4.90	–19.66	223.86	3.42	–28.37	382.76	5.74	70.98
TOTAL LIABILITIES	5,918.14	96.41	6,177.83	96.96	4.39	6,302.34	96.30	2.02	6,379.79	95.72	1.23
TOTAL CAPITAL	220.21	3.59	193.58	3.04	–12.09	242.47	3.70	25.25	285.09	4.28	17.58
TOTAL LIABILITIES AND CAPITAL	6,138.35	100.00	6,371.41	100.00	3.80	6,544.81	100.00	2.72	6,664.88	100.00	1.83

The total capital of housing savings banks went up by HRK 42.6m (17.6%) relative to the end of 2007. As at the end of 2007, the share capital of housing savings banks increased by a larger amount (HRK 53.8m), but the increase in total capital was offset by unrealised losses arising from the value adjustment of financial assets available for sale, which went up by HRK 11.2m in the first half of 2008 (Table 2.18). Similar to the situation at the end of 2007, three housing savings banks reduced their capital by their unrealised losses, while one housing savings bank realised gains on this basis.

The regulatory capital of housing savings banks grew 29.2% on the end of 2007 to HRK 365.5m. This growth was a result of recapitalisations and inclusion of hybrid instruments in supplementary capital I.

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

	Dec. 2005		Dec. 2006			Dec. 2007			Jun. 2008		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	203.36	92.35	287.48	148.51	41.37	357.09	147.27	24.21	410.89	144.13	15.07
2. Current year profit/loss	52.28	23.74	–54.50	–28.15	0.00	–44.72	–18.44	–17.95	0.03	0.01	–100.06
3. Retained earnings/loss	–53.64	–24.36	–37.12	–19.18	–30.79	–15.93	–6.57	–57.09	–61.58	–21.60	286.53
4. Legal reserves	1.94	0.88	2.32	1.20	19.62	2.51	1.04	8.09	3.44	1.21	37.00
5. Total reserves provided for by the articles of association and other capital reserves	29.88	13.57	–13.12	–6.78	0.00	–56.49	–23.30	330.55	–67.69	–23.74	19.83
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	29.88	13.57	–13.12	–6.78	0.00	–56.49	–23.30	330.55	–67.69	–23.74	19.83
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	–13.61	–6.18	8.52	4.40	0.00	0.00	0.00	–100.00	0.00	0.00	0.00
TOTAL CAPITAL	220.21	100.00	193.58	100.00	–12.09	242.47	100.00	25.25	285.09	100.00	17.58

Despite the increase in regulatory capital, the capital adequacy ratio of housing savings banks continued trending downwards, decreasing from 14.51% at the end of 2007 to 13.87% at the end of the first half of 2008. In addition to the growth of home loans, especially those not hedged against the effects of the CICR, the decline in the capital adequacy ratio was also affected by the change in CNB regulations, in the part referring to the increase of weights for items exposed to currency-induced credit risks, because almost a third of housing savings bank weighted net assets was granted to debtors without a hedged foreign exchange position or adequate collateral instruments. The net value of risk-weighted assets grew by 1.9% in the first half of 2008, while its weighed amount grew by 42.5%. The largest contribution to the growth of the weighted amount of assets came from growth of net assets exposed to currency-induced credit risk, which have since the beginning of 2008 been assigned a 100% risk weighting (58.6%) and 150% risk weighting (26.2%).

Further credit activities of housing savings banks through asset restructuring led to an increase in the share of capital requirements for credit risk in the capital requirements structure, from 94.3% of the total capital requirements at the end of 2007 to 98.1% at the end of the first half of 2008.

2.3.2 Housing Savings Bank Income Statement

Housing savings banks earned minimum pre-tax profits at the end of the first half of 2008, totalling HRK 124 thousand, primarily due to the increase in income from granted loans. Two housing savings banks reported profits of HRK 12.2m, while the remaining three housing savings banks reported losses in an almost equal amount. At the end of the first quarter, the profit of housing savings banks totalled HRK 1.9m. However, increased losses in three housing savings banks led to lower profits at the end of the first half of 2008.

The net income of housing savings banks stood at HRK 67.1m at the end of the first half of 2008, increasing by 40.2% on the same period in 2007. The largest contribution to the increase in total net income came from a 38.5% increase in net interest income. Owing to a reduction in realised losses from securities, the loss in other non-interest income went down by 5.4%. Net income from fees and commissions also decreased, by a modest 0.2%.

The total expenses of housing savings banks in the observed one-year period increased by 1.6%, primarily due to the rise in interest expenses on deposits, which went up by 5.3%. Housing savings banks cut their general administrative expenses by 2.8% and expenses on loss provisions by 7.5% in this period, which also contributed to the positive financial result at the end of the first half of 2008.

Loss on securities trading and loss on securities not traded in active markets and carried at fair value through profit and loss was cut by almost a half, relative to the same period of 2007, totalling HRK 11.7m, while realised losses from assets available for sale went up by 95.6% to HRK 2.7m.

Although total realised losses on securities trading, registered in profit or loss, went down by HRK 9.0m (38.6%) in the one-year period, to HRK 14.7m, when the amount of HRK 64.4m of unrealised losses is added to this figure, by which some housing savings banks directly reduced their capital pursuant to the provisions of IAS 39, it becomes clear that total losses of housing savings banks on investments in securities reached HRK 78.8m. Until the end of 2007, housing savings bank investments in securities were the richest source of interest income (54.6%). Further asset restructuring and reduction in securities investments reflected on the structure of interest income. Interest income from investments in securities declined by 21.2% in the one-year period, totalling HRK 70.3m at the end of the first half of 2008, or 42.5% of total interest income.

TABLE 2.19 Housing Savings Bank Income Statement, in million HRK

	Jan.-Jun. 2007	Jan.-Jun. 2008
1. Net interest income	46.15	63.94
1.1. Total interest income	143.11	165.58
1.2. Total interest expenses	96.96	101.65
2. Net income from fees and commissions	29.77	29.72
2.1. Total income from fees and commissions	34.07	33.91
2.2. Total expenses on fees and commissions	4.30	4.19
3. Net other non-interest income	–28.03	–26.52
3.1. Other non-interest income	–15.76	–13.57
3.2. Other non-interest expenses	12.27	12.95
4. Net non-interest income	1.74	3.20
5. General administrative expenses and depreciation	62.65	60.87
6. Net operating income before loss provisions	–14.76	6.26
7. Total expenses on loss provisions	6.64	6.14
7.1. Expenses on value adjustments and provisions for identified losses	0.67	4.13
7.2. Expenses on collectively assessed impairment provisions	5.97	2.01
8. Income/loss before taxes	–21.40	0.12
9. Income tax	0.28	0.10
10. Current year profit/loss	–21.68	0.03

At the end of the first half of 2008, interest income from granted loans outstripped interest income from securities, totalling HRK 93.8m. Compared with the same period in 2007, interest income from loans went up by 77.0%, with their share in the structure of total interest income growing by 19.5 percentage points to 56.7%. Interest income from home loans made up 38.6% of total interest income.

2.3.3 Housing Savings Bank Exposure to Credit Risk

At the end of the first half of 2008, total placements and contingent liabilities of housing savings banks were HRK 6.1bn, an increase of 6.5% compared to the end of 2007 (Table 2.20). Fully recoverable placements (category A), which increased by 6.4%, accounted for the bulk of the increase in total placements and contingent liabilities. In the same period, bad placements (category B and C) went up 29.5%, continuing the mild declining trend in the quality of placements. Despite this, the amount of bad placements remained relatively low (HRK 23.0m), like their share in total placements and contingent liabilities of housing savings banks (0.4%). Bad placements continued to be reported by only one housing savings bank.

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

	Dec. 2005		Dec. 2006		Dec. 2007		Jun. 2008	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	3,493.99	99.93	4,540.66	99.84	5,670.3	99.7	6,034.3	99.6
2. Partly recoverable placements (category B)	2.11	0.06	5.67	0.12	14.9	0.3	17.3	0.3
3. Irrecoverable placements (category C)	0.36	0.01	1.44	0.03	2.9	0.1	5.7	0.1
Total	3,496.46	100.00	4,547.77	100.00	5,688.1	100.0	6,057.3	100.0

Total placement value adjustments and provisions for contingent liabilities rose somewhat faster than placements and contingent liabilities (56.8%), with the value adjustments and provisions to total placements and contingent liabilities ratio rising only slightly (Table 2.21). Due to the structure of total placements and contingent liabilities with fully recoverable placements predominant, collectively assessed impairment provisions continued to account for the major share of total value adjustments and provisions.

TABLE 2.21 Ratio of Total Housing Savings Bank Value Adjustments and Provisions to Total Placements and Contingent Liabilities, end of period, in million HRK and %

	Dec. 2005	Dec. 2006	Dec. 2007	Jun. 2008
1. Total value adjustments against placements and provisions for contingent liabilities	38.36	44.79	57.56	63.18
1.1. Value adjustments against placements and provisions for contingent liabilities	0.89	3.56	6.36	9.97
1.2. Collectively assessed impairment provisions	37.47	41.23	51.21	53.21
2. Total placements and contingent liabilities	3,496.46	4,547.77	5,688.07	6,057.32
3. Relative ratio: total value adjustments and provisions/total placements and contingent liabilities	1.10	0.98	1.01	1.04

Since housing savings banks are not allowed to receive deposits and grant loans in foreign currency, over 90% of their assets and liabilities is denominated in kuna and indexed to a foreign currency, while all granted loans are indexed to the euro. In the middle of 2008, 92.6% of housing savings bank placements were exposed to currency-induced credit risk and 92.5% of the exposed placements were unhedged against this risk. Compared to the end of 2007, the share of placements exposed to currency-induced credit risk in total placements remained largely the same 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.

3 Notes on Methodology

Figure 2.1 Number of Banks

With respect to ownership structure, 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 under the majority ownership of domestic natural and legal persons or as a foreign-owned bank if it is under majority ownership of foreign natural and legal persons. The total number of banks is the sum of the domestic and foreign-owned banks.
CNB statistics are the source of data on the number of banks.

Table 2.1 Bank Peer Groups and Their Share in Total Bank Assets

In accordance with the selected criterion – the relative share of assets of an individual bank in total bank assets – Table 2.1 shows the bank peer groups. Depending on the size of the relative share of a 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 (see Attachment I, List of Banking Institutions by Peer Groups, end of period).
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 2.2 Ownership Structure of Banks and Their Share in Total Bank Assets

With respect to ownership structure, banks in the Republic of Croatia are divided into domestic and foreign-owned banks. Banks under domestic ownership are divided into private domestic banks and state-owned domestic banks. A bank is classified as a private domestic bank if it is under the majority ownership of domestic natural and legal persons, or as a state-owned domestic bank if it is under the majority ownership of governmental units. A bank is classified as a foreign-owned bank if it is under the 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 under domestic (i.e. domestic private and state ownership) and foreign ownership.
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 2.3 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. Zagreb County 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 2.2 Concentration of Bank Operating Units and ATMs by Counties

The bars in Figure 2.2 show the relative share of the number of operating units and ATMs by counties at the end of the 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 2.3 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 in 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 2.4 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 2.5 Shares of Assets, Loans and Deposits of the Largest Banks 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 percentages. 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, loans and deposits (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 2.6 Herfindahl-Hirschman Index (HHI)

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

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

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

Table 2.4 Structure of Bank 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 preceding period.
Schedule BS1-2 is the source of data on the structure of bank assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 2.7 Quarterly Rates of Change in Bank Peer Group Assets

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 quarter.
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 2.8 Structure of Bank Peer Group Assets

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 2.5 Structure of Bank Liabilities

Bank liabilities are calculated in the same manner as bank assets in Table 2.4, i.e. the share of each balance sheet item of liabilities in 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 bank liabilities (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 2.9 Structure of Bank Peer Group Liabilities

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 2.10 Structure of Bank 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 bank 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 2.6 Structure of Bank Total Capital

Bank capital, as one of the liability items shown in Table 2.5, is presented in detail in Table 2.6 and the share of each stated capital item in the 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 bank total capital (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 2.7 Changes in Bank 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 bank 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 2.11 Structure of Bank Regulatory Capital

The columns in Figure 2.11 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 bank 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 2.12 Structure of Bank Risk-Weighted Assets

The columns in Figure 2.12 show the net value of assets weighted by risk at the end of the reporting period. The 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 bank risk-weighted assets.

Figure 2.13 Bank Capital Adequacy Ratio

The capital adequacy ratio is calculated as a ratio between total regulatory capital of individual bank peer groups, i.e. total regulatory capital of all banks and total risk exposure of individual bank peer groups, i.e. total risk exposure of all banks. Total risk exposure is the sum of credit risk-weighted assets (including risky and derivative off-balance sheet items weighted by credit risk), 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).
Schedule SAK is the source of data on bank capital adequacy ratios (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 2.14 Structure of Bank Total Capital Requirements

The total capital requirements are the sum of capital requirements for credit risk, capital requirements for currency risk, capital requirements for interest rate risk, capital requirements for equity risk, capital requirements for commodity risk, capital requirements for options, capital requirements for settlement risk, capital requirements for counterparty risk and capital requirements 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 total bank 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 2.8 Bank 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. The 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 bank income statement (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 2.9 Structure of Bank 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 bank income (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 2.10 Structure of Bank Expenses

The structure of expenses is calculated in the same manner as the structure of income in Table 2.9, i.e. the share of each expense item in 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 bank expenses (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 2.15 Bank Return on Average Assets (ROAA)

The return on average assets of bank peer groups and all banks is calculated as a ratio between income before taxes and average assets. The average assets of bank peer groups and all banks 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 bank return on average assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 2.16 Bank Return on Average Equity (ROAE)

The return on average equity of bank peer groups and all banks is calculated as a ratio between income after taxes and average equity. The average equity of bank peer groups and all banks 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 bank return on average equity (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 2.17 Structure of Bank Net Income

The columns in Figure 2.17 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 bank net income (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 2.18 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 (excluding other deposits with the CNB in foreign currency), deposits with banking institutions, debt securities (excluding debt securities held for trading), loans to financial institutions and loans to other clients. The average interest-bearing assets are calculated as the arithmetic mean of the balance in interest-bearing assets at the end of the reporting period and the balance in interest-bearing assets at the end of the previous year.
Interest-bearing liabilities comprise received loans, received deposits, issued debt securities, issued subordinated instruments and issued hybrid instruments. The average interest-bearing liabilities are calculated as the arithmetic mean of the balance in interest-bearing liabilities at the end of the reporting period and the balance in interest-bearing liabilities at the end of the previous year.
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 2.19 Weighted Averages of Bank Monthly Interest Rates

The base for the calculation of the weighted averages of bank monthly interest rates on kuna and foreign currency loans are the amounts of loans 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 not tied to the currency clause comprise giro account and current account deposits, savings deposits and time deposits. The averages of interest rates on total kuna deposits not tied to the 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.
CNB statistics are the source of data.

Figure 2.20 Bank Assets per Employee

The 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 bank assets per employee.

Figure 2.21 Bank Operating Expenses

Operating expenses of bank peer groups and all banks together are shown as the 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 bank operating expenses (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 2.22 Quarterly Rates of Change in Gross Loans

The rates of change in gross loans in selected sectors (corporate and retail) are calculated as the 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. The rates of change in total gross loans are calculated in the same manner.
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 2.11 Classification of Bank Placements and Contingent Liabilities by Risk Categories

Table 2.11 shows placements and contingent liabilities classified into risk categories and the shares of individual risk categories in total placements and contingent liabilities that are classified according to a degree of risk.
Schedule RS1 is the source of data on the classification of bank 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 2.12 Ratio of Total Bank Value Adjustments and Provisions to Total Placements and Contingent Liabilities

The ratio between total bank value adjustments and provisions and total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. 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 for these ratios (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Figure 2.23 Ratio of Total Bank Peer Group Value Adjustments and Provisions to Total Placements and Contingent Liabilities

The ratio between total bank peer group 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 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 respective peer group.
Schedule PIV1 and Schedule RS1 are the source of data for these ratios (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 2.13 Sectoral Structure of Net Bank Loans

The net loan exposure to 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 net bank loans (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 2.14 Structure of Bank 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 owners 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 bank sources of financing (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 2.15 Sectoral Structure of Received Loans

The amount of loans received from institutional sectors and their shares in total received loans are shown for all banks. The 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 the amount of total received loans. The amount and the share of loans from majority foreign owners in total received loans are shown under separate line item.
Schedule BS/OK1-9 is the source of data on the sectoral structure of received loans (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 2.24 Sectoral Structure of Received Deposits

Figure 2.24 shows the share of an individual institutional sector in giro account and current account deposits, savings deposits, time deposits and total deposits. The shares of individual institutional sectors are calculated as a ratio between giro account and current account deposits, savings deposits, time deposits and total deposits of an individual institutional sector and total giro account and current account deposits, savings deposits, time deposits and total deposits of all institutional sectors.
Schedule BS/DEP1-8 is the source of data on the sectoral structure of received deposits (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 2.25 Bank Loans Granted and Deposits Received

Figure 2.25 shows the ratio between total net loans granted by individual bank peer groups and all banks and total deposits received by individual bank peer groups and all banks at the end of the reporting period.
Schedule BS1-2 is the source of data on the bank loans granted and deposits received (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 2.26 Asset and Liability Maturity (Mis)Match

The maturity (mis)match between assets and liabilities is shown by remaining maturity and on a net basis. The assets by remaining maturity are calculated as a ratio between assets classified by remaining maturity terms and total assets at the end of the reporting period. The liabilities by remaining maturity are calculated as a ratio between liabilities classified by remaining maturity terms and total assets at the end of the reporting period. The net balance sheet position (gap) shows the mismatch between the maturity structures of assets and liabilities and represents the difference between assets and liabilities classified by 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 2.27 Long Foreign Exchange Position of Banks

Each bank peer group ratio between its long foreign exchange position (f/c claims exceeding f/c liabilities) and its 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, the regulatory capital of all banks in the respective peer group is 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 bank exposure to foreign exchange risk – Official Gazette 17/2003, 39/2006 and 130/2006) are the source of data on the long foreign exchange position of banks.

Figure 2.28 Short Foreign Exchange Position of Banks

Each bank peer group ratio between its short foreign exchange position (f/c liabilities exceeding f/c claims) and its regulatory capital is calculated in the following manner. First, the average short foreign exchange positions reported in a certain quarter by all banks in an individual bank group are added up. Second, the regulatory capital of all banks in the respective peer group is 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 bank exposure to foreign exchange risk – Official Gazette 17/2003, 39/2006 and 130/2006) are the source of data on the short foreign exchange position of banks.

Table 2.16 Structure of Housing Savings Bank 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 preceding period.
Schedule BS1-2 is the source of data on the structure of housing savings bank assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 2.17 Structure of Housing Savings Bank Liabilities

Housing savings bank liabilities are calculated in the same manner as housing savings bank assets in Table 2.16, 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 bank liabilities (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 2.18 Structure of Housing Savings Bank Total Capital

Housing savings bank capital, as one of the liability items shown in Table 2.17, is presented in detail in Table 2.18 and the share of each stated capital item in the total capital of all housing savings banks is calculated as the 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 bank total capital (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 2.19 Housing Savings Bank 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 housing savings bank income statement (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

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

Table 2.20 shows placements and contingent liabilities classified into risk categories and the shares of individual risk categories in total placements and contingent liabilities that are classified according to a degree of risk.
Schedule RS1 is the source of data on the classification of housing savings bank 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 2.21 Ratio of Total Housing Savings Bank Value Adjustments and Provisions to Total Placements and Contingent Liabilities

The ratio between total housing savings bank value adjustments and provisions and total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. 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 for these ratios (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

4 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 30 June 2008.
Data on auditors relate to bank/housing savings bank auditors for 2007.

BANCO POPOLARE CROATIA d.d.

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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	Share in share capital (%)
1. Banco Popolare Società Cooperativa	91.44

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	209,346
1.1. Money assets	23,634
1.2. Deposits with the CNB	185,713
2. Deposits with banking institutions	212,592
3. MoF treasury bills and CNB bills	18,751
4. Securities and other financial instruments held for trading	234
5. Securities and other financial instruments available for sale	921
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	20,000
10. Loans to other clients	1,154,088
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	754
13. Tangible assets (net of depreciation)	49,514
14. Interest, fees and other assets	26,874
15. Net of: Collectively assessed impairment provisions	13,545
TOTAL ASSETS	1,679,529

Liabilities and capital	
1. Loans from financial institutions	200,951
1.1. Short-term loans	78,400
1.2. Long-term loans	122,551
2. Deposits	1,093,853
2.1. Giro account and current account deposits	41,487
2.2. Savings deposits	30,835
2.3. Time deposits	1,021,531
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	138
8. Interest, fees and other liabilities	85,572
9. CAPITAL	299,015
TOTAL LIABILITIES AND CAPITAL	1,679,529

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	35,873
1.1. Total interest income	67,263
1.2. Total interest expenses	31,390
2. Net income from fees and commissions	5,373
2.1. Total income from fees and commissions	6,691
2.2. Total expenses on fees and commissions	1,318
3. Net other non-interest income	2,657
3.1. Other non-interest income	4,548
3.2. Other non-interest expenses	1,891
4. Net non-interest income	8,030
5. General administrative expenses and depreciation	34,831
6. Net operating income before loss provisions	9,071
7. Total expenses on loss provisions	5,431
7.1. Expenses on value adjustments and provisions for identified losses	4,093
7.2. Expenses on collectively assessed impairment provisions	1,339
8. Income (loss) before taxes	3,640
9. Income tax	728
10. Current year profit (loss)	2,912

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	10,014
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	58,046
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	68,060

Derivative financial instruments	
1. Futures	0
2. Options	889
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	889

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

19.16

1 Bank account number.

BANKA BROD d.d.

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Management Board

Zdenko Vidaković – chairperson, Mićo Tomičić

Supervisory Board

Damir Kreso – chairperson, Pero Ćosić, Damir Tus

Shareholders	Share in share capital (%)
1. Neđo Jelčić	7.40
2. Mićo Tomičić	6.99
3. Damir Kreso	6.81
4. Slobodanka Kreso	6.79
5. Mara Tomičić	6.79
6. Maja Vidaković	6.79
7. Zdenko Vidaković	6.79
8 Razija Kreso	5.96
9. Karlo Tomičić	5.96
10. Mirko Vidaković	5.96
11. Krešimir Planinić	5.08
12. Željko Rački	3.29
13. Višnja Rački	3.26

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	63,067
1.1. Money assets	21,219
1.2. Deposits with the CNB	41,848
2. Deposits with banking institutions	88,283
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	6,321
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	199,428
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	2,662
14. Interest, fees and other assets	5,283
15. Net of: Collectively assessed impairment provisions	3,214
TOTAL ASSETS	361,831

Liabilities and capital	
1. Loans from financial institutions	4,910
1.1. Short-term loans	0
1.2. Long-term loans	4,910
2. Deposits	298,390
2.1. Giro account and current account deposits	13,788
2.2. Savings deposits	2,990
2.3. Time deposits	281,612
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	11,994
9. CAPITAL	46,536
TOTAL LIABILITIES AND CAPITAL	361,831

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	10,463
1.1. Total interest income	18,967
1.2. Total interest expenses	8,503
2. Net income from fees and commissions	676
2.1. Total income from fees and commissions	1,358
2.2. Total expenses on fees and commissions	682
3. Net other non-interest income	926
3.1. Other non-interest income	1,305
3.2. Other non-interest expenses	379
4. Net non-interest income	1,602
5. General administrative expenses and depreciation	5,473
6. Net operating income before loss provisions	6,593
7. Total expenses on loss provisions	3,695
7.1. Expenses on value adjustments and provisions for identified losses	2,977
7.2. Expenses on collectively assessed impairment provisions	718
8. Income (loss) before taxes	2,898
9. Income tax	580
10. Current year profit (loss)	2,318

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	7,442
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	169
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	7,610

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	0

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

14.90

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Management Board

Darko Kosovec – chairperson, Gian Luigi Bonfe

Supervisory Board

Gilberto Ghiotti – chairperson, Ivan Majdak, Luca Simoni, Vladimiro Renzi, Andrea Belluzzi, Andrea Albertini, Čedomil Cesarec

Shareholders	Share in share capital (%)
1. Cassa di Risparmio della Repubblica di San Marino S.p.A.	90.32
2. Josip Samaržija	8.32

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	123,308
1.1. Money assets	14,021
1.2. Deposits with the CNB	109,287
2. Deposits with banking institutions	106,812
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	7,656
5. Securities and other financial instruments available for sale	26,684
6. Securities and other financial instruments held to maturity	56,056
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	9,999
10. Loans to other clients	462,755
11. Investments in subsidiaries and associates	141
12. Foreclosed and repossessed assets	643
13. Tangible assets (net of depreciation)	23,048
14. Interest, fees and other assets	12,037
15. Net of: Collectively assessed impairment provisions	6,884
TOTAL ASSETS	822,255

Liabilities and capital	
1. Loans from financial institutions	3,908
1.1. Short-term loans	3,500
1.2. Long-term loans	408
2. Deposits	678,983
2.1. Giro account and current account deposits	11,935
2.2. Savings deposits	27,885
2.3. Time deposits	639,163
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	34,956
8. Interest, fees and other liabilities	38,450
9. CAPITAL	65,957
TOTAL LIABILITIES AND CAPITAL	822,255

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	10,622
1.1. Total interest income	34,172
1.2. Total interest expenses	23,551
2. Net income from fees and commissions	1,173
2.1. Total income from fees and commissions	1,650
2.2. Total expenses on fees and commissions	477
3. Net other non-interest income	–3,761
3.1. Other non-interest income	–2,516
3.2. Other non-interest expenses	1,244
4. Net non-interest income	–2,588
5. General administrative expenses and depreciation	16,870
6. Net operating income before loss provisions	–8,836
7. Total expenses on loss provisions	–4,638
7.1. Expenses on value adjustments and provisions for identified losses	–3,280
7.2. Expenses on collectively assessed impairment provisions	–1,358
8. Income (loss) before taxes	–4,198
9. Income tax	0
10. Current year profit (loss)	–4,198

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	1,319
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	11,414
5. Other standard risky off-balance sheet items	7
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	12,740

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	2,586
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	2,586

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

14.63

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BAN 4109006
http://www.bsd.hr

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.	10.19
3. Blue Line	9.83
4. Mirko Vukušić	5.84
5. Joško Dvornik	5.75
6. Venći Čulić Meić	3.92
7. Nataša Vuković	3.90
8. HPB d.d. /ST Invest – ST global equity OIF	3.33
9. Mira Marić Banje	3.30
10. Anđa Vukušić	3.30
11. Jakša Medić	3.02

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	16,370
1.1. Money assets	3,729
1.2. Deposits with the CNB	12,642
2. Deposits with banking institutions	30,924
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	457
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	118,278
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	230
13. Tangible assets (net of depreciation)	12,339
14. Interest, fees and other assets	2,128
15. Net of: Collectively assessed impairment provisions	1,486
TOTAL ASSETS	179,240

Liabilities and capital	
1. Loans from financial institutions	180
1.1. Short-term loans	0
1.2. Long-term loans	180
2. Deposits	118,200
2.1. Giro account and current account deposits	554
2.2. Savings deposits	1,885
2.3. Time deposits	115,761
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	7,581
9. CAPITAL	53,280
TOTAL LIABILITIES AND CAPITAL	179,240

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	5,591
1.1. Total interest income	8,600
1.2. Total interest expenses	3,009
2. Net income from fees and commissions	373
2.1. Total income from fees and commissions	593
2.2. Total expenses on fees and commissions	220
3. Net other non-interest income	–152
3.1. Other non-interest income	372
3.2. Other non-interest expenses	524
4. Net non-interest income	221
5. General administrative expenses and depreciation	5,081
6. Net operating income before loss provisions	731
7. Total expenses on loss provisions	396
7.1. Expenses on value adjustments and provisions for identified losses	355
7.2. Expenses on collectively assessed impairment provisions	41
8. Income (loss) before taxes	335
9. Income tax	297
10. Current year profit (loss)	38

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	1,200
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	0
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	1,200

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	0

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

33.10

BKS BANK d.d.

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Fax: +385 51/353-566
BAN 2488001
http://www.bks.hr

Management Board

Goran Rameša – chairperson, Milivoj Debelić

Supervisory Board

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

Shareholders	Share in share capital (%)
1. BKS Bank AG	99.64

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	49,257
1.1. Money assets	3,065
1.2. Deposits with the CNB	46,192
2. Deposits with banking institutions	62,317
3. MoF treasury bills and CNB bills	9,574
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	4,653
6. Securities and other financial instruments held to maturity	33,729
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	40,500
10. Loans to other clients	215,838
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	383
13. Tangible assets (net of depreciation)	25,608
14. Interest, fees and other assets	9,130
15. Net of: Collectively assessed impairment provisions	4,539
TOTAL ASSETS	446,450

Liabilities and capital	
1. Loans from financial institutions	58,065
1.1. Short-term loans	0
1.2. Long-term loans	58,065
2. Deposits	301,243
2.1. Giro account and current account deposits	94,867
2.2. Savings deposits	31,235
2.3. Time deposits	175,141
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	11,604
9. CAPITAL	75,538
TOTAL LIABILITIES AND CAPITAL	446,450

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	7,129
1.1. Total interest income	11,463
1.2. Total interest expenses	4,334
2. Net income from fees and commissions	1,541
2.1. Total income from fees and commissions	2,792
2.2. Total expenses on fees and commissions	1,251
3. Net other non-interest income	1,791
3.1. Other non-interest income	2,217
3.2. Other non-interest expenses	426
4. Net non-interest income	3,332
5. General administrative expenses and depreciation	8,592
6. Net operating income before loss provisions	1,868
7. Total expenses on loss provisions	175
7.1. Expenses on value adjustments and provisions for identified losses	175
7.2. Expenses on collectively assessed impairment provisions	0
8. Income (loss) before taxes	1,694
9. Income tax	339
10. Current year profit (loss)	1,355

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	38,915
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	21,321
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	60,236

Derivative financial instruments	
1. Futures	0
2. Options	1,150
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	1,150

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

18.09

CENTAR BANKA d.d.

Amruševa 6, 10000 Zagreb
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BAN 2382001
http://www.centarbanka.hr

Management Board

Fran Renko – chairperson, Marko Brnić, Gordana Amančić

Supervisory Board

Dragutin Biondić – chairperson, Igor Knežević, Gordana Zrinšćak, Dragutin Kalogjera, Milenko Umićević

Shareholders	Share in share capital (%)
1. Heruc d.d.	41.23
2. PBZ d.d. (omnibus custody account)	8.81
3. Heruc Euroholding LTD	3.85

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	108,739
1.1. Money assets	9,846
1.2. Deposits with the CNB	98,893
2. Deposits with banking institutions	66,979
3. MoF treasury bills and CNB bills	52,695
4. Securities and other financial instruments held for trading	10,422
5. Securities and other financial instruments available for sale	3,390
6. Securities and other financial instruments held to maturity	102,903
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	813,809
11. Investments in subsidiaries and associates	4,020
12. Foreclosed and repossessed assets	1,669
13. Tangible assets (net of depreciation)	7,058
14. Interest, fees and other assets	17,762
15. Net of: Collectively assessed impairment provisions	11,709
TOTAL ASSETS	1,217,739

Liabilities and capital	
1. Loans from financial institutions	282,228
1.1. Short-term loans	86,820
1.2. Long-term loans	195,408
2. Deposits	671,402
2.1. Giro account and current account deposits	134,885
2.2. Savings deposits	18,237
2.3. Time deposits	518,280
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	1
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	1,879
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	70,510
9. CAPITAL	191,719
TOTAL LIABILITIES AND CAPITAL	1,217,739

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	22,722
1.1. Total interest income	43,040
1.2. Total interest expenses	20,318
2. Net income from fees and commissions	9,254
2.1. Total income from fees and commissions	12,558
2.2. Total expenses on fees and commissions	3,304
3. Net other non-interest income	–1,155
3.1. Other non-interest income	450
3.2. Other non-interest expenses	1,605
4. Net non-interest income	8,100
5. General administrative expenses and depreciation	21,477
6. Net operating income before loss provisions	9,345
7. Total expenses on loss provisions	1,557
7.1. Expenses on value adjustments and provisions for identified losses	1,686
7.2. Expenses on collectively assessed impairment provisions	–129
8. Income (loss) before taxes	7,788
9. Income tax	1,760
10. Current year profit (loss)	6,028

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	136,351
2. Letters of credit	41,558
3. Bills of exchange	0
4. Credit lines and commitments	82,291
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	260,200

Derivative financial instruments	
1. Futures	0
2. Options	24,180
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	24,180

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

14.99

CREDO BANKA d.d.

Zrinsko-Frankopanska 58, 21000 Split
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BAN 2491005
http://www.credobanka.hr

Management Board

Šime Luketin – chairperson, Mato Mišić

Supervisory Board

Boris Barač – chairperson, Mirko Vuković, Dražen Bilić

Shareholders	Share in share capital (%)
1. Mirko Vuković	31.93
2. Boris Barač	30.83
3. Kapitalni fond d.d.	4.83
4. Simag d.o.o.	4.66
5. Marko Vuković	4.49
6. Alkom d.o.o.	4.18

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	168,779
1.1. Money assets	18,450
1.2. Deposits with the CNB	150,329
2. Deposits with banking institutions	133,507
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	9,251
6. Securities and other financial instruments held to maturity	50,714
7. Securities and other financial instruments not traded in active markets but carried at fair value	15
8. Derivative financial assets	0
9. Loans to financial institutions	35,600
10. Loans to other clients	894,434
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	12,384
13. Tangible assets (net of depreciation)	21,439
14. Interest, fees and other assets	39,772
15. Net of: Collectively assessed impairment provisions	12,562
TOTAL ASSETS	1,353,333

Liabilities and capital	
1. Loans from financial institutions	159,064
1.1. Short-term loans	22,318
1.2. Long-term loans	136,746
2. Deposits	948,221
2.1. Giro account and current account deposits	126,421
2.2. Savings deposits	96,059
2.3. Time deposits	725,740
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	22,871
8. Interest, fees and other liabilities	65,208
9. CAPITAL	157,970
TOTAL LIABILITIES AND CAPITAL	1,353,333

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	19,318
1.1. Total interest income	43,784
1.2. Total interest expenses	24,467
2. Net income from fees and commissions	5,866
2.1. Total income from fees and commissions	7,135
2.2. Total expenses on fees and commissions	1,269
3. Net other non-interest income	346
3.1. Other non-interest income	3,888
3.2. Other non-interest expenses	3,541
4. Net non-interest income	6,212
5. General administrative expenses and depreciation	21,019
6. Net operating income before loss provisions	4,511
7. Total expenses on loss provisions	1,826
7.1. Expenses on value adjustments and provisions for identified losses	1,248
7.2. Expenses on collectively assessed impairment provisions	578
8. Income (loss) before taxes	2,686
9. Income tax	1,287
10. Current year profit (loss)	1,399

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	125,196
2. Letters of credit	9,607
3. Bills of exchange	10,000
4. Credit lines and commitments	14,103
5. Other standard risky off-balance sheet items	73
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	158,978

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	0

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

14.59

CROATIA BANKA d.d.

Kvaternikov trg 9, 10000 Zagreb
Phone: +385 1/2391-120
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BAN 2485003
http://www.croatiabanka.hr

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:
BDO Revizija Zagreb d.o.o., Zagreb

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	200,057
1.1. Money assets	26,032
1.2. Deposits with the CNB	174,025
2. Deposits with banking institutions	230,431
3. MoF treasury bills and CNB bills	49,385
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	48,880
6. Securities and other financial instruments held to maturity	13,690
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	7
9. Loans to financial institutions	31,000
10. Loans to other clients	1,053,858
11. Investments in subsidiaries and associates	440
12. Foreclosed and repossessed assets	40,866
13. Tangible assets (net of depreciation)	27,397
14. Interest, fees and other assets	56,589
15. Net of: Collectively assessed impairment provisions	14,670
TOTAL ASSETS	1,737,930

Liabilities and capital	
1. Loans from financial institutions	289,169
1.1. Short-term loans	78,600
1.2. Long-term loans	210,569
2. Deposits	1,200,867
2.1. Giro account and current account deposits	226,507
2.2. Savings deposits	98,643
2.3. Time deposits	875,718
3. Other loans	23,028
3.1. Short-term loans	21,739
3.2. Long-term loans	1,289
4. Derivative financial liabilities and other financial liabilities held for trading	36
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	72,525
9. CAPITAL	152,306
TOTAL LIABILITIES AND CAPITAL	1,737,930

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	32,839
1.1. Total interest income	57,825
1.2. Total interest expenses	24,986
2. Net income from fees and commissions	2,752
2.1. Total income from fees and commissions	6,573
2.2. Total expenses on fees and commissions	3,821
3. Net other non-interest income	1,994
3.1. Other non-interest income	5,632
3.2. Other non-interest expenses	3,638
4. Net non-interest income	4,746
5. General administrative expenses and depreciation	32,943
6. Net operating income before loss provisions	4,642
7. Total expenses on loss provisions	2,179
7.1. Expenses on value adjustments and provisions for identified losses	1,602
7.2. Expenses on collectively assessed impairment provisions	577
8. Income (loss) before taxes	2,463
9. Income tax	255
10. Current year profit (loss)	2,208

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	90,443
2. Letters of credit	8,452
3. Bills of exchange	0
4. Credit lines and commitments	56,595
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	155,491

Derivative financial instruments	
1. Futures	0
2. Options	97,153
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	97,153

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

10.09

ERSTE & STEIERMÄRKISCHE BANK d.d.

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BAN 2402006
http://www.erstebank.hr

Management Board

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

Supervisory Board

Herbert Juranek – chairperson, Franz Kerber, Kristijan Schellander, Gerhard Maier, Peter Nemschak, Reinhard Ortner

Shareholders	Share in share capital (%)
1. Erste Bank der Österreichischen Sparkassen AG	55.16
2. Die Steiermärkische Bank und Sparkassen AG	40.93

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

Balance Sheet as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	6,145,527
1.1. Money assets	504,808
1.2. Deposits with the CNB	5,640,719
2. Deposits with banking institutions	5,122,294
3. MoF treasury bills and CNB bills	1,077,319
4. Securities and other financial instruments held for trading	169,163
5. Securities and other financial instruments available for sale	479,046
6. Securities and other financial instruments held to maturity	405,412
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	50,386
9. Loans to financial institutions	130,511
10. Loans to other clients	27,773,573
11. Investments in subsidiaries and associates	47,257
12. Foreclosed and repossessed assets	17,402
13. Tangible assets (net of depreciation)	497,873
14. Interest, fees and other assets	577,876
15. Net of: Collectively assessed impairment provisions	394,195
TOTAL ASSETS	42,099,444

Liabilities and capital	
1. Loans from financial institutions	1,537,340
1.1. Short-term loans	300,550
1.2. Long-term loans	1,236,790
2. Deposits	32,133,343
2.1. Giro account and current account deposits	3,967,666
2.2. Savings deposits	3,021,682
2.3. Time deposits	25,143,995
3. Other loans	1,852,179
3.1. Short-term loans	3,666
3.2. Long-term loans	1,848,513
4. Derivative financial liabilities and other financial liabilities held for trading	36,719
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	1,839,621
9. CAPITAL	4,700,241
TOTAL LIABILITIES AND CAPITAL	42,099,444

Income Statement as at 30 June 2008, in thousand HRK

1. Net interest income	552,957
1.1. Total interest income	1,300,633
1.2. Total interest expenses	747,677
2. Net income from fees and commissions	157,582
2.1. Total income from fees and commissions	225,097
2.2. Total expenses on fees and commissions	67,515
3. Net other non-interest income	175,066
3.1. Other non-interest income	170,891
3.2. Other non-interest expenses	–4,175
4. Net non-interest income	332,648
5. General administrative expenses and depreciation	376,419
6. Net operating income before loss provisions	509,186
7. Total expenses on loss provisions	57,909
7.1. Expenses on value adjustments and provisions for identified losses	30,435
7.2. Expenses on collectively assessed impairment provisions	27,474
8. Income (loss) before taxes	451,276
9. Income tax	90,413
10. Current year profit (loss)	360,863

Off-Balance Sheet Items as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	1,323,433
2. Letters of credit	165,141
3. Bills of exchange	321,432
4. Credit lines and commitments	2,364,812
5. Other standard risky off-balance sheet items	76,289
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	4,251,107

Derivative financial instruments	
1. Futures	0
2. Options	116,737
3. Swaps	5,367,758
4. Forwards	12,210,342
5. Other	310,274
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	18,005,111

CAPITAL ADEQUACY RATIO, in % as at 30 June 2008

12.64

HRVATSKA POŠTANSKA BANKA d.d.

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BAN 2390001
http://www.hpb.hr

Management Board

Josip Protega – chairperson, Ivan Sladonja

Supervisory Board

Zdravko Marić – chairperson, Drago Jakovčević,
Vera Babić, Grga Ivezić, Miro Kovač, Vedran Duvnjak

Shareholders	Share in share capital (%)
1. Croatian Privatisation Fund	37.00
2. Hrvatska pošta d.d.	33.56
3. Croatian Pension Insurance Administration	28.01

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	2,029,300
1.1. Money assets	412,286
1.2. Deposits with the CNB	1,617,015
2. Deposits with banking institutions	1,393,683
3. MoF treasury bills and CNB bills	1,056,825
4. Securities and other financial instruments held for trading	615,149
5. Securities and other financial instruments available for sale	93,972
6. Securities and other financial instruments held to maturity	209,867
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	429
9. Loans to financial institutions	198,239
10. Loans to other clients	7,883,664
11. Investments in subsidiaries and associates	80,383
12. Foreclosed and repossessed assets	50,939
13. Tangible assets (net of depreciation)	202,428
14. Interest, fees and other assets	386,599
15. Net of: Collectively assessed impairment provisions	111,755
TOTAL ASSETS	14,089,722

Liabilities and capital	
1. Loans from financial institutions	1,475,831
1.1. Short-term loans	94,000
1.2. Long-term loans	1,381,831
2. Deposits	9,834,288
2.1. Giro account and current account deposits	2,279,042
2.2. Savings deposits	1,384,240
2.3. Time deposits	6,171,006
3. Other loans	47,102
3.1. Short-term loans	2
3.2. Long-term loans	47,101
4. Derivative financial liabilities and other financial liabilities held for trading	321
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	200,571
8. Interest, fees and other liabilities	1,534,083
9. CAPITAL	997,525
TOTAL LIABILITIES AND CAPITAL	14,089,722

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	204,919
1.1. Total interest income	419,822
1.2. Total interest expenses	214,902
2. Net income from fees and commissions	86,181
2.1. Total income from fees and commissions	290,565
2.2. Total expenses on fees and commissions	204,385
3. Net other non-interest income	–42,341
3.1. Other non-interest income	–11,792
3.2. Other non-interest expenses	30,548
4. Net non-interest income	43,840
5. General administrative expenses and depreciation	177,244
6. Net operating income before loss provisions	71,515
7. Total expenses on loss provisions	24,987
7.1. Expenses on value adjustments and provisions for identified losses	33,283
7.2. Expenses on collectively assessed impairment provisions	–8,296
8. Income (loss) before taxes	46,529
9. Income tax	12,256
10. Current year profit (loss)	34,273

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	453,496
2. Letters of credit	75,820
3. Bills of exchange	114,056
4. Credit lines and commitments	1,621,936
5. Other standard risky off-balance sheet items	1,839
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	2,267,147

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	348,346
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	348,346

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

10.87

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Fax: +385 1/6007-000
BAN 2500009
http://www.hypo-alpe-adria.hr

Management Board

Markus Ferstl – chairperson, Radojka Olić, Krešimir Starčević

Supervisory Board

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

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

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	2,809,244
1.1. Money assets	157,807
1.2. Deposits with the CNB	2,651,436
2. Deposits with banking institutions	806,005
3. MoF treasury bills and CNB bills	435,863
4. Securities and other financial instruments held for trading	142,509
5. Securities and other financial instruments available for sale	2,459,867
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	26,944
9. Loans to financial institutions	882,007
10. Loans to other clients	16,765,528
11. Investments in subsidiaries and associates	37,859
12. Foreclosed and repossessed assets	16,481
13. Tangible assets (net of depreciation)	172,052
14. Interest, fees and other assets	414,843
15. Net of: Collectively assessed impairment provisions	205,153
TOTAL ASSETS	24,764,047

Liabilities and capital	
1. Loans from financial institutions	1,166,746
1.1. Short-term loans	200,070
1.2. Long-term loans	966,676
2. Deposits	15,899,748
2.1. Giro account and current account deposits	1,828,910
2.2. Savings deposits	1,453,704
2.3. Time deposits	12,617,133
3. Other loans	1,673,391
3.1. Short-term loans	1,673,391
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	18,769
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	724,626
8. Interest, fees and other liabilities	664,479
9. CAPITAL	4,616,288
TOTAL LIABILITIES AND CAPITAL	24,764,047

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	278,091
1.1. Total interest income	730,667
1.2. Total interest expenses	452,575
2. Net income from fees and commissions	101,667
2.1. Total income from fees and commissions	123,893
2.2. Total expenses on fees and commissions	22,226
3. Net other non-interest income	60,060
3.1. Other non-interest income	82,154
3.2. Other non-interest expenses	22,093
4. Net non-interest income	161,728
5. General administrative expenses and depreciation	256,559
6. Net operating income before loss provisions	183,260
7. Total expenses on loss provisions	23,197
7.1. Expenses on value adjustments and provisions for identified losses	41,228
7.2. Expenses on collectively assessed impairment provisions	–18,032
8. Income (loss) before taxes	160,064
9. Income tax	35,166
10. Current year profit (loss)	124,898

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	3,562,132
2. Letters of credit	98,839
3. Bills of exchange	0
4. Credit lines and commitments	798,723
5. Other standard risky off-balance sheet items	936,279
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	5,395,972

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	9,336,898
4. Forwards	6,844,077
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	16,180,974

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

19.42

IMEX BANKA d.d.

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BAN 2492008
http://www.imexbanka.hr

Management Board

Čedo Maletić – chairperson, Ružica Šarić

Supervisory Board

Branko Buljan – chairperson, Ivanka Mijić, Marija Buljan

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

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	161,554
1.1. Money assets	14,055
1.2. Deposits with the CNB	147,499
2. Deposits with banking institutions	147,887
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	1,950
5. Securities and other financial instruments available for sale	49,429
6. Securities and other financial instruments held to maturity	6,603
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	645,194
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	36,528
14. Interest, fees and other assets	17,204
15. Net of: Collectively assessed impairment provisions	8,526
TOTAL ASSETS	1,057,824

Liabilities and capital	
1. Loans from financial institutions	39,864
1.1. Short-term loans	20,000
1.2. Long-term loans	19,864
2. Deposits	882,917
2.1. Giro account and current account deposits	120,868
2.2. Savings deposits	100,227
2.3. Time deposits	661,822
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	11,000
8. Interest, fees and other liabilities	24,581
9. CAPITAL	99,461
TOTAL LIABILITIES AND CAPITAL	1,057,824

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	18,856
1.1. Total interest income	36,275
1.2. Total interest expenses	17,419
2. Net income from fees and commissions	2,442
2.1. Total income from fees and commissions	3,535
2.2. Total expenses on fees and commissions	1,092
3. Net other non-interest income	–637
3.1. Other non-interest income	1,771
3.2. Other non-interest expenses	2,408
4. Net non-interest income	1,805
5. General administrative expenses and depreciation	12,807
6. Net operating income before loss provisions	7,854
7. Total expenses on loss provisions	2,181
7.1. Expenses on value adjustments and provisions for identified losses	2,284
7.2. Expenses on collectively assessed impairment provisions	–104
8. Income (loss) before taxes	5,674
9. Income tax	1,135
10. Current year profit (loss)	4,539

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	57,675
2. Letters of credit	7,152
3. Bills of exchange	0
4. Credit lines and commitments	38,934
5. Other standard risky off-balance sheet items	2
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	103,763

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	0

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

10.24

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

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	353,543
1.1. Money assets	46,241
1.2. Deposits with the CNB	307,303
2. Deposits with banking institutions	340,190
3. MoF treasury bills and CNB bills	28,730
4. Securities and other financial instruments held for trading	3,165
5. Securities and other financial instruments available for sale	3,269
6. Securities and other financial instruments held to maturity	46,191
7. Securities and other financial instruments not traded in active markets but carried at fair value	4,319
8. Derivative financial assets	0
9. Loans to financial institutions	55,000
10. Loans to other clients	1,307,837
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	1,310
13. Tangible assets (net of depreciation)	39,580
14. Interest, fees and other assets	21,150
15. Net of: Collectively assessed impairment provisions	17,682
TOTAL ASSETS	2,186,624

Liabilities and capital	
1. Loans from financial institutions	23,234
1.1. Short-term loans	0
1.2. Long-term loans	23,234
2. Deposits	1,900,044
2.1. Giro account and current account deposits	281,084
2.2. Savings deposits	332,878
2.3. Time deposits	1,286,082
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	52,341
9. CAPITAL	211,004
TOTAL LIABILITIES AND CAPITAL	2,186,624

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	35,337
1.1. Total interest income	60,914
1.2. Total interest expenses	25,577
2. Net income from fees and commissions	8,441
2.1. Total income from fees and commissions	10,470
2.2. Total expenses on fees and commissions	2,029
3. Net other non-interest income	4,981
3.1. Other non-interest income	6,486
3.2. Other non-interest expenses	1,505
4. Net non-interest income	13,422
5. General administrative expenses and depreciation	28,793
6. Net operating income before loss provisions	19,966
7. Total expenses on loss provisions	2,131
7.1. Expenses on value adjustments and provisions for identified losses	2,078
7.2. Expenses on collectively assessed impairment provisions	54
8. Income (loss) before taxes	17,835
9. Income tax	3,570
10. Current year profit (loss)	14,265

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	27,149
2. Letters of credit	9,450
3. Bills of exchange	0
4. Credit lines and commitments	94,304
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	130,904

Derivative financial instruments	
1. Futures	0
2. Options	14,763
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	14,763

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

11.45

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Management Board

Ivo Šinko – chairperson, Marija Trlaja, Mirko Goreta

Supervisory Board

Miro Petric – chairperson,[2] Duje Stančić, Stipe Kuvač, Mile Paić

Shareholders	Share in share capital (%)
1. Croatia osiguranje d.d.	6.48
2. Alfa d.d.	6.26
3. Ugo oprema i građenje. d.o.o.	4.58
4. Jolly JBS d.o.o.	4.43
5. Tiskara Malenica d.o.o.	4.24
6. Hoteli Vodice d.d.	4.18
7. NCP Remontno brodogradilište Šibenik d.o.o.	4.18
8. Importanne d.o.o.	3.76
9. Zagreb-Montaža d.o.o.	3.59
10. Vodovod i odvodnja d.o.o.	3.39
11. Rivijera d.d.	3.13

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	352,397
1.1. Money assets	53,492
1.2. Deposits with the CNB	298,905
2. Deposits with banking institutions	305,927
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	12,330
6. Securities and other financial instruments held to maturity	420,092
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	70,000
10. Loans to other clients	968,068
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	48,568
13. Tangible assets (net of depreciation)	28,752
14. Interest, fees and other assets	52,945
15. Net of: Collectively assessed impairment provisions	17,352
TOTAL ASSETS	2,241,726

Liabilities and capital	
1. Loans from financial institutions	108,511
1.1. Short-term loans	20,000
1.2. Long-term loans	88,511
2. Deposits	1,674,470
2.1. Giro account and current account deposits	202,392
2.2. Savings deposits	337,095
2.3. Time deposits	1,134,983
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	16,008
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	58,795
9. CAPITAL	383,942
TOTAL LIABILITIES AND CAPITAL	2,241,726

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	30,416
1.1. Total interest income	61,092
1.2. Total interest expenses	30,676
2. Net income from fees and commissions	6,177
2.1. Total income from fees and commissions	9,702
2.2. Total expenses on fees and commissions	3,525
3. Net other non-interest income	6,205
3.1. Other non-interest income	9,610
3.2. Other non-interest expenses	3,405
4. Net non-interest income	12,382
5. General administrative expenses and depreciation	24,420
6. Net operating income before loss provisions	18,379
7. Total expenses on loss provisions	–769
7.1. Expenses on value adjustments and provisions for identified losses	–938
7.2. Expenses on collectively assessed impairment provisions	169
8. Income (loss) before taxes	19,148
9. Income tax	4,016
10. Current year profit (loss)	15,132

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	30,008
2. Letters of credit	10,575
3. Bills of exchange	0
4. Credit lines and commitments	153,930
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	194,514

Derivative financial instruments	
1. Futures	0
2. Options	31,954
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	31,954

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

18.80

2 Entered in the register of companies on 24 July 2008.

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BAN 2400008
http://www.kaba.hr

Management Board

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

Supervisory Board

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

Shareholders	Share in share capital (%)
1. Sandi Šola	17.22
2. Mate Šarić	9.63
3. Batheja Pramod	5.47
4. Marijan Šarić	4.94
5. Goran Ivanišević	4.47
6. PBZ Invest d.o.o.	4.03
7. Croatian Privatisation Fund	3.96
8. Dario Šimić	3.95
9. Ivan Jaime Guerrero Devlahovic	3.01

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	211,396
1.1. Money assets	20,994
1.2. Deposits with the CNB	190,402
2. Deposits with banking institutions	264,995
3. MoF treasury bills and CNB bills	19,786
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	16,438
6. Securities and other financial instruments held to maturity	154,316
7. Securities and other financial instruments not traded in active markets but carried at fair value	9,597
8. Derivative financial assets	3
9. Loans to financial institutions	2,377
10. Loans to other clients	1,132,556
11. Investments in subsidiaries and associates	7,470
12. Foreclosed and repossessed assets	2,865
13. Tangible assets (net of depreciation)	63,388
14. Interest, fees and other assets	24,926
15. Net of: Collectively assessed impairment provisions	15,440
TOTAL ASSETS	1,894,674

Liabilities and capital	
1. Loans from financial institutions	120,395
1.1. Short-term loans	41,430
1.2. Long-term loans	78,965
2. Deposits	1,460,459
2.1. Giro account and current account deposits	308,375
2.2. Savings deposits	293,498
2.3. Time deposits	858,586
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	3
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	13,604
8. Interest, fees and other liabilities	91,738
9. CAPITAL	208,474
TOTAL LIABILITIES AND CAPITAL	1,894,674

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	43,724
1.1. Total interest income	67,346
1.2. Total interest expenses	23,622
2. Net income from fees and commissions	6,169
2.1. Total income from fees and commissions	12,733
2.2. Total expenses on fees and commissions	6,564
3. Net other non-interest income	1,769
3.1. Other non-interest income	5,376
3.2. Other non-interest expenses	3,607
4. Net non-interest income	7,938
5. General administrative expenses and depreciation	30,359
6. Net operating income before loss provisions	21,304
7. Total expenses on loss provisions	1,980
7.1. Expenses on value adjustments and provisions for identified losses	709
7.2. Expenses on collectively assessed impairment provisions	1,271
8. Income (loss) before taxes	19,323
9. Income tax	3,947
10. Current year profit (loss)	15,377

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	159,897
2. Letters of credit	10,932
3. Bills of exchange	0
4. Credit lines and commitments	267,401
5. Other standard risky off-balance sheet items	2,684
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	440,914

Derivative financial instruments	
1. Futures	0
2. Options	26,465
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	26,465

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

12.32

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BAN 2481000
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	Share in share capital (%)
1. Euroherc osiguranje d.d.	19.90
2. Jadransko osiguranje d.d.	16.93
3. Agram životno osiguranje d.d.	16.65
4. Euroleasing d.o.o.	11.42
5. Euro daus d.d.	8.89
6. Euroduhan d.d.	4.19
7. Euroagram nekretnine d.o.o.	4.00
8. Sunce osiguranje d.d.	3.38

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	178,108
1.1. Money assets	60,464
1.2. Deposits with the CNB	117,644
2. Deposits with banking institutions	117,410
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	7,137
6. Securities and other financial instruments held to maturity	4,183
7. Securities and other financial instruments not traded in active markets but carried at fair value	16,994
8. Derivative financial assets	172
9. Loans to financial institutions	57,141
10. Loans to other clients	808,510
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	36,206
14. Interest, fees and other assets	36,134
15. Net of: Collectively assessed impairment provisions	9,891
TOTAL ASSETS	1,252,103

Liabilities and capital	
1. Loans from financial institutions	181,577
1.1. Short-term loans	167,450
1.2. Long-term loans	14,127
2. Deposits	863,022
2.1. Giro account and current account deposits	174,946
2.2. Savings deposits	37,393
2.3. Time deposits	650,684
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	4
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	43,182
9. CAPITAL	164,317
TOTAL LIABILITIES AND CAPITAL	1,252,103

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	17,866
1.1. Total interest income	38,005
1.2. Total interest expenses	20,139
2. Net income from fees and commissions	8,049
2.1. Total income from fees and commissions	11,987
2.2. Total expenses on fees and commissions	3,938
3. Net other non-interest income	3,476
3.1. Other non-interest income	4,244
3.2. Other non-interest expenses	768
4. Net non-interest income	11,525
5. General administrative expenses and depreciation	22,806
6. Net operating income before loss provisions	6,586
7. Total expenses on loss provisions	996
7.1. Expenses on value adjustments and provisions for identified losses	1,158
7.2. Expenses on collectively assessed impairment provisions	–162
8. Income (loss) before taxes	5,590
9. Income tax	1,118
10. Current year profit (loss)	4,472

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	89,724
2. Letters of credit	20,200
3. Bills of exchange	0
4. Credit lines and commitments	103,361
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	213,285

Derivative financial instruments	
1. Futures	0
2. Options	37,629
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	37,629

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

13.49

MEĐIMURSKA BANKA d.d.

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Management Board

Nenad Jeđud – chairperson, Ljiljana Horvat

Supervisory Board

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

Shareholders	Share in share capital (%)
1. Privredna banka Zagreb d.d.	96.39

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	379,520
1.1. Money assets	53,479
1.2. Deposits with the CNB	326,041
2. Deposits with banking institutions	367,227
3. MoF treasury bills and CNB bills	164,964
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	163,904
6. Securities and other financial instruments held to maturity	3,221
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	67,162
10. Loans to other clients	1,565,620
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	3,361
13. Tangible assets (net of depreciation)	38,288
14. Interest, fees and other assets	28,051
15. Net of: Collectively assessed impairment provisions	30,755
TOTAL ASSETS	2,750,564

Liabilities and capital	
1. Loans from financial institutions	91,214
1.1. Short-term loans	26,060
1.2. Long-term loans	65,154
2. Deposits	2,101,079
2.1. Giro account and current account deposits	392,125
2.2. Savings deposits	377,233
2.3. Time deposits	1,331,721
3. Other loans	155,795
3.1. Short-term loans	0
3.2. Long-term loans	155,795
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	99,880
9. CAPITAL	302,596
TOTAL LIABILITIES AND CAPITAL	2,750,564

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	51,886
1.1. Total interest income	90,810
1.2. Total interest expenses	38,924
2. Net income from fees and commissions	15,324
2.1. Total income from fees and commissions	18,273
2.2. Total expenses on fees and commissions	2,949
3. Net other non-interest income	–468
3.1. Other non-interest income	4,936
3.2. Other non-interest expenses	5,404
4. Net non-interest income	14,857
5. General administrative expenses and depreciation	31,344
6. Net operating income before loss provisions	35,398
7. Total expenses on loss provisions	–2,819
7.1. Expenses on value adjustments and provisions for identified losses	–4,547
7.2. Expenses on collectively assessed impairment provisions	1,727
8. Income (loss) before taxes	38,218
9. Income tax	7,652
10. Current year profit (loss)	30,566

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	87,184
2. Letters of credit	1,987
3. Bills of exchange	0
4. Credit lines and commitments	228,231
5. Other standard risky off-balance sheet items	3,075
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	320,477

Derivative financial instruments	
1. Futures	0
2. Options	12,621
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	12,621

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

12.86

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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.	6.72
3. Dragica Predović	4.56
4. Hypo Alpe-Adria-Bank AG	4.05
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. Munis d.o.o.	3.57
11. Aling J.T.D.	3.30
12. Jadransko osiguranje d.d.	3.30
13. Branko Škarica	3.24
14. HPB d.d./ST Invest – ST Global Equity	3.19

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	72,263
1.1. Money assets	5,092
1.2. Deposits with the CNB	67,171
2. Deposits with banking institutions	45,372
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	68,190
5. Securities and other financial instruments available for sale	50,640
6. Securities and other financial instruments held to maturity	13,972
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	8,300
10. Loans to other clients	236,747
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	42
13. Tangible assets (net of depreciation)	6,677
14. Interest, fees and other assets	9,162
15. Net of: Collectively assessed impairment provisions	4,097
TOTAL ASSETS	507,267

Liabilities and capital	
1. Loans from financial institutions	39,784
1.1. Short-term loans	36,900
1.2. Long-term loans	2,884
2. Deposits	386,512
2.1. Giro account and current account deposits	70,016
2.2. Savings deposits	10,300
2.3. Time deposits	306,196
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	22,990
9. CAPITAL	57,982
TOTAL LIABILITIES AND CAPITAL	507,267

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	3,317
1.1. Total interest income	13,649
1.2. Total interest expenses	10,332
2. Net income from fees and commissions	26
2.1. Total income from fees and commissions	1,904
2.2. Total expenses on fees and commissions	1,878
3. Net other non-interest income	–19,908
3.1. Other non-interest income	–19,568
3.2. Other non-interest expenses	340
4. Net non-interest income	–19,882
5. General administrative expenses and depreciation	4,582
6. Net operating income before loss provisions	–21,147
7. Total expenses on loss provisions	586
7.1. Expenses on value adjustments and provisions for identified losses	1,050
7.2. Expenses on collectively assessed impairment provisions	–464
8. Income (loss) before taxes	–21,733
9. Income tax	323
10. Current year profit (loss)	–22,056

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	61,668
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	240
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	61,908

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	8,563
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	8,563

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

11.13

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Management Board

Damir Odak – chairperson, Zorislav Vidović, Balazs Pal Bekeffy

Supervisory Board

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

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

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	1,747,970
1.1. Money assets	153,941
1.2. Deposits with the CNB	1,594,029
2. Deposits with banking institutions	1,217,952
3. MoF treasury bills and CNB bills	178,439
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	611,149
6. Securities and other financial instruments held to maturity	103,665
7. Securities and other financial instruments not traded in active markets but carried at fair value	8,198
8. Derivative financial assets	63
9. Loans to financial institutions	90,700
10. Loans to other clients	7,835,185
11. Investments in subsidiaries and associates	78,807
12. Foreclosed and repossessed assets	178
13. Tangible assets (net of depreciation)	166,185
14. Interest, fees and other assets	193,964
15. Net of: Collectively assessed impairment provisions	99,278
TOTAL ASSETS	12,133,176

Liabilities and capital	
1. Loans from financial institutions	716,133
1.1. Short-term loans	103,816
1.2. Long-term loans	612,318
2. Deposits	8,906,695
2.1. Giro account and current account deposits	1,517,938
2.2. Savings deposits	1,149,710
2.3. Time deposits	6,239,047
3. Other loans	708,387
3.1. Short-term loans	121
3.2. Long-term loans	708,265
4. Derivative financial liabilities and other financial liabilities held for trading	552
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	37,050
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	306,484
9. CAPITAL	1,457,876
TOTAL LIABILITIES AND CAPITAL	12,133,176

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	179,389
1.1. Total interest income	346,948
1.2. Total interest expenses	167,559
2. Net income from fees and commissions	46,407
2.1. Total income from fees and commissions	64,101
2.2. Total expenses on fees and commissions	17,694
3. Net other non-interest income	3,793
3.1. Other non-interest income	27,644
3.2. Other non-interest expenses	23,852
4. Net non-interest income	50,200
5. General administrative expenses and depreciation	133,711
6. Net operating income before loss provisions	95,879
7. Total expenses on loss provisions	6,684
7.1. Expenses on value adjustments and provisions for identified losses	5,623
7.2. Expenses on collectively assessed impairment provisions	1,061
8. Income (loss) before taxes	89,195
9. Income tax	0
10. Current year profit (loss)	89,195

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	274,589
2. Letters of credit	29,729
3. Bills of exchange	0
4. Credit lines and commitments	979,544
5. Other standard risky off-balance sheet items	1,505
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	1,285,368

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	130,645
4. Forwards	0
5. Other	214,726
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	345,371

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

12.14

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Management Board

Marija Šola – chairperson, Branka Oštrić

Supervisory Board

Borislav Škegro – chairperson, Ivan Ćurković, Božo Čulo

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

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	118,318
1.1. Money assets	11,454
1.2. Deposits with the CNB	106,864
2. Deposits with banking institutions	73,022
3. MoF treasury bills and CNB bills	19,719
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	116,218
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	1
9. Loans to financial institutions	3,389
10. Loans to other clients	855,439
11. Investments in subsidiaries and associates	2,883
12. Foreclosed and repossessed assets	6,982
13. Tangible assets (net of depreciation)	34,590
14. Interest, fees and other assets	17,638
15. Net of: Collectively assessed impairment provisions	10,086
TOTAL ASSETS	1,238,114

Liabilities and capital	
1. Loans from financial institutions	272,181
1.1. Short-term loans	101,350
1.2. Long-term loans	170,831
2. Deposits	755,678
2.1. Giro account and current account deposits	163,043
2.2. Savings deposits	34,549
2.3. Time deposits	558,086
3. Other loans	8,514
3.1. Short-term loans	0
3.2. Long-term loans	8,514
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	31,784
9. CAPITAL	169,956
TOTAL LIABILITIES AND CAPITAL	1,238,114

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	23,866
1.1. Total interest income	42,100
1.2. Total interest expenses	18,235
2. Net income from fees and commissions	4,297
2.1. Total income from fees and commissions	7,193
2.2. Total expenses on fees and commissions	2,896
3. Net other non-interest income	2,305
3.1. Other non-interest income	2,897
3.2. Other non-interest expenses	593
4. Net non-interest income	6,601
5. General administrative expenses and depreciation	23,288
6. Net operating income before loss provisions	7,179
7. Total expenses on loss provisions	2,704
7.1. Expenses on value adjustments and provisions for identified losses	2,621
7.2. Expenses on collectively assessed impairment provisions	83
8. Income (loss) before taxes	4,475
9. Income tax	1,683
10. Current year profit (loss)	2,792

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	102,849
2. Letters of credit	25,695
3. Bills of exchange	0
4. Credit lines and commitments	37,572
5. Other standard risky off-balance sheet items	9,280
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	175,396

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	35,992
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	35,992

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

14.54

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Management Board

Julio Kuruc – chairperson, Davorka Jakir, Marijan Marušić

Supervisory Board

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

Shareholders	Share in share capital (%)
1. Lorenzo Gorgoni	9.66
2. Assicurazioni Generali S.p.A.	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. Luigi Liaci	4.59
11. Giovanni Semeraro	4.10

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	366,479
1.1. Money assets	45,889
1.2. Deposits with the CNB	320,589
2. Deposits with banking institutions	475,291
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	108,631
6. Securities and other financial instruments held to maturity	72,448
7. Securities and other financial instruments not traded in active markets but carried at fair value	33,791
8. Derivative financial assets	4
9. Loans to financial institutions	75,000
10. Loans to other clients	1,460,513
11. Investments in subsidiaries and associates	1,530
12. Foreclosed and repossessed assets	2,168
13. Tangible assets (net of depreciation)	75,865
14. Interest, fees and other assets	58,329
15. Net of: Collectively assessed impairment provisions	21,000
TOTAL ASSETS	2,709,049

Liabilities and capital	
1. Loans from financial institutions	145,600
1.1. Short-term loans	84,000
1.2. Long-term loans	61,600
2. Deposits	2,208,330
2.1. Giro account and current account deposits	383,242
2.2. Savings deposits	258,611
2.3. Time deposits	1,566,477
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	101,903
9. CAPITAL	253,213
TOTAL LIABILITIES AND CAPITAL	2,709,049

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	44,171
1.1. Total interest income	90,304
1.2. Total interest expenses	46,133
2. Net income from fees and commissions	18,709
2.1. Total income from fees and commissions	26,280
2.2. Total expenses on fees and commissions	7,571
3. Net other non-interest income	–3,493
3.1. Other non-interest income	1,108
3.2. Other non-interest expenses	4,602
4. Net non-interest income	15,216
5. General administrative expenses and depreciation	51,504
6. Net operating income before loss provisions	7,884
7. Total expenses on loss provisions	1,039
7.1. Expenses on value adjustments and provisions for identified losses	2,239
7.2. Expenses on collectively assessed impairment provisions	–1,200
8. Income (loss) before taxes	6,844
9. Income tax	1,290
10. Current year profit (loss)	5,554

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	51,318
2. Letters of credit	18,986
3. Bills of exchange	0
4. Credit lines and commitments	208,482
5. Other standard risky off-balance sheet items	1,585
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	280,371

Derivative financial instruments	
1. Futures	0
2. Options	1,909
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	1,909

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

10.13

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http://www.primorska.hr

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	16,343
1.1. Money assets	4,030
1.2. Deposits with the CNB	12,313
2. Deposits with banking institutions	24,529
3. MoF treasury bills and CNB bills	1,988
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	2,732
6. Securities and other financial instruments held to maturity	497
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	83,544
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	891
14. Interest, fees and other assets	7,137
15. Net of: Collectively assessed impairment provisions	1,158
TOTAL ASSETS	136,504

Liabilities and capital	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	86,796
2.1. Giro account and current account deposits	8,026
2.2. Savings deposits	9,706
2.3. Time deposits	69,064
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	1,500
8. Interest, fees and other liabilities	4,891
9. CAPITAL	43,317
TOTAL LIABILITIES AND CAPITAL	136,504

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	2,896
1.1. Total interest income	4,711
1.2. Total interest expenses	1,815
2. Net income from fees and commissions	106
2.1. Total income from fees and commissions	622
2.2. Total expenses on fees and commissions	515
3. Net other non-interest income	–32
3.1. Other non-interest income	160
3.2. Other non-interest expenses	192
4. Net non-interest income	75
5. General administrative expenses and depreciation	4,550
6. Net operating income before loss provisions	–1,579
7. Total expenses on loss provisions	1,198
7.1. Expenses on value adjustments and provisions for identified losses	1,164
7.2. Expenses on collectively assessed impairment provisions	34
8. Income (loss) before taxes	–2,777
9. Income tax	0
10. Current year profit (loss)	–2,777

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	1,100
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	1,435
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	2,535

Derivative financial instruments	
1. Futures	0
2. Options	48
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	48

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

36.56

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Management Board

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

Supervisory Board

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

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

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	9,662,325
1.1. Money assets	1,156,213
1.2. Deposits with the CNB	8,506,113
2. Deposits with banking institutions	4,908,461
3. MoF treasury bills and CNB bills	826,559
4. Securities and other financial instruments held for trading	1,189,897
5. Securities and other financial instruments available for sale	1,263,345
6. Securities and other financial instruments held to maturity	1,179,339
7. Securities and other financial instruments not traded in active markets but carried at fair value	96,099
8. Derivative financial assets	149,326
9. Loans to financial institutions	477,947
10. Loans to other clients	39,719,670
11. Investments in subsidiaries and associates	348,336
12. Foreclosed and repossessed assets	30,213
13. Tangible assets (net of depreciation)	861,951
14. Interest, fees and other assets	883,214
15. Net of: Collectively assessed impairment provisions	526,365
TOTAL ASSETS	61,070,315

Liabilities and capital	
1. Loans from financial institutions	2,722,626
1.1. Short-term loans	1,267,921
1.2. Long-term loans	1,454,705
2. Deposits	42,057,327
2.1. Giro account and current account deposits	7,209,560
2.2. Savings deposits	5,542,937
2.3. Time deposits	29,304,831
3. Other loans	5,694,077
3.1. Short-term loans	0
3.2. Long-term loans	5,694,077
4. Derivative financial liabilities and other financial liabilities held for trading	69,096
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	2,073,831
9. CAPITAL	8,453,357
TOTAL LIABILITIES AND CAPITAL	61,070,315

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	892,377
1.1. Total interest income	1,804,819
1.2. Total interest expenses	912,442
2. Net income from fees and commissions	191,089
2.1. Total income from fees and commissions	301,036
2.2. Total expenses on fees and commissions	109,947
3. Net other non-interest income	203,323
3.1. Other non-interest income	302,985
3.2. Other non-interest expenses	99,662
4. Net non-interest income	394,412
5. General administrative expenses and depreciation	533,848
6. Net operating income before loss provisions	752,941
7. Total expenses on loss provisions	5,902
7.1. Expenses on value adjustments and provisions for identified losses	5,902
7.2. Expenses on collectively assessed impairment provisions	0
8. Income (loss) before taxes	747,039
9. Income tax	115,519
10. Current year profit (loss)	631,521

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	2,994,174
2. Letters of credit	534,094
3. Bills of exchange	0
4. Credit lines and commitments	11,854,437
5. Other standard risky off-balance sheet items	52,194
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	15,434,900

Derivative financial instruments	
1. Futures	1,747,074
2. Options	0
3. Swaps	19,447,869
4. Forwards	10,033,759
5. Other	709,986
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	31,938,688

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

14.00

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Management Board

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

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	6,582,001
1.1. Money assets	383,179
1.2. Deposits with the CNB	6,198,822
2. Deposits with banking institutions	1,923,054
3. MoF treasury bills and CNB bills	969,257
4. Securities and other financial instruments held for trading	3,187,485
5. Securities and other financial instruments available for sale	9,265
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	326,407
8. Derivative financial assets	141,439
9. Loans to financial institutions	850,562
10. Loans to other clients	24,282,085
11. Investments in subsidiaries and associates	228,945
12. Foreclosed and repossessed assets	283
13. Tangible assets (net of depreciation)	402,238
14. Interest, fees and other assets	664,111
15. Net of: Collectively assessed impairment provisions	282,312
TOTAL ASSETS	39,284,822

Liabilities and capital	
1. Loans from financial institutions	1,452,109
1.1. Short-term loans	612,283
1.2. Long-term loans	839,826
2. Deposits	23,093,085
2.1. Giro account and current account deposits	4,103,886
2.2. Savings deposits	2,906,643
2.3. Time deposits	16,082,556
3. Other loans	8,140,155
3.1. Short-term loans	1,275,646
3.2. Long-term loans	6,864,509
4. Derivative financial liabilities and other financial liabilities held for trading	90,099
5. Debt securities issued	153,233
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	153,233
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,113,493
9. CAPITAL	5,242,647
TOTAL LIABILITIES AND CAPITAL	39,284,822

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	487,856
1.1. Total interest income	1,191,708
1.2. Total interest expenses	703,852
2. Net income from fees and commissions	168,284
2.1. Total income from fees and commissions	234,443
2.2. Total expenses on fees and commissions	66,159
3. Net other non-interest income	148,088
3.1. Other non-interest income	171,756
3.2. Other non-interest expenses	23,668
4. Net non-interest income	316,373
5. General administrative expenses and depreciation	396,287
6. Net operating income before loss provisions	407,941
7. Total expenses on loss provisions	23,477
7.1. Expenses on value adjustments and provisions for identified losses	26,087
7.2. Expenses on collectively assessed impairment provisions	–2,610
8. Income (loss) before taxes	384,464
9. Income tax	49,086
10. Current year profit (loss)	335,379

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	3,430,510
2. Letters of credit	243,231
3. Bills of exchange	1,550
4. Credit lines and commitments	3,345,701
5. Other standard risky off-balance sheet items	1,921,373
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	8,942,365

Derivative financial instruments	
1. Futures	3,318,789
2. Options	0
3. Swaps	5,448,613
4. Forwards	25,166,064
5. Other	90,759
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	34,024,224

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

12.62

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Management Board

Marijan Kantolić – chairperson, Verica Ljubičić

Supervisory Board

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

Shareholders	Share in share capital (%)
1. Aquae Vivae d.d.	79.34
2. Samoborka d.d.	5.15
3. Raiffeisenbank Austria d.d. (custody account)	3.51

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	47,341
1.1. Money assets	8,787
1.2. Deposits with the CNB	38,554
2. Deposits with banking institutions	113,484
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	12,266
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	6
9. Loans to financial institutions	15,000
10. Loans to other clients	157,858
11. Investments in subsidiaries and associates	53
12. Foreclosed and repossessed assets	1,721
13. Tangible assets (net of depreciation)	28,945
14. Interest, fees and other assets	7,898
15. Net of: Collectively assessed impairment provisions	2,956
TOTAL ASSETS	381,615

Liabilities and capital	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	289,322
2.1. Giro account and current account deposits	78,531
2.2. Savings deposits	67,763
2.3. Time deposits	143,028
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	13,094
9. CAPITAL	79,155
TOTAL LIABILITIES AND CAPITAL	381,615

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	6,430
1.1. Total interest income	10,231
1.2. Total interest expenses	3,801
2. Net income from fees and commissions	602
2.1. Total income from fees and commissions	1,755
2.2. Total expenses on fees and commissions	1,153
3. Net other non-interest income	1,637
3.1. Other non-interest income	1,964
3.2. Other non-interest expenses	326
4. Net non-interest income	2,239
5. General administrative expenses and depreciation	5,315
6. Net operating income before loss provisions	3,355
7. Total expenses on loss provisions	–1,599
7.1. Expenses on value adjustments and provisions for identified losses	–1,417
7.2. Expenses on collectively assessed impairment provisions	–182
8. Income (loss) before taxes	4,954
9. Income tax	991
10. Current year profit (loss)	3,963

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	13,701
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	23,138
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	36,840

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	0

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

31.90

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Management Board

Angelina Horvat – chairperson, Elvis Mališ

Supervisory Board

Mirko Lukač – chairperson, Oleg Uskoković, Blaženka Eror Matić, Vinko Radić, Denis Smolar

Shareholders	Share in share capital (%)
1. State Agency for Bank Rehabilitation and Deposit Insurance	8.32
2. Société Générale-Splitska banka d.d./ East Capital asset management	7.63
3. Société Générale-Splitska banka d.d./ Gustavus Capital asset management	4.95
4. PBZ Invest d.o.o.	4.78
5. Erste & Steiermärkische Bank d.d./CSC	4.69
6. Ingra d.d.	4.08
7. Vaba d.d.	3.81
8. HPB d.d./Kapitalni fond d.d.	3.78
9. Hypo Alpe-Adria-Bank d.d./SZIF d.d.	3.31
10. Croatia Lloyd d.d.	3.02

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	133,508
1.1. Money assets	18,002
1.2. Deposits with the CNB	115,506
2. Deposits with banking institutions	138,715
3. MoF treasury bills and CNB bills	46,943
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	1,010
6. Securities and other financial instruments held to maturity	72,097
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	34,500
10. Loans to other clients	551,917
11. Investments in subsidiaries and associates	6,069
12. Foreclosed and repossessed assets	3,553
13. Tangible assets (net of depreciation)	28,204
14. Interest, fees and other assets	6,476
15. Net of: Collectively assessed impairment provisions	8,099
TOTAL ASSETS	1,014,893

Liabilities and capital	
1. Loans from financial institutions	37,012
1.1. Short-term loans	0
1.2. Long-term loans	37,012
2. Deposits	767,710
2.1. Giro account and current account deposits	102,859
2.2. Savings deposits	71,679
2.3. Time deposits	593,172
3. Other loans	16,382
3.1. Short-term loans	0
3.2. Long-term loans	16,382
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	26
8. Interest, fees and other liabilities	40,144
9. CAPITAL	153,619
TOTAL LIABILITIES AND CAPITAL	1,014,893

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	19,648
1.1. Total interest income	36,695
1.2. Total interest expenses	17,047
2. Net income from fees and commissions	4,077
2.1. Total income from fees and commissions	5,581
2.2. Total expenses on fees and commissions	1,503
3. Net other non-interest income	427
3.1. Other non-interest income	1,132
3.2. Other non-interest expenses	705
4. Net non-interest income	4,504
5. General administrative expenses and depreciation	17,450
6. Net operating income before loss provisions	6,702
7. Total expenses on loss provisions	464
7.1. Expenses on value adjustments and provisions for identified losses	724
7.2. Expenses on collectively assessed impairment provisions	–260
8. Income (loss) before taxes	6,238
9. Income tax	1,501
10. Current year profit (loss)	4,737

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	8,314
2. Letters of credit	76
3. Bills of exchange	0
4. Credit lines and commitments	20,101
5. Other standard risky off-balance sheet items	1,763
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	30,254

Derivative financial instruments	
1. Futures	0
2. Options	20,189
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	20,189

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

17.31

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Management Board

Ivan Mihaljević – chairperson, Branka Štinc

Supervisory Board

Thomas Morgl – chairperson, Paul Kocher, Zlata Vrdoljak

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

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	2,379,789
1.1. Money assets	78,582
1.2. Deposits with the CNB	2,301,208
2. Deposits with banking institutions	648,630
3. MoF treasury bills and CNB bills	77,395
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	133,837
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	57
9. Loans to financial institutions	10,000
10. Loans to other clients	7,133,096
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	83,491
13. Tangible assets (net of depreciation)	70,364
14. Interest, fees and other assets	125,762
15. Net of: Collectively assessed impairment provisions	87,553
TOTAL ASSETS	10,574,869

Liabilities and capital	
1. Loans from financial institutions	395,581
1.1. Short-term loans	30,500
1.2. Long-term loans	365,081
2. Deposits	7,223,310
2.1. Giro account and current account deposits	936,194
2.2. Savings deposits	401,003
2.3. Time deposits	5,886,114
3. Other loans	33,516
3.1. Short-term loans	0
3.2. Long-term loans	33,516
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	737,451
8. Interest, fees and other liabilities	315,185
9. CAPITAL	1,869,826
TOTAL LIABILITIES AND CAPITAL	10,574,869

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	123,748
1.1. Total interest income	294,121
1.2. Total interest expenses	170,374
2. Net income from fees and commissions	43,919
2.1. Total income from fees and commissions	53,543
2.2. Total expenses on fees and commissions	9,623
3. Net other non-interest income	35,684
3.1. Other non-interest income	38,367
3.2. Other non-interest expenses	2,683
4. Net non-interest income	79,603
5. General administrative expenses and depreciation	117,912
6. Net operating income before loss provisions	85,439
7. Total expenses on loss provisions	9,137
7.1. Expenses on value adjustments and provisions for identified losses	6,637
7.2. Expenses on collectively assessed impairment provisions	2,500
8. Income (loss) before taxes	76,302
9. Income tax	9,041
10. Current year profit (loss)	67,261

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	1,096,189
2. Letters of credit	15,996
3. Bills of exchange	0
4. Credit lines and commitments	1,078,520
5. Other standard risky off-balance sheet items	105,271
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	2,295,976

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	434,844
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	434,844

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

25.10

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Management Board

Pierre Boursot – chairperson, Philippe Marcotte de Quivières, Henri Bellenger, Ivo Bilić, Florian Urban

Supervisory Board

Jean-Didier Reigner – chairperson, Serge Eveillé, Alexis Juan

Shareholders	Share in share capital (%)
1. Société Générale	99.76

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	4,423,672
1.1. Money assets	290,170
1.2. Deposits with the CNB	4,133,502
2. Deposits with banking institutions	1,752,057
3. MoF treasury bills and CNB bills	565,826
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	1,850,544
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	2,758
9. Loans to financial institutions	283,201
10. Loans to other clients	15,964,756
11. Investments in subsidiaries and associates	21,979
12. Foreclosed and repossessed assets	918
13. Tangible assets (net of depreciation)	256,490
14. Interest, fees and other assets	556,995
15. Net of: Collectively assessed impairment provisions	210,965
TOTAL ASSETS	25,468,232

Liabilities and capital	
1. Loans from financial institutions	1,145,451
1.1. Short-term loans	56,314
1.2. Long-term loans	1,089,136
2. Deposits	12,633,429
2.1. Giro account and current account deposits	3,147,908
2.2. Savings deposits	1,710,725
2.3. Time deposits	7,774,796
3. Other loans	7,787,051
3.1. Short-term loans	2,160,828
3.2. Long-term loans	5,626,223
4. Derivative financial liabilities and other financial liabilities held for trading	5,495
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	1,163,934
9. CAPITAL	2,732,873
TOTAL LIABILITIES AND CAPITAL	25,468,232

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	350,339
1.1. Total interest income	749,520
1.2. Total interest expenses	399,181
2. Net income from fees and commissions	97,300
2.1. Total income from fees and commissions	124,380
2.2. Total expenses on fees and commissions	27,080
3. Net other non-interest income	50,822
3.1. Other non-interest income	68,481
3.2. Other non-interest expenses	17,659
4. Net non-interest income	148,122
5. General administrative expenses and depreciation	302,645
6. Net operating income before loss provisions	195,816
7. Total expenses on loss provisions	7,709
7.1. Expenses on value adjustments and provisions for identified losses	11,609
7.2. Expenses on collectively assessed impairment provisions	–3,900
8. Income (loss) before taxes	188,106
9. Income tax	37,214
10. Current year profit (loss)	150,893

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	1,395,442
2. Letters of credit	96,332
3. Bills of exchange	0
4. Credit lines and commitments	4,240,225
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	5,731,999

Derivative financial instruments	
1. Futures	0
2. Options	91,460
3. Swaps	4,809,826
4. Forwards	334,755
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	5,236,042

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

11.56

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Management Board

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

Supervisory Board

Ivo Andrijanić – chairperson, Đuro Benček, Petar Ćurković

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

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	69,700
1.1. Money assets	5,527
1.2. Deposits with the CNB	64,173
2. Deposits with banking institutions	115,434
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	81,014
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	28
9. Loans to financial institutions	66,317
10. Loans to other clients	633,084
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	10,469
13. Tangible assets (net of depreciation)	49,087
14. Interest, fees and other assets	19,918
15. Net of: Collectively assessed impairment provisions	8,043
TOTAL ASSETS	1,037,027

Liabilities and capital	
1. Loans from financial institutions	77,822
1.1. Short-term loans	73,954
1.2. Long-term loans	3,868
2. Deposits	561,670
2.1. Giro account and current account deposits	76,412
2.2. Savings deposits	61,814
2.3. Time deposits	423,445
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	81,630
9. CAPITAL	315,905
TOTAL LIABILITIES AND CAPITAL	1,037,027

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	20,582
1.1. Total interest income	34,661
1.2. Total interest expenses	14,079
2. Net income from fees and commissions	3,872
2.1. Total income from fees and commissions	4,968
2.2. Total expenses on fees and commissions	1,097
3. Net other non-interest income	5,158
3.1. Other non-interest income	6,208
3.2. Other non-interest expenses	1,050
4. Net non-interest income	9,029
5. General administrative expenses and depreciation	8,761
6. Net operating income before loss provisions	20,851
7. Total expenses on loss provisions	–7,828
7.1. Expenses on value adjustments and provisions for identified losses	–6,807
7.2. Expenses on collectively assessed impairment provisions	–1,021
8. Income (loss) before taxes	28,679
9. Income tax	5,651
10. Current year profit (loss)	23,028

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	139,442
2. Letters of credit	19,611
3. Bills of exchange	0
4. Credit lines and commitments	15,079
5. Other standard risky off-balance sheet items	2,264
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	176,396

Derivative financial instruments	
1. Futures	0
2. Options	157,138
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	157,138

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

23.91

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Management Board

Igor Čičak – chairperson, Zvonimir Jasek

Supervisory Board

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

Shareholders	Share in share capital (%)
1. Fima Validus d.d.	33.68
2. Balkan Financial Sector	19.04
3. Fima grupa d.d.	10.99
4. Gara Secundus d.o.o.	4.96
5. Nikomat d.d.	3.89
6. Croatia osiguranje d.d.	3.29

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	155,852
1.1. Money assets	13,375
1.2. Deposits with the CNB	142,476
2. Deposits with banking institutions	58,064
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	7,512
5. Securities and other financial instruments available for sale	90,172
6. Securities and other financial instruments held to maturity	55,855
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	16
9. Loans to financial institutions	30,116
10. Loans to other clients	764,096
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	1,616
13. Tangible assets (net of depreciation)	26,603
14. Interest, fees and other assets	35,978
15. Net of: Collectively assessed impairment provisions	9,603
TOTAL ASSETS	1,216,277

Liabilities and capital	
1. Loans from financial institutions	201,110
1.1. Short-term loans	201,000
1.2. Long-term loans	110
2. Deposits	825,349
2.1. Giro account and current account deposits	53,102
2.2. Savings deposits	15,433
2.3. Time deposits	756,814
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	26,647
9. CAPITAL	163,170
TOTAL LIABILITIES AND CAPITAL	1,216,277

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	19,973
1.1. Total interest income	43,402
1.2. Total interest expenses	23,429
2. Net income from fees and commissions	2,356
2.1. Total income from fees and commissions	3,392
2.2. Total expenses on fees and commissions	1,036
3. Net other non-interest income	–1,482
3.1. Other non-interest income	1,537
3.2. Other non-interest expenses	3,019
4. Net non-interest income	875
5. General administrative expenses and depreciation	23,673
6. Net operating income before loss provisions	–2,826
7. Total expenses on loss provisions	6,035
7.1. Expenses on value adjustments and provisions for identified losses	5,349
7.2. Expenses on collectively assessed impairment provisions	685
8. Income (loss) before taxes	–8,861
9. Income tax	0
10. Current year profit (loss)	–8,861

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	22,578
2. Letters of credit	674
3. Bills of exchange	0
4. Credit lines and commitments	69,974
5. Other standard risky off-balance sheet items	12,295
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	105,521

Derivative financial instruments	
1. Futures	0
2. Options	4,488
3. Swaps	0
4. Forwards	57,970
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	62,458

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

14.88

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Management Board

Adriano Carisi – chairperson, Jasna Mamić

Supervisory Board

Gian-Quinto Perissinotto – chairperson,
Pierluigi Ronzani, Mauro Gallea, Gaetano Caberlotto,
Innocente Nardi

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

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	363,054
1.1. Money assets	25,758
1.2. Deposits with the CNB	337,296
2. Deposits with banking institutions	20,665
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	487
5. Securities and other financial instruments available for sale	952
6. Securities and other financial instruments held to maturity	8,141
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	115,000
10. Loans to other clients	423,259
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	1,739
13. Tangible assets (net of depreciation)	40,552
14. Interest, fees and other assets	18,201
15. Net of: Collectively assessed impairment provisions	8,347
TOTAL ASSETS	983,703

Liabilities and capital	
1. Loans from financial institutions	35,327
1.1. Short-term loans	0
1.2. Long-term loans	35,327
2. Deposits	436,861
2.1. Giro account and current account deposits	87,201
2.2. Savings deposits	17,680
2.3. Time deposits	331,980
3. Other loans	202,895
3.1. Short-term loans	57,970
3.2. Long-term loans	144,925
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	20,729
9. CAPITAL	287,891
TOTAL LIABILITIES AND CAPITAL	983,703

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	8,395
1.1. Total interest income	23,050
1.2. Total interest expenses	14,655
2. Net income from fees and commissions	1,475
2.1. Total income from fees and commissions	2,150
2.2. Total expenses on fees and commissions	674
3. Net other non-interest income	484
3.1. Other non-interest income	1,488
3.2. Other non-interest expenses	1,004
4. Net non-interest income	1,959
5. General administrative expenses and depreciation	19,923
6. Net operating income before loss provisions	–9,569
7. Total expenses on loss provisions	3,757
7.1. Expenses on value adjustments and provisions for identified losses	3,757
7.2. Expenses on collectively assessed impairment provisions	0
8. Income (loss) before taxes	–13,326
9. Income tax	0
10. Current year profit (loss)	–13,326

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	29,279
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	88,882
5. Other standard risky off-balance sheet items	251
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	118,413

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	0

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

40.26

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Management Board

Tomasz Jerzy Taraba – chairperson, Andrea Kovacs, Dieter Hornbacher

Supervisory Board

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

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

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	814,669
1.1. Money assets	66,808
1.2. Deposits with the CNB	747,861
2. Deposits with banking institutions	892,154
3. MoF treasury bills and CNB bills	9,641
4. Securities and other financial instruments held for trading	2,277
5. Securities and other financial instruments available for sale	153,765
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	5,804
9. Loans to financial institutions	672,350
10. Loans to other clients	5,164,172
11. Investments in subsidiaries and associates	1,000
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	15,852
14. Interest, fees and other assets	118,303
15. Net of: Collectively assessed impairment provisions	64,191
TOTAL ASSETS	7,785,797

Liabilities and capital	
1. Loans from financial institutions	184,744
1.1. Short-term loans	142,900
1.2. Long-term loans	41,844
2. Deposits	5,421,515
2.1. Giro account and current account deposits	493,502
2.2. Savings deposits	259,936
2.3. Time deposits	4,668,077
3. Other loans	108,190
3.1. Short-term loans	0
3.2. Long-term loans	108,190
4. Derivative financial liabilities and other financial liabilities held for trading	14,370
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	69,093
8. Interest, fees and other liabilities	324,283
9. CAPITAL	1,663,602
TOTAL LIABILITIES AND CAPITAL	7,785,797

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	99,354
1.1. Total interest income	221,139
1.2. Total interest expenses	121,784
2. Net income from fees and commissions	25,355
2.1. Total income from fees and commissions	28,209
2.2. Total expenses on fees and commissions	2,854
3. Net other non-interest income	10,303
3.1. Other non-interest income	18,149
3.2. Other non-interest expenses	7,846
4. Net non-interest income	35,658
5. General administrative expenses and depreciation	78,251
6. Net operating income before loss provisions	56,762
7. Total expenses on loss provisions	14,384
7.1. Expenses on value adjustments and provisions for identified losses	12,965
7.2. Expenses on collectively assessed impairment provisions	1,419
8. Income (loss) before taxes	42,378
9. Income tax	8,740
10. Current year profit (loss)	33,638

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	54,336
2. Letters of credit	7,614
3. Bills of exchange	0
4. Credit lines and commitments	502,575
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	564,525

Derivative financial instruments	
1. Futures	0
2. Options	211,325
3. Swaps	3,148,546
4. Forwards	725,131
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	4,085,002

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

23.34

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Management Board

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

Supervisory Board

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

Shareholders	Share in share capital (%)
1. Bank Austria Creditanstalt AG	84.21
2. Allianz AG	11.72

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	12,161,792
1.1. Money assets	1,203,471
1.2. Deposits with the CNB	10,958,321
2. Deposits with banking institutions	5,994,083
3. MoF treasury bills and CNB bills	2,119,629
4. Securities and other financial instruments held for trading	1,134,864
5. Securities and other financial instruments available for sale	2,441,409
6. Securities and other financial instruments held to maturity	524,726
7. Securities and other financial instruments not traded in active markets but carried at fair value	95,062
8. Derivative financial assets	49,177
9. Loans to financial institutions	425,208
10. Loans to other clients	54,402,443
11. Investments in subsidiaries and associates	910,885
12. Foreclosed and repossessed assets	17,931
13. Tangible assets (net of depreciation)	1,190,901
14. Interest, fees and other assets	1,726,423
15. Net of: Collectively assessed impairment provisions	661,988
TOTAL ASSETS	82,532,547

Liabilities and capital	
1. Loans from financial institutions	4,692,932
1.1. Short-term loans	3,876,242
1.2. Long-term loans	816,690
2. Deposits	54,717,091
2.1. Giro account and current account deposits	12,098,706
2.2. Savings deposits	6,592,193
2.3. Time deposits	36,026,192
3. Other loans	4,739,564
3.1. Short-term loans	1,572,941
3.2. Long-term loans	3,166,623
4. Derivative financial liabilities and other financial liabilities held for trading	119,763
5. Debt securities issued	3,255,769
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	3,255,769
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	2,607,042
9. CAPITAL	12,400,386
TOTAL LIABILITIES AND CAPITAL	82,532,547

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	1,157,767
1.1. Total interest income	2,332,927
1.2. Total interest expenses	1,175,160
2. Net income from fees and commissions	433,871
2.1. Total income from fees and commissions	511,018
2.2. Total expenses on fees and commissions	77,148
3. Net other non-interest income	245,770
3.1. Other non-interest income	320,566
3.2. Other non-interest expenses	74,796
4. Net non-interest income	679,641
5. General administrative expenses and depreciation	766,138
6. Net operating income before loss provisions	1,071,270
7. Total expenses on loss provisions	42,970
7.1. Expenses on value adjustments and provisions for identified losses	48,444
7.2. Expenses on collectively assessed impairment provisions	–5,474
8. Income (loss) before taxes	1,028,299
9. Income tax	194,779
10. Current year profit (loss)	833,520

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	4,849,690
2. Letters of credit	1,002,674
3. Bills of exchange	0
4. Credit lines and commitments	14,782,444
5. Other standard risky off-balance sheet items	82,228
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	20,717,035

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	1,419,213
4. Forwards	25,755,554
5. Other	1,253,884
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	28,428,651

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

16.95

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Management Board

Dunja Vidošević –chairperson, Jasminka Makarun

Supervisory Board

Marijo Kirinić – chairperson, Ana Klarić, Josip Ivančić

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

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

Balance Sheet
as at 30 June 2008, 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	5,837
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	38,783
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	24,868
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	52
14. Interest, fees and other assets	7,254
15. Net of: Collectively assessed impairment provisions	652
TOTAL ASSETS	76,143

Liabilities and capital	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	41,565
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	41,565
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	8,147
9. CAPITAL	26,431
TOTAL LIABILITIES AND CAPITAL	76,143

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	1,114
1.1. Total interest income	1,606
1.2. Total interest expenses	491
2. Net income from fees and commissions	610
2.1. Total income from fees and commissions	726
2.2. Total expenses on fees and commissions	115
3. Net other non-interest income	–206
3.1. Other non-interest income	167
3.2. Other non-interest expenses	374
4. Net non-interest income	404
5. General administrative expenses and depreciation	2,330
6. Net operating income before loss provisions	–812
7. Total expenses on loss provisions	171
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on collectively assessed impairment provisions	171
8. Income (loss) before taxes	–982
9. Income tax	0
10. Current year profit (loss)	–982

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	0
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	1,500
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	1,500

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	0

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

84.37

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Management Board

Mirko Brozović – chairperson, Branimir Ćosić

Supervisory Board

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

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

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

Balance Sheet
as at 30 June 2008, 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	914
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	1,134,575
6. Securities and other financial instruments held to maturity	328,967
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	11,273
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	209
14. Interest, fees and other assets	21,450
15. Net of: Collectively assessed impairment provisions	12,724
TOTAL ASSETS	1,484,663

Liabilities and capital	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	1,406,136
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	1,406,136
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	10,000
8. Interest, fees and other liabilities	35,864
9. CAPITAL	32,662
TOTAL LIABILITIES AND CAPITAL	1,484,663

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	7,553
1.1. Total interest income	32,918
1.2. Total interest expenses	25,366
2. Net income from fees and commissions	3,808
2.1. Total income from fees and commissions	4,607
2.2. Total expenses on fees and commissions	799
3. Net other non-interest income	–2,051
3.1. Other non-interest income	–807
3.2. Other non-interest expenses	1,244
4. Net non-interest income	1,757
5. General administrative expenses and depreciation	5,326
6. Net operating income before loss provisions	3,983
7. Total expenses on loss provisions	851
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on collectively assessed impairment provisions	851
8. Income (loss) before taxes	3,132
9. Income tax	371
10. Current year profit (loss)	2,761

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	0
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	578
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	578

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	0

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

223.93

PRVA STAMBENA ŠTEDIONICA d.d.

Savska 60-62, 10000 Zagreb
Phone: +385 1/6065-127
Fax: +385 1/6065-120
http://www.prva-stambena.hr

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

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

Management Board

Snježana Herceg – chairperson, Srećko Maceković

Supervisory Board

Tomica Pustišek – chairperson, Davor Pavlić, Nataša Svilar

Balance Sheet
as at 30 June 2008, 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	1,254
3. MoF treasury bills and CNB bills	96,473
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	44,769
6. Securities and other financial instruments held to maturity	486,268
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	8,000
10. Loans to other clients	1,195,447
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	1,816
14. Interest, fees and other assets	173,379
15. Net of: Collectively assessed impairment provisions	17,440
TOTAL ASSETS	1,989,965

Liabilities and capital	
1. Loans from financial institutions	166
1.1. Short-term loans	0
1.2. Long-term loans	166
2. Deposits	1,696,179
2.1. Giro account and current account deposits	0
2.2. Savings deposits	10
2.3. Time deposits	1,696,169
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	198,438
9. CAPITAL	95,183
TOTAL LIABILITIES AND CAPITAL	1,989,965

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	15,318
1.1. Total interest income	45,018
1.2. Total interest expenses	29,700
2. Net income from fees and commissions	8,556
2.1. Total income from fees and commissions	9,712
2.2. Total expenses on fees and commissions	1,156
3. Net other non-interest income	–7,311
3.1. Other non-interest income	–485
3.2. Other non-interest expenses	6,825
4. Net non-interest income	1,246
5. General administrative expenses and depreciation	7,619
6. Net operating income before loss provisions	8,944
7. Total expenses on loss provisions	–140
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on collectively assessed impairment provisions	–140
8. Income (loss) before taxes	9,084
9. Income tax	–273
10. Current year profit (loss)	9,357

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	0
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	34,012
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	34,012

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	0

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

10.78

RAIFFEISEN STAMBENA ŠTEDIONICA d.d.

Radnička cesta 47, 10000 Zagreb
Phone: +385 1/6006-100
Fax: +385 1/6006-199
http://www2.raiffeisenstambena.hr

Management Board

Hans Christian Vallant – chairperson, Franjo Franjić

Supervisory Board

Johann Ertl – chairperson, Zdenko Adrović, Christian Ratz

Shareholders	Share in share capital (%)
1. Raiffeisen Bausparkasse GmbH	87.27
2. Raiffeisenbank Austria d.d.	12.73

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	5
1.1. Money assets	5
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	98,359
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	356,099
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	1,431,164
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	4,551
14. Interest, fees and other assets	113,528
15. Net of: Collectively assessed impairment provisions	13,013
TOTAL ASSETS	1,990,692

Liabilities and capital	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	1,745,459
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	1,745,459
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	50,755
8. Interest, fees and other liabilities	116,888
9. CAPITAL	77,591
TOTAL LIABILITIES AND CAPITAL	1,990,692

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	24,274
1.1. Total interest income	56,920
1.2. Total interest expenses	32,647
2. Net income from fees and commissions	7,984
2.1. Total income from fees and commissions	9,949
2.2. Total expenses on fees and commissions	1,964
3. Net other non-interest income	–11,494
3.1. Other non-interest income	–9,865
3.2. Other non-interest expenses	1,630
4. Net non-interest income	–3,510
5. General administrative expenses and depreciation	26,101
6. Net operating income before loss provisions	–5,337
7. Total expenses on loss provisions	4,048
7.1. Expenses on value adjustments and provisions for identified losses	3,947
7.2. Expenses on collectively assessed impairment provisions	101
8. Income (loss) before taxes	–9,385
9. Income tax	0
10. Current year profit (loss)	–9,385

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	0
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	19,879
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	19,879

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	0

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

11.85

WÜSTENROT STAMBENA ŠTEDIONICA d.d.

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

Management Board

Zdravko Anđel – chairperson, Ivan Ostojić

Supervisory Board

Wolfgang Radlegger – chairperson,
Marlies Wiest-Jetter, Sigmund Raugust,
Werner Wabscheg, Klaus Wöhry

Shareholders	Share in share capital (%)
1. Bausparkasse Wüstenrot AG	68.58
2. Wüstenrot Bank AG	25.63
3. Wüstenrot Versicherungs AG	5.79

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

Balance Sheet
as at 30 June 2008, in thousand HRK

Assets	
1. Money assets and deposits with the CNB	23
1.1. Money assets	23
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	13,379
3. MoF treasury bills and CNB bills	5,072
4. Securities and other financial instruments held for trading	103,214
5. Securities and other financial instruments available for sale	50,920
6. Securities and other financial instruments held to maturity	68,446
7. Securities and other financial instruments not traded in active markets but carried at fair value	8,532
8. Derivative financial assets	0
9. Loans to financial institutions	59,800
10. Loans to other clients	808,836
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	2,905
14. Interest, fees and other assets	10,889
15. Net of: Collectively assessed impairment provisions	8,603
TOTAL ASSETS	1,123,413

Liabilities and capital	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	1,016,696
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	1,016,696
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	30,072
8. Interest, fees and other liabilities	23,420
9. CAPITAL	53,225
TOTAL LIABILITIES AND CAPITAL	1,123,413

Income Statement
as at 30 June 2008, in thousand HRK

1. Net interest income	15,677
1.1. Total interest income	29,120
1.2. Total interest expenses	13,443
2. Net income from fees and commissions	8,760
2.1. Total income from fees and commissions	8,913
2.2. Total expenses on fees and commissions	153
3. Net other non-interest income	–5,456
3.1. Other non-interest income	–2,579
3.2. Other non-interest expenses	2,877
4. Net non-interest income	3,303
5. General administrative expenses and depreciation	19,496
6. Net operating income before loss provisions	–516
7. Total expenses on loss provisions	1,208
7.1. Expenses on value adjustments and provisions for identified losses	186
7.2. Expenses on collectively assessed impairment provisions	1,022
8. Income (loss) before taxes	–1,724
9. Income tax	0
10. Current year profit (loss)	–1,724

Off-Balance Sheet Items
as at 30 June 2008, in thousand HRK

Standard off-balance sheet items	
1. Guarantees	0
2. Letters of credit	0
3. Bills of exchange	0
4. Credit lines and commitments	32,057
5. Other standard risky off-balance sheet items	0
TOTAL STANDARD OFF-BALANCE SHEET ITEMS	32,057

Derivative financial instruments	
1. Futures	0
2. Options	0
3. Swaps	0
4. Forwards	0
5. Other	0
TOTAL NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS	0

CAPITAL ADEQUACY RATIO, in %
as at 30 June 2008

12.08

Attachment I

List of Banking Institutions by Peer Groups, end of period

Ordinal no. as at 30 June 2008	Name of banking institution and its registered office	Peer group identifier			
		Dec. 2005	Dec. 2006	Dec. 2007	Jun. 2008
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.	BKS Bank d.d., Rijeka[2)]	S	S	S	S
6.	Centar banka d.d., Zagreb	S	S	S	S
7.	Credo banka d.d., Split	S	S	S	S
8.	Croatia banka d.d., Zagreb	S	S	S	S
9.	Erste & Steiermärkische Bank d.d., Rijeka	L	L	L	L
10.	Hrvatska poštanska banka d.d., Zagreb	MS	MS	MS	MS
11.	Hypo Alpe-Adria-Bank d.d., Zagreb	L	L	L	L
12.	Imex banka d.d., Split	S	S	S	S
13.	Istarska kreditna banka Umag d.d., Umag	S	S	S	S
14.	Jadranska banka d.d., Šibenik	S	S	S	S
15.	Karlovačka banka d.d., Karlovac	S	S	S	S
16.	Kreditna banka Zagreb d.d., Zagreb	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[3)]	S	–	–	–
22.	Primorska banka d.d., Rijeka	S	S	S	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[4)]	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	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)] Kvarner banka d.d., Rijeka changed its name into BKS Bank d.d., Rijeka on 22 August 2008. [3)] Požeška banka d.d., Požega merged with Podravska banka d.d., Koprivnica. [4)] 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 30 June 2008			
	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., Zagreb	HPB stambena štedionica d.d., Zagreb
			HPB Invest d.o.o.
			HPB Nekretnine d.o.o.
4.	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
5.	KARLOVAČKA BANKA	Karlovačka banka d.d., Karlovac	Kaba nekretnine d.o.o., Karlovac
6.	OTP BANKA HRVATSKA	OTP banka Hrvatska d.d., Zadar	OTP Leasing d.d., Zagreb
			OTP Nekretnine d.o.o., Zadar
7.	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
			Centurion d.o.o., Ljubljana
			Centurion d.o.o., Sarajevo
8.	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 mirovin-skim fondom 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., Slatina	Turbina d.o.o., Slatina
9.	SOCIÉTÉ GÉNÉRALE - SPLITSKA BANKA	Société Générale - Splitska banka d.d., Split	SG Consumer Finance d.o.o.
10.	ZAGREBAČKA BANKA	Zagrebačka banka d.d., Zagreb	UniCredit Bank d.d., Mostar
			Prva stambena štadionica d.d., Zagreb
			ZB Invest d.o.o., Zagreb
			CA IB d.d., za poslovanje vrijednosnim papirima, Zagreb
			Pominvest d.d., Split
			Zagreb nekretnine d.o.o., Zagreb
			Allianz ZB društvo za upravljanje dobrovoljnim mirovinskim fondo-vima 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 equtiy
CICR	– currency-induced credit risk

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