

# NATIONAL BANK OF CROATIA

## 1995

## annual report



*Martes*





**NATIONAL BANK OF CROATIA**  
**ANNUAL REPORT 1995**



## ON THE KUNA

Based on: Dalibor Brozović, (1994): *The Kuna and The Lipa - The Currency of the Republic of Croatia*, Zagreb: the National Bank of Croatia.

The kuna or marten (Latin *martes*, Genitive *martis*), i.e. its fur, was used as a subject in payments in kind and measure of value in ancient times. It was used for this purpose across the entire territory of today's Central and Eastern Europe: in the old Russia, Poland, Prussia and Hungary. History also records the "marturina" or "kunovina", an ancient tax named after the kuna. It was a Croatian tax, independent from Hungarian taxes, considered to have appeared in 1094, and it lasted (according to the renowned Croatian historian, Klaić) until the 16th Century.

In 1224, when the marten fur market stabilized at around 10 dinar per fur, the conditions were established for the kuna to become an expression of money equivalent. The image of kuna can be seen on the banski denar (banovci, banice), a silver coin dating from some time between 1235 and 1384. In the Latin names of these currency units - *denarius marturinalis*, *denarius marduridanlis*, Dalibor Brozović also finds the trace of the kuna: "According to the formation of the Latin adjective, its meaning could indeed be "denar to pay marturina" i.e. tax, because it was actually used to pay marturina, along with other things, including other taxes" (Brozović, 1994: 17). This is why Brozović concludes that Latin names for banovci were but simple translations of the common name for the currency, most probably kuna. The image of kuna/marten had been appearing on banovci, the most respected currency of Croatia's past, until 1384.

The image of the kuna and its name has deep roots in the Croatian financial system in the Middle Ages and the beginning of modern times. It was used to name the subject of payments in kind, the money equivalent, the unit of account, the banski denar, the tax and its taxpayers.

Therefore, when it appeared possible that Banovina Hrvatska (1939 - 1941) would issue its own money, the idea of naming it the kuna appeared. These plans were interrupted by World War II. During the Independent State of Croatia (NDH 1941 - 1945), the monetary unit was called the kuna. Of that period Brozović (1994: 25) says: "That was not a shining period in the centuries long history of the kuna, but historical truth bears no secrets, even if it is of an insignificantly short period, 4 years lost in the course of centuries."

Croatia provoked a lot of resentment by naming its monetary unit the kuna. A millennium long tradition of the kuna in Croatian history, which made it a part of the Croatian collective memory (similar to that of the lira in Italy and the mark in Germany), was disregarded in the name of a 4-year period. The name kuna symbolizes a millennium long history and deep roots, without which there could be none of the stable value of the currency we are witnessing today.





# CONTENTS

|                                                                                                                 |           |
|-----------------------------------------------------------------------------------------------------------------|-----------|
| Foreword by the Governor of the National Bank of Croatia                                                        | 7         |
| <b>I. Macroeconomic Developments in 1995</b>                                                                    | <b>13</b> |
| 1.1 The International Economic Environment in 1995                                                              | 15        |
| 1.1.1 North America                                                                                             | 15        |
| 1.1.2 Western Europe                                                                                            | 15        |
| 1.1.3 Developing Countries and Transitional Countries                                                           | 16        |
| 1.1.4 Inflation                                                                                                 | 18        |
| 1.1.5 European Monetary System                                                                                  | 19        |
| 1.2 General Characteristics of the Croatian Economy in 1995                                                     | 19        |
| 1.2.1 Money Supply and Foreign Exchange Reserves                                                                | 20        |
| 1.2.2 Rate of Exchange and Aggregate Price Level                                                                | 22        |
| 1.2.3 Inflow of Capital and Relative Prices                                                                     | 24        |
| 1.2.4 Interest Rates                                                                                            | 26        |
| 1.2.5 Balance of Payments                                                                                       | 29        |
| 1.2.6 Industrial Production and Investments                                                                     | 31        |
| 1.2.7 Wages and Employment                                                                                      | 32        |
| 1.2.8 State Budget                                                                                              | 33        |
| 1.3 Current Doubts about the Monetary Policy of the National Bank of Croatia                                    | 35        |
| 1.3.1 On the Kuna Exchange Rate                                                                                 | 35        |
| 1.3.2 On the Causes of Illiquidity                                                                              | 37        |
| 1.3.3 On the Connection between Monetary Policy, Inflation and Economic Growth                                  | 38        |
| <b>II. Monetary Policy in 1995</b>                                                                              | <b>41</b> |
| 2.1 Monetary and Credit Aggregates                                                                              | 43        |
| 2.1.1 Tendencies in Monetary Aggregates                                                                         | 43        |
| 2.1.2 Net Domestic Assets of the Banking System (NDA)                                                           | 46        |
| 2.2 Relations with the Government                                                                               | 47        |
| 2.3 Relations with Deposit Money Banks                                                                          | 48        |
| 2.4 Interest Rates of the National Bank of Croatia                                                              | 51        |
| 2.5 Interventions on Foreign Exchange Markets and Foreign Exchange Reserves                                     | 51        |
| <b>III. International Relations</b>                                                                             | <b>57</b> |
| 3.1 Relations with the International Monetary Fund                                                              | 59        |
| 3.1.1 Implementation of STB/STF Arrangements                                                                    | 59        |
| 3.1.2 The Convertibility of the Kuna                                                                            | 60        |
| 3.2 The World Bank Group, European Bank for Reconstruction and Development, Inter-American Bank for Development | 63        |
| 3.3 Relations with Foreign Banks                                                                                | 64        |
| 3.4 Regulation of the External Debt of the Republic of Croatia                                                  | 64        |
| 3.5 Payment Operations with Foreign Countries                                                                   | 65        |

|                                                                                                                                  |            |
|----------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>IV. Banking System in Croatia</b>                                                                                             | <b>67</b>  |
| 4.1 Structure of Banks' Liabilities                                                                                              | 69         |
| 4.2 Structure of Croatian Banks' Assets                                                                                          | 70         |
| 4.3 Analysis of Banks' Capital                                                                                                   | 71         |
| 4.4 Analysis of the Quality of Banks' Assets                                                                                     | 71         |
| 4.5 Limitations Decreasing Credit Risk                                                                                           | 72         |
| 4.5.1 Large Credits and the Largest Credit                                                                                       | 72         |
| 4.5.2 Credits to Shareholders Holding over 10% of Equity Capital and to Members of the Board of Directors and Supervisory Board  | 72         |
| 4.5.3 Total Credit and Other Claims and Liabilities to and Individual Debtor                                                     | 73         |
| 4.5.4 Coefficient of Investment in Land, Buildings, Equipment and Office Space                                                   | 73         |
| 4.5.5 The Coefficient of Total Investment in Land, Buildings, Equipment and Office Space and Shares in Banks and Other Companies | 73         |
| 4.6 Analysis of Banks' Profits                                                                                                   | 73         |
| 4.7 Review of the Current Situation in the Banking System                                                                        | 74         |
| <b>V. Treasury</b>                                                                                                               | <b>77</b>  |
| 5.1 Tendencies in Cash                                                                                                           | 79         |
| 5.2 Jubilee Coins                                                                                                                | 81         |
| <b>VI. Organization, Management and Human Resources</b>                                                                          | <b>85</b>  |
| 6.1 The Council of the NBC                                                                                                       | 87         |
| 6.2 Organization and Information System Development                                                                              | 87         |
| 6.3 Payment Transaction Operations                                                                                               | 89         |
| 6.4 Legal Affairs                                                                                                                | 91         |
| 6.5 Human Resources                                                                                                              | 91         |
| 6.5.1 Scholarships                                                                                                               | 92         |
| 6.5.2 Education and Training                                                                                                     | 92         |
| 6.5.3 Employees' Salaries                                                                                                        | 93         |
| <b>VII. Financial Report: Annual Financial Statement of the NBC</b>                                                              | <b>95</b>  |
| 7.1 Earnings                                                                                                                     | 97         |
| 7.1.1 Lending Interest Rates                                                                                                     | 97         |
| 7.1.2 Other Earnings                                                                                                             | 98         |
| 7.2 Expenditures                                                                                                                 | 98         |
| 7.2.1 Deposit Interest Rates                                                                                                     | 98         |
| 7.2.2 Expenses                                                                                                                   | 99         |
| 7.3 Appropriated Funds                                                                                                           | 99         |
| 7.4 Surplus of Earnings over Expenditures                                                                                        | 100        |
| <b>Management of the National Bank of Croatia</b>                                                                                | <b>101</b> |
| <b>Internal Organization of the National Bank of Croatia</b>                                                                     | <b>105</b> |
| <b>List of Banks</b>                                                                                                             | <b>109</b> |
| <b>Statistical Appendix</b>                                                                                                      | <b>119</b> |

# FOREWORD

---



NBC - ANNUAL REPORT - 1995



It is my honour and pleasure to, according to stipulations of the Law on the National Bank of Croatia, present the Annual Report of the National Bank of Croatia for 1995 to the Croatian Parliament. As always, I would like to reflect on the previous year, as well as indicate the goals of monetary policy in the future.

### *Developments in 1995*

The growth of the Croatian economy in 1995, estimated at 2% of the GDP, is moderate compared to the expectations at the beginning of the year. Following the successful implementation of the Stabilization Program, expectations of growth were more than optimistic. However, the political and military developments in 1995, greatly influenced overall economic activity.

It was of great consequence that, in circumstances of military police actions, during which Croatia regained control over the major part of its territory under occupation, the stability of prices and the exchange rate was maintained. We should stress the growth in retail prices of only 3.7%, which places Croatia right on the top among transitional countries, and in line with tendencies in the developed countries. Low inflation is not only the measure of country's civilization level, enabling it to prove its ability to control its economy, but also Croatia's "differentia specifica", its specific difference in comparison with the rest of the Balkans.

Often we hear critics claiming that our low inflation is just a brief episode achieved through over-restrictive monetary policy. To what extent are the central monetary authorities really restrictive?

Last year, reserve money, the main product of the central bank, grew by 43%, while at the same time the broad monetary aggregate, total liquid assets (so called M4), grew by 40%. In these circumstances we are free to say that, from a monetary point of view, 1995 was the continuation of the trend (though milder) of rapid remonetization, i.e. recurrent substitution of foreign currency into domestic currency, initiated by the Stabilization Program. Obviously, the character of monetary policy did not change in 1995 compared to 1994. The main means of creation of money (increase in reserve money) were interventions of the central bank on foreign exchange markets. At the end of 1995, claims on foreign countries amounted to 95% of the total assets of the National Bank of Croatia. A moderate budget deficit amounting to 2% of the GDP, undoubtedly had a significant impact on overall stabilization tendencies in Croatia. Such fiscal tendencies, as well as contributions by other policies, prove that the macroeconomic stability of Croatian economy is more than a mere monetary trick.

In regard to monetary policy, 1995 was in major part marked by the Stand-by / STF arrangement with the International Monetary Fund. Three-month performance criteria, out of which the most notable were net domestic assets (NDA), proved to be excellent structural benchmarks. The arrangement was carried out in its entirety, contributing to the overall credibility of the Croatian Stabilization Program.

The figures causing the most polemics during 1995 were those related to the balance of payments. Recorded trade deficit of US\$ 2.9 bil and a US\$ 1.7 bil current account deficit (representing around 9.5% of the total estimated GDP) were, and still are, the main topic in numerous discussions. However, it is important to note that this deficit was attained



along with the increase in both imports and exports, with growth in imports significantly surpassing growth in exports.

In 1995, international reserves of the central bank grew to US\$ 1.9 bil, which represents a growth of 35%. Therefore, despite the current account deficit, capital inflow was such as to ensure dynamic increase in the necessary reserves. Namely, in conditions of low domestic savings, real growth can be financed only by foreign accumulation.

Last year will surely be remembered for the beginning of the solution of the problem of external liquidity i.e. external debt incurred by former Yugoslavia. In March 1995, an extremely important arrangement with member countries of the so-called Paris Club was reached. This arrangement meant not only the beginning of the regularization of relationships with creditor-countries, but it also opened the door to later regulation of relations with commercial banks gathered around the London Club.

The main problem of the financial system as a whole in 1995 was high interest rates. What should be noted here is not only the high level of real interest rates, but also a high difference between credit and deposit interest rates, as well as the growing trend of interest rates throughout 1995. Analysis points to the fact that the level and dynamics of domestic interest rates are primarily caused by domestic structural reasons like: the high portion of (inherited) immobile assets, which either bear no return or bear return significantly lower than that currently attainable at the market (consequently, a smaller part of sound assets has to finance the entire liabilities of banks); segmented and oligopolistic markets of banking services (which is reflected in high differences in interest rates among various deposit money banks); inadequate protection of creditors, causing high risk premiums (i.e. high total interest charged). The high level of interest rates is surely contributed to by the relatively high country risk Croatia bears in comparison with Western Europe, which results in significantly higher deposit rates on the same banking products in Croatia than in foreign banks. Low productivity of labour in our banks (measured by assets per employee), surely contributes significantly to the above tendencies.

With such high levels of interest rates, we cannot expect more dynamic economic growth. But the level of interest rates, as well as the difference between credit and deposit rates, will be decreasing following the dynamics of the process of restructuring of bank and enterprises. Monetary policy can do very little in this particular segment.

#### *What are the priorities of monetary policy in the future?*

Achieving and protecting price stability is today considered one of the basic functions of the central monetary authorities. Monetary authorities should achieve this through monetary policy. In these circumstances, the independence of monetary authorities from the Government - executive authority - is extremely important. The central bank of the Republic of Croatia also strives to be a modern central bank directed toward the market economy.

There are opinions that after "breaking" inflation, we should stop worrying about it, and turn toward development instead - as if these were two conflicting goals - either stability or growth. Economic growth, as necessary as it can be, cannot be achieved without a stable macroeconomic framework,



which also includes price stability. Contemporary works in the field of economics prove, beyond doubt, that the main and fundamental condition of growth (sustainable real economic growth in medium and long-term) is exactly economic stability.

Besides, there is no country in the world achieving high economic growth without appropriate domestic savings. Estimates speak of the portion of domestic gross savings in the GDP dropping from a relatively high 20% to only 5% to 6% of GDP in 1994. The following are some of the most important measures in increasing savings: maintaining positive real interest rates, financial discipline and stability of the financial system, reform of the retirement system as a medium-term measure, fiscal discipline, i.e. government savings and the credibility of economic and all other policies, and trust not only in the banking system, but in the country as a whole. This confidence and trust must be earned, built day by day, and can be lost in a moment.

In the Croatian case, this is of enormous importance. We should not forget our "financial innovation", inherited from the time of the break-up of the former Yugoslavia, the so called old foreign currency savings. Nevertheless, during 1995 total households' savings (not macroeconomically defined savings, but households' savings in the domestic banking system) increased by over 50%.

The main rule of banking is the balance between assets and liabilities according to their maturity. This means that for long term investments (which are the only ones ensuring growth), banks require long-term sources of funds. Without positive expectations, no one wants to invest in the long-term.

Savings have to be efficiently allocated, which depends on the stability of financial system. Therefore, the second role given to modern monetary authorities is maintaining the stability of the financial system in the medium-term. In the business world of developed market economies, risk always exists. Unfortunately, socialism never acknowledged that category. Socialism can be seen a huge insurance system, in which the government was insuring enterprises against loss, i.e. bankruptcy, providing workers with secure jobs and regular (though very modest) salaries. Naturally, such a system had to rely on obligation, preventing any initiative. Hence its failure. This should be remembered, and risk should be accepted as a normal market occurrence. Managing risk constitutes business skill.

In addition to risk, which is usually measurable (for instance, we know that 30% of all newly granted loans are not repaid), there is uncertainty, which cannot be measured (a missile attack on Zagreb or a rise in the price of oil on the world market). In conditions of high uncertainty, decision-making is much more difficult. Clearly defined business rules, along with respect for property relations, should help decrease uncertainty. The role of the central bank in creating a stable environment for financial mediation, by credible policy as well as adequate regulation and control of the monetary system, is very important. Without effective financial mediation, there can be no efficient allocation of resources, which is the basic condition for overall economic progress.

Banks and savings banks are depository institutions which have a special place in all economies. They handle other people's money, money owned by all people who own bank accounts and deposits in such banks. Therefore, it

is only normal to give special attention to such institutions through an adequate regulation.

In my opinion, it is of key significance to turn toward the medium-term in planning Croatian economic and financial policy. We should forget the short-term (monthly or even daily) results in prices or exchange rate, and turn our attention to the long-term trend. The theory and praxis of central banking was developed around the inflationary pressures of the conflict between the medium-term and long-term effects of monetary expansion. Expectations regarding Croatia's economic future are very high. This is positive as long as we are realistic in our expectations, always remembering that printing large quantities of money can produce only illusions, never real goods and services.

And finally, what is the place of the Croatian economy in the future? The answer is relatively simple. The world has been developing in the direction of trade and currency zones. Croatia has been, and will remain, a part of Europe. It is important to note that even now, almost two thirds of our merchandise exports and imports are traded with countries of the European Union. Adding the CEFTA, which will soon (even if not formally) become the part of the EU, this share climbs to 4/5. Therefore, we must be more determined about accepting European standards, especially in financial operations. It is very important for us that, even at this moment, we fulfill most of the criteria (with the exception of interest rates) for joining the EMU.

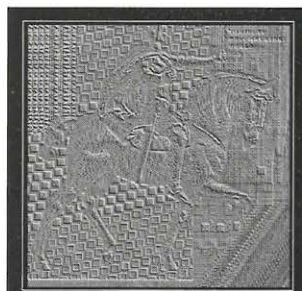
Does Croatia have a choice in its policy? As any other modern country, it does, and it chooses the path it wishes to follow. But in conditions of globalization, i.e. higher and higher levels of inter-relation between economies, we should know that world markets are becoming more and more cautious and transparent. Mistakes in the monetary policy of a country are much more quickly recognized, causing significantly more far-reaching consequences than before (remember Mexico). High mobility of capital has only enhanced the responsibilities of countries and central monetary institutions, prescribing implementation of sound policies. Miracles do not happen, at least not in economics, and economic success is always the result of long-term hard work.

Thomas Alva Edison once said: "There is no substitute for hard work". Paraphrasing Mr. Edison, allow me to say that a healthy, credible medium-term economic policy, directed towards increase in domestic savings and with a clear European vision, simply has no substitute in Croatia. If there is a substitute, be sure that the marginal rate of substitution of these policies is such, that no rational human being would choose it. Therefore, let us turn toward the future, because that is where all of us are going to spend the rest of our lives.



Marko Škreb  
June 4, 1996

# I. MACROECONOMIC DEVELOPMENTS IN 1995



NBC - ANNUAL REPORT - 1995





## I.I.

# The International Economic Environment in 1995

### 1.1.1

### North America

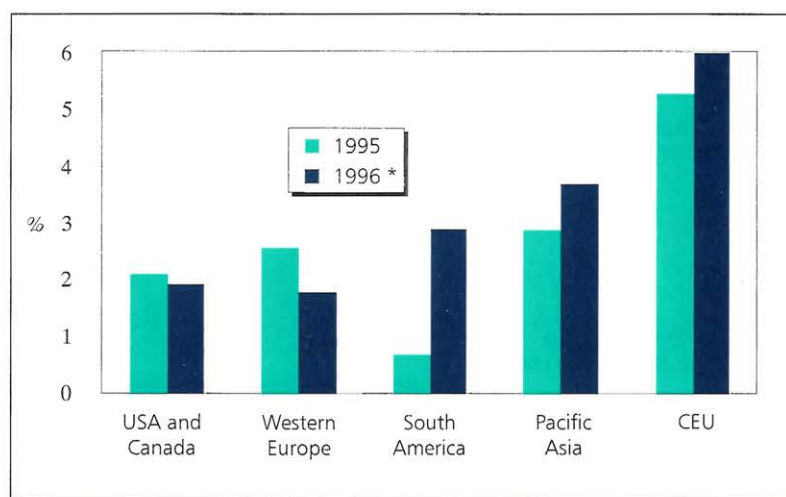
The global economic environment in 1995 was characterized by the slow-down of growth in developed countries and by continuing rapid growth in developing countries. Tendencies are divergent within groups of countries. The North American economies of the United States and Canada recorded a relatively low, though expected, growth rate of 2.1%. Following rapid growth in 1993 and 1994, the unemployment rate in the USA plunged to 5.6% (1% lower than the estimated natural rate of unemployment). In order to avoid the peril of inflation due to possible "overheating" of the economy, and to stabilize the weakened dollar, the Federal Reserve has lead a slightly more restrictive monetary policy since the beginning of the year. Lower money supply growth and higher interest rates seem to have slowed down growth and started returning strength to the dollar. The so called "soft landing" strategy so far seems successful. Therefore, following a further expected slow-down of growth to 1.9% in 1996, 1997 is expected to bring the beginning of a new growth cycle.

Graph I.I

### GROWTH RATE OF GDP IN 1995 AND EXPECTATIONS FOR 1996 BY GROUPS OF COUNTRIES

\* Forecast

Source: Consensus Forecasts, March 11, 1996; UN/ECE Economic Survey of Europe in 1995 - 1996.



### 1.1.2

### Western Europe

The developed European economies recorded an average growth rate of 2.6%. Although higher than the north American, this rate is lower than expected. In addition, positive year-on-year growth rates were recorded thanks to a high activity level carried over from the end of 1994. In the second half of 1995, European economies started recording a decrease in economic activity.

Structural causes acting on the supply side (mostly on the supply side of the labour market) are generally considered the cause of such developments. The average unemployment rate in developed European countries amounts to a high 10.5% and seemingly cannot be decreased by fiscal and monetary measures of macroeconomic policy. Estimates of structural unemployment reach up to 8%-10%, meaning there are significant differences between the kinds of labour sought and offered on the labour market.

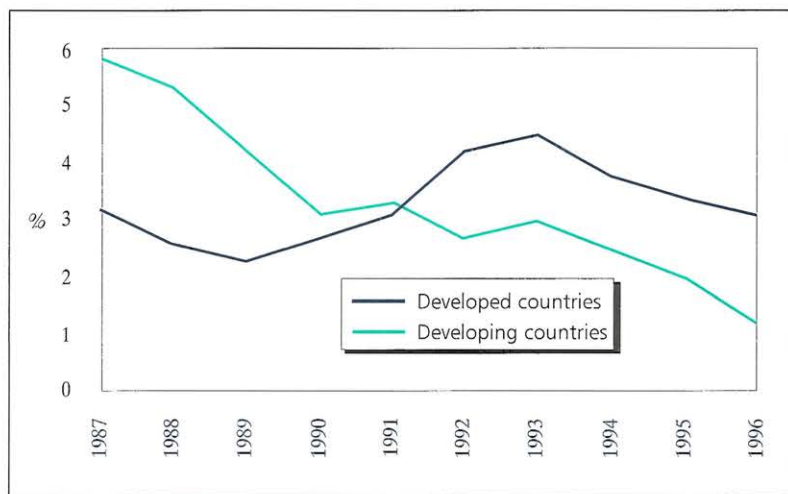
The main problem in connection with the inadequate functioning of the labour market is the large fiscal deficit. The crisis of the welfare state, discussed for years, reached its peak in the mid-1990s. Overly generous social security burdens national budgets and causes slow and imprecise functioning of labour markets. Therefore the economic future of Europe and North America depends on the depth of social change reaching far beyond economics. Stabilization of national budgets and improved functioning of labour markets demand cut-backs in the public sector, reform i.e. additional privatization of social security and health insurance systems, as well as changes in the educational system. These are significant changes requiring considerable time to implement. Consequently, a significant slow-down of growth is expected in Europe, down to 1.8% in 1996.

Short-term growth is no longer the hottest item in economic policies of developed countries, for its long-term price can be too high. Governments have turned toward long-term, structural changes in the public sector. Initial political failures in the reform of social security in France as well as the seven-month budget blockade in the United States confirm that this is a long and difficult political process.

Graph I.2

### SHARE OF FISCAL DEFICIT IN GDP BY GROUPS OF COUNTRIES 1987-1996 \*

\* Data for 1995 and 1996 show expected values



Source: World Economic Outlook, October 1995: tables A15 and A20.

Simulations by the International Monetary Fund (IMF) illustrate that significant changes in development can be caused by the success or failure of structural changes in developed countries. If developed countries should manage to balance their budgets and improve the functioning of the labour market by the year 2000, their expected average long term growth rate at the beginning of the next century could reach 2.3%. On the other hand, failure to adjust brings a danger of deep recession with severe consequences.<sup>1</sup>

### 1.1.3

### Developing Countries and Transitional Countries

Pessimistic growth prognosis for the developed world meant, up until a while ago, equally pessimistic expectations for developing countries. Nevertheless, for the last couple of years, developing countries have been continuously recording approximately 4% higher average growth rate than developed countries. (6.5% to 2.5% per annum). The volume of world trade also records stable, high growth. In 1995 it increased by 8% with an expectation of a further 6.5% growth in 1996. Long term estimates indicate a possible increase of the portion of total world trade accounted for by developing countries (especially the countries of south-east Asia)

<sup>1</sup> World Economic Outlook, October 1995. IMF, Washington D.C.: p. 40-41.



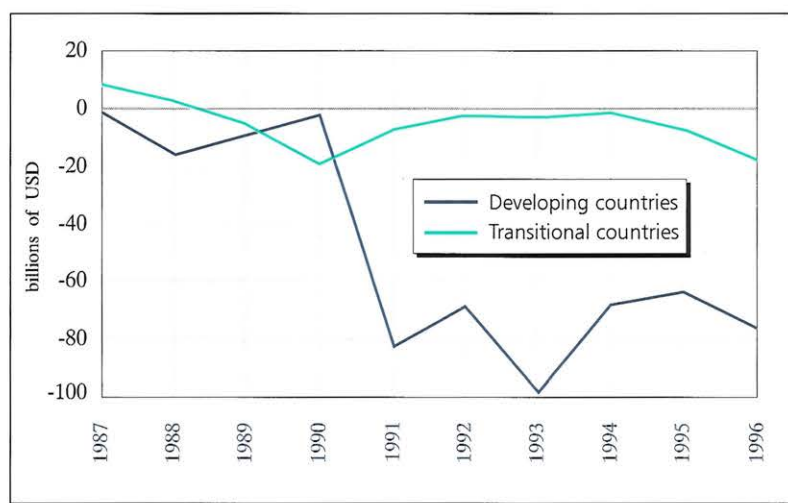
of 1% per year. Despite the recession in Japan, the economic growth rate of the region amounted to 2.9%, with an expected acceleration of regional growth to 3.7%. This means that the smaller and more propulsive countries of the region will keep growing at extremely high rates.

Graph I.3

### CURRENT ACCOUNT 1987-1996 \*

\* estimate

Source: World Economic Outlook,  
October 1995: table A33,  
p. 138.

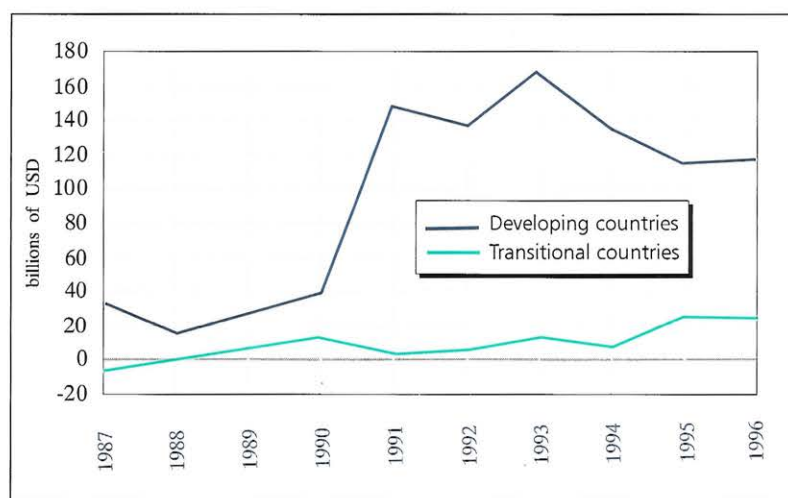


Graph I.4

### NET CASH INFLOW IN DEVELOPING COUNTRIES AND TRANSITIONAL COUNTRIES 1987 - 1996 \*

\* estimate

Source: World Economic Outlook,  
October 1995: table A33,  
table 138.



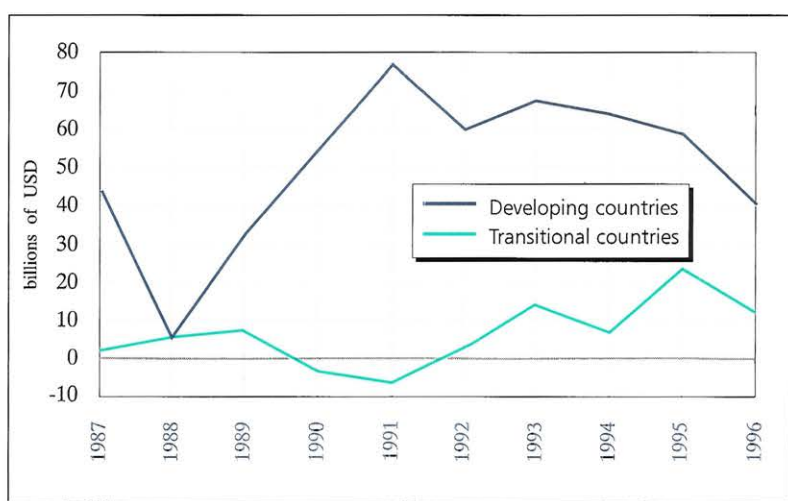
Graph I.5

### ANNUAL CHANGE OF INTERNATIONAL RESERVES BY GROUPS OF COUNTRIES 1987-1996 \*

(+ = INCREASE)

\* estimate

Source: World Economic Outlook,  
October 1995: table A33,  
p. 138.



A temporary slow-down of growth in South America to the level of 0.7% in 1995 was caused by the Mexican crisis. Sudden economic and political insecurity drove capital out of that region. In the course of the year, this process was stopped and reversed. Therefore, growth in this region is expected to reach 3% in 1996. European transitional countries, among which is Croatia, recorded a high average growth rate in 1995 (5%), while projections show the possibility of an even higher growth rate (6%) in 1996.

All parts of the world recording rapid growth are experiencing intense capital inflow. As opposed to the seventies, when capital flowed into the developing countries via international financial institutions and developed countries, the flow of capital in the nineties is mostly controlled by the private sector. The weight of direct foreign investments in the net flow of capital has increased. Fiscal deficits are decreased beyond expectations (see fig. 1.2). Thus, the optimistic expectation that the current borrowing cycle will not result in a debtor crisis. It is believed that capital is much better allocated in developing countries today than in 1970s. Besides, the inflow of capital is in most cases greater than current account deficits in developing countries' balances of payment, causing growth in the international reserves of developing countries and adding to confidence in the credit-worthiness and financial responsibility of debtor countries.

#### 1.1.4

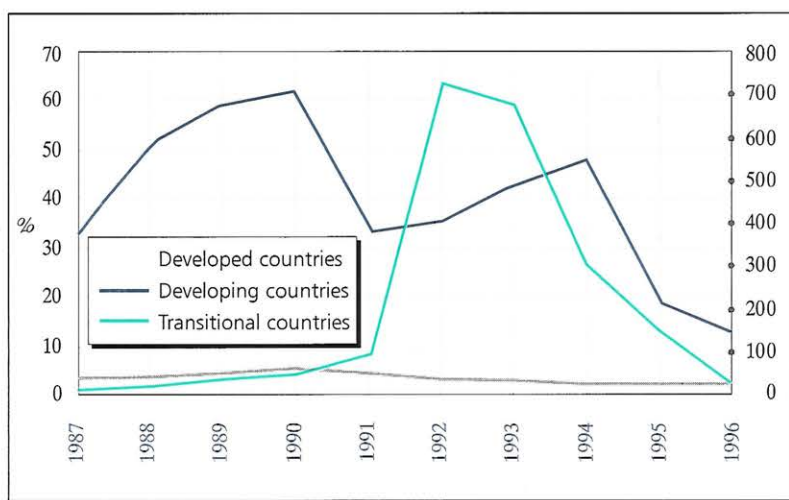
#### Inflation

There is one economic category that shows similar tendencies everywhere. Inflation has been decreasing worldwide, due to 3 major causes: First, up to a short while ago, developing countries and transitional countries which had been paying the price of huge budget deficits and unsettled macroeconomic institutions with high inflation rates, began to (successfully) cut down their deficits and to find non-inflationary methods of finance. They were aided by the quick process of privatization and overall lower level of public expenditures in GNP than in developed countries. Second, the inflow of capital added to the strength of their currencies, making the exchange rate more effective as an indirect instrument of control over domestic prices. Third, developing countries started successfully building macroeconomic institutions that contribute to price stability, regardless of the country's position in the business cycle. Thus, direct targeting of inflation is singled out as the main way of conducting monetary policy. Last year contributed to the affirmation of this approach to monetary policy. After New Zealand, Great Britain, Canada, Australia and Sweden, inflation targeting has now been accepted in Finland, Spain, Israel and some other countries. In numbers, the target value of inflation is most often between 0% and 3% per annum.

Graph 1.6

#### ANNUAL RATES OF INFLATION 1987-1996 \* BY GROUPS OF COUNTRIES (transitional countries - right)

\* estimate



Source: World Economic Outlook,  
October 1995: table A8.



## 1.1.5

**European Monetary System**

Prices and exchange rates are closely inter-related categories. No wonder European politicians put so much effort last year into consolidating the (failure-burdened) European monetary system. With considerable effect - the outlines of the future European Monetary Union are already visible. Its institutional consolidation should follow the phase of the new European monetary system (also called EMS II) that should be precisely defined by the end of 1996. For now, currencies of the EMS member countries are expected to fluctuate against the European currency Euro within a predetermined interval. The size of the interval, i.e. the points of intervention, could vary from country to country. The expected maximum size of the interval is around 5%. Euro is expected to be introduced in 1999, following the three-year verification period of EMS II. Final introduction of the European currency is expected from 2002 onward.

However, the design of the mechanism of intervention is still subject to discussion. In that regard, there are two different points of view. The first one assumes that such a system should be able to function automatically - each time a currency leaves a pre-set fluctuation interval, it should instantly and unconditionally react in defense of the exchange rate and return it to its pre-set values. The second point of view defies the unconditional automatic interventions. Its advocates claim that a weak currency is a product of a weak economic policy and demand that the European Central Bank be authorized to require the change of such inadequate economic policy. In addition, they demand that the cost of such intervention should be asymmetrically allotted, i.e. that the major part of the expense should be borne by the central bank of the country whose currency was subject to intervention.

**1.2.****General Characteristics of the Croatian Economy in 1995**

In 1995, Croatian economy was restricted by war and its political implications. The successful military actions, which liberated the major part of the occupied areas of Croatia, marked the entire year. In such circumstances, and in light of lost tourist season, there could not have been any major economic recovery. Thanks to a successful fiscal and monetary policy within an overall program of stabilization, military activities did not cause any macroeconomic shocks, and the economy is at the threshold of recovery. Conditions for swift growth and development in 1996 and coming years were preserved.

Industrial production and gross domestic product (GDP) recorded slight growth in 1995 (0.3% and 2%, respectively). The same applies to real wages. Stability of prices and the exchange rate was preserved, maintaining confidence in the domestic currency and domestic financial institutions. The reaction of the markets to such economic policy was favourable in 1995 - kuna and especially foreign currency deposits in domestic banks recorded strong growth throughout the year. Despite significant military spending, the state budget recorded a moderate deficit of approximately 2% of the GDP, in major part financed by borrowing on financial markets, thus avoiding inflationary monetization of the deficit. Both exports and imports recorded growth: exports grew by 8.7% while imports grew by 43.6%, causing a current account deficit in the balance of payments of approximately 9.5% of the GDP.

The amount of the deficit is partly due to the absence of tourist income. In peacetime conditions, tourist income would have decreased the deficit to around 6-7% of the GDP. The rest of the deficit is a structural phenomenon caused by the amount of time the Croatian export sector requires to adjust to changes in the tastes of world consumers and to world levels of factor productivity. It should be noted that the sources of financing the deficit are constant, i.e. they are not of short-term or of whimsical nature. On the contrary, as is the case in other advanced transitional countries, the inflow of capital exceeds the current account deficit. Consequently, the international reserves of the central bank keep growing. In 1995, the international reserves of the NBC increased by US\$ 493 mil, or around 3% of GDP.

In addition, the level of external debt of the Republic of Croatia, amounting to US\$ 3.7 bil or 21% of GDP (no difference based on the London Club agreement) is low enough to ensure the possibility of deficit financing during the export sector's adjustment period. As far as internal public debt is concerned, including "old" foreign currency savings, large bonds and other instruments of public financing, it is not too big either. It amounts to around 20% of estimated GDP. Such levels of total debt ensure stability and fit entirely within the Maastricht criteria of the European Union. In addition, reprogramming of debts to member countries of the Paris Club was successfully arranged in 1995. This opened space for an agreement with the London Club in 1996. When a successful stand-by arrangement with the International Monetary Fund (IMF) is added, the international credibility of the Croatian economy seems to be growing at an accelerated rate.

Thanks to conditions created in 1995, the process of privatization, restructuring, cut-back and consolidation of the public sector and of overall development should gain momentum in 1996.

Graph I.7

#### CIVIL GDP IN CONSTANT PRICES IN 1990 \*, QUARTERLY DATA

\* The Bureau of Statistics is in the process of fine-tuning the methodology for calculating the quarterly index of GDP in constant prices, 1990. GDP presented in this graph is the last working version showing 1.1% growth in 1994 and 1.9% in 1995. We expect this series to become official until this report is published. All possible changes of data will be promptly incorporated in the report.



#### 1.2.1.

#### Money Supply and Foreign Exchange Reserves

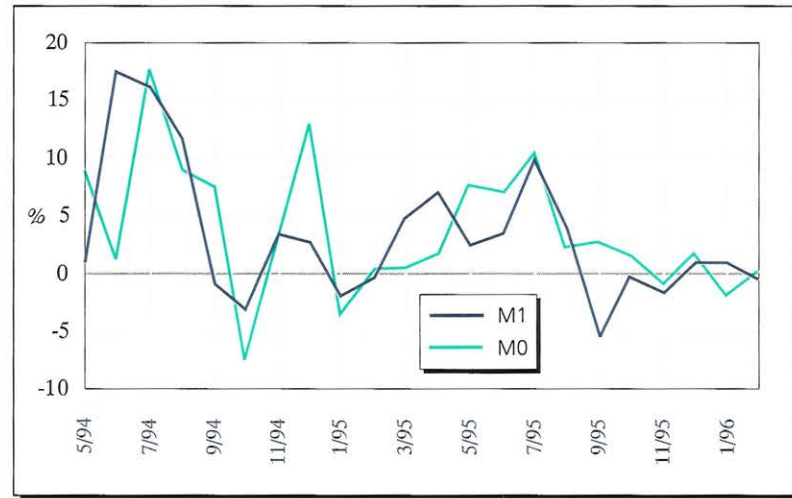
Tendencies in the money supply were significantly different in the first and second halves of 1995. All monetary aggregates grew at high rates through August 1995. M1 grew by 32.5% (an average of 3.6% per month) in the period December 1994 to August 1995, followed by a 6.5% decrease in the period September to December 1995. Consequently, the total yearly increase of M1 from the December level amounted to 23.9% or an average of 1.8% per month. Reserve money M0 grew throughout the entire year - faster until August and slower at the end of the year.



The average monthly growth rate for the period December 1994 to August 1995 amounted to 3.5%, and for the period September 1995 to December 1995 to 2%.

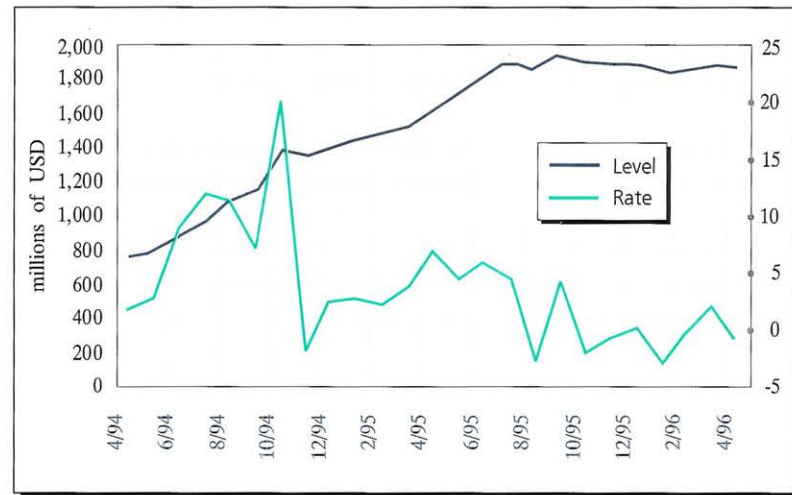
Graph I.8

MONTHLY RATES OF GROWTH  
OF M0 AND M1



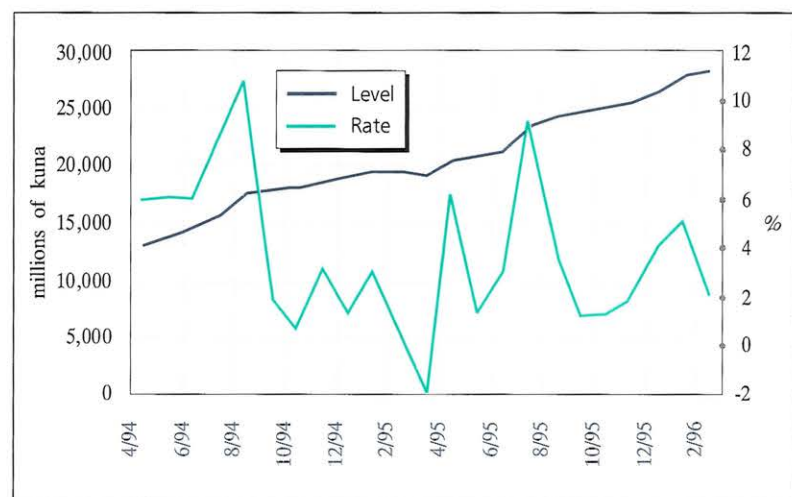
Graph I.9

NBC'S INTERNATIONAL  
RESERVES IN MILLIONS OF  
USD: LEVEL (left) AND  
MONTHLY RATES OF GROWTH  
(right)



Graph I.10

M4: MILLIONS OF KUNA (left)  
AND MONTHLY RATES OF  
GROWTH (right)



Tendencies in the NBC's international reserves show a close relation between foreign exchange reserves and monetary aggregates. The average monthly growth



rate of foreign exchange reserves in the period December 1994 to August 1995 amounted to 3.6%, lowering to 0.5% during the last four months of the year. The correlation between international reserves and monetary aggregates is a result of the leading role the foreign exchange market plays in the mechanism of transfer of monetary impulses.

At the end of 1995, foreign exchange assets represented 94.3% of the total assets of the NBC, while net foreign exchange assets (i.e. the difference between foreign exchange assets and liabilities) was 32% higher than reserve money and 7.6% higher than the total money supply M1. Despite high growth rates of the money supply, the Croatian kuna is still entirely covered with international reserves due to the fact that money is mostly created by interventions on foreign exchange markets in conditions of inflow of capital.

The broader monetary aggregate, M4, acted in a different way. Growth of its major component (approx. 60%), foreign currency deposits, caused this aggregate to record a continuous stable growth, despite fluctuations in M1.

## 1.2.2

### Rate of Exchange and Aggregate Price Level

The exchange rate and prices in Croatia have been the most stable in transitional Central Europe for the last three years. The inflation rate in 1995, measured by retail prices, amounted to 3.7% on the December level or 2% measured by the year-on-year average. The cost of living index recorded a 4.5% growth on the December level or 4% measured by the year-on-year average, while the producers' prices recorded a 1.6% (0.7%) increase.

Contrary to the fixed exchange rate model, in which the pressure of capital inflow is directly transferred to money and credit aggregates, the NBC has been using an entirely different strategy to alleviate the inflationary pressures of foreign exchange inflow. The central bank tolerated to a degree the appreciation of the exchange rate caused by an increased foreign exchange inflow. The exchange rate fluctuation interval was never made public because it depends on the (NBC's) autonomous and discretionary evaluation of the relation between money supply and demand. However, we must admit that our regime of exchange rate policy is more similar to a fixed than a fluctuating exchange rate regime. October and November 1993, when the exchange rate strongly appreciated adding to the instant crushing of the high inflation notwithstanding, the standard deviation of the kuna exchange rate to 100 German marks amounted to 5.24 kuna (1.4%) for the period December 1993 to April 1996. This indicates a very high level of stability. Last year was typical in that respect. The average exchange rate to 100 German marks was 364.9, with monthly fluctuation throughout the year of 1.3%. A high level of stability is the result of monetary policy. It was not possible to announce in advance a narrow interval of fluctuation due to a high level of insecurity in economic and political developments in Croatia. In our opinion, not making the interval public did not diminish the credibility of the monetary policy and exchange rate policy. Quite the opposite - the fact that the exchange rate fluctuation interval was not made public was substituted by the anti-inflationary reputation of the government and the NBC.

It should also be stressed that there were two different periods in 1995 in regard to tendencies in the exchange rate and prices. Until the summer 1995, markets reflected pressures for the appreciation of the exchange rate and reduction of prices. The rate of exchange of the kuna to the German mark (at that time also gaining strength in relation to other major currencies) appreciated by 1.1% in the

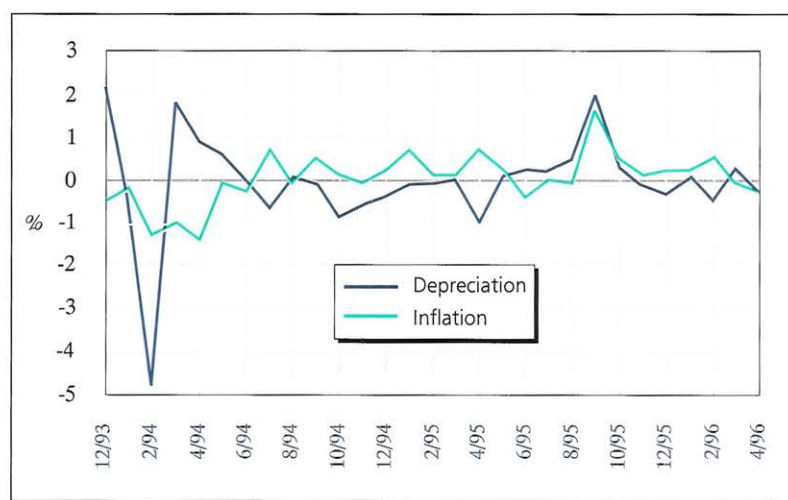
period December 1994 to May 1995. In relation to the US dollar, which was at that time losing value worldwide, the exchange rate appreciated by 12.6%. Due to the connection between the exchange rate and prices, prices were falling until around the middle of the year. The average exchange rate in the first half of the year was 361.5 Croatian kuna for 100 German marks (with standard deviation of 1.64 kuna or 0.5%). Turn-around of the trend occurred in the second half of 1995 - the average exchange rate amounted to 368.3 kuna per 100 DEM, with 4.6 kuna or 1.3% standard deviation).

Indications of the turn-around appeared in August 1995, at the time of military actions aimed at the liberation of the occupied areas of the Republic of Croatia. However, the turnaround came about in September, when most military actions were already over. In the first two weeks of September, the kuna suddenly weakened, resulting in a 1.8% depreciation of the average daily exchange rate to the German mark for September. Prices reacted immediately - the retail price index recorded 1.6% inflation in the same month.

At that moment, for the first time since the beginning of implementation of the Stabilization program (made public in October 1993), serious danger to the entire macroeconomic stability and public trust in the domestic currency was at hand. The reasons for the September temporary imbalance lie in the fact that the monetary authorities lacked, quite understandably, reliable information on whether and when there were going to be military actions. At the beginning of summer 1995, money supply was adjusted to expected seasonal tourist demand, which suddenly failed to take place due to war risk. That caused an excess of money supply in the financial system in August and September, causing depreciation and inflation.

Graph I.II

MONTHLY RATES OF INFLATION  
(RETAIL PRICES) AND  
DEPRECIATION OF KUNA VS.  
DEM



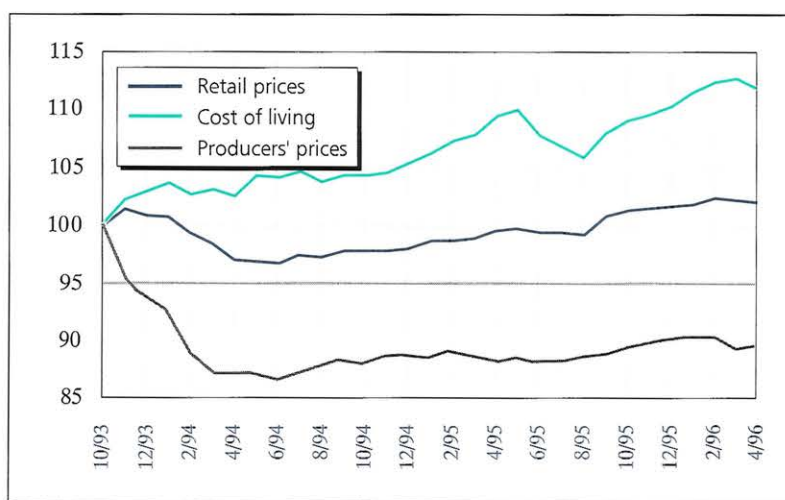
The National Bank of Croatia reacted soon after the disorder appeared. In the period September to November 1995, DMBs' reserve requirements with the NBC were increased, causing a decrease in the monetary multiplier. During October 1995, there were a few interventions on the foreign exchange market, selling foreign currency i.e. withdrawal of kuna, thus adjusting the money supply to a significantly reduced demand. Balance was achieved with no significant loss to international reserves, while tendencies in the exchange rate, prices and money at the end of 1995 and beginning of 1996 indicate that the NBC managed to preserve stability and create conditions for an increase in demand for real money and real growth in 1996.



The Republic of Croatia is still characterized by a close connection between the exchange rate and prices, typical for small, open economies. Figure 1.11 indicates a huge turbulence in the exchange rate and in prices immediately after the taming of inflation. A very close and immediate connection between the exchange rate and prices was consolidated following the consolidation of expectations. Different indicators of tendencies in prices show significant differences in connection with sensitivity to the exchange rate. Figure 1.12 shows a higher level of stability in indicators under the dominant influence of prices of goods (producers' prices and retail prices), as opposed to the indicator of the cost of living, which is under the stronger influence of developments in the prices of services. Divergent tendencies in the indicators are caused by significant changes in relative prices in conditions of capital inflow and growth of domestic aggregate demand.

Graph 1.12

INDICES OF RETAIL PRICES  
COST OF LIVING AND  
PRODUCER'S PRICES  
(NOVEMBER 1993 = 100)



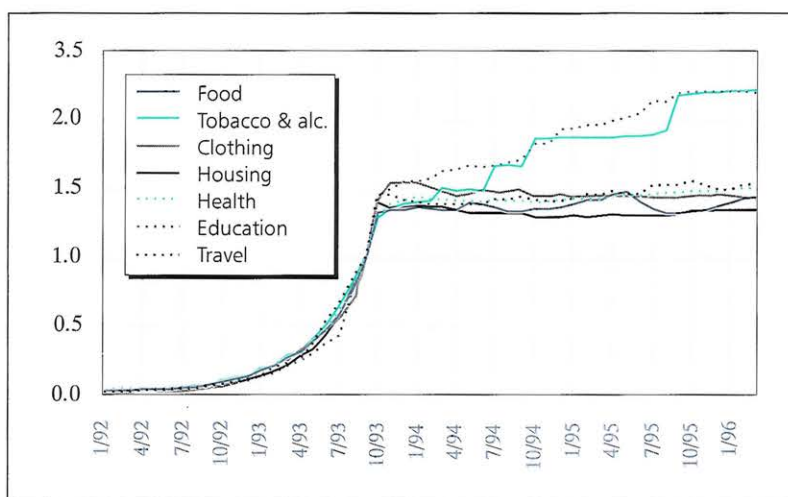
## 1.2.3

## Inflow of Capital and Relative Prices

Despite the short (and quickly neutralized) internal macroeconomic imbalance at the end of summer, 1995 was still characterized by a continuous inflow of capital and correspondent increase in money demand. Both aggregate demand and aggregate supply recorded growth. Aggregate demand, however, grew at much higher rates, causing a deficit on the current account in the balance of payments. With a high (56%) import - GDP ratio, characteristic for small, open economies like ours, cheaper imports competition kept the aggregate price level stable, causing, above all, stability in prices of goods.

Graph 1.13

PRICE TENDENCIES BY GROUPS  
OF PRODUCTS  
(SEPTEMBER 1993. = 1)

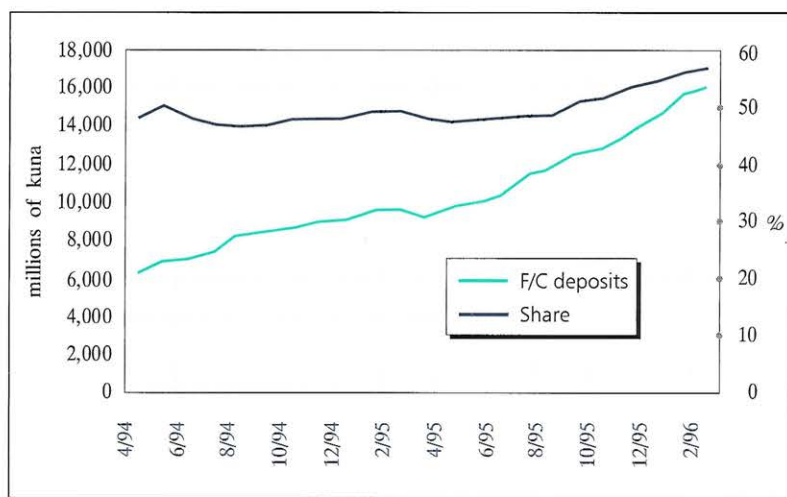


Continuing external macroeconomic imbalance is reflected in significant changes in relative prices. Relative prices of goods not subject to international trade (mostly services), kept rising under the influence of expansion of demand. There are two groups of prices within the price structure: prices that rise under the natural market pressure of increased aggregate demand, and prices that adjust in leaps, under the influence of changes in taxation. The strongest reaction in the first group of prices was noted in the prices of education, culture and entertainment, and in the second group the strongest reaction was recorded by prices of beverages and tobacco (in most part caused by the introduction of excise tax).

Under the surface of stable prices, huge natural changes in price relations have been taking place. This is consequent to growing information and the allocational role of prices. Prices have become more sensitive to relations between supply and demand, which is a natural development in the process of affirmation of market economic principles. The intensity of price adjustments is increased by capital inflow, manifested in an increased aggregate demand of the private sector (that demand is financed by foreign currency inflow to accounts with domestic banks as well as turning foreign currency into kuna on the foreign exchange market).

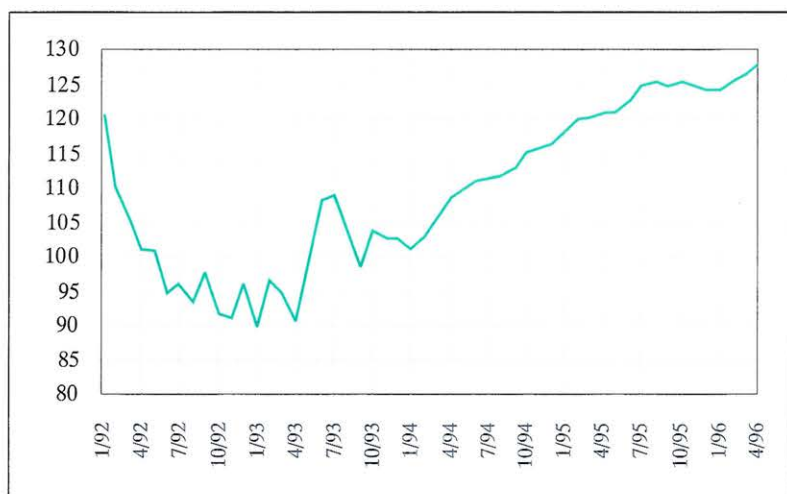
Graph I.14

FOREIGN CURRENCY DEPOSITS  
IN DMB'S: LEVEL (left) AND  
THEIR SHARE IN TOTAL  
LIQUID ASSETS M4 (right)



Graph I.15

RELATIVE PRICE INDEX FOR  
SERVICES  
1992 = 100



Aggregate demand created this way naturally encourages economic growth, but also adjusts the prices of services (this is also a natural phenomenon following a long period of administrative price regulation that suspended the allocational role



of the market). The economic phenomena shown in figures 1.14 and 1.15, which mark the current Croatian economic situation, are expected to continue at similar values in the coming period.

Taking the phenomena illustrated in these figures into consideration jointly, we notice the following: Foreign currency deposits in domestic banks grew continuously, both nominally and in real terms, especially after summer 1995. The initial acceleration was at that time caused by the above mentioned decrease in demand for kuna in September: deposits in kuna were turned back into foreign currency followed by the September depreciation of the exchange rate. Following the Dayton agreement, the growth of foreign currency deposits continued, though not due to a decrease in demand for kuna but to the continued process of foreign exchange inflow. Foreign currency deposits grew much faster than the demand for kuna, resulting in an increased share of foreign currency deposits in M4 (the share of foreign currency deposits in M4 has grown from about 50% in mid 1995 to about 60%). In that period of stable demand for kuna, we record stagnation in the otherwise fast growing relative price of services. This confirms that the prices of services are indeed very elastic to aggregate demand. Aggregate demand depends on the general inclination to conversion of foreign currency into kuna, which on the other hand depends on real money demand. Finally, attention should be paid to the fact that the relative price of services has been recording rapid growth since February 1996 - this is a period of yet another increase in demand and supply of money.

#### 1.2.4

#### Interest Rates

Interest rates in the Republic of Croatia continue to be extremely high. Such high interest rates are caused by two groups of factors - internal and external. Internal factors are numerous. First, a large part of the inherited immobilized bank assets yield nothing or very little. Therefore the rest of the assets must yield much more than the average return that would have been required, had the entire assets of the banking system yielded a return on funds invested. Second, due to inadequately regulated bankruptcy procedure and the absence of credible instrument of collection of debts, the price of capital includes a high collection risk premium. Third, sources of financing are expensive due to the absence of long term confidence in the domestic currency. Consequently, interest rates payable on time deposits are much higher in Croatia than in developed countries. Fourth, financial markets are still undeveloped and segmented, making intermediation on the domestic market a slow and expensive process, among other things due to high prices of inter-bank transactions. External factors include high country risk premiums, preventing private foreign capital from playing the main role in decreasing the outrageously high price of capital.

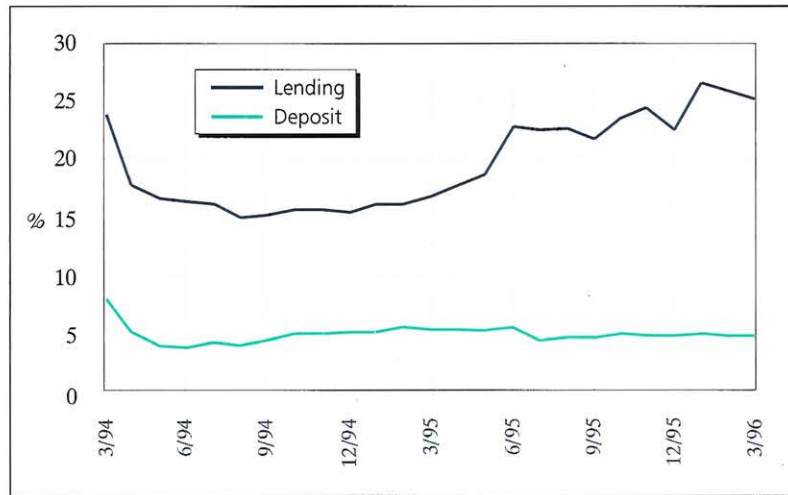
The causes of high interest spreads, i.e. of substantial differences between credit and deposit rates seem to be of a legal, political and financial-developmental nature. This implies that monetary policy does not have a crucial influence on interest rate levels. Interest rates will be falling in proportion to the elimination of the main causes of their high levels. This is not feasible in the short term, but only in the medium and long term. In that sense, we should add that the high legal reserve requirement, of over 40%, does not directly cause high credit interest rates (these funds yield, on average, over 7% per year, which is more than the average price of funds).

In the medium and long term, the relation between the time and the currency structure of deposits, capital inflow, savings and financial system development should also be considered. The main characteristic of the currency structure of savings is the

predominance of foreign currency over kuna deposits. The main characteristic of the time structure, regardless of the currency, is the short term of deposits, despite very favourable interest rates on both kuna and foreign currency time deposits. This is illustrated in figures 1.17 and 1.18, based on data for March 1996. Since the structure has been extremely stable since 1994, March 1996 was chosen for topicality of data.

Graph 1.16

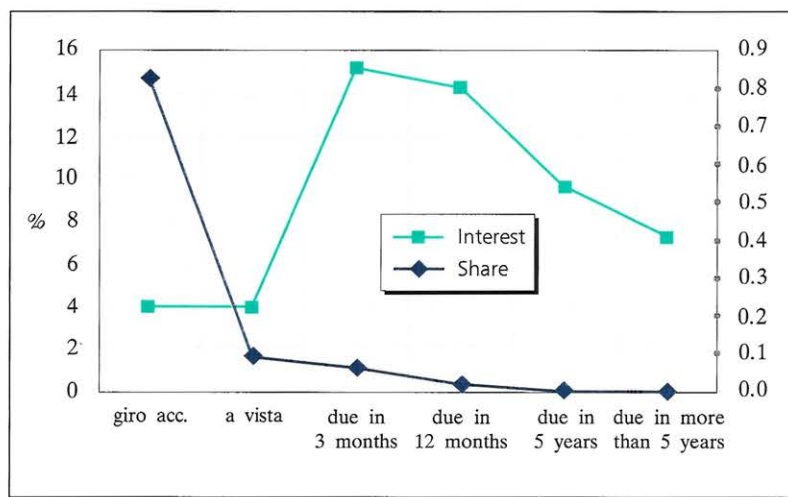
### DEPOSIT MONEY BANKS' ANNUAL INTEREST RATES (WEIGHTED AVERAGE)



Graph 1.17

### INTEREST RATES (left) AND SHARE IN TOTAL DEPOSITS ACCORDING TO DUE-TIME (right): KUNA DEPOSITS IN MARCH 1996

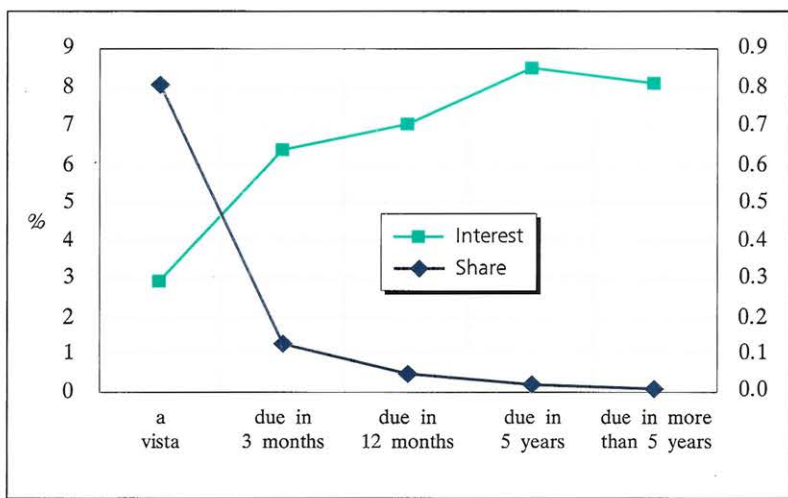
Note: data on the basis of newly acquired deposits



Graph 1.18

### INTEREST RATES (left) AND SHARE IN TOTAL DEPOSITS ACCORDING TO DUE-TIME (right): F/C DEPOSITS IN MARCH 1996

Note: data on the basis of newly acquired deposits





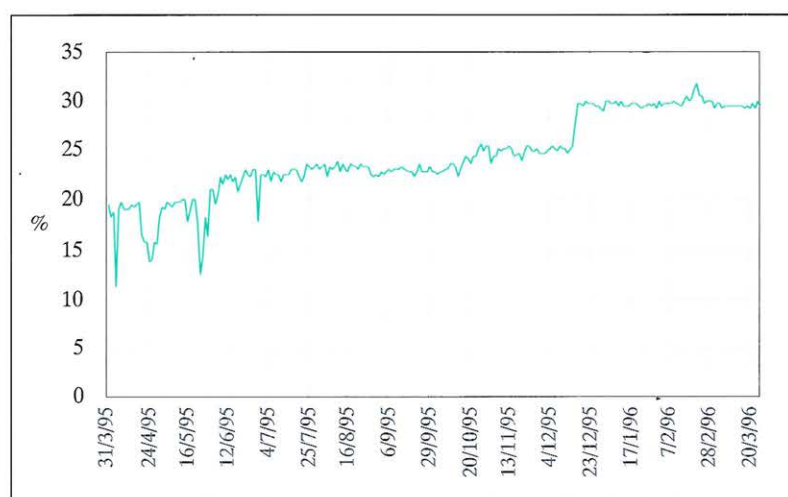
The structures shown reflect the psychology of the market well. Deposits are concentrated in giro and current accounts and in sight deposits. The structure of kuna and foreign currency deposits is similar: approximately 82% of total deposits are not term deposits. The most significant time deposits (both kuna and foreign currency) are those up to three months. Around 6% of the kuna deposits and around 12% of the foreign currency deposits are tied for up to three months. Kuna time deposits up to three months bear an average interest of 15.23 while foreign currency deposits bear 6.39%. The difference of almost 9% measures the market view of the currency risk implied in keeping funds tied in kuna time deposits. High currency risk premium and generally high interest rates illustrate the overall short-term orientation and strong long-term distrust in the domestic currency. Thus the lack of long-term capital and long term credit on Croatian financial market.

The distinctly unfavourable psychology of the market cannot be changed in the short-term, due to its multi-layered causes. More than 20 years of inflation and invalidation of the domestic currency left deep traces in our economic culture. At least a decade will be required to erase these traces, provided we manage to stay true to the policy of stable exchange rate and low inflation for such a long period. In addition, markets are sensitive to the false thesis of kuna overvaluation and over-restrictive monetary policy, which is sensationalized in the media. This sensationalism creates among the population a notion of possible "turn-around" in overall macroeconomic policy of the country, which would then surely cause a decrease in the value of the domestic currency. As a consequence, markets are rationally protecting the real value of their assets by adopting a short-term business orientation. And thirdly, markets rationally perceive the structural problems of the domestic banking system, reflected in the fragmentation of financial markets, rigidity of interest rates and interest rate margins, immobility of a major part of assets and low level of competition in the financial mediation sector.

All these factors support the perception of high risk and short-term orientation. The results are high interest rates, existence of financial institutions ready and willing (together with their loss-burdened clients) to pay high interest rates on the money market, and the necessity to search for cheaper long-term capital on international financial markets. This explains the combination of an unfavourable structure of savings with downward rigidity of interest rates on the money market.

Graph I.19

#### ANNUAL INTEREST RATES ON THE MONEY MARKET: DAILY DATA



The solution to these problems lies in the rehabilitation and privatization of insolvent banks and their major clients, in encouraging foreign banks to enter the Croatian financial market and in the continuation of credible monetary and

exchange rate policy. In addition, the public should be continuously educated to accept the fact that the kuna is not overvalued and that devaluation is not possible in the existing regime of exchange rate policy.

## 1.2.5

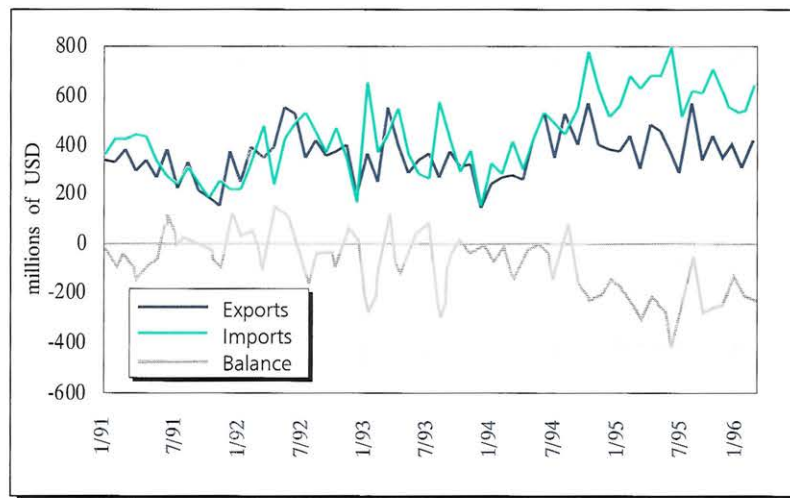
### Balance of Payments

During 1995, huge changes occurred in the balances of the current transactions account. Following a small surplus in 1993 and 1994, last year's deficit amounted to US\$ 1,712 bil (9.5% of the estimated GDP), with the merchandise trade deficit amounting to US\$ 2,877 bil. The meaning of these changes is that the aggregate investment in the Republic of Croatia surpassed the aggregate savings, which is a logical consequence of the process of post-war reconstruction and restructuring of the Croatian economy.

The merchandise trade deficit of 2,877 bil is almost three times larger than in 1994. The higher deficit is a result of a relatively larger increase of imports than exports (44% compared to 8.7%). The growth of intermediate goods imports, which makes up a major part of total imports, has the decisive influence on tendencies in the entire aggregate. The sub-balance of services exchange recorded a significantly lower surplus in 1995 than in the previous two years. The surplus of US\$ 612 mil was achieved at a much higher level of service trade on both the income and expenditure side. The reason for the lower surplus lies in the lower than expected increase in tourist income due to military actions conducted during the tourist season.

Graph I.20

MERCHANDISE EXPORTS  
IMPORTS AND TRADE BALANCE  
(MONTHLY DATA)



The sub-balance of income recorded a slightly lower deficit in 1995 (US\$ 93.3 mil), due to the faster growth of interest earnings (interest paid on the growing foreign exchange reserves of the NBC being a major contributor).

The sub-balance of current transfers also recorded an increased surplus in 1995 (US\$ 645.8 mil), compared to 1994. This increase, caused by growth of income in other sectors (mostly transfers by Croatian workers abroad), indicates increased confidence of this particular segment of Croatian residents in the Croatian banking system. (It should be noted here that transfers from our workers abroad have been, and will continue to be, a stable source of foreign currency inflow for years).

The capital-financial account (foreign exchange reserves of the NBC excluded) recorded a surplus (net inflow) in the amount of US\$ 901.7 mil. The inflow largely



resulted from credit agreements and from the decrease in net foreign assets of the private sector, and to a minor degree from direct foreign investment. Direct foreign investment amounted to US\$ 80.5 mil, which represents a decrease compared to 1994. Quite expected, military-political insecurity in 1995 taken into account.

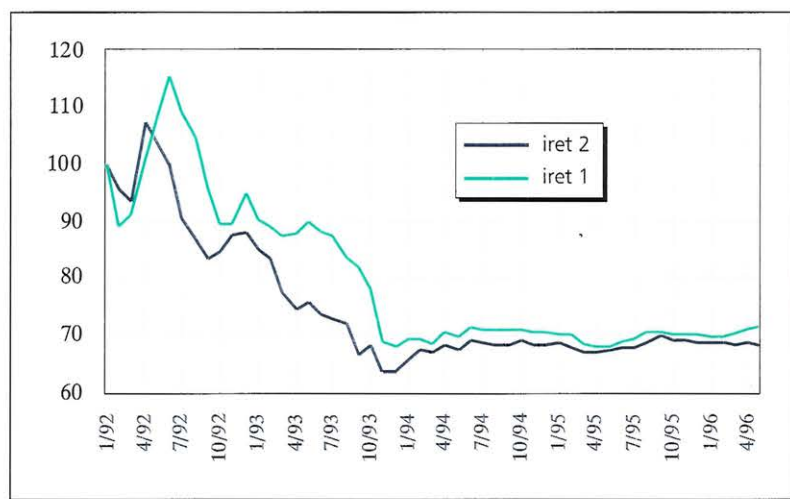
The sub-balance of other investment recorded a net inflow of US\$ 821.8 mil. The structure of this inflow indicates a rapid increase in net foreign credit (US\$ 430.7, major contributor the banking sector). From the maturity point of view, there has been a notable increase in short-term credit from abroad in all institutional sectors, with the exception of monetary authorities. Accordingly, the deficit has partly been financed by foreign borrowing.

Foreign exchange reserves of the NBC continue growing dynamically. Last year, they grew by US\$ 492.6 mil. The balance of the gross foreign exchange reserves of the NBC on the day of 31 December 1995 was US\$ 1,897.5 mil. Such developments have put us even closer to the optimal level of foreign exchange reserves of three-months worth of commodity and services imports (thus opening additional space for interventions on foreign exchange markets in cases of disturbances of a speculative nature).

The residual part of the balance of payments amounted to US\$ 1,303 bil, which represents an enormous increase compared to 1994. Its value was caused by rapid increases of imports financed by deferred payment up to 90 days. That is, at the time merchandise crosses the national border, imports are registered as current account outflow. However, if the payment follows three months later, we register no counter-entry in that period of statistical "gap". At times of fast growth of imports and foreign vendors' confidence in domestic importers (as happened last year), accounts show imbalances, causing errors and omissions.

Graph 1.21

REAL EFFECTIVE EXCHANGE RATE OF CROATIAN KUNA, RETAIL PRICES (IRET1) AND PRODUCERS' PRICES (IRET2)



However, this item is also influenced by unregistered imports (sales to peace forces) and unregistered factor income. Consequently, the current account deficit is most likely overstated, though it is hard to say how much. The fact is that the deficit is substantial, partly financed by foreign borrowing, partly by decreasing the net foreign assets of the private sector (withdrawal of foreign currency from foreign banks and sale of "grey" foreign currency accumulation to domestic banks). Following the recovery of tourism and statistical improvements, we expect the share of the deficit in GDP to decrease in 1996 (although it will still be present in the medium term). The deficit is quite necessary in the period of restructuring and

adjustment of the exports sector. It is also sustainable, because our net foreign assets are still high (unregistered savings abroad) and an increase of inflows based on direct foreign investment is still expected. The ratio of external debt to GDP is very favourable. At the end of 1995 it was approximately 21%. Croatia reached an agreement with the Paris Club, and in April 1996 with the London Club. All this indicates that in the next couple of years restructuring could take place in the much more favourable conditions of a current account deficit (aggregate investment will be surpassing aggregate savings). Thus our conviction that the real effective exchange rate of the domestic currency (a parameter whose stability determines the quality and depth of restructuring of the export sector) will remain stable in the medium term, as it has been stable for over two years.<sup>2</sup>

## 1.2.6

### Industrial Production and Investments

In 1995, for the first time during the '90s, a modest increase (0.3%) of industrial production on a yearly level was recorded. The highest growth was recorded in the investment goods industries (4.1%) and other industries (5.3%). The intermediate goods industries recorded a 0.1% growth, while consumer goods industries recorded a 1% drop. The decrease in production of consumer goods reflects the process of restructuring in those industries. This is reflected in the fact that the food processing industry, which makes up more than 15% of industrial activity in Croatia, recorded an increase of 4.1%. At the same time, most labour-intensive and inefficient old industries recorded a decrease.

The recovery of industrial production would be much more notable were it not for military actions. Decreased demand and in particular the demand shock caused by raising troops together caused an inter-yearly cycle which can be clearly seen from the graph 1.22. This graph also illustrates that the trend-cycle shows signs of growth from October 1995 on. Consequently, we expect last year's delayed recovery to take place in 1996. That growth can be sped up or slowed down by the advancement of the process of restructuring and privatization, but it cannot be stopped.

Graph 1.22

MANUFACTURING  
PRODUCTION INDEX:  
SEASONALLY ADJUSTED DATA  
AND TREND-CYCLE  
(1990.= 100)



There are no reliable data on investment activity in the Republic of Croatia, due to the undeveloped system of construction of national accounts. The cash flow of disbursements for investment is strongly influenced by investment activity of the government. Consequently, the unfavourable developments pictured by this

<sup>2</sup> Detailed discussion on the problem of kuna being overvalued or undervalued can be found in paragraph 1.3.1.



indicator result from the slow-down of investments in favour of current public expenditures due to the nature of military spending. Investment activity of the already quite significant private sector is inadequately included in the official statistics. To a degree, one can base conjectures about investment on movements in capital goods imports. Though the increase in capital goods imports usually incorporates the effect of substitution. On the other hand, significant increases in domestic production of capital goods, which we mentioned before, point to the opposite conclusion. In general, we can conclude that 1995 was not too good a year for investment, with the exception of the sector of military industry. This was mainly caused by non-economic factors.

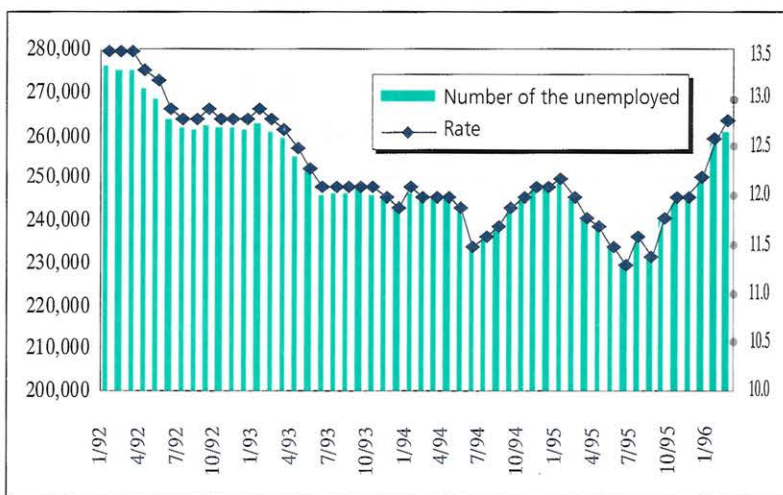
## 1.2.7

## Wages and Employment

Data on the labour market belong, unfortunately, among the least reliable statistics in the Republic of Croatia. There are no integrated and reliable statistics of employment, the private sector is inadequately included in the statistics, a system of regular questionnaires is only just being created and estimates speak of significant participation of the labour force in the "grey" economy due to high labour taxes. The only "hard" data is the evidence of registered unemployed persons. The number of registered unemployed in 1995 amounted to about 12% of the estimated work force. Unemployment rate estimates (which employ the standard methodology despite of an unreliable statistical base) speak of 18% unemployment.

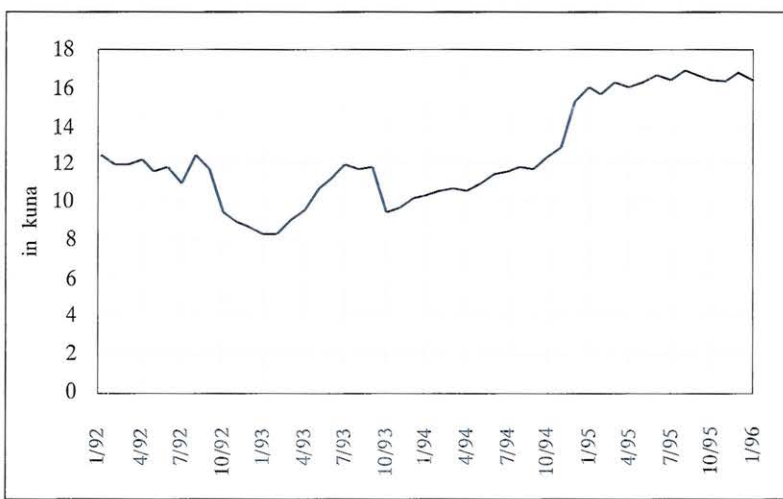
Graph I.23

NUMBER OF UNEMPLOYED PERSONS (left) AND RATE OF UNEMPLOYMENT RELATIVE TO LABOUR FORCE



Graph I.24

REAL AVERAGE NET WAGE - CONSTANT PRICES, JANUARY 1992



The statistical picture is no better in regard to tendencies in wages. The actual price of labour in the private sector is an unknown statistical quantity due to high labour taxes which pushes employers into finding less expensive ways of paying wages. Besides, there was a break in the official series on the average net wage in December 1994, when part of allowances were included in the salary (meal allowance). Therefore, the year-on-year growth rate of the average nominal wage in 1995 of more than 40% cannot be considered reliable data.

However, we can be pretty sure about the following: even if the effect of inclusion of allowances into salaries is arbitrarily removed, the year-on-year increase in the real net wage per worker would probably still be over 20%. The reason why this growth never triggered an increase in prices can be found in the rapid increase in the productivity of labour after 1993, but also in the fact that the increase in demand in major part turned toward imported products, whose competitive prices kept the prices of domestic goods under control. In addition the fact that during 1992 and 1993, real net wages were falling much faster than the productivity of labour. So, obviously there was room for uninflationary growth in wages. Moreover, looking at developments in 1995, we notice that the average nominal wage per worker grew by 10.3% (around 6% in real terms) in the period Jan. 95 to Jan. 96. This means that the government managed to maintain a credible income policy. Therefore, the high growth in the average net wage in 1995 compared to 1994 results from the very low post-inflation level of wages at the beginning of 1994.

### 1.2.8

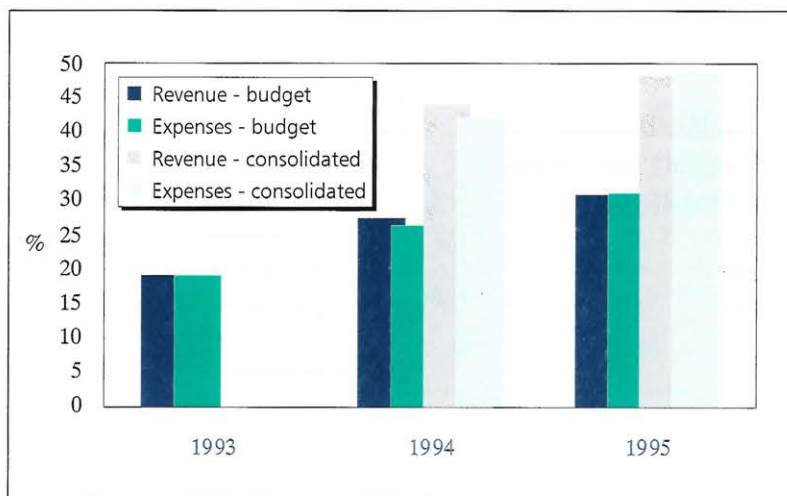
### State Budget

The process of consolidation of public finances began in 1993 and continued throughout 1994 and 1995. Four effects contributed to a notable decrease in the government budget deficit, to an increase in the share of public revenues and expenditures in GDP, as well as to changes in the structure of deficit financing. First, lowering of high inflation at the end of 1993 caused a rapid increase in real public revenues. This is the well-known Tanzi effect. Second, toppling inflation triggered the transition of "grey" economy transactions from the German mark to the kuna. With the introduction of a financial police and fiscal discipline, the tax base was significantly enlarged. Third, the growth of GNP (an increased volume of trade with imported products in particular) increased the tax base for the calculation of sales tax, the most important source of financing of government expenditures. Fourth, the decrease in some tax rates at the beginning of 1994 increased the tax base due to the Laffer curve effect, while the introduction of excise tax on some luxury and habitual goods additionally improved the financial position of the government.

Graph 1.25

#### SHARE OF PUBLIC REVENUE AND EXPENSES OF STATE BUDGET AND CONSOLIDATED CENTRAL STATE IN GDP

\* Data are shown on cash basis, consolidated data on public finance are being collected since 1994.





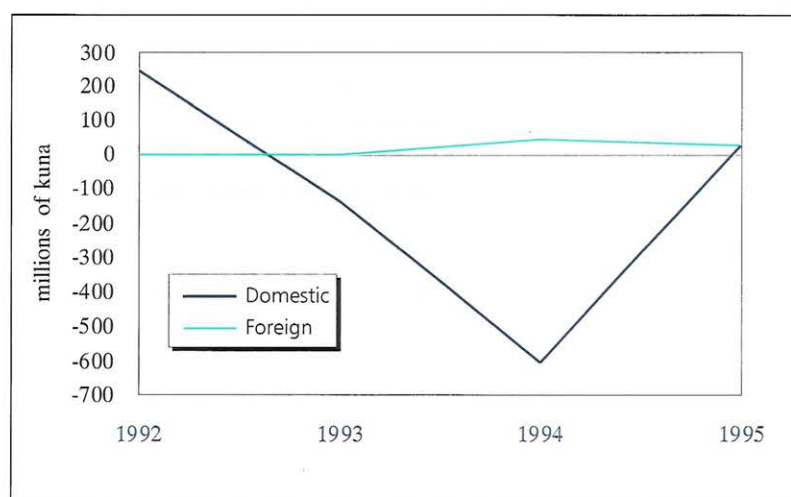
All the above-mentioned factors contributed to a much faster growth of public revenues and expenditures than GNP, but they also made it possible to discontinue the practice of monetization of deficits. Finally, they made it possible to keep the fiscal deficit in 1995 at surprisingly low levels (under 1% according to the cash principle, i.e. 2% if the unpaid liabilities of the government are added), in spite of intense military activity.

The share of public revenues of the state budget in GNP grew from 19% in 1993 to 31% in 1995. The share of public expenditures grew in the same period from 19% to 32% (cash principle), i.e. to 34%, adding the effect of unsettled current liabilities. Revenues of the consolidated central government grew from 44% in 1994 to 48% in 1995, while its expenditures grew from 43% to 49% in the same period. The effect of arrears increases the last ratio to around 51%. Following the surplus of about 0.6% of the GNP in 1994, 1995 brought a moderate fiscal deficit. Its impact on the economy can be fully realized only by keeping in mind its structure and its methods of financing.

The most significant contribution to stability, since the initial implementation of the stabilization program resulted in a general consolidation of budget revenue, has been the change in the nature of financing the deficit. Data shown in graph 1.26 clearly illustrate the switch from domestic to foreign sources of financing. Short-term inflationary pressures due to monetization of the deficit, were replaced by just the opposite; foreign exchange created by deficit financing from foreign sources caused pressure toward appreciation of the nominal exchange rate.

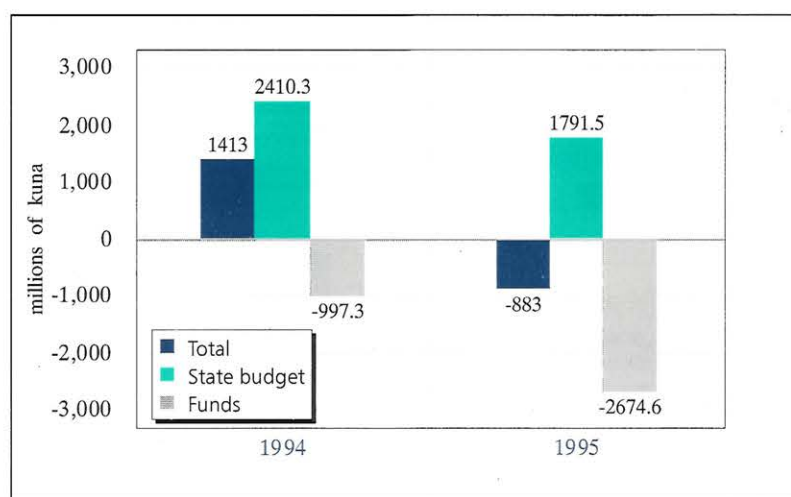
Graph 1.26

#### FINANCING STRUCTURE OF CENTRAL BUDGET, CONSTANT PRICES 1995



Graph 1.27

#### CONSOLIDATED CENTRAL STATE BALANCE IN 1994 AND 1995, CURRENT PRICES



Consolidated data give a somewhat different picture of the role of the central budget. They indicate that the main cause of the deficit of the government sector lies in funds, especially the government's state retirement and health insurance funds. Expenditures of the six republic funds amounted to 20% of the GNP in 1995, while their current deficit amounted to 17% of their current revenues.

The causes of this condition are deep and cannot be solved in the short-term, due to their connection with demographic developments. Aging of the population and war burdened both retirement and health insurance funds. Like developed countries, Croatia is facing a huge task of reforming its social security system. The existing degree of social security is maintained only thanks to high taxation of labour, making labour relatively an extremely expensive factor and adding to its slow reallocation, stagnation of employment and escape into grey (lower tax or no tax) activities. The same problem is present in western Europe, but at much higher levels of development. This factor will determine the political gravity of this, after liberation, the greatest socio-political problem in Croatia. Significant decrease in tax burden can be expected only after solutions for these problems is found.

## 1.3

### **Current Doubts about the Monetary Policy of the National Bank of Croatia**

---

Quite a few doubts marked discussions on the NBC's monetary policy. First: is the kuna rate overvalued? Second: has over-restrictive monetary policy caused illiquidity in domestic payments? Third: is the NBC preventing the growth of the economy and would slightly higher inflation favour growth?

#### 1.3.1

#### **On the Kuna Exchange Rate**

Where the real effective exchange rate of a currency is stable for almost three years, while at the same time foreign exchange reserves of the central bank are not diminished by attempts to defend the exchange rate, there can be no question of an overvalued rate of exchange. Only changes of the equilibrium exchange rate may be mentioned, depending on changes in fundamental economic factors that rate of exchange is influenced by. Some of the most important fundamental factors are: the productivity of labour, the fiscal deficit and methods of its financing, inflow of long-term capital and price relations on world markets. In addition to the fact that all the above mentioned factors have significantly changed during the past years, changes in the equilibrium exchange rate of the kuna were also strongly influenced by the disintegration of the market of former Yugoslavia and the newly attained monetary independence of the Republic of Croatia. The relevant currency area was changed to strengthen the equilibrium exchange rate because the productivity of labour and net exports of goods and services in Croatia by far surpass the average values attained by former Yugoslavia.

Following Croatian independence and the introduction of the Stabilization Program, Croatia managed to decrease its fiscal deficit and change the methods of its financing entirely. The slow-down of the process of inflationary monetization of the deficit strongly influenced the equilibrium exchange rate making it stronger. In addition, productivity of labour has been growing, quite rapidly, in all transitional countries, including Croatia, which means that the same level of international competitiveness is being attained despite increases in both nominal and real wages, as long as the growth of wages is coordinated with the growth of the productivity of labour. Finally, all transitional countries, and Croatia, entered the process of transition with their national currencies significantly undervalued. The



highest degree of initial currency undervaluation was recorded in Russia and the Baltic states, the lowest in Hungary. Croatia is positioned somewhere around the middle of this group of countries: the real appreciation of the effective kuna rate after Croatian monetary independence was lower than the appreciation recorded in the Baltic states, yet higher than the appreciation in Hungary.

Discussions about whether the exchange rate is an equilibrium one or not, often start from whether a certain period in the past is relevant for the estimation of an equilibrium exchange rate. The most common error is assuming that the real exchange rate at the moment of the introduction of Croatian dinar (December 1991) was in equilibrium. As we have already established, the exchange rate was undervalued at that time. Moreover, probably none of the past real exchange rates were in equilibrium. Frequent changes in regimes of monetary and exchange rate policies, frequent devaluations, administrative regulation of the foreign exchange market and constantly high inflation in the former Yugoslavia (on average 69% per annum from 1971 to 1991), caused huge oscillations in the real exchange rate of the domestic currency. According to Sebastian Edwards<sup>3</sup>, in a group of 12 developing countries, former Yugoslavia had, after Sri Lanka, the highest standard deviation of the real exchange rate for the period 1965 - 1985.

Graph I.28

#### STANDARD DEVIATION OF REAL EFFECTIVE EXCHANGE RATE IN 12 DEVELOPING COUNTRIES 1965 - 1985



Source: Edwards, 1994: t.1, p. 76.

Accordingly, the structure of Croatian economy was formed in conditions distinctly unstable for foreign transactions, including administrative regulation of the foreign exchange market and frequent changes of models of administration. In the last three decades of high inflation (until 1993), the German mark became a parallel currency in Croatia, in which all forms of liquid savings took shelter. During this long period of macroeconomic chaos, all domestic prices were conventionally and psychologically indexed to the foreign exchange rate. Consequently, administrative changes in the exchange rate caused, with a certain delay or time lag, a chaotically high inflation. This is clearly illustrated in the next graph, showing tendencies in the natural logarithm of price levels and the real effective exchange rate index (1980s average equals 100). Although measurement error, due to the use of only 3 currencies (German mark, US dollar and Italian lira) for the calculation of the effective exchange rate, fixed arbitrary weights (0.5, 0.3, 0.2) and the use of yearly data is built into the figures, the graph illustrates our point.

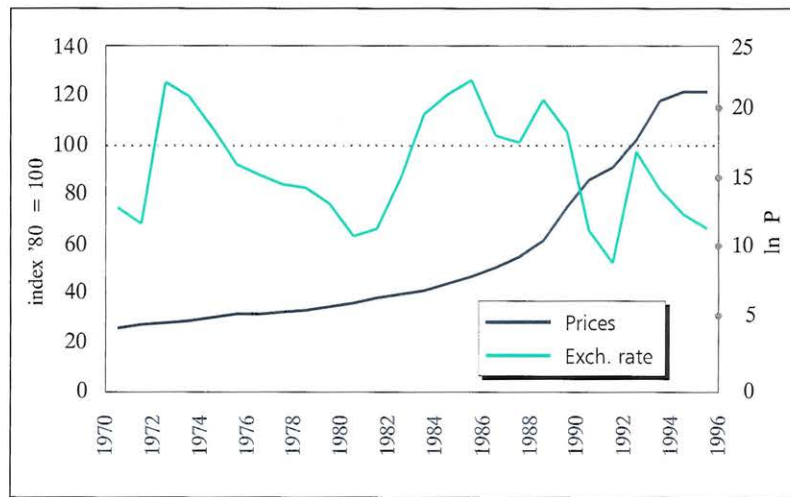
3 Edwards, Sebastian, (1994): Real and Monetary Determinants of Real Exchange Rate Behavior: Theory and Evidence from Developing Countries. u: Williamson, John (editor): Estimating Equilibrium Exchange Rates. Washington: Institute for International Economics: p. 61-92.



The seventies were years of moderate inflation compared to the historical average. The average yearly rate amounted to 18%. In that period, the real exchange rate grew noticeably stronger, and on average it was at much lower levels than the average in 1980s, with the economy still recording real growth. From 1982 on, a period of exponential price increases began which kept the real exchange rate at much higher levels than in 1970s. Those were years of stagnation and recession. In 1990 and 1991, the growth of prices was stopped, but the real exchange rate appreciated noticeably. In 1992 and 1993, prices started rising again. Exchange rate policy in 1992, following the introduction of a temporary Croatian currency - the Croatian dinar - represented a futile attempt to return the real exchange rate to the 1980s levels.

Graph 1.29

### REAL EXCHANGE RATE AND PRICES 1970-1995



Obviously, in historical perspective, any attempt to achieve real devaluation of the domestic currency (artificial creation of macroeconomic imbalance), ended in recession caused by high inflation. Slow-down of growth of prices was usually followed by real appreciation of the exchange rate on the way toward macroeconomic balance. This repeated after 1992. More precise calculations of the real effective exchange rate of the kuna (see graph 1.21) show that the exchange rate has been stable since the end of 1993. This is also the period of the most stable prices in our history, as well as growth of foreign exchange reserves of the central bank, convertibility of domestic currency, proper functioning of the foreign exchange market and beginning of economic recovery despite the distinctly unfavourable political circumstances and war. Therefore the kuna is not overvalued. Some domestic prices are too high due to imperfection of the domestic market, the fiscal burden is too heavy, labour is over-taxed for demographic and war reasons. Today's losses in part of the export sector, which managed to stay in the business in the 1980s, in conditions of macroeconomic imbalance, are results of the sluggishness of the process of restructuring. On the whole, the problem is not the exchange rate of the domestic currency, which is formed according to market relations of supply and demand.

### 1.3.2

#### On the Causes of Illiquidity

During high inflation, recorded inter-enterprise debts were negligible. Today, they amount to 6-7% of the GDP or about 20% of the value of total bank credit in the country. Approximately the same figures apply to other successful transitional countries. Accumulation of amounts of recorded uncollected debts happens in periods of rapid growth of the supply of nominal and real money. Therefore, the idea of over-restrictive monetary policy causing illiquidity is highly questionable.

The main reason for the accumulation of unpaid debts is to be found in the nonexistence of a credible instrument of collection of outstanding debts, i.e. low credibility of the threat of bankruptcy in conditions of rapid growth of aggregate demand and real volume of trading activity. Vendors have a low position on the list of priority for payments. Payments for salaries have higher priority. This is how insolvent enterprises buy internal social peace, financing it in the short term with vendors' money.

In the absence of permanent external sources of financing and credible debt collection instruments, the possibility of business expansion of certain enterprises being financed by vendors' money should not be excluded. This way, current debt is forcibly transformed into permanent equity without ownership rights for the actual owner of funds.

In 1995, the state budget financed increased expenditures in part by accumulating current debts to vendors, transforming current debt into public debt and creating a difference between the budget deficit calculated on the cash principle and on the accrual principle. In the first case the deficit is under 1%, while in the second case it amounts to around 2% of GNP.

As the economic system grew accustomed to operating in conditions of accumulation of unpaid debt, increase in unpaid debt implies not only the real growth of the debt but also nominal growth due to the implicit i.e. hidden interest rate being built into prices of goods with expected payment collection problems. If a vendor expects to collect his payment with a three-month delay, he will increase the current market price of goods by the amount of three-month interest currently charged on the money market.

On the whole, the increase of this amount is the result of the undevelopment of financial markets and the legal system, the survival of an unprivatized and inefficient sector where the value of the marginal product of labour is lower than its market price, the short-term nature of sources of financing, the growth of collection risk premiums, i.e. hidden interest being built into prices of goods with expected delayed payment, as well as the fiscal deficit. Monetary policy has no influence on these factors. Connecting monetary policy with above mentioned problems in a call for inflationary monetization implies hiding real problems and delaying their solution. Such policy was employed in former Yugoslavia and its catastrophic consequences are well known.

### 1.3.3

### On the Connection between Monetary Policy, Inflation and Economic Growth

In the NBC, we often stress that low inflation is a prerequisite to economic growth. On the other hand, the thesis of "a little" more expansive monetary policy and "a little" higher inflation being stimulative to growth is also present. However, no one stipulates exactly how much "a little more expansive" and "a little higher" should be. However, the possible contribution of the above to economic growth and development is far more explicit. The domestic currency would weaken nominally. Assuming that prices would not react instantly, the real exchange rate would depreciate, improving our exporters' competitiveness. Besides, a lower nominal exchange rate would demand a higher money supply and that would mean more credit for "starting production".

Based on our experience, laid out in short in the chapter discussing the problem of the equilibrium exchange rate, we assume that weakening of the nominal exchange rate would cause an instantaneous reaction in prices and domestic expenditure.



Consequently, the real exchange rate and real supply of credit would remain unchanged or even decrease in the medium term. Weakening the exchange rate would instantaneously aggravate short-term confidence in the domestic currency and financial system and additionally strengthen the still strongly present long-term distrust and suspicion. Banks would start offering even higher interest on all sorts of deposits and charging even higher interest on credit. Interest rates would continue to rise. If interest rates were to remain unchanged or fall (nominally or in real terms), sources of credit supply (and credit itself) would decrease. We can predict with high probability that the real money supply would fall, and capital would pour out instead of into the country.

In our conditions, inflation and devaluation cannot be programmed. Targeting the rhetorical "development" inflation of 5%, 7%, 9% or even more is not feasible. In conditions of rising inflation, certain prices which lag behind at the beginning, have a tendency of making up for their relative lag. Such prices usually overshoot, so that in each period there are prices that are behind and that have to adjust in the next period. When the inflationary momentum, built into the system in this way, is stopped in the future, its social cost is a smaller GDP than would be achieved in conditions of stable prices.

There are two possible scenarios of change in the conception of monetary policy: In the first scenario, trust in the currency and financial system, accumulated in the last 2.5 years, is completely lost. The result is inflation, outflow of capital, loss of international credibility and loss of development resources, capital above all. The second scenario is slightly more favourable. In the case of a "soft" turn in the policy, i.e. if expectations are exactly adjusted to the programmed rate of inflation and/or depreciation of the exchange rate so that it does not cause loss of confidence, the real situation would remain unchanged. All real effects appearing in the current regime of monetary and exchange rate policy would become apparent in the new regime as well.

Poland is an indicative case in this respect. In 1990 there were frequent changes of the economic policy regime in Poland, and inflation oscillated significantly. The period of programmed depreciation of the exchange rate at 1.2% per month was the longest. The fluctuation interval was set around the programmed path of the exchange rate. However, inflation grew more rapidly and the real exchange rate appreciated. At one point, due to the obvious excess of foreign exchange supply on the market, the nominal exchange rate revalued within the pre-set shifting interval. Therefore, in the longer run, the exchange rate on average moves away from the upper limit of the interval toward its lower limit. The other part of the necessary adjustment of the exchange rate happens through domestic inflation, which in Poland is one of the highest among the advanced transitional countries. The conclusion is that the natural pulse of the market cannot be stopped with any administrative measures. Such measures can only bring higher risk and uncertainty into the general perception of the economic policy, hurting its credibility.

We should mention another criticism of the monetary policy - DMBs' legal reserve requirement to keep 53% of their foreign currency deposits in accounts abroad. This is considered a waste of development resources and a loss, because domestic banks' deposit rates are higher than the interest earned abroad. The critics keep forgetting the short-term nature of foreign currency deposited in our banks, and that, for instance, the 8% interest paid on time deposits of over six months relates to an insignificant amount of deposits (see chapter 1.2.4). The weighted average interest paid on foreign currency deposits is lower than 4% per annum, which cannot be significantly lower than the interest banks earn on deposits abroad.

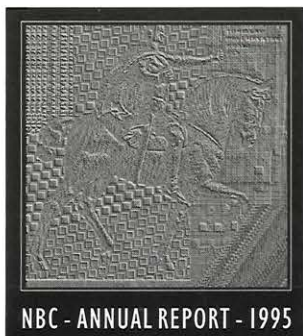


Furthermore, by placing their foreign currency abroad, banks build up their credibility and take loans based on their deposits. These loans are usually of longer term than foreign currency deposits with domestic banks. This is maturity transformation of mostly sight deposits into long term funds lacking on the domestic market. Naturally, the interest paid on such funds are higher than the interest paid on foreign currency deposits in our banks, but these are also quality long-term funds. Interest paid on such funds cannot be compared to interest paid on long-term deposits in domestic banks, because such deposits do not exist in Croatia. And finally, this measure prevents an even stronger pressure on the domestic market and alleviates pressures towards the appreciation on the exchange rate.

**11.**

## **MONETARY POLICY IN 1995**

---







## 2.1.

## Monetary and Credit Aggregates

Table 2.1

## MONETARY AND CREDIT AGGREGATES

|                             | Reserve<br>money<br>(M0) | TOTAL LIQUID ASSETS |                  |       |                                 |                 | Net<br>domestic<br>assets<br>(NDA) | Bank<br>credits<br>with<br>other<br>domestic<br>sectors |      |
|-----------------------------|--------------------------|---------------------|------------------|-------|---------------------------------|-----------------|------------------------------------|---------------------------------------------------------|------|
|                             |                          | Money supply        |                  |       | Savings<br>and time<br>deposits | F/C<br>deposits | Total                              |                                                         |      |
|                             |                          | Cash                | Deposit<br>money | Total |                                 |                 |                                    |                                                         |      |
| Balance in billions of kuna |                          |                     |                  |       |                                 |                 |                                    |                                                         |      |
| Dec. 31, 1993               | 2.2                      | 1.4                 | 1.7              | 3.1   | 1.5                             | 5.4             | 10.0                               | 9.8                                                     | 21.3 |
| Dec. 31, 1994               | 4.7                      | 2.6                 | 4.0              | 6.6   | 2.1                             | 8.8             | 17.5                               | 14.5                                                    | 28.2 |
| Dec. 31, 1995               | 6.7                      | 3.4                 | 4.9              | 8.3   | 2.2                             | 14.0            | 24.5                               | 19.8                                                    | 34.1 |
| Growth rates                |                          |                     |                  |       |                                 |                 |                                    |                                                         |      |
| - December level            |                          |                     |                  |       |                                 |                 |                                    |                                                         |      |
| 1994                        | 109.6                    | 87.1                | 138.1            | 111.5 | 36.0                            | 62.1            | 75.3                               | 47.2                                                    | 32.5 |
| 1995                        | 43.1                     | 30.8                | 23.3             | 24.6  | 4.6                             | 59.5            | 40.3                               | 36.7                                                    | 21.0 |
| - monthly average           |                          |                     |                  |       |                                 |                 |                                    |                                                         |      |
| 1994                        | 6.4                      | 5.4                 | 7.5              | 6.4   | 2.6                             | 4.1             | 4.8                                | 3.3                                                     | 2.4  |
| 1995                        | 3.0                      | 2.3                 | 1.8              | 1.9   | 0.4                             | 4.0             | 2.9                                | 2.6                                                     | 1.6  |

## 2.1.1.

## Tendencies in Monetary Aggregates

In 1995, monetary aggregates recorded, as expected, relatively slower growth than in 1994, the year of strong remonetization. Added the increase attained in 1995, their 1994 levels were high enough to satisfy the real demand for money, although the problem of unfavourable allocation of funds still remains.

Estimation of monetary developments in 1995 was made in monthly projections of monetary policy. In addition to basic goals of overall economic policy, the main goal of monetary policy in 1995 was growth of net domestic assets of the banking system set by the Executive Criteria of the Stand by/STF arrangement with the IMF. This arrangement obliged the central bank to control the level of central government indebtedness to the banking system and the level of its foreign exchange reserves, as well as to follow up on and control the level of the new foreign debt of the Republic of Croatia. In those circumstances, the central bank did not have a simple task in determining the direction and intensity of the flow of reserve money.

Reserve money is a monetary aggregate under the direct control of the central bank. During 1995, the National Bank of Croatia tried to select those channels and volume of creation of reserve money which would ensure a satisfactory level of liquidity of the banking system. In this way, the central bank avoided encouraging excessive liquidity of the banking system, which would strengthen banks' credit activity and cause faster growth of M4.

Data on tendencies in monetary and credit aggregates in 1994 and 1995 indicate the following: doubling of reserve money in 1994, based on the December level, encouraged doubling of the money supply and increase in total deposits by three quarters, while bank credit increased by one third in the same year. In 1995, reserve money grew two times slower than in 1994, resulting in an even slower

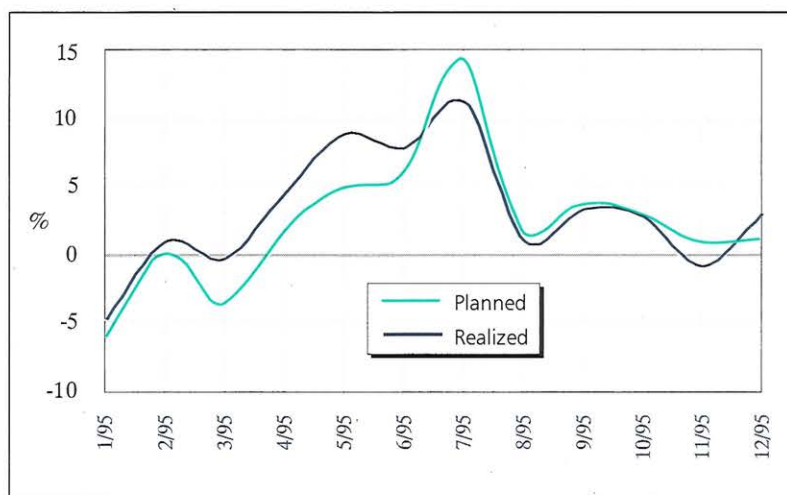
growth of money supply. This was partly due to slower growth in cash, but primarily due to an expected change in the structure of total liquid assets. Kuna deposits were kept at levels adequate or nearly adequate to ensure current financial transactions, while the other part of free assets moved into foreign currency deposits. On the other hand, foreign currency deposits increased based on transfers from abroad, strengthened confidence in the domestic banking system and certain credit privileges. This resulted in growth of total deposits, by only one third slower in 1995 than in 1994. Bank credit to other domestic sectors, i.e. to all domestic sectors except the central government, recorded in 1995 one third milder growth in 1995 than in 1994, while at the same time, the growth of reserve money slowed by half.

### Reserve Money

Reserve money increased in 1995 by 2 bil kuna or 43%. The average monthly growth rate of reserve money of 3% in 1995 occurred, looking at the extremes, through negative growth rates during the first quarter and the positive rates, the highest of which was June's 11% growth. All the money rates showed strong seasonal characteristics. These extreme growth rates of reserve money, as well as the rates of growth observed in other months, did not significantly differ from the projected monthly rates. Differences recorded at the end of the first and during the second quarter, as well as in July, are lost entirely if we look at the average developments in reserve money in that period (best seen in graph 2.1).

Graph 2.1

### PLANNED AND REALIZED RATES OF GROWTH OF RESERVE MONEY



In 1995, money was in major part created through foreign exchange transactions of the central bank, while the domestic credit activity of the National Bank of Croatia was very limited. NBC credit in kunas, financed from primary issue, was mostly used by DMBs. Credits to DMBs usually meant credits granted to banks based on securities (government bonds) and through lombard loans banks could use on the basis of their voluntary treasury bills recorded with the NBC. The total balance of credit granted to banks amounted to 0.12 bil kuna at the end of December 1995 (0.1 bil kuna more than at the end of 1994).

During 1995, one part of reserve money (approximately 0.1 bil kuna) was not created by direct emission through credit granted to banks from primary issue but through arrears (uncollected claims due from banks). This primary issue flow also includes: unpaid bank credit due, unpaid interest due, negative balances on DMB's giro accounts as well as amounts of unappropriated statutory reserves - all transactions by the DMBs' that represent the use of primary issue funds or an illegal use of their own deposits with the central bank.



In 1995, the NBC granted several short-term kuna loans to the central government (so-called bridge loans for overcoming short-term giro account illiquidity of the government budget) up to a maximum amount of 0.16 bil kuna. At the end of the second quarter, the central government was granted a medium term credit of 0.4 bil kuna. That credit had no monetary effect, because the government used it to buy foreign currency from the central bank, meaning that primary issue funds were created by one flow and withdrawn with the other.

1.6 bil kuna were created through foreign exchange transactions of the central bank in 1995, while the total net increase in the NBC's foreign claims in that period amounted to 2.2 bil kuna or 27%. Namely, through purchase or sale of foreign exchange from DMBs and the central government, through IMF credit or profit from managing the foreign exchange reserves, as well as by the sale of kuna, the central bank increased its foreign exchange reserves by 2.2 bil kuna or US\$ 0.5 bil, with the net positive monetary effect of these transactions amounting to 1.6 bil kuna.

60% of total foreign exchange transactions of the NBC in 1995 refers to transactions of the central bank with deposit money banks. In these transactions, the NBC realized a net purchase of foreign exchange in the amount of US\$ 0.3 bil. By participating in foreign exchange auctions with the central bank and by selling foreign exchange to the NBC through exchange transactions, the DMBs realized just one tenth of their total domestic foreign exchange transactions.

The 2 bil kuna increase in reserve money in 1995 was created primarily by foreign exchange transactions of the central bank, and realized through an increase in cash amounting to 0.7 bil kuna or 31% on the December level, and through an increase of DMBs' deposits with the NBC of 1.3 bil kuna or 68%. Such developments within reserve money changed its structure. Currency outside banks, the Payments Institute and the Croatian Post and Telecommunications (HPT), i.e. cash in households, decreased its share in reserve money from 56% to 50%, while the share of deposit money by DMBs and savings banks with the central bank increased. The increase of banks' deposits in 1995 had several causes. First, funds in DMBs' giro accounts with the central bank increased by 0.06 bil kuna or 56%, on the December level. DMBs' statutory reserve funds deposited with the NBC recorded an autonomous increase of 0.4 bil kuna or 23%, based on 17% growth in kuna deposits in the same period. However, the most significant contribution to the growth of DMBs' deposits with the NBC belongs to treasury bills of the NBC, which became obligatory for the DMBs in July 1995. This reached a total amount of 0.8 mil kuna (recorded) at the end of December 1995. Obligatory treasury bills of the NBC were the instrument of sterilization of reserve money. That is, they were the method of outflow of funds from DMBs' giro accounts with the NBC to the account of obligatory treasury bills of the NBC at the time of sudden growth of the level of liquidity in the banking system around mid-1995.

The achieved increase in reserve money in 1995 had an impact on the share of reserve money in total liabilities of the NBC. The share of reserve money increased by 12.5%: from 56% at the end of 1994 to 63% at the end of 1995. Like reserve money, the NBC's foreign liabilities also increased their share in the structure of NBC's total liabilities in 1995, due to a US\$ 135 mil IMF credit received within the Stand by/STF arrangement.

Blocked foreign currency deposits, deposited with the NBC based on the government's Decree on the obligation of domestic users of foreign credit to pay their liabilities due to foreign creditors, also increased their share in the liabilities of the National Bank of Croatia, while deposits by the central government, voluntary NBC treasury bills and capital accounts of the NBC decreased their share in the NBC's liabilities, as seen from December balances in the Monetary authorities accounts.



**Total liquid assets (M4)**

The monetary aggregate M4 comprises total liquid assets of all domestic non-bank financial sectors with DMBs and the NBC, which, consolidated, make the monetary institutions of the Republic of Croatia. Total liquid assets of the central government and funds sector are not included in the M4 aggregate. They are shown as part of the net ratio between the banking system (DMBs and the NBC) and the central government and funds sector. According to the new methodology of monetary statistics, the central government and funds sector includes: the Republic of Croatia with its bodies (including the Croatian Warrantee Agency and the Government Agency for Savings Deposits Insurance and Bank Restructuring), four republic non-budgetary funds, Croatian Privatization Fund, Croatian Roads, Croatian Water Company and Croatian Bank for Reconstruction and Development.

Table 2.2

**TOTAL LIQUID ASSETS M4 in millions of kuna**

|                                                | Balance  |          |          | Structure |         |         |
|------------------------------------------------|----------|----------|----------|-----------|---------|---------|
|                                                | Dec. 93  | Dec. 94  | Dec. 95  | Dec. 93   | Dec. 94 | Dec. 95 |
| Total liquid assets (M4)                       | 10,075.5 | 17,488.2 | 24,542.0 | 100.0     | 100.0   | 100.0   |
| 1. Money                                       | 3,139.3  | 6,640.6  | 8,275.0  | 31.2      | 38.0    | 33.7    |
| 1.1. Currency outside banks                    | 1,367.0  | 2,658.2  | 3,365.1  | 13.6      | 15.2    | 13.7    |
| 1.2. Demand deposits by other domestic sectors | 1,772.3  | 3,982.4  | 4,909.9  | 17.6      | 22.8    | 20.0    |
| 2. Non-monetary deposits (quasi money)         | 6,936.3  | 10,847.6 | 16,267.0 | 68.8      | 62.0    | 66.3    |
| 1.1. Savings and time deposits                 | 1,524.0  | 2,072.3  | 2,167.6  | 15.1      | 11.8    | 8.8     |
| 1.2. Foreign currency deposits                 | 5,412.3  | 8,775.3  | 14,099.4 | 53.7      | 50.2    | 57.5    |
| Structure of M4 by sectors                     | 10,075.5 | 17,488.2 | 24,542.0 | 100.0     | 100.0   | 100.0   |
| 1. Local government                            | 188.4    | 634.7    | 582.5    | 1.9       | 3.6     | 2.4     |
| 2. Enterprises                                 | 3,479.5  | 5,466.2  | 6,190.4  | 34.5      | 31.3    | 25.2    |
| 3. Households                                  | 6,198.2  | 11,045.8 | 17,299.6 | 61.5      | 63.2    | 70.5    |
| 4. Other banking institutions                  | 6.9      | 3.4      | 5.2      | 0.1       | 0.0     | 0.0     |
| 5. Other financial institutions                | 198.9    | 349.0    | 478.5    | 2.0       | 2.0     | 1.9     |
| 6. Payment instruments issued                  | 10.0     | 14.3     | 15.7     | 0.1       | 0.1     | 0.1     |
| 7. Less: banks' check and check account        | -21.8    | -32.7    | -35.5    | -0.2      | -0.2    | -0.1    |
| 8. Correction for former branches              | 15.5     | 7.4      | 5.6      | 0.2       | 0.0     | 0.0     |

In 1995, total liquid assets grew intensely, recording an increase of 7 bil kuna or 40%. Such an increase in M4 resulted largely from a significant growth in foreign currency deposits by households, initiated by deblocking of 1/20 of "old" foreign currency savings around the middle of 1995. Stimulus to the growth of M4 also came from banks' domestic credit activity and from the net foreign transactions of the banking system with balance-of-payments effects. Finally, in the monetary identity, which is the framework for the central bank's forecasts of monetary developments, it says:  $M4 = \text{net domestic assets (NDA)} + \text{net foreign assets (NFA)}$ .

## 2.1.2.

**Net Domestic Assets of the Banking System (NDA)**

Net domestic assets is an aggregate that shows credit activity of the banking system toward all domestic non-bank financial sectors. Relations between the banking system and the central government and funds are shown net, so that claims of the banking system on the central government are reported net within NDA. Tendencies in net domestic assets of the banking system in the Republic of

Croatia were followed, in 1995 as well, by the central bank, following the realization of the assigned Executive Criteria of the Stand by/STF arrangement with the IMF, and following the level of realization of monetary predictions. We can say that the achieved NDA levels, throughout the entire arrangement period (18 months), were well within the pre-set values. From July 1994 until December 1995, net domestic assets doubled (the growth rate amounted to 103% or 8.8 bil kuna), while M4 increased by 80% or 11.8 bil kuna.

Table 2.3

**NET DOMESTIC ASSETS** in millions of kuna

|                                    | Dec. 93   | Dec. 94   | Dec. 95   | Growth rates |        |
|------------------------------------|-----------|-----------|-----------|--------------|--------|
|                                    |           |           |           | 1994         | 1995   |
| Net domestic assets (NDA)          | 9,835.8   | 14,479.6  | 19,792.2  | 47.2         | 36.7   |
| <b>Assets</b>                      |           |           |           |              |        |
| 1. Claims on central govern. (net) | 596.8     | - 784.1   | 16.7      | - 231.4      | -102.1 |
| 2. Domestic credits                | 21,294.7  | 28,207.0  | 34,141.6  | 32.5         | 21.0   |
| 3. Other assets (net)              | -12,055.8 | -12,943.3 | -14,366.0 | 7.4          | 11.0   |
| <b>Liabilities</b>                 |           |           |           |              |        |
| 1. Total liquid assets (M4)        | 10,075.5  | 17,488.2  | 24,542.0  | 73.6         | 40.3   |
| 2. Net foreign assets (NFA)        | - 239.8   | -3,008.5  | -4,749.8  | 1,154.8      | 57.9   |

A new methodology in the monetary statistics somewhat changed the values of basic categories in our monetary identity. By changing the definition of the central government and funds sector, and by including the relation of our banking system with former Yugoslavia in net foreign assets (and excluding it from other net assets), net domestic assets of the banking system reached, at the end of December 1995, the level of 19.8 mil kuna (an increase of 5.3 bil kuna or 37% in 1995, measured on December level). Claims on the private sector and other domestic sectors increased by 21%. Credit to private owned enterprises grew by 28%, credit to households by 36%, credit to public enterprises decreased by 14%, while credit to other banking and other financial institutions grew by almost 40%.

The increase in net claims on the central government and funds, amounting to 800.8 mil kuna in 1995, resulted in major part from liabilities due consequent to the Law on the Public Debt and a medium term credit from the NBC. From a net creditor at the end of 1994, by the end of 1995, the central government became a net debtor in the amount of 16.7 mil kuna.

**2.2****Relations with the Government**

Credit relations between the National Bank of Croatia and the Government (state budget), consisted of both long and short-term credit. Within the category of long-term credit, one part refers to credit granted in previous years (15.5 mil kuna in 1991 and 347.5 mil kuna in 1993). At the end of 1995, the Government was granted another long-term credit (US\$ 70 mil in kuna equivalent) for repayment of debt due to foreign creditors - members of the Paris Club. The credit was granted for a period of two years, with interest equivalent to the NBC discount rate.

Throughout 1995, the NBC (in accordance with paragraph 58 of the Law on the National Bank of Croatia) granted short-term loans to the Government, for the purpose of overcoming discrepancies between the inflow of revenues and execution of budget expenditures. In connection with this, the NBC granted 15 short-term



loans to the Government in 1995. The loans were partly paid back gradually throughout the year, and repaid in their entirety on December 29, 1995. At the beginning of 1995, total debt of the Government, in the form of long-term credit, amounted to 180.1 mil kuna, while by the end of the year, Government's debt to the NBC grew to 353 mil kuna<sup>1</sup>.

## 2.3

### Relations with Deposit Money Banks

In 1995, the credit activity of the central bank in relation to deposit money banks, consisted mostly of granting daily, lombard and intervention loans and conducting repo (repurchase agreement) auctions of treasury bills.

Table 2.4

CREDIT GRANTED FROM THE PRIMARY ISSUE FUNDS OF THE NBC  
in millions of kuna

|                                                       | 1994  | 1995  |       |       |       |
|-------------------------------------------------------|-------|-------|-------|-------|-------|
|                                                       | Dec.  | Mar.  | Jun.  | Sept. | Dec.  |
| I CREDIT GRANTED TO BANKS                             | 222.6 | 172.0 | 41.4  | 89.3  | 129.7 |
| Lombard credits                                       | 24.0  | 170.7 | 30.1  | 60.8  | 96.6  |
| Intervention credits                                  | 0.0   | 0.0   | 10.0  | 0.0   | 0.0   |
| Repurchase agreement arrangements with treasury bills | 197.3 | 0.0   | 0.0   | 0.0   | 0.0   |
| Special credit for payment of f/c savings             | 0.0   | 0.0   | 0.0   | 27.2  | 25.8  |
| Long-term credits                                     | 0.4   | 0.4   | 0.4   | 0.4   | 0.4   |
| Other credits                                         | 0.9   | 0.9   | 0.9   | 0.9   | 6.9   |
| II CREDIT GRANTED TO THE MINISTRY OF FINANCE          | 250.6 | 185.8 | 119.5 | 109.2 | 390.1 |
| Long-term credits                                     | 180.1 | 125.1 | 70.1  | 14.8  | 353.1 |
| Short-term credits                                    | 0.0   | 0.0   | 0.0   | 45.0  | 0.0   |
| Foreign currency credits                              | 70.5  | 60.7  | 49.4  | 49.4  | 37.0  |
| TOTAL                                                 | 473.2 | 357.8 | 160.9 | 198.5 | 519.8 |

Deposit money banks were permitted to use daily loans for payments of households' foreign currency deposits and current accounts, up to a maximum of 10% of the latest accounting balance of households' savings and current accounts. Daily credit was mostly used by 6 to 12 banks, with the average monthly amount of funds used for daily credit ranging between 34.1 and 50.7 mil kuna. Considering that the Ministry of Finance was not able to settle its liabilities due - neither those arising from 1/20 of households' "old" foreign currency savings nor from the interest calculated for the period January 1, 1995 to June 30, 1995 - the NBC made a special credit available to the banks, around the middle of the year, for payments of households' foreign currency savings.

The NBC also granted special credit based on portfolios of the following securities:

- 1) bonds issued by the NBC to cover the bonds issued in accordance with the Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia, (Official Gazette of the Republic of Croatia, No. 106/93), falling due on June 30, 1995 - up to 100% of the nominal value of such bonds.

<sup>1</sup> see Monetary Authorities Account in the Statistical Appendix



- 2) bills of exchange issued by the Republic of Croatia to settle the interest on bonds issued in accordance with the Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia (Official Gazette No. 106/96), calculated for the period January 1, 1995 to June 30, 1995 - up to 100% of the nominal value of such bills of exchange.

Banks could use a special credit up to the amount of the decrease of households' foreign currency savings, in relation to the balance of these savings recorded on July 1, 1995.

Banks could use a special credit if unable to repay a daily loan or an intervention credit, or if using an intervention loan. Credits were granted with 12% interest per annum, due on April 30, 1996 at the latest. In case a statement of accounts should show no reason for the use of a special credit, the bank was obliged to repay the loan prior to the April 30, 1996 deadline. If a bank is unable to repay a special loan, it is considered an intervention loan. Special loans for payment of households' foreign currency savings, in the total amount of 72.1 mil kuna, were used by three banks only (Privredna Banka Inc. Zagreb, Splitska Banka Inc. Split and Neretvansko-Gospodarska Banka Inc. Ploče). The balance of the special credit on 31 December 1995 amounted to 25.7 mil kuna. Out of the total amount of the special credit used, 25.5 mil kuna referred to Splitska Banka, while 0.2 mil kuna referred to Neretvansko-Gospodarska Banka. Privredna Banka used a special credit in September 1995, and repaid it in its entirety. Depending on the state of liquidity of the banking system as a whole, the NBC continued granting intervention loans throughout 1995, the most frequent users being: Riječka Banka Inc. Rijeka, Splitska Banka Inc. Split and Slavenska Banka Inc. Osijek. In situations of extreme illiquidity, intervention credit was also used by other banks, which solved their illiquidity problems very quickly. The average monthly use of credit oscillated between 43 mil and 114 mil kuna, while the average use of intervent credit during 1995 amounted to 74 mil kuna (only days of credit activity taken into account).

Table 2.5

**REPURCHASE AGREEMENT ARRANGEMENTS WITH TREASURY BILLS**  
in millions of kuna

|                        | Apr. 14, 95 | Apr. 21, 95 | Apr. 28, 95 | May 5, 95 | May 26, 95 | Jun. 16, 95 | Oct. 19, 95 | Dec. 14, 95 |
|------------------------|-------------|-------------|-------------|-----------|------------|-------------|-------------|-------------|
| Total offered          | 180.0       | 243.3       | 251.3       | 260.3     | 165.8      | 179.8       | 170.0       | 46.0        |
| Total accepted offers  | 180.0       | 243.3       | 232.0       | 154.3     | 135.8      | 75.0        | 80.0        | 46.0        |
| Weighted interest rate | 18.00%      | 17.55%      | 18.29%      | 18.11%    | 18.11%     | 18.96%      | 25.01%      | 23.95%      |

By the Decree of March 1, 1995, DMBs' ability to use lombard credit up to 100% of the nominal value of their recorded voluntary treasury bills, was limited to 70%. By the Decree of June 1, 1995, the duration of lombard credit was decreased from 15 to 12 days per calendar month. The average monthly use of lombard credit was between 31.8 mil and 215.5 mil kuna, while the average use of lombard credit during 1995 amounted to 114.5 mil kuna. In addition to that, during periods of severe illiquidity in 1995, the NBC was using the instrument of contracting the repurchase agreements (REPO arrangements) with treasury bills of the NBC, in an attempt to compensate for the shortage of funds. Eight auctions of repurchase agreement arrangements with treasury bills were held in periods of banks illiquidity in April, May, June, October and December 1995. Interest earned per auction oscillated between 17.55% and 25.01%.

In order to realize the objectives of monetary policy and to neutralize possible negative effects of the currency issue, the central bank kept using auctions of treasury bills and the statutory reserves instrument when withdrawing (i.e. sterilizing)

currency. In 1995, treasury bill auctions were held three times a week for all three maturities (7, 35 and 91 days). Changes in monetary policy and bank liquidity influenced the balance and structure of recorded treasury bills. At the beginning of 1995, the balance of recorded treasury bills amounted to 312.3 mil kuna, with 91 day treasury bills prevailing (with 72%) in the structure. The balance at the end of 1995, of 493.2 mil kuna, consisted in major part of 7 days treasury bills (81% of the total balance). Around the middle of the year, 35 days treasury bills prevailed in the structure of treasury bills.

Table 2.6

**REVIEW OF RECORDED TREASURY BILLS OF THE NBC ACCORDING TO THEIR MATURITY, in millions of kuna**

| Month          | Maturity in days |       |       |
|----------------|------------------|-------|-------|
|                | 7                | 35    | 91    |
| December 1994  | 19.0             | 68.8  | 224.5 |
| January 1995   | 3.0              | 62.7  | 85.5  |
| February 1995  | 6.0              | 45.7  | 6.6   |
| March 1995     | 102.0            | 297.3 | 6.5   |
| April 1995     | 80.0             | 183.3 | 25.0  |
| May 1995       | 136.0            | 186.1 | 6.5   |
| June 1995      | 100.0            | 149.7 | 3.3   |
| July 1995      | 80.0             | 203.2 | 3.0   |
| August 1995    | 46.0             | 359.5 | 3.0   |
| September 1995 | 10.5             | 167.5 | 6.5   |
| October 1995   | 15.0             | 151.0 | 1.0   |
| November 1995  | 378.0            | 96.0  | 1.0   |
| December 1995  | 198.0            | 94.2  | 1.0   |

In addition to treasury bill auctions, the NBC also used the statutory reserves instrument throughout 1995, in its attempts to neutralize threats to the goals of economic policy, namely price stability and exchange-rate stability. In spite of the fact that the reserve requirement ratio was already high (28.3%), in May 1995 it was increased by 1.5% (from 28.3% to 29.8%), due to monetary aggregates surpassing their targets. In September 1995, the reserve requirement ratio was increased by another 1% (from 29.8% to 30.8%). Moreover, in order to equalize the reserve requirement ratios for DMBs and savings banks, statutory reserve requirement was prescribed for savings banks in July 1995. Up until July 1995, savings banks calculated their reserve requirement at 7.5%, applying it to the same reserve base valid for banks, and maintained it in that amount on their giro accounts or in vaults. During the period of maintenance and appropriation of statutory reserves, from mid-July 1995 until October 1995, savings banks were obliged to calculate their statutory reserves at 15%, while since October 1995 the reserve requirement ratio for savings banks has been 30.8%. Keeping in mind the extremely poor instrumentation of sterilization, and wishing to avoid further increases in the reserve requirement ratio, the NBC required all banks to record treasury bills in late May 1995. This measure was prescribed to neutralize any effects that might jeopardize the objectives of monetary policy, set to fulfill the performance criteria of the stand by arrangement with the IMF. The obligation of recording treasury bills was prescribed to the same base as the reserve requirement. Obligatory treasury bills were recorded for 91 days, while the total prescribed obligatory recording ratio amounted to 10.2%. The difference between statutory reserves and obligatory treasury bills referred only to the remuneration rate; with obligatory treasury bills it amounts to 16.5%, while for statutory reserves it amounts to 5.5%.



## 2.4

### Interest Rates of the National Bank of Croatia

Interest rates of the National Bank of Croatia were set during 1995 on a yearly level, and did not change much. The only change occurred in the interest rate on lombard loans. In May 1995, it was established that the interest charged by the NBC on lombard loans would be 1.5% higher than the weighted average interest rate on treasury bills which serve as collateral for lombard loans, in cases when the weighted average interest rate was higher than 16.5%.

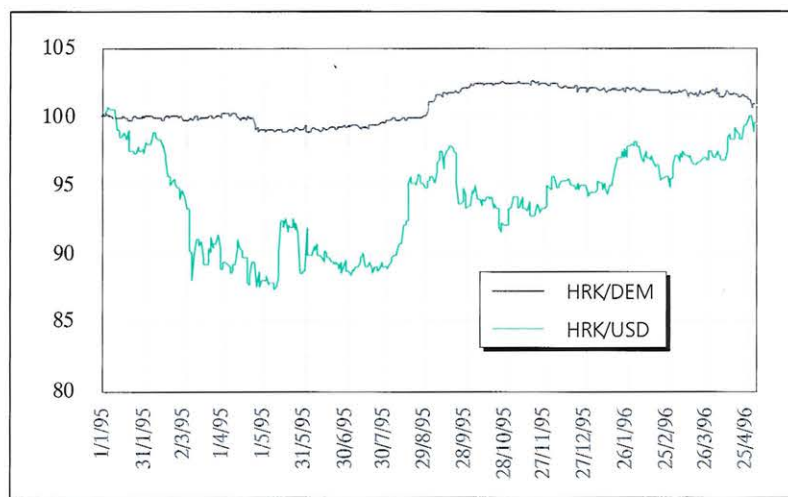
## 2.5

### Interventions on Foreign Exchange Markets and Foreign Exchange Reserves

Throughout 1995, the stability of the kuna exchange rate was achieved by conducting an active exchange rate policy, accompanied, at the same time, by a restrictive monetary policy. This posed an extremely difficult task for the central bank. The main characteristic of the exchange rate policy implemented by the NBC in 1995, was stability of the kuna exchange rate, with slightly stronger appreciation pressures around the end of the first semester.

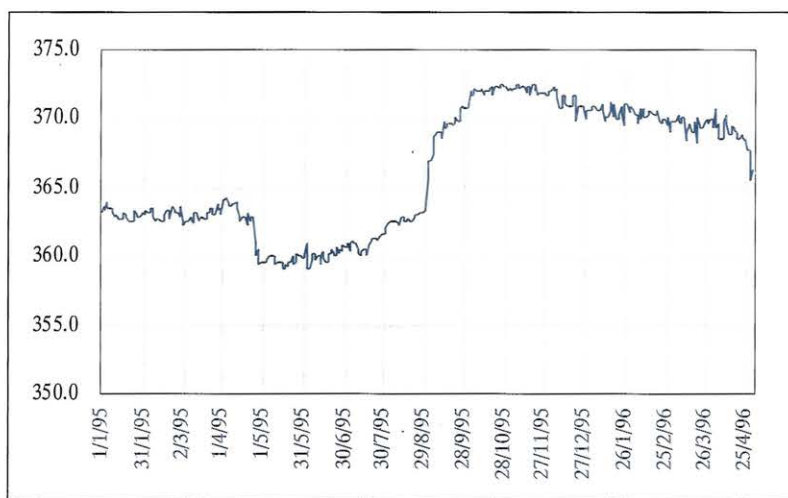
Graph 2.2

INDICES OF DAILY NOMINAL  
EXCHANGE RATES OF KUNA VS.  
DEM AND USD,  
January 1995 = 100



Graph 2.3

DAILY NOMINAL EXCHANGE  
RATE - KUNA VS. 100 DEM

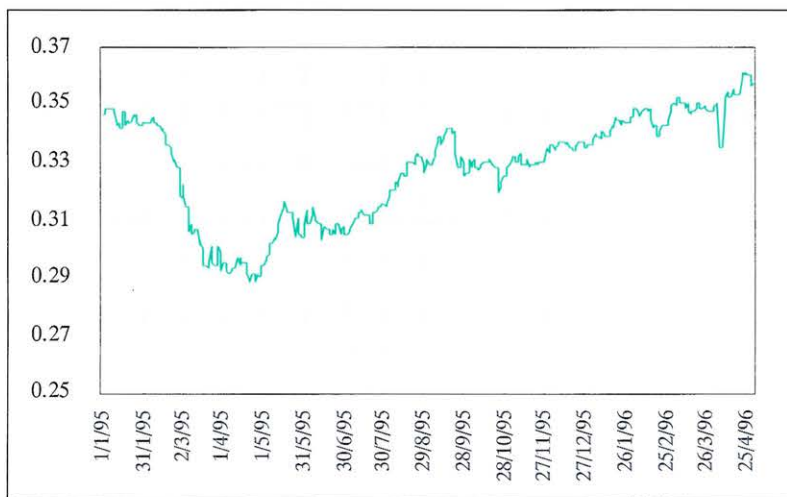




These pressures can be qualified as seasonal developments, caused by an increased foreign currency inflow from tourism at the beginning of the tourist season. At that moment, in May 1995, the NBC intervened by purchase of foreign currency in the amount of 125.4 mil German mark, followed by an additional 146.8 mil German mark worth of currency purchase in June 1995. That was enough to stop the appreciation trend and keep the kuna exchange rate at the level of 3.60 kuna for 1 German mark. Due to an increased amount of currency in circulation, depreciation pressures on the kuna appeared in July 1995. Through its continuous intervention activities, the NBC managed to alleviate these pressures. From September 1995 until the end of the year, the exchange rate remained at a stable level of approximately 3.70 kuna for 1 German mark.

Graph 2.4

DAILY NOMINAL EXCHANGE  
RATE - KUNA VS. 100 ITL



During 1995, gross foreign exchange reserves of the NBC grew from US\$ 1,404.98 mil recorded on December 31, 1994, to US\$ 1,895.11 mil, i.e. by US\$ 490.16 mil or 35%. However, the net increase in foreign exchange reserves with an actual monetary effect (i.e. issue of national currency), amounted to US\$ 352.64 mil.

#### INCREASE IN FOREIGN EXCHANGE RESERVES ACHIEVED IN 1995

in thousands of USD

##### Inflow:

|                                                                          |           |
|--------------------------------------------------------------------------|-----------|
| a) Purchase of foreign currency through auctions                         | 367,651.2 |
| b) Purchase from the Ministry of Finance                                 | 22,300.0  |
| c) Purchase of foreign currency through exchange transactions with banks | 71,206.9  |
| d) Realized interest                                                     | 76,172.0  |
| e) Sale of kuna cash                                                     | 1,422.0   |
| f) Purchase of foreign currency (cash)                                   | 56,585.7  |
| g) Positive foreign currency revaluation adjustments                     | 46,882.8  |

**Total:** 642,220.9

Earned uncollected interest from foreign management and foreign securities 6,858.8

##### Outflow:

|                                                                           |           |
|---------------------------------------------------------------------------|-----------|
| a) Sale of foreign currency in auctions (including repurchase)            | 118,603.1 |
| b) Sale to the Ministry of Finance (agreement of foreign exchange credit) | 63,776.3  |
| c) Sale to the Ministry of Finance for the needs of the government        | 23,180.3  |
| d) Liabilities to the IMF                                                 | 19,009.0  |
| e) Liabilities for foreign currency bought                                | 56,585.7  |
| f) Liabilities to international financial organizations                   | 3,393.3   |
| g) Liabilities for L/C                                                    | 4,920.6   |
| h) Other expenses (SWIFT. Reuters)                                        | 124.6     |

**Total:** 289,592.9

**NET INCREASE OF FOREIGN EXCHANGE RESERVES** **352,627.7**

Gross reserves include following items:

|                                                               |           |
|---------------------------------------------------------------|-----------|
| - Credit from the IMF per stand by arrangement                | 101,734.7 |
| - Inflow of foreign currency from banks' arrears (Paris Club) | 29,752.0  |
| - "King Zvonimir" fund                                        | 6,013.0   |

**GROSS INCREASE OF FOREIGN EXCHANGE RESERVES <sup>2</sup>** **490,127.5**

Increase in foreign exchange reserves was in major part caused by:

- 1) **Interventions on the domestic foreign exchange market in the value of US\$ 249.06 mil**, which implies an issue of 1,564.64 mil kuna. The objective of these interventions was maintaining liquidity of the banking system and stability of the exchange rate of the national currency. The NBC intervened 45 times in 1995. An equivalent of US\$ 367.65 mil was bought in 33 auctions at an average weighted exchange rate of 3.6083 kuna for 1 German mark, while an equivalent of US\$ 118.60 was sold in 19 auctions at the average exchange rate of 3.6567 kuna for 1 German mark. These figures include auctions with obligatory repurchase of foreign currency, occurring only three times in 1995, in the value of 78,384.70 DEM, but with a neutral issue effect.
- 2) **Foreign exchange purchases through banks' exchange transactions, in the value of US\$ 71.2 mil**, carried out in accordance with the Instruction on purchase of 25% of foreign currency from exchange offices in Croatia in the period July 1995 to September 1995. In the light of political developments in the country, the above transactions resulted in only US\$ 521.03 mil foreign currency inflow, which is significantly less than expected. However, instead of using their right to purchase 25% of this amount (US\$ 130.25 mil), banks purchased only around 13% i.e. 378 mil kuna.
- 3) **Interest on foreign exchange investment** increased the foreign exchange reserves of the NBC by a further US\$ 76.17 mil, i.e. by 432.2 mil kuna. Foreign exchange reserves were invested in the following market instruments:
  - a) Foreign currency deposits (around 85%) bearing an average interest rate of 4.44%
  - b) Foreign managements (5.9%), inclusive of income earned and collected, in the value of US\$ 3.89 mil. US\$ 6.22 mil income earned and uncollected is not included in the above amount. Income realized by foreign managements is on average 0.74% higher than the pre-set control points, i.e. market interest rates.
  - c) Foreign government securities, earning DEM 918,000 (US\$ 639,944), not collected in 1995. The rate of return in the period of security holding (the last quarter of 1995), i.e. the profit margin, reported on a yearly level, amounted to 4.067%, which is higher than the average market rates (amounting to around 3.9%) that could have been achieved by investing in eurodeposits denominated in DEM.
- 4) **By purchasing US\$ 22.3 mil from the Ministry of Finance** (per UBS credit), the NBC increased foreign exchange reserves, causing the release of 118.2 mil kuna into circulation.

Sale of US\$ 86.95 mil to the Ministry of Finance (out of which US\$ 63.77 mil refers to the Agreement on foreign exchange credit) caused a decrease in foreign exchange reserves.

<sup>2</sup> The difference of 0.5% from the data presented in Statistical Appendix is due to exchange rate fluctuations.



Table 2.7

## INTERVENTIONS BY THE NBC IN THE PERIOD JANUARY 1 - DECEMBER 31, 1995

| AUCTION<br>CURRENCY<br>DATE | FOREIGN EXCH.<br>PURCHASE IN<br>DEM | AVERAGE<br>PURCHASE<br>RATE | KUNA<br>EQUIVALENT | SALE OF FOREIGN<br>CURRENCY<br>IN DEM | AVERAGE<br>SALE<br>EXCH. RATE | KUNA<br>EQUIVALENT | MIDPOINT<br>RATE<br>OF DEM |
|-----------------------------|-------------------------------------|-----------------------------|--------------------|---------------------------------------|-------------------------------|--------------------|----------------------------|
| 03/01/95                    | 81,420,000.00                       | 3.63                        | 295,270,861.20     | 81,540,000.00                         | 3.64                          | 296,540,693.94     | 3.64                       |
| 20/02/95                    | -                                   | -                           | -                  | 1,700,000.00                          | 3.61                          | 6,141,000.00       | 3.63                       |
| 03/05/95                    | 33,335,920.00                       | 3.60                        | 119,992,644.04     | 13,650,000.00                         | 3.59                          | 49,041,292.34      | 3.59                       |
| 05/05/95                    | 13,650,000.00                       | 3.59                        | 48,959,880.00      | -                                     | -                             | -                  | 3.60                       |
| 15/05/95                    | 41,400,000.00                       | 3.59                        | 148,483,500.00     | -                                     | -                             | -                  | 3.60                       |
| 17/05/95                    | 15,610,000.00                       | 3.59                        | 56,035,805.00      | -                                     | -                             | -                  | 3.59                       |
| 26/05/95                    | 21,367,000.00                       | 3.60                        | 76,844,334.00      | -                                     | -                             | -                  | 3.60                       |
| 01/06/95                    | 13,825,500.00                       | 3.59                        | 49,698,467.52      | -                                     | -                             | -                  | 3.60                       |
| 06/06/95                    | 36,500,000.00                       | 3.59                        | 131,174,907.05     | -                                     | -                             | -                  | 3.60                       |
| 09/06/95                    | 17,100,000.00                       | 3.59                        | 61,442,350.00      | 142,120.00                            | 3.66                          | 520,000.00         | 3.60                       |
| 14/06/95                    | 20,057,000.00                       | 3.60                        | 72,153,895.00      | -                                     | -                             | -                  | 3.60                       |
| 16/06/95                    | 20,125,000.00                       | 3.60                        | 72,398,900.00      | -                                     | -                             | -                  | 3.60                       |
| 20/06/95                    | 18,323,000.00                       | 3.60                        | 65,908,269.00      | -                                     | -                             | -                  | 3.60                       |
| 30/06/95                    | 20,826,000.00                       | 3.60                        | 74,943,785.00      | -                                     | -                             | -                  | 3.61                       |
| 03/07/95                    | 1,000,000.00                        | 3.60                        | 3,595,900.00       | -                                     | -                             | -                  | 3.61                       |
| 05/07/95                    | 7,000,000.00                        | 3.60                        | 25,168,930.00      | -                                     | -                             | -                  | 3.60                       |
| 07/07/95                    | 8,400,000.00                        | 3.60                        | 30,198,400.00      | -                                     | -                             | -                  | 3.61                       |
| 11/07/95                    | 5,650,000.00                        | 3.60                        | 20,315,900.00      | -                                     | -                             | -                  | 3.61                       |
| 14/07/95                    | 23,900,000.00                       | 3.60                        | 85,974,950.00      | -                                     | -                             | -                  | 3.60                       |
| 19/07/95                    | 26,950,000.00                       | 3.60                        | 96,971,919.30      | -                                     | -                             | -                  | 3.61                       |
| 25/07/95                    | 9,200,000.00                        | 3.60                        | 33,115,668.00      | -                                     | -                             | -                  | 3.61                       |
| 28/07/95                    | -                                   | -                           | -                  | 1,385,000.00                          | 3.65                          | 5,050,000.00       | 3.61                       |
| 04/08/95                    | 5,000,000.00                        | 3.60                        | 18,007,500.00      | -                                     | -                             | -                  | 3.62                       |
| 09/08/95                    | 300,000.00                          | 3.61                        | 1,083,000.00       | 1,409,800.00                          | 3.60                          | 5,080,000.00       | 3.63                       |
| 11/08/95                    | -                                   | -                           | -                  | 987,000.00                            | 3.64                          | 3,589,500.00       | 3.62                       |
| 16/08/95                    | 26,500,000.00                       | 3.61                        | 95,773,508.00      | -                                     | -                             | -                  | 3.62                       |
| 18/08/95                    | 8,500,000.00                        | 3.62                        | 30,744,209.00      | -                                     | -                             | -                  | 3.63                       |
| 25/08/95                    | 500,000.00                          | 3.62                        | 1,809,405.50       | 1,770,360.00                          | 3.67                          | 6,491,200.00       | 3.63                       |
| 01/09/95                    | -                                   | -                           | -                  | 16,700,600.00                         | 3.67                          | 61,340,500.00      | 3.66                       |
| 27/09/95                    | -                                   | -                           | -                  | 5,300,000.00                          | 3.71                          | 19,640,375.00      | 3.71                       |
| 05/10/95                    | -                                   | -                           | -                  | 11,300,000.00                         | 3.72                          | 42,037,150.00      | 3.72                       |
| 06/10/95                    | 1,200,000.00                        | 3.72                        | 4,459,000.00       | 3,700,000.00                          | 3.71                          | 13,735,220.00      | 3.72                       |
| 09/10/95                    | -                                   | -                           | -                  | 1,100,000.00                          | 3.70                          | 4,074,000.00       | 3.72                       |
| 10/10/95                    | -                                   | -                           | -                  | 1,700,000.00                          | 3.70                          | 6,287,500.00       | 3.72                       |
| 11/10/95                    | -                                   | -                           | -                  | 1,300,000.00                          | 3.71                          | 4,817,602.00       | 3.72                       |
| 12/10/95                    | -                                   | -                           | -                  | 5,600,000.00                          | 3.72                          | 20,817,000.00      | 3.72                       |
| 13/10/95                    | 2,000,000.00                        | 3.70                        | 7,407,500.00       | -                                     | -                             | -                  | 3.72                       |
| 16/10/95                    | -                                   | -                           | -                  | 2,500,000.00                          | 3.71                          | 9,279,200.00       | 3.72                       |
| 18/10/95                    | 300,000.00                          | 3.72                        | 1,115,400.00       | 1,200,000.00                          | 3.72                          | 4,460,900.00       | 3.72                       |
| 20/12/95                    | 20,732,654.00                       | 3.68                        | 76,270,677.52      | -                                     | -                             | -                  | 3.72                       |
| 21/12/95                    | -                                   | -                           | -                  | 13,530,000.00                         | 3.69                          | 77,762,186.27      | 3.72                       |
| 27/12/95                    | 21,097,223.40                       | 3.67                        | 77,452,062.00      | -                                     | -                             | -                  | 3.71                       |
| TOTAL                       | 521,769,297.40                      | 3.61                        | 1,564,641,522.13   | 166,514,880.00                        | 3.66                          | 636,705,319.55     | -                          |

Issue of kuna per interventions in 1995 amounted to 1,564,641.20 kuna.

The Resolution of the Board of the NBC of April 1995, set new criteria for investing foreign exchange reserves. Corresponding changes were also made in regard to currency structure, diversification of the portfolio according to financial instruments and credit risk control. The previous currency structure of foreign exchange reserves (50% US dollar, 50% German mark) was adjusted to match the share of foreign currencies in the structure of imports and foreign credit of the Republic of Croatia (55.51% DEM, 27.47% US\$, 7.41% SDR, 6.33% ATS, 1.95% CHF, 1.03% XEU, 0.3% other currencies).

In the last quarter of 1995, foreign exchange reserve funds were invested in foreign governments' short term securities. Since these were investments into new



financial instruments, their share in the total portfolio total did not exceed 5.5%. However, investments in securities should increase in the coming years. With investment in foreign securities developing, the portion of investment made through foreign managers is decreasing. The structure of assets according to credit risk also changed in 1995. Investment of foreign exchange reserves in central banks and international financial institutions reached the level of 21.06% of foreign exchange reserves (thus decreasing risk), as opposed to the previous year when there was no investment in these institutions. Credit risk was additionally decreased by resolution on the number of commercial banks in which funds can be deposited. According to the world standards of bank ranking ("Standard & Poor's", "Moody's", "Banker"), funds are invested in the 150 highest ranked banks (rank established according to the amount of capital).

Table 2.8

### STRUCTURE OF INVESTMENT OF FOREIGN EXCHANGE RESERVES OF THE NBC ON DECEMBER 30, 1995

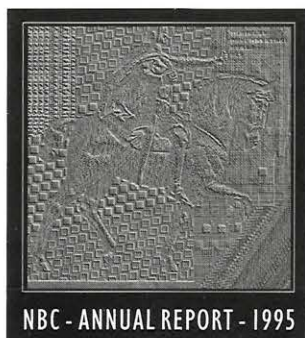
| STRUCTURE OF INVESTMENT ACCORDING TO INSTRUMENTS |                        |               |
|--------------------------------------------------|------------------------|---------------|
| FOREIGN EXCHANGE INVESTMENT                      | amount in USD          | Structure (%) |
| Deposits                                         | 1,606,818,230.5        | 84.79         |
| Securities                                       | 104,263,566.6          | 5.50          |
| Foreign management                               | 111,826,420.4          | 5.90          |
| Currency in vaults                               | 72,198,127.2           | 3.81          |
| <b>TOTAL</b>                                     | <b>1,895,106,344.7</b> | <b>100.00</b> |
| STRUCTURE OF INVESTMENT ACCORDING TO CREDIT RISK |                        |               |
| FOREIGN EXCHANGE INVESTMENT                      | amount in USD          | Structure (%) |
| Investment with central banks and                |                        |               |
| International financial institutions             | 399,148,366.2          | 21.06         |
| Investment with commercial banks                 | 1,495,957,978.5        | 78.94         |
| <b>TOTAL</b>                                     | <b>1,895,106,344.7</b> | <b>100.00</b> |



III.

## INTERNATIONAL RELATIONS

---







## 3.1

# Relations with the International Monetary Fund

### 3.1.1

## Implementation of STB/STF Arrangements

On October 14, 1994, the executive board of the IMF approved an 18-month stand-by arrangement amounting to 65.4 mil SDR. (25% of the quota) and an STF (Systematic Transformation Facility) worth 130.8 mil SDR (50% of the quota). For the successful implementation of this arrangement, the executive board of the IMF has determined so-called "prior actions" to be fulfilled prior to the beginning of the stand-by program. These activities can be divided into those defined at the time the arrangements were made, and those defined at the end of the first phase of the program. The following are "prior actions" to concluding an arrangement with the IMF:

- 1) solving outstanding budget debt in domestic payments
- 2) revocation of the general refinancing quota of the NBC
- 3) revocation of automatic credit financing of DMBs by the NBC and its replacement with discretionary credits
- 4) revocation of tax on increased interest
- 5) instructions on the implementation of wage policy
- 6) Limiting credit to certain enterprises and setting penalties for banks granting credit without permission of the NBC

Additional "prior actions" were set as follows:

- 1) amendment to the Domestic Payments Law
- 2) ordinance on high priority payments
- 3) amendment to the Law on Banks and Savings Banks
- 4) payments of debts overdue to external creditors

In order to follow up on progress in achieving the objectives of the stand-by arrangement, the executive board of the IMF set certain quantitative "performance criteria". These are quantitative quarterly goals in different areas of macro-economic policy. The following are the "performance criteria":

- 1) deficit of the consolidated state budget
- 2) increase of net credit to the consolidated state budget
- 3) net foreign exchange reserves of the NBC
- 4) net domestic assets of the banking system
- 5) credit granted to selected enterprises
- 6) contracting or giving guarantees for new external debt

In order to follow up on the structural adjustment of the Croatian economy, the IMF also determined certain "structural benchmarks" of the Croatian economic program. Like "prior activities", "structural benchmarks" can also be divided into those needing to be fulfilled before the first or before the second phase of the arrangement. The following measures were to be fulfilled before the first phase of the program:

- 1) basic legislation on the state budget
- 2) legislation on the value added tax
- 3) introduction of the Agency for Insurance of Savings Deposits and Financial Rehabilitation of Banks

- 4) revocation of the obligation of prompt execution of payment orders for a majority of payment transactions.
- 5) presentation of legal provisions limiting banks' ability to grant credits to their shareholders
- 6) sale of shares in enterprises determined for privatization at prices lower than their nominal value
- 7) expanding the right to buy (i.e. exchange) the shares (using blocked foreign currency deposits) of all enterprises in the portfolio of the Croatian privatization fund.

The following "structural benchmarks" were to be fulfilled before the second phase of the Croatian economic program:

- 1) implementation of the "uniform government account" system
- 2) introduction of marketable government securities
- 3) repayment of debt accumulated through the mechanism of automated credit financing
- 4) proposed changes in the Bankruptcy Law

By concluding the Stand-by and STF agreements, the Republic of Croatia committed itself to execution of certain stabilizing economic measures. First, there were "prior activities" to be carried out - by introducing a number of decree laws and ordinances on changes of the existing legislation regulating domestic payment operations, credit by the NBC, wage policy, credit limitations for certain enterprises, credit limitations for bank shareholders as well as debt repayment obligations to foreign creditors, especially Paris Club members. Based on the diverse nature of these measures (from operative measures to very complex structural measures), we can conclude that the execution of the "prior activities" was satisfactory. Execution of quantitative "performance criteria" throughout the implementation of this program could be considered satisfactory. Like "prior activities", "performance criteria" of the Croatian economic program can be divided into those fulfilled by introduction of certain decrees and ordinances, and those for which the introduction of certain legislation means the beginning of structural adjustments in the Croatian economic system. Croatia, as a transitional country, though burdened with war devastation and huge defense expenditures, successfully passed first economic exam in front of the international financial community, in spite of the difficulties it has been facing. The Stabilization program, successfully implemented over the last 2.5 years, has been supported by the relevant international financial institutions.

### 3.1.2

## The Convertibility of the Kuna

### Introduction of Convertibility of Croatian Currency

As suggested by the National Bank of Croatia, at the end of May 1995, the government of the Republic of Croatia proclaimed full external convertibility of the Croatian currency for all current international transactions. Croatia did this before some other successful transitional countries (Czech Republic, Slovak Republic, Poland, Hungary or Slovenia). The declaration of convertibility of the domestic currency has significant implications for the macroeconomic position and policy of every country. Convertibility of the kuna was implemented in several phases, using the so-called gradual approach to introduction of convertibility.

### Liberalization of the Foreign Exchange System of the Republic of Croatia

The turning point in the first phase of the process of introduction of convertibility of the Croatian currency was the passing of the new Law on the Foreign Exchange System, Foreign Exchange Operations and Gold Transaction in October 1993. This law represents the beginning of the liberalization of the foreign exchange system.



The most important elements of the liberalization were the revocation of the retention quota, establishment of the international inter-bank foreign exchange market, the definition of the intervention role of the National Bank of Croatia and the simultaneous revocation of compulsory surrender of foreign exchange and the liberalization of foreign currency purchases for households (private individuals). The Law on the basics of foreign exchange system, foreign exchange operations and trading of gold has been in force since October 19, 1993. In July 1994, within the regular annual consultations, the IMF in cooperation with experts from the NBC, analyzed this law and its coordination with convertibility as per section VIII of the Statute of the IMF. Prior to that, in December 1993, this law was analyzed by the legal department of the IMF. The two most important aspects of this law are: first, whether residents can freely perform payments in current international transactions with non-residents (and/or whether the purchase of foreign currency for such purposes should be allowed). Second, whether non-residents should be allowed to convert their domestic currencies into foreign exchange and whether they can transfer the foreign exchange acquired through current transactions with residents abroad. In short, it was an analysis of the law from the aspect of whether the law regulates the right of conversion and transfer to residents and non-residents for all current payments abroad. These are also the basic characteristics of the external convertibility of a currency.

### **Internal Convertibility of Croatian Currency**

In the second phase, at the beginning of 1994, the process of establishing convertibility of the domestic currency was continued within the existing Croatian foreign exchange legislation. A high level of internal convertibility of the Croatian kuna was achieved by increasing the amount of conversion of the domestic currency for convertible foreign currencies and by increasing the amount of foreign currency household are permitted to carry out of the country. In the first quarter of 1994, the government of the Republic of Croatia and the NBC achieved total internal convertibility of the kuna, by increasing the limit on the amount of foreign currency permitted abroad.

### **Removing Foreign Exchange Restrictions in Order to Establish Convertibility of the Croatian Currency in Current International Transactions**

In the third phase of the process of establishing convertibility in current international transactions, which lasted a little over a year (1994 - first half of 1995), the remaining foreign currency restrictions were being removed. This process was being carried out within the new financial Stand-by/STF arrangement concluded with the IMF on October 14, 1994. The main characteristic of the process of removal of foreign exchange restrictions was the discontinuation of the validity of the bilateral payments agreement with Slovenia and the reprogramming of liabilities to creditors who were members of the so-called Paris Club.

### **De Facto Convertibility of the Croatian Currency in Current Transactions With Foreign Countries**

By the end of 1994, Croatia removed all existing foreign exchange restrictions in collision with the Section VIII of the Statute of the Fund. One restriction, outstanding liabilities to the Paris Club, was approved by the IMF. At the beginning of 1995, all major conditions for transition from the status of so called "de facto" convertibility of the Croatia's domestic currency to the status of "de iure" convertibility in current transactions with foreign countries were fulfilled. The fourth phase of establishing convertibility of Croatian currency is characterized by the so-called "de facto" convertibility of the Croatian currency in current transactions with foreign countries. Namely, by revoking the remaining foreign exchange restrictions

in the period January 1 to May 29, 1995; the Croatian currency achieved in practice a high level of external convertibility, in spite of the fact that Croatia did not formally accept all obligations from the section VIII of the Statute of the Fund and proclaim its currency convertible.

### De iure Convertibility of the Croatian Currency in Current Transactions With Foreign Countries

The fifth and final phase in the process of establishing convertibility of the Croatian currency is characterized by the formal introduction of convertibility of the currency, so-called "de iure" convertibility i.e. official and definite desertion of the so-called "transitional arrangement" status per section XIV (i.e. of the inconvertible status of Croatian currency) on May 29, 1995, and the adoption of a new status of the Republic of Croatia, per section VIII of the Statute of the IMF (full external convertibility of the Croatian currency in all current international transactions). This would end the process of liberalization of the foreign exchange system, keeping control over capital transfers with foreign countries for Croatian residents.

### Other Aspects of Relations with the IMF

The implementation of the economic program in accordance with the memorandum on economic policy and correspondent letters of intent resulted, following the first revision of the stand-by arrangement and credit for transformation of the economic system, in withdrawal of the second drawdown of the credit for transformation of the economic system in the amount of 65.4 mil SDR. Cooperation with the IMF, in the sense of support for structural economic changes, continued through technical assistance. During 1995, technical missions were in major part oriented to development of central banking functions of monetary policy creation and implementation (especially in the field of managing foreign exchange reserves). Based on its role of financial agent and depository, throughout 1995 the NBC managed depository accounts of the IMF, met obligations taken over by succession of membership in the Fund (consequent to the stand-by arrangement concluded and used by former Yugoslavia). During 1995, 3.89 mil SDR principal debt and 6.13 mil SDR interest was paid per the above arrangement. In 1995, Croatia was also an active member of the Special Drawing Rights Board, above all through transactions "per agreement", intended to maintain a suitable, diversified structure of foreign exchange reserves for protection from currency risk. As a member of the Special Drawing Rights Board with the IMF, Croatia regularly serviced its obligations originating from liabilities inherited from succession, following the allocation of special drawing rights. 2.07 mil SDR was paid in 1995 on this basis.

Table 3.1

Balance on December 31, 1995

| GENERAL FUNDS ACCOUNT                         | SDR (millions) | % quota      |
|-----------------------------------------------|----------------|--------------|
| Quota                                         | 261.60         | 100.0        |
| IMF holdings in kuna                          | 410.17         | 156.8        |
| SPECIAL DRAWING RIGHTS                        | SDR (millions) | % allocation |
| Net cumulative allocation                     | 44.21          | 100.0        |
| Croatian holdings                             | 94.40          | 213.5        |
| Liabilities paid in 1995                      | SDR (millions) |              |
| Principal debt payments (stand by-succession) | 3.89           |              |
| Interest payments (stand by-succession)       | 6.13           |              |
| Cost of net cumulative allocation             | 2.07           |              |



In addition to regular participation in the operation of the management of the Fund, in 1995 Croatia attended the Annual Meeting of the Board of Governors of the IMF, successfully establishing a number of contacts with representatives of international financial institutions. On that occasion, in view of the complexity and long-term character of structural adjustments necessary in Croatian economy, it was agreed with representatives of the IMF to finish the procedure of regular consultations on macroeconomic policies (per section IV of the Statute of the Fund) independently from revisions based on the stand-by arrangement. Namely, in order to avoid balance-of-payments difficulties Croatia could face in the medium term, discussions of a new, so-called Extended arrangement were started. This new arrangement should secure appropriate foreign exchange funds necessary for Croatia to overcome difficulties following structural adjustments of the economy and thus contribute to achieving a sustainable economic growth.

## 3.2

### The World Bank Group, European Bank for Reconstruction and Development, Inter-American Bank for Development

In accordance with the Law on the Acceptance of the Republic of Croatia in the International Monetary Fund and other International Financial Institutions on the Basis of Succession, the National Bank of Croatia carries out the function of a depositor i.e. manages all depository accounts owned by international financial organizations in the name and for the account of the Republic of Croatia, as well as performing all transactions with these organizations as fiscal agent of the state - Republic of Croatia. During 1995, the National Bank of Croatia was regularly paying for equities the Republic of Croatia subscribed to, according to plans set by individual financial organizations.

Table 3.2

#### PAYMENTS MADE IN 1995 ON THE BASIS OF MEMBERSHIP OF THE REPUBLIC OF CROATIA IN INTERNATIONAL FINANCIAL ORGANIZATIONS

| Organization | Amount of payment in currency | Bonds issued by the Ministry of Finance |
|--------------|-------------------------------|-----------------------------------------|
| IBRD         | -                             | 22,147,385.69 HRK (revaluation)         |
| EBRD         | 2,562,666.67 ECU              | 719,333.33 ECU                          |
| IFC          | 285,600.00 USD                | -                                       |
| IDB          | 409,447.73 HRK                | 1,311,295.00 USD (regular capital)      |
|              | 27,500.00 DEM                 | 2,498,576.00 DEM                        |
|              | 32,250.00 USD                 | (Special Operations Fund)               |
|              | (Special Operations Fund)     |                                         |

In addition to its depository role, the NBC actively participates in the work of the managing bodies of international financial institutions - World Bank, European Bank for Reconstruction and Development and Inter-American Bank for Development, as well as in the work of certain missions, in particular in fields of bank supervision and financial rehabilitation (in connection with negotiations on the World Bank credit for financial reorganization of enterprises and financial sector - EFSAL). Intense negotiations with the World Bank were commenced in 1995 on structural adjustment loans in the fields of banking, social welfare and agriculture (so called SAL loans), as well as on the second loan for reconstruction. By the end of 1995, the European Bank for Reconstruction and Development had granted a number of loans to the public and private sector in the value of US\$ 42 mil and 279.9 mil DEM. In its regular dealings with international financial institutions, the NBC cooperates with the government of the Republic of Croatia and other government bodies.



**3.3****Relations with Foreign Banks**

---

Increasing the number of countries and regions the Republic of Croatia cooperates with on the political and economic level is one of the main reasons for intensifying previously commenced projects. These refer, above all, to cooperation of the NBC with foreign banks (including central banks) and government institutions as well as to following and observing banking systems, economic and financial developments in certain countries and regions as well as analyzing the existing level of cooperation between these countries and regions with Croatia and Croatian banks.

In order to make these data available to as many users in the Bank as possible, an information chart on each individual bank was developed within the BSP study. An appropriate information chart on countries and regions is in preparation. The methodology for using such a database in selecting foreign banks suitable for depositing Croatian foreign exchange reserves into, was being proposed.

In 1995, the existing correspondent network (over 20 countries and 55 banks) was regularly maintained, and efforts were made to enlarge it. It should be noted that in 1995 the NBC established a current account relation with the central bank of the United States of America, as a basis for cooperation in a number of fields, from trade in American government bonds to training and education of personnel. Conclusion of bilateral and trilateral agreements was suggested to the NBC by central banks in several foreign countries. Following a detailed analysis, only one bilateral banking agreement, consistent with section VIII of the IMF, was signed in 1995 (with the central bank of the Islamic Republic of Iran).

The already large number of contacts with representatives of foreign banks' during their visits to the NBC increased following the signing of the Dayton agreement. In 1995, the NBC was visited by bank representatives from the United States of America, Switzerland, Germany, Austria, Italy, the Netherlands, Czech Republic, Belgium, Great Britain, Sweden, Romania, Danish Kingdom, Japan and Bosnia and Herzegovina. The main object of their interest, besides mutual cooperation, was the economic situation and banking system in the Republic of Croatia. Our banking system was the subject of many written queries due to insufficient quantities of officially published data by the NBC on banks in the Republic of Croatia, as much as due to the fact that some of the newly established banks have not been translating their financial reports into foreign languages.

Among many activities in 1995, we must single out those undertaken in cooperation with the Ministry of Foreign Affairs in preventing recognition of the central bank of the so-called Federal Republic of Yugoslavia as the sole legal successor of the former Yugoslav National Bank of the former Socialist Federate Republic of Yugoslavia. In that regard, a notice was sent to a number of central and commercial banks in the world around the middle of last year. This notice was repeated following the termination of UN sanctions against so-called Federal Republic of Yugoslavia for the purpose of maintaining the blockade of foreign exchange reserves of the former National bank of Yugoslavia until an agreement between the successor countries to the former Yugoslavia is reached.

**3.4****Regulation of the External Debt of the Republic of Croatia**

---

During 1995, as a member of a technical delegation, the NBC in cooperation with the Ministry of finance, took part in negotiations with creditors on coordination of data on the external debt of the Republic of Croatia to the member countries of the

Paris Club, in preparation of documentation necessary for these negotiations, as well as in the formulation of requests for the reprogramming of the Croatian portion of the debt. In order to introduce financial discipline and secure funds for debt repayment following its reprogramming with member countries of the Paris Club and commercial banks (the London Club), the government of the Republic of Croatia issued a Decree on the Law on the Payment of Arrears to External Creditors followed by the Instructions on the Implementation of the Decree issued by the NBC. US\$ 30 mil was deposited to the current accounts of the NBC by the end of 1995. Since the Coordinated Minutes on the Consolidation of the Debt of the Republic of Croatia were signed on March 21, 1995 in Paris, the NBC has actively participated in preparation of documentation and data necessary for signing individual bilateral agreements with 15 members of the Paris Club, and has taken an active role in negotiations with foreign creditors. The NBC also actively participates in passing legislative documents and regulations in connection with the signing of the Coordinated Minutes on the Consolidation of the Debt of the Republic of Croatia and individual bilateral agreements with creditor countries.

### 3.5

## Payment Operations with Foreign Countries

---

In 1995, the NBC was handling payment transactions with foreign countries for its own needs and for the needs of the Republic of Croatia (Ministry of Finance). Payments on confirmed and unconfirmed documentary letters of credit (opened to cover the expenses of printing notes and coins) were made regularly. A new letter of credit was opened for further delivery of bank notes. Transfers to and from foreign countries were also made. Some were commercial, while others referred to bank transfers in connection with the Decree Law on the Payment of Arrears to External Creditors. Within work on the BSP study, a solution for the inclusion of payment transactions and other transactions of the NBC in the balance of payments of the Republic of Croatia was found.

In accordance with changes in the SWIFT system, the NBC joined the USE project (a new safety system of communication within the net) in March 1995. In June 1995, within the same project, the NBC joined the BKE process (bilateral exchange of keys among banks). By the end of the year, BKE keys were exchanged with most correspondent banks of the NBC.

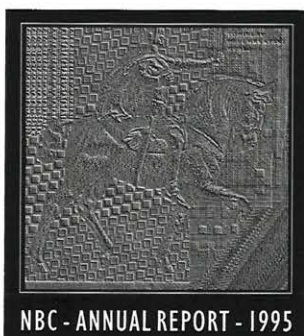




# IV.

# BANKING SYSTEM IN CROATIA

---





The NBC's Sector of Supervision and Control, supervises banks, gathering and analyzing data and undertaking measures based on the data on financial stability and solvency of banks' operations. The sources of these data are reports banks submit to the NBC, as well as data gathered through on-site examinations.

In 1995, the banking system of the Republic of Croatia consisted of 54 banks. One bank had its license to perform banking operations revoked by the NBC, so only 53 banks prepared and submitted their annual financial statements and other prescribed financial reports in 1995. Two banks are limited liability companies, while all others are corporations. Three new banks opened in 1995, but the increase in the number of banks did not change the structure of Croatian banking. There is still a large number of small banks of universal type, while four large banks still control almost two thirds of the total balance-sheet amount of all banks in Croatia. Until June 30, 1995, all savings banks (founded in accordance with the "old" Law on Banks and Other Financial Organization) that failed to comply with the stipulations of the Law on Banks and Savings Banks, were obliged to adjust in accordance with the stipulations of that Law, as well as with the Commercial Law, and to request an operating license from the NBC. The NBC issued such licenses to 20 savings banks with a minimum of 1 mil German mark capital stock (in kuna equivalent). Since one savings bank was founded in 1994, at the end of 1995 there were 21 savings bank operating in Croatia. However, all 20 newly-founded savings banks carried out refinancing (recapitalization) and adjusted their operations in accordance with the Law on Banks and Savings Banks and the Law on Business Associations by June 30, 1995 - the final deadline. Furthermore, this means that all 20 savings banks deposited over 80% of their equity capital by the middle of 1995, thus operating as savings bank for only half a year. Therefore, the report on savings banks' operation and results will not be included as a separate item in this analysis. Within this chapter we shall report data on the following:

- structure of banks' accounts
- analysis of banks' capital and its adequacy
- analysis of the quality of banks' assets
- analysis of the profit and loss account (statement of earnings)

We have to stress that all indicators and coefficients in this analysis are based on the data provided by the banks in their previous years' annual financial statements. Balances and other reports containing final data will be provided to the NBC following the audit and acceptance of banks' annual statements by appropriate bank governing bodies.

## 4.1

### Structure of Banks' Liabilities

At the end of 1995, total liabilities of the 53 banks in Croatia (the bank denied an operating license is not included in this number) amounted to 69.3 bil kuna, which represents a 16.6% increase compared to 1994. 48.2% of this amount refers to short-term liabilities (3.3% of which referred to calculated interest, commissions and other liabilities, representing a 10.4% increase compared to 1994). Long-term liabilities made up 29.5% of total liabilities, decreasing its share in the structure of total liabilities by 5.9% compared to 1994. Capital stock amounted to 8.8% in total liabilities (7.1% decrease in the structure of liabilities compared to 1994), additional capital to 1%, and special reserves for identified potential losses per risk assets to 7.9% (2.6% increase in the structure of liabilities compared to 1994).

The short-term liabilities of banks in the Republic of Croatia amounted to 32.1 bil kuna. Demand deposits by enterprises, and households' savings deposits in kuna and foreign currency, amounted to 16.2 bil kuna at the end of 1995 (50.4% of total



short-term liabilities). The most significant short-term deposits were households' foreign currency savings deposits and other special purpose foreign currency accounts, amounting to 10 bil kuna. Short-term fixed deposits amounted to 8.6 bil kuna, making up 26.7% of total short-term liabilities. The most important short-term fixed deposits were foreign currency short-term fixed deposits, amounting to 6.9 bil kuna. Short-term credit amounted to 6.3 bil kuna or 19.6% of total short-term liabilities, while the remaining 2.3% of total short-term liabilities referred to short-term securities issued.

Total long-term liabilities of banks in the Republic of Croatia, kuna and foreign currency time deposits with maturities more than 1 year, as well as long-term credit acquired in the country and abroad, amounted to 20.1 bil kuna at the end of December 1995. The most important item in the structure of long-term liabilities are long-term foreign currency deposits amounting to 11.3 bil kuna and making up 57% of long-term liabilities. The majority of these deposits are frozen "old" foreign currency deposits. The second most important item in the structure of long-term liabilities are long-term foreign exchange loans (8.7 bil kuna or 43% of long term liabilities). Liabilities in kuna represented a marginal category in the structure of long term liabilities in 1995 (only 1.7 bil kuna in 1995), the most insignificant item definitely being long-term securities.

At the end of December 1995, Croatian banks' capital stock amounted to 9 bil kuna. In the structure of total capital stock, the most significant element (33% or 3 bil kuna) was reserve funds. The additional capital of Croatian banks is not a very significant category - in 1995 it amounted to 0.5 bil kuna. In the structure of additional capital, special reserves for unidentified losses had the largest share (90%). Establishment of these funds is compulsory, prescribed by regulations. Special reserves for identified losses formed by Croatian banks in 1995 amounted to 5.5 bil kuna (1 bil kuna more than last year). These reserves debit the profit and loss account, and are used in cases when contaminated assets get written off as non-recoverable.

## 4.2.

### Structure of Croatian Banks' Assets

---

At the end of 1995, the total assets of the 53 banks in the Republic of Croatia amounted to 69.3 bil kuna. Currency and obligatory deposits with the NBC made up 6.3% of the total assets, short-term domestic credit 33.5%, long-term credit and commodity futures 23%, investments in long-term securities, shares and equities 30.5%, tangible and intangible assets and calculated interest, fees and other assets 6.7%.

Currency and obligatory deposits with the central bank amounted to 4.4 bil kuna at the end of 1995. Obligatory deposits with the central bank amounted to 2.3 bil kuna or 52.3% of the amount of total currency and deposits with the central bank.

Short-term domestic credit, short-term securities, short-term loans and commodity futures as well as claims from trade of goods and services amounted to 23.3 bil kuna at the end of 1995. The most significant share in short-term domestic credit (19.6 bil kuna or 84% of the total short-term credit) is made up of short-term loans and long-term loans due.

Long-term domestic credit, long-term securities, investment into shares, equities, as well as long-term loans and other assets amounted to 52.8 bil kuna at the end of 1995. The most significant item in the structure of long-term domestic credit was long-term securities and investments in equities and shares (amounting to 20.6 bil kuna at the end of December 1995) and long-term loans and other assets (16 bil kuna).

Long-term investments in equities, shares and participating interest in enterprises amounted to 5.7 bil kuna at the end of 1995. These investments are mostly a result of banks' inability to collect their claims on enterprises, transforming these claims into equities or shares in the process of transformation and privatization of public enterprises. Tangible and intangible assets of Croatian banks at the end of 1995 amounted to 2.4 bil kuna, while calculated interest, fees and other assets amounted to 2.4 bil kuna. The most significant of these items were other assets (kuna and foreign exchange) referring to tax advance payments, foreign currency revaluation adjustments, funds in clearing and pre-paid expenses.

### 4.3.

## Analysis of Banks' Capital

---

Risk-weighted capital of the banking system of the Republic of Croatia amounted to 9.1 bil kuna on December 31, 1995 (compared to 8.9 bil kuna on December 31, 1994). According to the Law on Banks and Savings Banks, the total risk-weighted capital of a bank (capital stock and additional capital up to 50% of the value of total capital stock), should not be less than 8% of the value of the balance and off-balance amount, weighted by prescribed degrees of risk. This indicator (capital adequacy) expresses the relation between the total capital and risk-bearing assets.

The capital adequacy coefficient of the banking system level amounted to 18.2% on December 31, 1995 (compared to 20.2% on December 31, 1994), which is still significantly above the prescribed minimum level of 8%. It should be noted that only one bank failed to meet the minimum required level of capital adequacy, for the third consecutive year.

According to the transitional and final provisions of the Law on Banks and Savings Banks, banks founded in accordance with the stipulations of the Law on Banks and Other Financial Organizations were obliged to adjust the value of their capital stock to the legally required level by (at the latest) December 31, 1995 and the NBC should revoke the operating license of those banks that fail to meet this requirement.

According to financial reports in 1995, one bank did not fulfill the requirement on the prescribed level of capital. Therefore, a procedure for revocation of operating license was commenced in 1996. In 1995, the NBC deprived one bank of its operating permit by ruling - the reason was the fact that this bank had not performed any banking operations since 1994, while its assets were frozen in long-term tangible assets.

In order to perform credit operations and payment operations with foreign countries, banks are required to secure, according to the Ruling of the NBC, the equivalent of DEM 10 mil risk capital in the first year of operation and a total of DEM 15 mil following the first year of operation. One of the newly-founded banks was initiated with the kuna equivalent of DEM 10 mil, therefore receiving authorization to perform payment operations and credit transactions with foreign countries.

### 4.4

## Analysis of the Quality of Banks' Assets

---

The most important element in assessing the state of a bank's operations and its results is the evaluation of the quality of its assets. In standard banking practice, the items in bank's balance sheets are divided into quality and contaminated (good and bad). In addition to this classification, asset items are divided into risk-bearing and risk-free. Assessment of the quality of bank assets applies to so-called



risk-bearing bank assets only. Risk-bearing assets include short-term and long-term loans, investments (long-term and short-term), interest, commissions and bank fees. Risk-bearing assets also include banks' off-balance liabilities (collateral, open letters of credit, etc.) The portion of quality assets in the structure of the Croatian banks' total assets, was 86.27% at the end of 1995. At the same time, the portion of contaminated assets reached 13.8%. The share of potential losses in the total assets of Croatian banks increased by 1.5% compared to 1994. However, in spite of this increase in potential losses in 1995 in comparison to 1994, this ratio is still very favourable (and consequent to classification of claims on central government as quality assets).

Table 4.1

**CLASSIFICATION OF BANKS' CREDIT PORTFOLIO INTO CATEGORY A, B, C, D AND E  
BASED ON BANKS' REPORTS, in millions of kuna**

|                                     | A             | B            | C            | D            | E            | TOTAL         |
|-------------------------------------|---------------|--------------|--------------|--------------|--------------|---------------|
| <b>ASSETS</b>                       |               |              |              |              |              |               |
| Loans, securities and bank deposits | 46,996        | 2,847        | 2,616        | 720          | 788          | 53,967        |
| Interest                            | 957           | 24           | 296          | 66           | 108          | 1,551         |
| Commissions and fees                | 72            | 9            | 16           | 2            | 3            | 102           |
| Other risk bearing assets           | 7,346         | 930          | 461          | 104          | 33           | 8,874         |
| <b>TOTAL</b>                        | <b>55,731</b> | <b>3,910</b> | <b>3,389</b> | <b>892</b>   | <b>932</b>   | <b>64,494</b> |
| <b>OFF-BALANCE ITEMS</b>            | <b>11,112</b> | <b>695</b>   | <b>449</b>   | <b>237</b>   | <b>146</b>   | <b>12,639</b> |
| <b>GRAND TOTAL</b>                  | <b>66,483</b> | <b>4,605</b> | <b>3,838</b> | <b>1,129</b> | <b>1,078</b> | <b>77,133</b> |

Potential losses in banks' credit and commitments amounted to 5.2 bil kuna (1.4 bil DEM) on December 31, 1995. Compared to 1994, potential losses debited to banks' earnings, increased in 1995 by 674 mil kuna.

## 4.5.

### Limitations Decreasing Credit Risk

The National Bank of Croatia prescribed certain limitations on banks in order to decrease credit risk. Losses are most commonly a result of the concentration of credit to one debtor or a group of mutually related enterprises. Such concentration of credit also prevents funds from being allocated to other profitable activities. There are several limitations, set by the NBC, preventing the concentration of credit to one debtor and similar risks affecting the quality of banks' assets.

#### 4.5.1

#### Large Credits and the Largest Credit

An individual loan (or any other individual claim or liability) to one debtor exceeding 20% of risk capital is considered a large credit. In 1995, 14 banks granted large credit totaling 1.3 bil kuna. The largest credit is an individual loan to an individual debtor reaching up to 30% of the risk capital. In 1995, 9 banks granted the largest credit in the total amount of 1 bil kuna.

#### 4.5.2

#### Credit to Shareholders Holding over 10% of Equity Capital and to Members of the Board of Directors and Supervisory Board

According to the stipulations of the Law valid in 1995, such credit is granted based on an unanimous decision of the bank's management and prior consent by the supervisory board. Total credit granted to this category of debtors (by 27 banks)



amounted to 0.7 bil kuna, out of which 0.3 bil kuna refers to off-balance potential liabilities. As established in previous examinations, there seem to have been no irregularities in granting these loans.

#### 4.5.3

#### Total Credit and Other Claims and Liabilities to an Individual Debtor

All loans, claims and liabilities to an individual debtor must not exceed 30% of bank's assurance capital. Total claims and liabilities to an individual debtor exceeding 30% of risk capital were identified in 16 banks in 34 individual cases. These claims amounted to 11.5 bil kuna, out of which 2.1 bil kuna refers to potential liabilities (guarantees, uncovered letters of credit etc.) Such high a concentration of claims on one debtor is largely attributable to the credit policy prevailing in the former system. However, this practice appears in some of the newly-formed banks, which is evident from an increase in the number of banks' debtors classified in this group (increase of seven compared to 1994), and an increase in the total amount of this concentration of credit (by 0.6 bil kuna compared to 1994).

#### 4.5.4

#### Coefficient of Investment in Land, Buildings, Equipment and Office Space

Investment in land, buildings, equipment and office space should not exceed 30% of the bank's risk capital. The total amount of investment for these purposes amounted to 22.8 bil kuna or 25% of the risk capital of the entire banking system.

#### 4.5.5

#### The Coefficient of Total Investment in Land, Buildings, Equipment and Office Space and Shares in Banks and Other Companies

Banks' investment in their own assets (land, buildings, equipment and office space) and investment in ownership of shares in banks and other companies should not exceed 70% of the bank's risk capital. The total amount invested for these purposes amounted to 2.8 bil kuna or 30.7% of risk capital of the entire banking system. In some banks, the share of these investments in the structure of their accounts is much higher than the calculated average. Namely, in the first two years banks failed to include assets acquired through debt-equity swaps (entered into to avoid losses from non-recoverable debts) in this amount. However, compared to 1994, these investments decreased by 2 bil kuna in 1995.

### 4.6

### Analysis of Banks' Profits

In this analysis, banks' profits (such as the difference between lending and deposit interest rates) were broken down into:

- earnings and expenditures on loans granted and received, by subject
- realized difference between earnings and expenditures, by categories

Comparing the financial result attained in two consecutive accounting periods, 1994 and 1995, we notice a tendency toward a positive financial result. For illustration, profit attained on the banking system level in 1995 amounted to 545 mil kuna, in 1994 it was 134 mil kuna, while in 1993 the banking system operated at a loss.

Analysis of the structure of gross earnings shows that earnings were mostly generated by return interest: 61.8% of total earnings in 1995 (compared to 60.4% in

1994). The share of commissions and fees in total earnings grew from 14.5% in 1994 to 16.7% in 1995. Foreign currency revaluation adjustments (net) were no longer a significant item in total earnings in 1995. The reason for this lies in the stable kuna exchange rate. It should be noted that banks' earnings from dividends on stocks and shares were negligibly low in both 1994 and 1995. Analysis of the structure of expenditures in 1994 and 1995 shows interest payable as the largest expenditure item in both years (37.4% of the total expenditures in 1994 and 35.8% in 1995). The second most significant item in expenditures were general administrative expenses (34.2% of total expenditures in 1995). Such a high share of administrative expenses also indicates the existence of "reserves" for more profitable business operation of Croatian banks.

In 1994, 10.4% of total expenditures referred to forming reserves for potential losses incorporated in banks' assets. In 1995, the portion of reserves for potential losses in total expenditures grew by 3.5% (one third) compared to 1994, reaching 13.9% of total expenditures.

## 4.7

### Review of the Current Situation in the Banking System

---

The current situation in the banking system is in great part the result of problems inherited from the former socialist system. The main cause of problems in the banking system prior to 1989 were banks' decision making procedures in regard to credit to enterprises (both in support of their current operations and investments), as well as uncontrolled banking sector borrowing to finance such an exaggerated domestic credit. Due to inferior investment, loans could not be repaid, followed by debt-rescheduling and later credit refinancing agreements between the former government and foreign creditors. Actually, most of our banks' current foreign debt stems from that period.

In an attempt to solve the problems inherited from the previous system, in March 1992, the Government of the Republic of Croatia decided to take over the largest loss on banks' balance sheets - losses due to negative foreign exchange revaluation adjustments per "old" foreign exchange savings deposits, in the value of (the kuna equivalent of) US\$ 2.5 bil, previously covered by the National Bank of former Yugoslavia. Furthermore, in May 1991, by the Croatian Government's Decree, government bonds in the amount of US\$ 1 bil ("big bonds") were issued and distributed to state-owned enterprises to facilitate their restructuring. Such enterprises used these bonds to repay debts due to foreign creditor banks. These two government actions assisted in solving the problems of liquidity and solvency in the banking system at that time.

The main characteristic of the Croatian banking system is a large portion of immobilized assets in total assets. Almost 50% of all assets consist of "old" foreign currency savings bonds, "big bonds", permanent investment in equities and shares, tangible and intangible assets, refinanced long-term credit and other long-term assets. Adding statutory reserves, deposited with the NBC, and unrecoverable credit, the portion of long-term immobilized assets reaches over 60% of total assets. The situation is further aggravated by the fact that the "big bonds", as well as investment in stocks and tangible and intangible assets carry no return. The other part of assets, like long-term credit and other credit to the non-banking sector, as well as long-term securities, does carry interest, but banks gain no profit from these assets either, because they get reinvested at the same price as the sources of funds. Such a structure of assets in the banking system of the Republic of Croatia is determined by the situation in the 10 largest banks, while other banks have a more favourable structure of assets.

In 1995, the banking system of the Republic of Croatia operated with a profit (showing a slightly upward trend) for the second consecutive year. This fact has even more weight in light of the fact that banks' allocation for potential losses was larger in 1995 than in the previous year, thus decreasing the positive financial result. Interest rates have shown similar tendencies. Profitability and an extremely high percentage of administrative expenses in total expenditures, with low levels of competition, determine the level of credit interest rates, as well as the difference between credit and deposit rates.

In 1995, with aid of funds from the Budget of the Republic of Croatia, the restructuring of Slavenska Banka Inc. Osijek was carried out, making the government and private shareholders owners of the bank. Consequently, this bank's operation was completely normalized, a further step being sale of government owned shares i.e. a complete privatization.

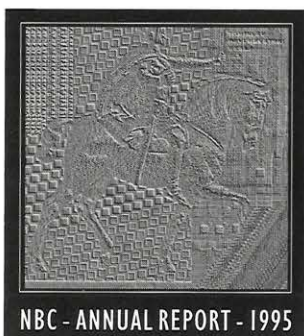




V.

TREASURY

---



NBC - ANNUAL REPORT - 1995





Operation of Directorate of the Treasury consisted, during 1995, of the following:

- control and takeover of bank notes and coins from producers of cash,
- supplying bank notes and coins to participants in cash payment operations, through the Payments Institute.
- processing of bank notes and coins withdrawn from circulation,
- issuance and sale of jubilee coins,
- takeover of securities from producers and supplying securities to retailers.

## 5.1 Tendencies in Cash

The above operation can be divided into three functional parts:

- issuance and withdrawal of cash,
- cash supply,
- safeguarding and handling valuables in vaults.

The following is a review of tendencies in cash of the central bank in 1995:

Table 5.1

### REVIEW OF TENDENCIES IN CASH OF THE CENTRAL BANK

| Description                          | 000 kuna         | 000 kuna          |
|--------------------------------------|------------------|-------------------|
| Balance on January 1, 1995           |                  | 68,080,468        |
| Received from producers:             |                  |                   |
| - bank notes                         | 3,800,000        |                   |
| - coins                              | 77,053           |                   |
| Received from Payments Institute:    |                  |                   |
| - surplus of bank notes              | 396,612          |                   |
| - bank notes worn out in circulation | 33,933           |                   |
| - damaged bank notes                 | 1,161            |                   |
| - bank notes' trial prints           | 5                |                   |
| <b>TOTAL RECEIVED:</b>               | <b>4,308,764</b> | <b>72,389,232</b> |
| Issued to the Payments Institute     |                  |                   |
| - bank notes                         | 1,994,209        |                   |
| - cash                               | 76,085           |                   |
| Sale of kuna to foreign countries:   |                  |                   |
| - bank notes                         | 6,917            |                   |
| Transfer to numismatics:             |                  |                   |
| - bank notes                         | 500              |                   |
| Exchange of Croatian dinars:         | 252              |                   |
| <b>TOTAL ISSUED:</b>                 | <b>2,077,963</b> | <b>2,077,963</b>  |
| Balance of cash on Dec. 31, 1995     |                  | 70,311,269        |

From the producer of cash, the printing house Giesecke-Devrient, Munich, the Directorate of the Treasury received 72.8 tons of bank notes in 7 consignments, while coins were received on a daily basis from the Croatian Money Institute, Zagreb. In total, 112,982 bags of coins, weighing 472.5 tons, were delivered in 123 takeovers. Bank notes were received on schedule. The quantity received exceeded the originally contracted quantity by over 1 million pieces of 50 kuna denomination. The printer offered the NBC an extra 1 million of 50 kuna notes, because

less waste had occurred in printing than usual, causing increased production. The NBC management decided to buy the offered excess cash. Since there was no extra demand for coins in 1995, 44% of estimated production of coins was carried over into 1996. Out of 250 million coin pieces originally planned, only 159.6 million were forged in 1995, mostly in denominations of 50 lipa and smaller. Employees of the Directorate of the Treasury performed the control of production of bank notes and destruction of trial print sheets and bank notes. The Directorate of the Treasury received and took into safekeeping certificates of complete production, delivery and destruction of bank notes. At the same time, the printer put the technical documentation used in the process of money printing into safekeeping, depositing one key to the safe with the Directorate of the Treasury.

Throughout 1995, the Directorate of the Treasury satisfied all the requirements of the Payments Institute for cash, supplying its branches with a total of 27.1 tons of bank notes and 106,060 bags or 456.7 tons of coins. The demand of the Payments Institute for cash was in part satisfied by cash transfers between branches. In this way, the cash surplus within the Payments Institute satisfied 17 requests for cash totaling 165.5 mil kuna.

On June 30, 1995, the NBC released into circulation a new issue of 10 kuna bank notes, followed by coins with 1994 issue year and jubilee 5 kuna, 2 kuna, 20 lipa and 1 lipa coins on July 15, 1995.

Coins of 1994 issue year bear the Latin names of animals and plants on the reverse side. A coin in the denomination of 5 kuna was issued in commemoration of 500th anniversary of the printing of the Glagolitic Missal of Senj, while coins in denominations of 2 kuna, 20 lipa and 1 lipa were issued for the occasion of anniversary of FAO, an organization with the UN. Cash reserves of the central bank were very high in all denominations which enabled a regular supply of circulation. A review of tendencies in cash reserves of the central bank follows.

Table 5.2.

## TENDENCIES IN CASH RESERVES OF THE CENTRAL BANK IN 1995 in millions of kuna

|           | OPENING<br>BALANCES | Production | Received by<br>Payments<br>Institute | Foreign<br>countries | Disbursed by<br>Payments<br>Institute | Sold<br>to foreign<br>countries | Transferred to<br>numismatics | CLOSING<br>BALANCES |
|-----------|---------------------|------------|--------------------------------------|----------------------|---------------------------------------|---------------------------------|-------------------------------|---------------------|
| January   | 68,080.4            | 3.7        | -                                    | -                    | 36.2                                  | -                               | -                             | 68,047.9            |
| February  | 68,047.9            | 3.9        | 0.3                                  | -                    | 130.8                                 | -                               | -                             | 67,921.2            |
| March     | 67,921.2            | 110.5      | 10.0                                 | -                    | 98.4                                  | -                               | -                             | 67,943.3            |
| April     | 67,943.3            | 202.2      | 30.0                                 | -                    | 635.6                                 | 1.1                             | -                             | 67,538.7            |
| May       | 67,538.7            | 5.0        | 10.0                                 | -                    | 30.4                                  | -                               | -                             | 67,523.3            |
| June      | 67,523.3            | 14.2       | 53.5                                 | -                    | 54.6                                  | 0.4                             | -                             | 67,536.0            |
| July      | 67,536.0            | 18.0       | 10.0                                 | -                    | 160.4                                 | 3.5                             | 0.5                           | 67,399.6            |
| August    | 67,399.6            | 0.4        | 9.3                                  | -                    | 546.9                                 | 2.3                             | -                             | 66,760.0            |
| September | 66,860.0            | 5.8        | 25.4                                 | -                    | 37.5                                  | -                               | -                             | 66,853.7            |
| October   | 66,853.7            | 153.6      | -                                    | 0.5                  | 127.7                                 | -                               | -                             | 66,880.1            |
| November  | 66,880.1            | 3348.5     | 263.1                                | -                    | 202.2                                 | -                               | -                             | 70,289.5            |
| December  | 70,289.5            | 10.8       | 20.0                                 | -                    | 9.1                                   | -                               | -                             | 70,311.2            |

252,394.84 million kuna issued to the NBC's cash office (for exchange of Croatian dinars during first and second quarter) is not reported separately in review above.

In 1995, the Directorate of the Treasury became involved in receiving and control of bank notes and coins withdrawn from the circulation due to weariness or damage,



well as of 10 kuna notes (first issue). The following are the total quantities of bank notes received:

Table 5.3

**DAMAGED BANK NOTES RECEIVED**

| Denomination | Number of pieces received | Amount in kuna        |
|--------------|---------------------------|-----------------------|
| 1000 kuna    | 574                       | 574,000.00            |
| 500 kuna     | 580                       | 290,000.00            |
| 200 kuna     | 283                       | 56,600.00             |
| 100 kuna     | 95,507                    | 9,550,700.00          |
| 50 kuna      | 94,256                    | 4,712,800.00          |
| 20 kuna      | 771,369                   | 15,427,380.00         |
| 10 kuna      | 19,685,253                | 196,852,530.00        |
| 5 kuna       | 846,212                   | 4,231,060.00          |
| <b>Total</b> | <b>21,494,034</b>         | <b>231,695,070.00</b> |

The bank notes were subject to control counting and prepared for destruction. 120,329 pieces of coins worth 9,115.68 kuna were received from branches of the Payments Institute.

In 1995, the Directorate of the Treasury also received a number of requests for examination of kuna notes. A report on the number of requests for examination and their results follow.

Table 5.4

**REQUESTS FOR EXAMINATION OF THE KUNA NOTES AND RESULTS OF EXAMINATIONS IN 1995**

| Denomination | Number of requests | Total number of bank notes | Results of examination |             | Manufacture of counterfeit bank notes |
|--------------|--------------------|----------------------------|------------------------|-------------|---------------------------------------|
|              |                    |                            | Original banknote      | Counterfeit |                                       |
| 500          | 20                 | 30                         | -                      | 30          | photocopy                             |
| 100          | 3                  | 3                          | -                      | 3           | photocopy                             |
| <b>Total</b> | <b>23</b>          | <b>33</b>                  | <b>-</b>               | <b>33</b>   |                                       |

Although the number of counterfeit bank notes increased in comparison to 1994, we can ascertain that all counterfeit bank notes were rated poor quality and thus considered little threat to circulation. All counterfeit bank notes were reported to the Ministry of the Interior and all subjects in cash payment transactions. As a preventive measure, 500 copies of a special educational poster introducing the 500 kuna note (with an emphasize on the protective features of the bill) were issued and supplied to the Payments Institute, banks, savings banks, Croatian Post (HPT), Ministry of the Interior and some large trade networks.

**5.2****Jubilee Coins**

The activities of the Directorate of the Treasury within the National Bank of Croatia in issuance and sale of jubilee gold and silver coins, as well as jubilee coin sets, were continued in 1995. During 1995, the NBC issued the following in jubilee coinage:

- "Croatian Statehood Day; May 30, 1990 - 1995" gold and silver coins,
- "Croatian Royal Town of Knin" gold coin,



- "1700th Anniversary of the Palace of Diocletian and Founding of the Town of Split" gold and silver coins,
- "500 Anniversary of the Printing of the Glagolitic Missal of Senj" gold souvenir 5 kuna coin.

Table 5.5

## CROATIAN STATEHOOD DAY MAY 30,1990 - MAY 30,1995

| Denomination | Mass      | Fineness | Diameter | Quantity | Release date |
|--------------|-----------|----------|----------|----------|--------------|
| 1,000 Au     | 7.00 gr.  | 986/000  | 22 mm    | 3,000    | May 22, 1995 |
| 500 Au       | 3.50 gr.  | 986/000  | 18 mm    | 4,000    |              |
| 200 Ag       | 33.63 gr. | 925/000  | 40 mm    | 4,000    |              |
| 150 Ag       | 24.00 gr. | 925/000  | 37 mm    | 5,000    |              |
| 100 Ag       | 20.00 gr. | 925/000  | 34 mm    | 6,000    |              |

Out of the total quantity issued, following were offered to the public:

|                                   |           |
|-----------------------------------|-----------|
| set No. 1 (all issues)            | 1,000 ea. |
| set No. 2 (1,000 Au; 200, 100 Ag) | 2,000 ea. |
| set No. 3 (500 Au, 150 Ag)        | 2,000 ea. |
| gold coin 500                     | 1,000 ea. |
| silver coin 200                   | 1,000 ea. |
| silver coin 150                   | 2,000 ea. |
| silver coin 100                   | 3,000 ea. |

Table 5.6

## "500TH ANNIVERSARY OF THE PRINTING OF THE GLAGOLITIC MISSAL OF SENJ"

| Denomination | Mass      | Fineness  | Diameter | Quantity | Release date      |
|--------------|-----------|-----------|----------|----------|-------------------|
| 5 Au         | 12.50 gr. | 900/1,000 | 26.2 mm  | 200      | December 15, 1995 |

Table 5.7

## "CROATIAN ROYAL TOWN OF KNIN" GOLD COIN

| Denomination | Mass      | Fineness | Diameter | Quantity | Release date   |
|--------------|-----------|----------|----------|----------|----------------|
| 5 Au         | 12.50 gr. | 900/1000 | 26.2 mm  | 200      | October 9,1995 |

Table 5.8

## "1700TH ANNIVERSARY OF THE PALACE OF DIOCLETIAN AND FOUNDING OF THE TOWN OF SPLIT "

| Denomination | Mass      | Fineness | Diameter | Quantity | Release date |
|--------------|-----------|----------|----------|----------|--------------|
| 1,000 Au     | 7.00 gr.  | 986/000  | 22 mm    | 3,000    | May 22, 1995 |
| 500 Au       | 3.50 gr.  | 986/000  | 18 mm    | 4,000    |              |
| 200 Ag       | 33.63 gr. | 925/000  | 40 mm    | 4,000    |              |
| 100 Ag       | 20.00 gr. | 925/000  | 34 mm    | 6,000    |              |

Table 5.9

## REPORT ON SALE OF KUNA AND LIPA COIN SETS

| Type of issue    | Quantity | Selling price | Sold  | Balance |
|------------------|----------|---------------|-------|---------|
| Numismatic sets  | 15,071   | 95.00         | 3,566 | 11,505  |
| Circulation sets | 20,400   | 50.00         | 1,671 | 18,729  |

Table 5.10

## REPORT ON SALE OF GOLD AND SILVER JUBILEE COINS

| Name of coin/set         | Quantity | Selling price | Sold  | Balance |
|--------------------------|----------|---------------|-------|---------|
| "Golden Ducat"           | 3,647    | 670.00        | 1,240 | 2,402   |
| "John Paul II"           |          |               |       |         |
| - set                    | 697      | 1,500.00      | 85    | 612     |
| - gold coin 1,000 kuna   | 1,203    | 1,300.00      | 42    | 1,161   |
| - silver coin 100 kuna   | 5,817    | 150.00        | 476   | 5,341   |
| "Croatian Statehood Day" |          |               |       |         |
| - set I                  | 1,000    | 2,535.00      | 306   | 694     |
| - set II                 | 2,000    | 1,690.00      | 171   | 1,829   |
| - set III                | 2,000    | 845.00        | 180   | 1,820   |
| - gold coin 500 kuna     | 1,000    | 650.00        | 497   | 503     |
| - silver coin 200 kuna   | 1,000    | 260.00        | 578   | 422     |
| - silver coin 150 kuna   | 2,000    | 195.00        | 564   | 1,436   |
| - silver coin 100 kuna   | 3,000    | 130.00        | 705   | 2,295   |
| "Kuin"                   | 3,000    | 700.00        | 1,287 | 1,713   |
| "Scuj"                   | 200      | 1,900.00      | 125   | 75      |

This report does not include two issues made in cooperation with Zagrebačka banka ("900th Anniversary of the Zagreb Bishopric and the Town of Zagreb" and "1700th Anniversary of the Palace of Diocletian and Founding of the Town of Split") since the sale was agreed to be entrusted to Zagrebačka banka. The NBC released the circulation kuna and lipa set on July 21, 1995.

In order to promote the sale of the entire collection of jubilee coinage in 1995, 27 contractual agreements on commission sale were entered into with banks, Payments Institute and specialized companies, in addition to printing promotional materials and a contract on catalogue sale.

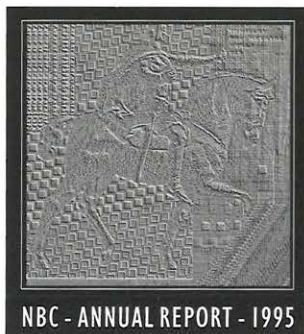
In 1995, the Directorate of the Treasury performed a number of operations in connection with vaults, where valuables are stored for safeguarding and handling. The largest operation were government stamps and bills of exchange of the Republic of Croatia, handled by the Directorate of the Treasury in accordance with the contract between the NBC and the Ministry of Finance of the Republic of Croatia for a remuneration of 1% of the total amount of sales.





# **VI. ORGANIZATION, MANAGEMENT AND HUMAN RESOURCES**

---





## 6.1

### The Council of the NBC

The Council of the NBC (together with the Governor of the NBC, the management body of the NBC), held, during 1995, 15 sessions making decisions in its jurisdiction as prescribed by para 67 of the Law on the National Bank of Croatia (Official Gazette No. 35/95 - final draft). The most significant decisions made by the Council related to setting and implementation of the monetary and foreign exchange policy in support of the Croatian Government's Stabilization Program. In 1995, the Council also decided to initiate the evaluation of the economic justification of a possible financial reorganization and restructuring of Slavonska Banka Inc. Osijek, Splitska Banka Inc. Split and Riječka Banka Inc. Rijeka. The Council of the NBC also presented a Financial Report on the Annual Statement for 1994 with the Report on Annual Inventory of Assets and Liabilities for 1994 as well as the Financial Plan for 1995. The Council of the NBC also set the Annual Report of the NBC for 1994, and considered and accepted the report on the audit of financial operation of the NBC carried out by the State Bureau for Audits. Since the NBC, together with the Agency for Commercial Operations, founded the Croatian Money Institute (an enterprise specializing in the manufacture of paper money and coins), the Council of the NBC also reviewed annual reports of this Institute as well as reports on the audit of its financial reports. The Council of the NBC also confirmed the fundamental financial documents, as well as work plans and programs of the Payments Institute, which, according to the Domestic Payments Law, also falls under the jurisdiction of the NBC.

In 1995, the Council of the NBC also passed a Decree on the Release of 10 Kuna Bank Note into Circulation and a Decree on Basic Characteristics of the 10 Kuna Bank Note. The Council also made several decisions in the field of numismatics: the Decree on the Release of Kuna and Lipa Coins with Latin Names of Animals and Plants on the Reverse Side into Circulation, Decree on the Release of Memorial Kuna and Lipa Coins "FAO" into Circulation, Decree on the Release of Memorial 5 Kuna Coin "500th Anniversary of the Printing of the Glagolitic Missal of Senj" into circulation and the Decree on the Release of Lipa and Kuna Coins with 1995 Issue Year into Circulation. We should also mention the Decree on the Release and Sale of Memorial Gold and Silver Coins on the Occasion of Croatian State Day, May 30, 1990 - 1995, Decree on the Issue of Golden Ducat on the Occasion of Liberation of Knin, and the Decree on the Issue and Release of Memorial Coins on the Occasion of 1700th Anniversary of Split into Circulation.

Since granting operating licenses to banks and savings banks is also under the jurisdiction of the Council of the NBC, in 1995 the Council issued operating licenses to 4 banks and 20 savings banks, which were obliged to adjust their operation and the amount of their capital stock to the stipulations of the Law on Banks and Savings Banks prior to receiving such license. In 1995, the Council also passed a Decree on the Revocation of Operating License of a Private Austrian-Croatian Bank.

In its sessions during 1995, the Council of the NBC issued its opinions of candidates for the presidency of banks' and savings banks' managements (jurisdiction of the NBC per para 32 of the Law on Banks and Savings Banks).

## 6.2

### Organization and Information System Development

Intense work on the internal organization of the NBC started in 1994, and continued during 1995, on the basis of the Temporary Regulations on the Internal Organization of the NBC and Proposed Regulations on Professional Vocations and



Titles which were adopted in 1995. The total activity of the bank is perceived in all its operations. Consequently, its organizational forms are based on the functional system of related operations. The only exception is the foreign exchange reserve management, which is separated due to its utmost importance for the central bank, into a special functional entity.

After a detailed analysis of the operations and tasks appropriate to the levels of the organizational structure (where sector is the widest and directorate is the central level of organizational structure), another level, the department was added, as a narrower organizational form within the directorate. Operations and tasks designed to improve this organization and Bank's activity include:

- establishing organizational procedures in the Bank
- introducing internal standards for the use of modern technological solutions
- analyzing working conditions and suggesting solutions for their improvement
- monitoring and implementing regulations concerning organization of the NBC
- monitoring the relation between the organization of the Bank and its information system

Information system development is a lasting process aimed at efficient management of the NBC. The need of all subjects of the NBC for information and data, as one of basic resources in accomplishing the goals of the business system, triggered an intense development of the information system, beginning from the assumption that information system development is based on the following:

- strategic goals connected with activities inherent to every deposit money bank
- activities in connection with the transitional period and performed by the Bank on a temporary basis
- activities so important they cannot wait until the complete information system of the bank is built
- activities which are part of the old system, and whose attained level of information system development should be maintained or upgraded.

Starting from the strategic goals of the business system, a Preliminary Design of an Integral Information System was created in 1994, according to the Business Systems Planning methodology (BSP). This project will be executed through the construction of information sub-systems (IPS). Recognizing certain criteria (benefit, impact on business operation, possible success, requirements), priorities for realization of the next two IPS (out of nine) were set as follows:

- organization, information system development, statistics
- monetary policy

Project teams were formed by decision of the Governor of the NBC, representing the first step on the way to main projects. It was assumed that the information system can be upgraded by people who have a profound knowledge of areas being computerized, and of the business system as a whole. Managers of main projects were selected following this principle: project managers come from the Bank's business function, while technical managers belong to the Bank's information function.

It was decided to use the CASE technology in building the system, so at the beginning of the year all members of the team took part in training where they learned how to design information systems using this technology. A training plan was put together for members of the information function, to be carried out parallel to the construction of information sub-systems. The purpose was to form a nucleus of information system wizards able to support the most complicated demands a business system might create.

During the year, project teams have made a cross-section study of the situation, which was used to analyze the business area. The next step of the main project is the construction of the model of data and the model of functions. The model of data is in large part defined and comprises around 100 entities - business significant groups of data. The model of functions, describing the business logic of processing the defined data, is currently being designed, as well as the prototype of the information solution for the chosen segment. A successful illustration of such a solution to the business system, along with the realization of the necessary technical resources (primarily the creation of the local net - NBHNet), would satisfy the main conditions for work on final designs within the information function.

In addition to the construction of the Integral Information System, the information function of the Bank has been occupied by the realization of a number of smaller and larger projects i.e. program solutions for tasks of a temporary nature (Claims and Liabilities by the Sector Central Government, Claims and Liabilities by Assorted Enterprises). An especially significant activity is the computerization of tasks which, due to the urgency of the business system function, cannot wait until the integral information system is built. In such cases, independent application systems are built as a temporary measure (Payment Operations with Foreign Countries, Foreign Exchange Reserves Management, Banks' Assets and Liabilities), but keeping in mind the necessity of their simple and easy incorporation into the system. The majority of employees in the information function are engaged in current, everyday tasks, such as entering, accepting and processing data, as well as creating output for data users. Due to changes in conditions and mode of operation, a number of project managers and programmers had to intervene within more than 20 application systems supporting certain business entities. Some of these interventions were merely modifications of program solutions, some were larger interventions within the application system (Deposits of the NBC, Foreign Credit). All these additional tasks and duties justify the need for an integral and planned approach in setting up the concept and realization of an information system. This is why an Integrated Information System within the NBC is one of the main prerequisites for its proper functioning.

## 6.3

### Payment Transaction Operations

---

In 1995, work on the reform of the system of payment operations intensified. On 4 January 1995, the Council of the NBC accepted the material "Principles of the Promotion of Domestic Payment Operations" which sets the basis for the new system and organization of payment operations in the country. The most significant changes are;

First, a more important role and responsibility of the NBC in regard to payment operations. The NBC:

- regulates legislation on payment operations
- supervises payment operations in the country



- performs operative tasks (which previously were not under the jurisdiction of the NBC) as follows: keeps accounts of deposit institutions (banks and savings banks) and the State Budget, performs payment transactions with above mentioned accounts, performs settlements on the level of the entire system of payment operations in the country, etc.

Second, the role of deposit institutions, banks and savings banks, is changed. Handling accounts of all categories of participants in payment operations and transactions with these accounts is under the exclusive jurisdiction of banks and savings banks. Only banks and savings banks are authorized to perform payment transactions in their name and for their account. Non-deposit institutions can, as servicing institutions, perform certain duties within payment operations in the name and for the account of deposit institutions.

Third, the following functions are being separated: handling accounts, accounting and settlement. Accounts owned by participants in payment operations are handled by deposit institutions, accounting is carried out through the National Clearing System, while settlements are performed through deposit institutions' accounts with the NBC.

Fourth, the position of a legal entity within the payment operations system is changed: it decides on the number of accounts and deposit institutions to handle them.

Fifth, the NBC prevents creation of any monopoly and ensuring competitive conditions in payment operations.

These further activities ensured the basic conditions for the establishment of the new system of payment operations:

- regulating the legislation in connection with payment operations (draft Law on Payment Operations created and reconciled at the Inter-institutional Committee for domestic payment operations, along with several implementation documents: Leading Number of Deposit Institutions, Construction of Accounts in a Deposit Institution, General Principles for Opening a Business Account with a Deposit Institution, Account Register of Enterprises, Rules on Settlement through the National Clearing System, Instructions on Settlement through the National Clearing System, Organizational, Technological and Technical Conditions for Performing Payment Operations)
- establishment of the National Clearing System (the project is expected to be ready to use in September 1996)
- establishment of the Large Payments System. Documents prepared: Operative Regulations, User Requests and Tender.

At the same time, important changes in existing payment operations took place, preparing the ground for the new system. These are:

- introduction of double coverage, i.e. coverage on the account of both payer and his deposit institution as a condition for the transfer of funds between two different deposit institutions.
- the day of initiation of a payment request is separated from the day of transaction for certain payment orders
- participants in the system of payments are enabled to operate through several accounts in the Payments Institute
- demand deposits by banks are separated from demand deposits by the NBC, etc.



The purpose of these changes was termination of banks' automatic credit financing by the NBC, termination of the use of secondary sources of liquidity, establishing financial discipline, enabling banks to manage their liquidity with the NBC and establishing quality liquidity management on the banking system level, as well as introducing competitive relations in payment operations in the transitional period, until the new system of payment operations is finally introduced. The control of payment operations performed by authorized organizations was also performed, by direct audit, as well as by constant contacts and cooperation. A special Directorate for Payment Operations was introduced on May 1, 1995. This Directorate performs all duties connected with payment operations which are under the jurisdiction of the NBC.

## 6.4 Legal Affairs

---

Legal affairs include representing the NBC in the court of law and other government administration bodies in legal and other proceedings.

Another important role of the Department of Legal Affairs consists in the preparation and elaboration of regulations, instructions, general documents, contracts and decrees, in particular in connection with the following:

- The Law on Amendments to the Law on Banks and Savings Banks
- The Law on Issue and Transactions of Securities
- The Decree on Amendments to the Law on Domestic Payment Operations
- provisions of the Law on Banks and Savings Banks
- provisions of the Law on Domestic Payment Operations
- provisions of the Law on Foundations of the Foreign Exchange System, Foreign Exchange Transactions and Transactions with Gold

Further on, legal affairs was engaged in the decision making process involving the Council of the NBC, as well as in drafting contracts entered into by the NBC. Legal affairs were active in giving their opinion and advice on inquiries and requests made by banks and savings banks, as well as in contacts with international financial institutions.

At this time, we should also mention the Committee for Preparation of the Draft Concept of the Monetary System and Manufacture of Bank Notes of the Republic of Croatia as well as the Government's Agency for Insurance of Savings Deposits and Banks' Restructuring.

## 6.5 Human Resources

---

The change in characteristics of employees of the NBC continued in 1995. Changes are obvious in the increase in the number of employees, intensified education and training, increase in the average qualification level, decrease in the average age and years of experience.

The number of employees increased from 431 at the end of 1994, to 479 at the end of 1995 (by 48 employees or 11.14%). There were 14 cases of termination of employment (various reasons), and 62 cases of hiring (full or part-time). The increase in the level of qualification was caused by an increase in the number of Masters of Sciences from 18 to 21, university graduates from 168 to 204 (increase

of 21.42%), as well as in the number of high school graduates (by 10 persons or 7.5%). The number of PhDs decreased from 5 to 4, while in other categories there were no changes. The average age of employees is 40 years of age, while the average length of working experience is 16.4 years (11.3 years at the NBC). Further changes in age and working experience can hardly be expected. We may say the Bank is as young as it can ever be. The number of employees of age 35 and under reached 156. Considering the average age and years of experience of the NBC employees, there should be very little natural outflow in the coming years.

The qualification structure of employees of the NBC at the end of December 1995 is:

|                     | Ph. D. | MS   | BA    | 2 yr. | High school | Qualified workers | Unqualified workers | Total | Women |
|---------------------|--------|------|-------|-------|-------------|-------------------|---------------------|-------|-------|
| Number              | 4      | 21   | 204   | 49    | 143         | 16                | 42                  | 479   | 326   |
| Percentage in total | 0.84   | 4.38 | 42.59 | 10.23 | 29.85       | 3.34              | 8.77                | 100   | 68.06 |

The percentage of employees holding Bachelor's degree or higher, amounts to 47.81% (58.04% together with 2 years University equivalent), which is appropriate for the nature of work and the expectations of an institution of this sort.

### 6.5.1

### Scholarships

In order to ensure qualified personnel for specific and new banking activities and operations, since the fall of 1994, the NBC has been granting scholarships to 10 students of economics (in the 3rd and 4th year of their studies) every year. The students awarded these scholarships after a very tough competition, were those promising (based on their work and characteristics) high quality performance and development. This is confirmed by the fact that first of these scholars were hired by the NBC in October 1995. All others are scheduled to graduate and start working in record time, with the exception of the war veteran awarded a scholarship in 1994, who temporarily discontinued his education.

### 6.5.2

### Education and Training

The central monetary authorities have been putting more and more complex requirements in front of the NBC, both within the Republic of Croatia and in relation to international financial institutions. These requirements have to be met according to international standards and methodology. And Croatia has very few experts, in some cases none. This is why education and training are a constant, high priority task. This practice, started in 1993, was continued in 1995.

The personnel base is being created by granting scholarships, employing trainees and hiring more experienced, recognized experts, as well as by constant training. In the NBC, education and training are organized in several groups and courses.

26 lectures on the operations of the Sector of Research and Analysis, Sector for Central Banking Operations, Sector for International Relations and an additional lecture on the personnel of the NBC were presented to the trainees. They also took part in 15 lectures within the Economics Workshop, attended two specialized foreign language courses for banking, and one course in information sciences. 192 participants took part in various courses, training programs, seminars, post-graduate studies or specialization, out of which: 46 participants spent 518 days in training abroad, 93 participants spent 518 days in training in Croatia, 53 attendants spent 5470 hours in foreign language classes, 17 attended post-graduate studies, while three took up practical work in the legal system. Abroad, we mainly use the technical assistance of the Austrian Banker's Club, Wissenbach;

Banca d'Italia, Rome; Credit Suisse, Zurich; Joint Vienna Institute, Vienna; IMF, Washington; Centre for Central Banking Studies, London and the Deutsche Bundesbank. We try to take advantage of free training within technical aid, covering the unavoidable expenses using funds for hiring trainees and other persons (446.202 kuna transferred to the NBC by the State Employment Agency in 1995), and not using original the Bank's earnings. Also within the program of technical aid, the Department of Supervision and Control, in cooperation with American experts, is carrying out a three semester training program in standing supervision for 50 participants.

### 6.5.3

#### Employees' Salaries

The salaries in the National Bank of Croatia have not been increased for over a year. Moreover, they slightly decreased, both the average salary per employee and per qualification. This was noticed in only one more bank in the group of banks whose data are gathered and processed by the Payments Institute. Among the observed group of banks, including Croatia Osiguranje (total of 11 Institutions), the NBC has the highest coefficient of qualification, but according to the average net salary per skilled worker equivalent, it takes 9th place; the highest net paid salary also takes 9th place; the average net paid salary takes 5th place as well as the lowest net paid salary. No funds were planned or allotted for employees' housing requirements.

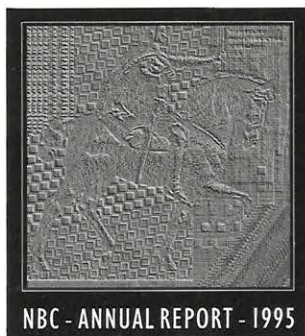




**VII.**

**FINANCIAL REPORT:**

**ANNUAL FINANCIAL STATEMENT OF THE NBC**



NBC - ANNUAL REPORT - 1995





In accordance with the Law on Accounting, the NBC compiles basic financial reports to show the balance of assets and liabilities (funds and their sources), as well as its earnings and expenditures, i.e. financial statement for the previous year.

Earnings and expenditures connected with the activity of the NBC are regulated by the Law on the National Bank of Croatia. Earnings and expenditures are estimated by the financial plan, while their actual amounts are established in the annual financial statement. Both documents are delivered by the Council of the NBC and confirmed by the Croatian Parliament.

Any surplus of earnings over expenditures is a state budget revenue, while in the event of a surplus of expenditure over earnings, the loss would be covered from the Fund for Special Purposes. In case of a loss exceeding the available funds in the Special Purpose Fund, the coverage would be provided by the State Budget.

According to the annual financial statement for 1995, the financial results of the NBC are as follows:

- earnings: 493.3 mil kuna (3.7% less than planned)
- expenditures: 332.4 mil kuna (22.9% more than planned)
- surplus of earnings over expenditures: 160.9 mil kuna (66.6% of the planned amount)

The financial results attained in 1995 are results of the activities of the NBC on the implementation of the Stabilization Program of the Government of the Republic of Croatia.

## 7.1

### Earnings

Table 7.1

EARNINGS OF THE NBC in 000 kuna

|                                                                | Planed in 1995 | Realized in 1995 | Structure | realized/planed |
|----------------------------------------------------------------|----------------|------------------|-----------|-----------------|
| 1. Lending interest rates                                      |                |                  |           |                 |
| 1.1. Interest on loans and other investment from primary issue | 42,000.00      | 51,955.73        | 10.5%     | 123.7           |
| 1.2. Interest and other earnings from funds deposited abroad   | 460,000.00     | 431,186.85       | 87.4%     | 93.7            |
| 2. Other earnings                                              | 10,000.00      | 10,128.67        | 2.1%      | 101.3           |
| Total                                                          | 512,000.00     | 493,271.25       | 100.0%    | 96.3            |

#### 7.1.1

#### Lending Interest Rates

The NBC's earnings made in 1995 on interest on loans and other investments from primary issue, amounted to 51,956 mil kuna, exceeding the plan by 23.7%.

Interest and other earnings on foreign currency deposited abroad by the NBC, amounted on December 31, 1995 to US\$ 1,895.1 mil, compared to US\$ 1,405 mil at the end of December 1994.

It should be noted that in 1995, certain changes occurred in managing foreign exchange reserves. The currency structure of the NBC was adjusted to the basket of currencies of countries participating in our foreign trade. The old ratio, in which 50% of foreign exchange reserves was kept in US dollars, and 50% in German marks, was changed according to the newly-set criteria, used by the majority of

central banks. Consequently, the currency structure in 1995 was as follows: 55.51% in German marks, 27.47% in US dollars and 17.02% other currencies. In addition, the portfolio is diversified. By investing in foreign countries' securities, the central bank commenced purchasing foreign short-term securities, which usually yield more than the interest on time deposits on the money market. 431.2 mil kuna was earned this way in 1995, which is 6.3% less than planned, due to a smaller accumulation of foreign exchange reserves than expected (absence of tourist season).

### 7.1.2.

### Other Earnings

Other earnings in 1995 amounted to 10.1 mil kuna (1.3% more than planned), making up 2.1% of the total earnings.

In 1995, these earnings dropped to one-tenth of their amount in 1994. The reason for this lies in the fact that the system of automatic bank credit-financing from secondary sources of liquidity was terminated in 1995. Therefore, the interest charged to banks for their financial indiscipline amounted to only 6.2 mil kuna. Another significant item was the sale of numismatics (1.2 mil kuna). Per Decision of the Council of the NBC, part of the above amount earned by the sale of the ducat "Croatian Royal Town of Knin", was transferred to the benefit of the "Save the Children of Croatia" action.

## 7.2

## Expenditures

Table 7.2

EXPENDITURES OF THE NBC in 000 kuna

|                                            | Planned    | Realized   | Structure | Realised/planned |
|--------------------------------------------|------------|------------|-----------|------------------|
| 1. Deposit interest rates                  |            |            |           |                  |
| 1.1. Interest on banks' statutory reserves | 95,000.00  | 107,377.30 | 32.3%     | 113.0            |
| 1.2. Interest on securities issued         | 45,000.00  | 104,792.19 | 31.6%     | 232.9            |
| 2. Expenses                                |            |            |           |                  |
| 2.1. Expenses of money manufacturing       | 45,000.00  | 43,542.44  | 13.1%     | 96.8             |
| 2.2. Material and other expenses           | 40,000.00  | 32,703.48  | 9.8%      | 81.8             |
| 2.3. Amortization                          | 7,000.00   | 4,705.93   | 1.4%      | 67.2             |
| 2.4. Gross wages of employees              | 23,500.00  | 24,288.43  | 7.3%      | 103.4            |
| 3. Appropriated funds                      |            |            |           |                  |
| 3.1. Equity (constant capital)             | 15,000.00  | 15,000.00  | 4.5%      | 100.0            |
| TOTAL                                      | 270,500.00 | 332,409.77 | 100.0%    | 122.0            |
| SURPLUS OF EARNINGS OVER EXPENDITURES      | 241,500.00 | 160,861.48 |           | 66.6             |

### 7.2.1

### Deposit Interest Rates

Statutory reserve funds deposited with the NBC traditionally represent the most significant deposit interest expenditure. However, by the Decree on Statutory Reserves of Banks and Savings Banks (Official Gazette No. 85/94), which came into effect at the beginning of January 1995, 75% of the statutory reserve funds are still appropriated to a special account with the NBC, while the remaining 25% is included in the average balance of the giro account and the cash office. The uniform appropriation rate of 28.3% (in May 1995 increased to 29.8%, in September to 30.8%) was applied to deposits of all maturities. The interest paid by the NBC on



these funds was 5.15% until May, and 5.5% since May 1995. Total interest paid in 1995 amounted to 107.4 mil kuna (13% more than planned), or 32.3% of total expenditures.

Interest paid on treasury bills in 1995 amounted to 104.8 mil kuna, which is 132.9% more than planned. The financial plan for 1995 predicted only deposit rates on voluntary bills (45 mil kuna planned vs. 52.4 mil kuna per the annual financial statement). The rest of the total interest payable (52.4 mil kuna) refers to obligatory treasury bills. The portion of interest paid on securities in total expenditures reached 31.6%.

## 7.2.2

### Expenses

#### a) Manufacture of Bank Notes and Coins

Para 36 of the Law on the National Bank of Croatia stipulates that the NBC issues bank notes and coins made out to the monetary unit of the Republic of Croatia. Expenses related to the manufacture of bank notes and coins amounted in 1995 to 43.5 mil kuna, which is 3.2% less than planned. In the total expenditures of the NBC, these expenses account for 13.1%.

#### b) Material and Other Expenses

Material and other expenses amounted to 32.7 mil kuna in 1995 (18.2% less than planned, as usual in the NBC). Moreover, the material and other expenses are by 1.5 mil kuna less than in 1994 due to the decrease in fees to financial institutions and cost of material rights of employees. These expenses account for 9.8% of total expenditures of the NBC.

#### c) Depreciation

Using the linear method of calculating of depreciation, depreciation charges of the NBC in 1995 amounted to 4.7 mil kuna, which is only 67.2% of the planned amount, due to the fact that certain equipment was not acquired. The above depreciation charges made up 1.4% of the total expenditures of the NBC in 1995. It should be noted that the revaluation of long-term assets was not yet necessary in 1995, due to low coefficients for calculation (increase in prices of industrial products).

#### d) Gross Wages of Employees

In the implementation of the Stabilization Program in 1995, the Government of the Republic of Croatia continued to use administrative measures to affect wages in public enterprises, which also affected the wages of employees of the NBC. The total value of gross wages paid to the NBC employees in 1995 was 24.3 mil kuna, exceeding the plan by only 3.4%. The average net wage per employee of 2,690.40 per month, was influenced by the inclusion of meal allowance and vacation allowance into the wage. If we take into account the employee qualification structure and the average number of employees, reduced to the skilled worker equivalent number (work complexity coefficient 2.383), the amount of the average drops to 1,129.10 kuna.

## 7.3

### Appropriated Funds

According to the financial plan, 15 mil kuna of total earnings established in the annual financial statement for 1995, was appropriated for long-term capital formation.



**7.4****Surplus of Earnings over Expenditures**

---

The surplus of earnings over expenditures, after providing for all expenses and long-term capital formation, represents (per para 80 of the Law on the National Bank of Croatia) revenue of the State Budget.

According to the annual financial statement, the surplus of earnings over expenditures in 1995 amounted to 160.9 mil kuna i.e. only 66.6% of the planned amount. This is due to increased expenditure for interest payable and especially for obligatory treasury bills recorded in larger amount in order to withdraw the excess money supply in spring and summer 1995. Therefore, the reason for the above discrepancy can be found in tendencies in Croatian financial market, above all in the unexpected absence of tourist season.

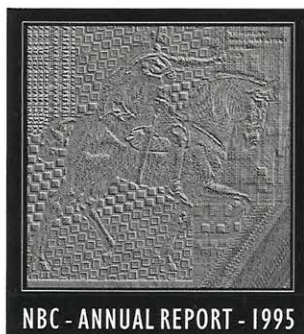
Part of the above surplus of earnings (119.3 mil kuna) was transferred to the State Budget in the form of advance payments during the year. An amount of 1.8 mil kuna was used to balance debts and claims, and 5.5 mil kuna compensated liabilities of the government in connection with the membership of the Republic of Croatia in the International Monetary Fund and other international financial organizations. At the beginning of 1996, following the annual financial statement the remaining part of the surplus in the amount of 34.3 mil kuna, was transferred to the State Budget.

The above surplus of earnings makes up 32.6% of the total earnings of the National Bank of Croatia in 1995.

# MANAGEMENT OF THE NBC

---

(December 31, 1995)



NBC - ANNUAL REPORT - 1995





## Members of the Council of the National Bank of Croatia

Chairman of the Council

**Pero Jurković**

**Zdravko Rogić**

**Relja Martić**

**Dragutin Zaninović**

**Borislav Škegro**

**Branko Gazivoda**

**Marin Kružičević**

**Antun Šeda**

**Branko Vukmir**

**Gorazd Nikić**

**Mate Babić**

**Vlado Leko**

## Management of the National Bank of Croatia

**Pero Jurković**, Governor

**Zdravko Rogić**, Deputy Governor

**Relja Martić**, Vice Governor

**Dragutin Zaninović**, Vice Governor

## Board of Executive Directors

Research and statistics area - **Marko Škreb**

Area of central banking operation - **Adolf Matejka**

International financial relations area - **Jadranka Granić**

Area of control and supervision - **Ivo Tešija**

Area of organization planning and information processing - **Petar Ćurković**

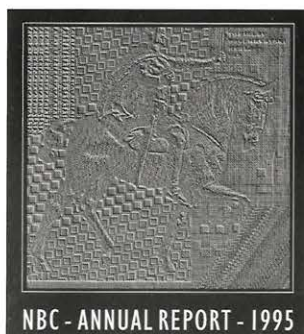
Area of legal affairs and general services - **Mladen Šunjić**



# INTERNAL ORGANIZATION OF THE NBC

---

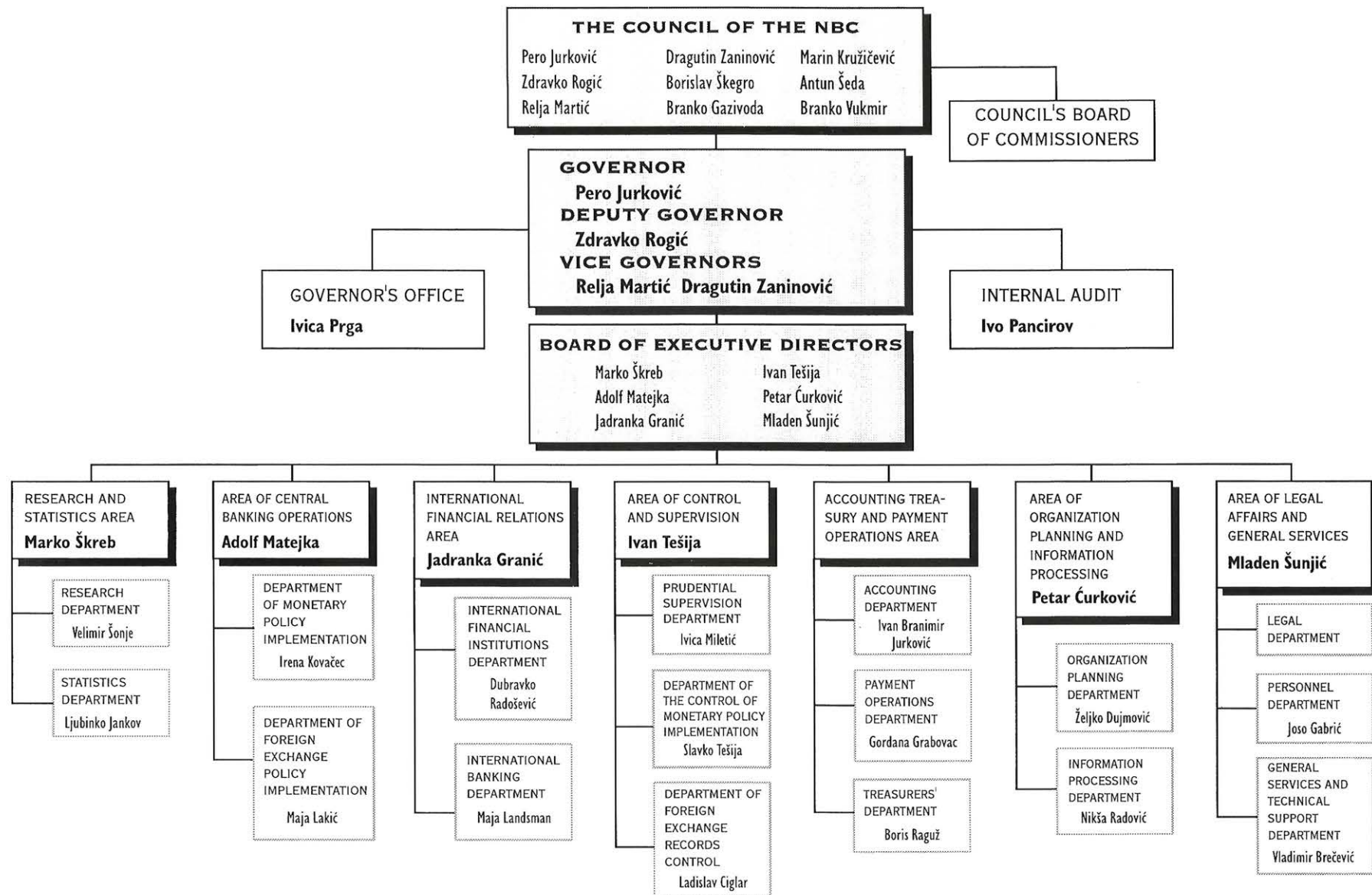
(December 31, 1995)



NBC - ANNUAL REPORT - 1995







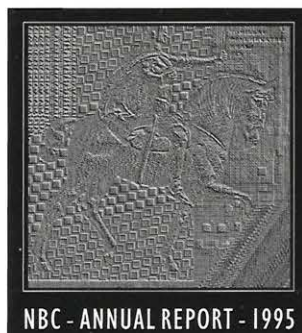




# LIST OF BANKS

---

(December 31, 1995)





**1. AGRO-OBRTNIČKA BANKA DD \***

Amruševa 8  
10000 ZAGREB  
Tel: +385 1 / 278-671; 275-884  
Fax: +385 1 / 278-671  
Tlx: 21608

Director: Đurđica Kunstić  
International Division Manager: Nenad Bratelj  
SWIFT: AOBH HR 2X BIC

**2. ALPE JADRAN BANKA \***

Poljička cesta 32  
21000 SPLIT  
Tel: +385 21 / 565 057; 561 173; 565 091  
Fax: +385 21 / 561 072  
Tlx: 26647 AJBANK RH

Director: Pero Perišić  
International Division Manager: Stjepan Kurir  
SWIFT: AJBK HR 2X

**3. BJELOVARSKA BANKA DD \***

Jurja Haulika 19a  
43000 BJELOVAR  
Tel: +385 43 / 241 899; 242 410; 241 386  
Fax: +385 43 / 241 897  
Tlx: 23330 BJELBA RH  
SWIFT: BJBA HR 2X

International Division  
Tel: +385 43 / 275 115; 275 125  
Fax: +385 43 / 275 144

Director: Petar Radaković  
International Division Manager: Branka Medimorac

**4. BRODSKO-POSAVSKA BANKA DD**

Trg pobjede 29  
35000 SLAVONSKI BROD  
Tel: +385 35 / 241 700, 241 800,  
Fax: +385 35 / 241 900

Director: Gabrijel Sentić

**5. CENTAR BANKA DD \***

Jurišićeva 24/II  
10000 ZAGREB  
Tel: +385 1 / 273 358  
Fax: +385 1 / 278 141  
Tlx: 21707

Director: Zvezdana Stipić

**6. CIBALAE BANKA DD \***

H. D. Genschera 2  
32000 VINKOVCI  
Tel: +385 32 / 311 144; 311 887  
Fax: +385 32 / 311 825  
Tlx: 28254 VINBAN RH  
SWIFT: VKBK HR 2X

International Division  
Tel: +385 32 / 331 083  
Fax: +385 32 / 311 717

Director: Marijan Mandić  
International Division Manager: Borislav Čorluka

**7. CONVEST BANKA DD**

Gajeva ulica 33  
10000 ZAGREB  
Tel: +385 1 / 420 151, 420 153, 4556 633  
Fax: +385 1 / 271 942

Director: Ivan Maljevac

**8. CREDO BANKA DD \***

Kralja Zvonimira 14/10  
21000 SPLIT  
Tel: +385 21 / 511 746, 525 099, 522 967  
Fax: +385 21 / 551 014  
SWIFT: CDBS HR 22BIC

Director: Zoran Sikirica



LIST OF BANKS

**9. CROATIA BANKA DD \***

Kvalernikov trg 9  
10000 ZAGREB  
Tel: +385 1 / 2338 137; 2331 778  
Fax: +385 1 / 2332 470  
SWIFT: CROA HR 2X

International Division  
Kennedyjev trg 11  
10000 ZAGREB  
Tel: +385 1 / 2391 269; 2391 273  
Fax: +385 1 / 2391 167  
Tlx: 21146 CB ZG RH

Director: Ivan Tarle  
International Division Manager: Hrvoje Delač

**10. ČAKOVEČKA BANKA DD \***

Katarine Zrinski 1  
40000 ČAKOVEC  
Tel: +385 40 / 815 101; 816 359  
Fax: +385 40 / 815 101

International Division  
Poljičke Poljane 5  
10000 ZAGREB  
Tel: +385 1 / 6116 660; 6116 661  
Fax: + 385 1 / 533 136; 535 167  
Tlx: 22507 CKBZFZGRH

Director: Nenad Jeđut  
International Division Manager: Darija Mikulec-Reich

**11. DALMATINSKA BANKA DD \***

Trg Sv. Stošije 3  
23000 ZADAR  
Tel: +385 23 / 311 311; 436 182  
Fax: +385 23 / 437 867  
Tlx: 27141; 27224 DBK ZD RH  
SWIFT: DBZD HR 2X

Director: Neven Dobrović  
International Division Manager: Ana Maričić

**12. DUBROVAČKA BANKA DD \***

Put Republike 5  
20000 DUBROVNIK  
Tel: +385 20 / 431 366; 411 924  
Fax: +385 20 / 411 035; 412 814  
Tlx: 27540 HRVDUBANK  
27592 HRVDUBANK  
27715 HRVDUBANK  
SWIFT: DUBA HR 2X

Director: Neven Barač  
International Division Manager: Bernardica Traživuk

**13. GLUMINA BANKA DD \***

Svetice 15  
10000 ZAGREB  
Tel: +385 1 / 2332 344; 220 125  
Fax: +385 1 / 214 378

Director: Michelle Marc Brajdić

**14. GOSPODARSKO KREDITNA BANKA DD \***

Maksimirska 120  
10000 ZAGREB  
Tel: +385 1 / 2395 800; 2395 801; 2395 906  
Fax: +385 1 / 2395 803; 2395 902  
Tlx: 22404 ccb zg hr  
SWIFT: CCBZ HR 2X

Director: Izidor Sučić  
International Division Manager: Lena Radović

**15. GRADSKA BANKA DD OSIJEK \***

Šetalište kardinala Franje Šepera 12  
31000 OSIJEK  
Tel: +385 31 / 122 944; 122 931; 122 930  
Fax: +385 31 / 122 930  
SWIFT: GBOS HR 2X BIC

International Division  
Savska cesta 41/I  
10000 Zagreb  
Tel: +385 1 / 6121 447  
Fax: +385 1 / 535 124  
Tlx: 22451 GB SPI RH

Director: Ivan Patarčić  
International Division Manager: Lidija Ferček

**16. HISTRIA BANKA DD**

Riva 6  
52000 PULA  
Tel: +385 52 / 217 422  
Fax: +385 52 / 22 471

Director: Roberto Cukon

**17. HYPOBANKA D.O.O.**

Kralja Zvonimira 54  
10000 ZAGREB  
Tel: +385 1 / 447 230; 446 800;  
Fax: +385 1 / 443 833; 443 825  
Tlx: 21621 HIPZG RH  
SWIFT: HYZG HR 2X BIC

Director: Vlasta Janežić  
International Division Manager: Blaženka Vulić

**18. HRVATSKA BANKA ZA OBNOVU I RAZVITAK (HBO) \***

Gajeva 30a  
10000 ZAGREB  
Tel: +385 1 / 4569 107; 4569 106  
Fax: +385 1 / 4569 166; 4569 167  
Tlx: HKBO RH 21149  
SWIFT: HKBO HR 2X

Director: Anton Kovačev  
International Division Manager: Marcela Kir

**19. HRVATSKA GOSPODARSKA BANKA DD \***

Vončinina 2  
10000 ZAGREB  
Tel: +385 1 / 4559 211; 417 282  
Fax: +385 1 / 417 282  
Tlx: 22423; 22446  
SWIFT: HGBK HR 2X

Director: Željko Šupe  
International Division Manager: Vesna Šilinger

**20. HRVATSKA POŠTANSKA BANKA DD (HPB) \***

Tkalčičeva 7/III  
10000 ZAGREB  
Tel: +385 1 / 274 711; 428 810; 428 969  
Fax: +385 1 / 433 215  
Tlx: 21610 HPB RH  
SWIFT: HPBZ HR 2X

Director: Dnjepar Dević  
International Division Manager: Safet Šulić

**21. ILIRIJA BANKA DD \***

Avenija Dubrovnik 10  
10000 ZAGREB  
Tel: +385 1 / 6551 115  
Fax: +385 1 / 6551 139; 6551 144  
Tlx: 21201 ILIRI RH  
SWIFT: ILIR HR 2X

International Division  
Tel: +385 1 / 6551 114; 6551 116

Director: Nenad Vuksan  
International Division Manager: Renata Ciglar

**22. IMEX BANKA d.o.o. \***

Tolstojeva 6  
21000 SPLIT  
Tel: +385 21 / 357 015; 357 025  
Fax: +385 21 / 583 849  
Tlx: 26191  
SWIFT: IMXX HR 22

Director: Branko Buljan

**23. ISTARSKA BANKA DD \***

Premanturska 2  
52000 PULA  
Tel: +385 52 / 527 101; 527 309; 527 377  
Fax: + 385 52 / 211 498  
Tlx: 24746; 24716 IBPU RH  
SWIFT: IBPU HR 2X

Director: Mario Floričić  
International Division Manager: Ljiljana Zgrablić

**24. ISTARSKA KREDITNA BANKA DD \***

Ernesta Miloša 1  
51470 UMAG  
Tel: +385 531 / 741 622; 741 536  
Fax: +385 531 / 741 275; 741 396  
Tlx: 24745 IKB RH

International Division  
Tel: +385 531 / 541 394  
Fax: +385 531 / 541 396  
SWIFT: ISKB HR 2X

Director: Vlatko Reschner  
International Division Manager: Anton Belušić

**25. JADRANSKA BANKA DD \***

Ante Starčevića 4  
22000 ŠIBENIK  
Tel: +385 22 / 34 244; 35 880; 33 388  
Fax: +385 22 / 35 881; 39 010  
Tlx: 27435; 27346 JBS RH  
SWIFT: JADR HR 2X

Director: Ivo Šinko  
International Division Manager: Lidvina Mandić

**26. KARLOVAČKA BANKA DD \***

I. G. Kovačića 1  
47000 KARLOVAC  
Tel: +385 47 / 223 333; 223 892  
Fax: +385 47 / 220 653  
Tlx: 23742 KB KA RH  
SWIFT: KALC HR 2X

International Division  
V. Mačeka 8  
47000 KARLOVAC  
Tel: +385 47 / 224 042; 224 052; 611 057  
Fax: +385 47 / 224 157  
Tlx: 23712 KB KA RH

Director: Vladimir Tvrdinić  
International Division Manager: Mijo Bursić

**27. KOMERCIJALNA BANKA DD**

Frankopanska 11  
10000 ZAGREB  
Tel: +385 1 / 4557 777; 425 063  
Fax: +385 1 / 425 063  
Tlx: 21595 PBS ZG RH  
SWIFT: KOBZ HR 2X BIC

Director: Josip Šoić

**28. KRAPINSKO - ZAGORSKA BANKA DD**

Magistratska 3  
49000 KRAPINA  
Tel: +385 49 / 370 770, 370 722, 370 773  
Fax: +385 49 / 370 771, 370 822

Director: Ivica Cerovečki

**29. KREDITNA BANKA ZAGREB DD \***

Avenija Vukovar 74  
10000 ZAGREB  
Tel: +385 1 / 6116 366; 6115 910  
Fax: +385 1 / 6116 466; 6116 468  
Tlx: 21197 KREZ ZG RH  
SWIFT: KREZ HR 2X

Director: Ante Zdilar  
International Division Manager: Ljiljana Miler

**30. KVARNER BANKA DD \***

Krešimirova 28  
51000 RIJEKA  
Tel: +385 51 / 211 946; 208 725  
Fax: +385 51 / 211 955  
SWIFT: KVRB HR 2X BIC

Director: Anton Butorac

**31. MEĐIMURSKA BANKA DD \***

Valenta Moradinija 37  
40000 ČAKOVEC  
Tel: +385 40 / 810 620; 810 676; 812 035  
Fax: +385 40 / 816 610; 815 065  
Tlx: 23251 BANKA RH  
SWIFT: MBCK HR 2X

Director: Mašan Sredanović  
International Division Manager: Ljiljana Horvat



**32. NAVA BANKA DD**

Prilaz Gjüre Deželica 30  
10000 ZAGREB  
Tel: +385 1 / 426 222, 273 757  
Fax: +385 1 / 274 813

Director: Stipan Pamuković

**33. NERETVANSKA GOSPODARSKA BANKA DD**

Trg kralja Tomislava 23  
20840 PLOČE  
Tel: +385 20 / 679 262; 679 538  
Fax: +385 20 / 679 838

Director: Milan Vukušić

**34. PARTNER BANKA DD \***

Andrije Žaje 61  
10000 ZAGREB  
Tel: +385 1 / 340 491  
Fax: +385 1 / 340 339  
Tlx: 21212 PARBAZ RH  
SWIFT: PAZG HR 2X

Director: Jadranka Gotovac  
International Division Manager: Božena Robić

**35. PODRAVSKA BANKA DD \***

Opatička 1a  
48300 KOPRIVNICA  
Tel: +385 48 / 6550  
Fax: +385 48 / 827 143  
Tlx: 23368 POD KC RH  
SWIFT: PDKC HR 2X

International Division  
Ivana Meštrovića 33  
48300 KOPRIVNICA  
Tel: +385 48 / 622 976; 655 193; 655 187  
Fax: +385 48 / 655 135  
Tlx: +599 23311 POD KC RH

Director: Julio Kuruc  
International Division Manager: Vlado Novak

**36. POŽEŠKA BANKA DD \***

Republike Hrvatske 1b  
34000 POŽEGA  
Tel: +385 34 / 282 466;  
Fax: +385 34 / 271 006  
Tlx: 28550 KB SLP RH  
SWIFT: POBK HR 2X

International Division  
Tel: +385 34 / 72 218

Director: Vinko Matijević  
International Division Manager: Mihovil Petrović

**37. PRIVREDNA BANKA ZAGREB DD \***

Račkoga 6 / P.O.Box 1032  
10000 ZAGREB  
Tel: +385 1 / 4550 822; 447 412  
Fax: +385 1 / 441 800; 447 234  
Tlx: 21120 PBZ RH  
SWIFT: PBZG HR 2X

Director: Martin Katičić  
International Division Manager: Ivica Klarić

**38. PROMDEI BANKA DD \***

Kralja Držislava 1  
10000 ZAGREB  
Tel: +385 1 / 4551 379; 4551 277; 412 939  
Fax: +385 1 / 449 553  
Tlx: 21248 PROMDE RH  
SWIFT: PDEI HR 2X

Director: Ibrahim Dedić  
International Division Manager: Zineta Hadžipašić

**39. RAZVOJNA BANKA "DALMACIJA" DD**

Poljička cesta 39  
21000 SPLIT  
Tel: +385 21 / 365 904; 371 000  
Fax: +385 21 / 365 904; 371 000

Director: Ivan Lapenda

LIST OF BANKS

**40. RAIFFEISENBANK AUSTRIA D.D. \***

Mihanovićeve 36  
10000 ZAGREB  
Tel: + 385 1 / 4566 466; 4566 425  
Fax: 385 1 / 448 626  
SWIFT: RZBH HR 2X BIC

Director: Boris Zenić  
International Division Manager: Vesna Muratović

**41. RIADRIA BANKA DD \***

Gjure Šporera 3  
51000 RIJEKA  
Tel: +385 51 / 339 111; 339 803  
Fax: +385 51 / 211 093; 211 013  
Tlx: 24 161

International Division  
Tel: + 385 51 / 333 406; 330 194; 213 373  
Fax: + 385 51 / 211 551  
SWIFT: ADRI HR 2X BIC

Director: Mladen Štic  
International Division Manager: Mirjana Čohar

**42. RIJEČKA BANKA DD \***

Jadranski trg 3a  
51000 RIJEKA  
Tel: +385 51 / 208 211  
Fax: +385 51 / 330 525; 331 880  
Tlx: 24 143 BANKOM RH  
SWIFT: RBRI HR 2X

Director: Nikola Pavletić  
International Division Manager: Dražen Kurpis

**43. SAMOBORSKA BANKA DD**

Trg Kralja Tomislava 8  
10430 SAMOBOR  
Tel: +385 1 / 782 530  
Fax: +385 1 / 781 523  
Tlx: 21811 SAMBA RH

Director: Marijan Trusk

**44. SISAČKA BANKA DD \***

Trg Lj. Posavskog 1  
44000 SISAČ  
Tel: +385 44 / 22 047; 22 566  
Fax: +385 44 / 22 090  
Tlx: 23645 SBDD SK RH  
SWIFT: SSKB HR 2X

Director: Davorka Jakir  
International Division Manager: Vesna Andrijašević

**45. SLATINSKA BANKA DD \***

Nazorova 2  
33520 SLATINA  
Tel: +385 33 / 551 526; 551 354  
Fax: +385 33 / 551 566  
Tlx: 28277 SLATB RH  
SWIFT: SBSL HR 2X

Director: Ante Šimara  
International Division Manager: Jozo Čakali

**46. SLAVONSKA BANKA DD \***

Kapucinska 29  
31000 OSIJEK  
Tel: +385 31 / 27 034; 125 022; 27 055  
Fax: +385 31 / 124 846  
Tlx: 28235; 28090 BANKA RH  
SWIFT: SLBO HR 2X

Director: Ivo Markotić  
International Division Manager: Krešimir Fekete

**47. SPLITSKA BANKA DD \***

Rudera Boškovića 16  
21000 SPLIT  
Tel: +385 21 / 370 500; 370 516  
Fax: +385 21 / 370 541  
Tlx: 26252 ST BANK RH  
SWIFT: SPLI HR 2X

International Division  
Rudera Boškovića 28  
21000 SPLIT  
Tel: +385 21 / 563 611; 563 873  
Fax: +385 21 / 526 107  
Tlx: 26161 ST BANK RH

Director: Marin Žižić  
International Division Manager: Davor Barbarić

**48. ŠTEDBANKA D.O.O. ZAGREB**

Veprinačka 16  
10000 ZAGREB  
Tel: 385 1 / 337 166;  
Fax: 385 1 / 562 949

Director: Željko Udovičić

**49. TRGOVAČKA BANKA DD \***

Varšavska 3-5  
10000 ZAGREB  
Tel: +385 1 / 4561 999;  
Fax: +385 1 / 4561 900  
Tlx: 22370 TB RH  
SWIFT: TRGB HR 2X

Director: Damir Odak  
International Division Manager: Sanja Martinko

**50. TRGOVAČKO-TURISTIČKA BANKA DD**

Kralja Petra Svačića 4  
21000 SPLIT  
Tel: +385 21 / 361 755; 361 729  
Fax: +385 21 / 362 122  
Tlx: 26609  
Director: Božena Šutić

**51. VARAŽDINSKA BANKA DD \***

P. Preradovića 17  
42000 VARAŽDIN  
Tel: +385 42 / 106 122; 106 190  
Fax: +385 42 / 106 102  
Tlx: 23224 BANKA RH  
SWIFT: VBDD HR 2X  
Reuters: VBVH

International Division  
Tel: +385 42 / 106 000  
Fax: +385 42 / 55 114; 55 569  
Tlx: 23203 BANKA RH

Director: Mato Lukinić  
International Division Manager: Božidar Grobotek

\* **Banks licenced for transactions with foreign countries**

**52. VUKOVARSKA BANKA DD \***

Ksaver 195  
10000 ZAGREB  
Tel: +385 1 / 425 846; 425 806  
Fax: +385 1 / 424 612  
SWIFT: VUBA HR 2X

Director: Vlatko Šeda  
International Division Manager: Marina Mikić

**53. ZAGREBAČKA BANKA DD \***

Paromlinska 2  
10000 ZAGREB  
Tel: +385 1 / 6130 444  
Fax: +385 1 / 536 626  
Tlx: 21462 ZABA RH  
SWIFT: ZABA HR 2X

International Division  
Savska 60  
10000 ZAGREB  
Tel: +385 1 / 6110 411  
Fax: +385 1 / 534 040  
Tlx: 21211 ZABA RH

Director: Franjo Luković  
International Division Manager: Milivoj Goldštajn

**54. ZAGREBAČKA BANKA-POMORSKA BANKA DD \***

Ul. Ivana Gundulića 26 / P.O.Box 372  
21000 SPLIT  
Tel: +385 21 / 40 373; 47 444; 40 162  
Fax: +385 21 / 357 079  
Tlx: 25110, 25333 POMBANK RH

Director: Mladen Rakelić  
International Division Manager: Nada Matković

**55. ŽUPANJSKA BANKA DD \***

J. J. Strossmayera 9  
56270 ŽUPANJA  
Tel: +385 56 / 832 010; 832 020; 831 410; 832 644  
Fax: +385 56 / 832 646  
Tlx: 28216 KBZ RH  
SWIFT: ZUBA HR 2X

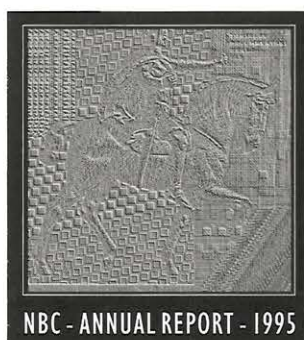
Director: Zdravko Lešić  
International Division Manager: Đurđica Dominković





# STATISTICAL APPENDIX

---







# CONTENTS

## A. MONETARY AND CREDIT AGGREGATES

|           |                                |     |
|-----------|--------------------------------|-----|
| Table A1: | Monetary and Credit Aggregates | 123 |
|-----------|--------------------------------|-----|

---

## B. MONETARY INSTITUTIONS

|           |                                                                                            |     |
|-----------|--------------------------------------------------------------------------------------------|-----|
| Table B1: | Monetary Survey                                                                            | 124 |
| Table B2: | Number of Reporting Deposit Money Banks and Savings Banks and their Classification by Size | 125 |

---

## C. MONETARY AUTHORITIES

|           |                               |     |
|-----------|-------------------------------|-----|
| Table C1: | Monetary Authorities Accounts | 126 |
|-----------|-------------------------------|-----|

---

## D. DEPOSIT MONEY BANKS

|            |                                                                              |     |
|------------|------------------------------------------------------------------------------|-----|
| Table D1:  | Deposit Money Banks' Accounts                                                | 128 |
| Table D2:  | Deposit Money Banks' Foreign Assets                                          | 129 |
| Table D3:  | Deposit Money Banks' Claims on Central Government                            | 130 |
| Table D4:  | Deposit Money Banks' Claims on other Domestic Sectors                        | 131 |
| Table D5:  | Distribution of Deposit Money Banks' Loans by Domestic Institutional Sectors | 132 |
| Table D6:  | Demand Deposits with Deposit Money Banks                                     | 133 |
| Table D7:  | Time and Savings Deposits with Deposit Money Banks                           | 134 |
| Table D8:  | Foreign Currency Deposits with Deposit Money Banks                           | 135 |
| Table D9:  | Bonds and Money Market Instruments                                           | 136 |
| Table D10: | Deposit Money Banks' Foreign Liabilities                                     | 137 |
| Table D11: | Central Government and Funds Deposits with Deposit Money Banks               | 138 |
| Table D12: | Restricted and Blocked Deposits with Deposit Money Banks                     | 139 |
| Graph D1:  | Distribution of Deposit Money Banks' Loans                                   | 140 |
| Graph D2:  | Distribution of Deposit Money Banks' Deposits                                | 140 |

---

## E. SAVINGS BANKS

|           |                         |     |
|-----------|-------------------------|-----|
| Table E1: | Savings Banks' Accounts | 141 |
|-----------|-------------------------|-----|

---

## F. MONETARY POLICY INSTRUMENTS AND LIQUIDITY

|           |                                                   |     |
|-----------|---------------------------------------------------|-----|
| Table F1: | Credit Rates of National Bank of Croatia          | 142 |
| Table F2: | Deposit Rates of National Bank of Croatia         | 143 |
| Table F3: | Deposit Money Banks' Reserves on Obligatory Basis | 144 |
| Table F4: | Deposit Money Banks' Liquidity Indicators         | 145 |

---

## **G. FINANCIAL MARKETS**

|           |                                                  |     |
|-----------|--------------------------------------------------|-----|
| Table G1: | Deposit Money Banks' Credit Rates                | 146 |
| Table G2: | Deposit Money Banks' Deposit Rates               | 147 |
| Table G3: | Deposit Money Banks' Trade with Foreign Exchange | 148 |

---

## **H. INTERNATIONAL ECONOMIC RELATIONS**

|           |                                                                      |     |
|-----------|----------------------------------------------------------------------|-----|
| Table H1: | Balance of Payments - Summary                                        | 149 |
| Table H2: | Balance of Payments - Goods and Services                             | 150 |
| Table H3: | Balance of Payments - Income and Current Transfers                   | 151 |
| Table H4: | Balance of Payments - Other Investments                              | 152 |
| Table H5: | International Reserves of National Bank of Croatia                   | 153 |
| Table H6: | Midpoint Exchange Rates of National Bank of Croatia (period average) | 154 |
| Table H7: | Midpoint Exchange Rates of National Bank of Croatia (end of period)  | 155 |
| Table H8: | External Debt                                                        | 156 |

---

## **I. GOVERNMENT FINANCE**

|           |                                         |     |
|-----------|-----------------------------------------|-----|
| Table I1: | Consolidated Central Government         | 157 |
| Table I2: | Budgetary Central Government Operations | 158 |

---

## **J. NONFINANCIAL STATISTICS**

|           |                                                                            |     |
|-----------|----------------------------------------------------------------------------|-----|
| Table J1: | Retail Prices, Costs of Living and Manufacturing Producers' Prices Indices | 159 |
| Table J2: | Average Monthly Net Wages                                                  | 160 |

---

|                             |     |
|-----------------------------|-----|
| <b>NOTES ON METHODOLOGY</b> | 161 |
|-----------------------------|-----|

---

|                                          |     |
|------------------------------------------|-----|
| <b>LIST OF ABBREVIATIONS AND SYMBOLS</b> | 169 |
|------------------------------------------|-----|

---

Table A1: Monetary and Credit Aggregates  
End of period, millions of kuna and %

| Year | Month | Reserve<br>money | Money<br>M1 | Money<br>M1a | Broadest<br>money<br>M4 | Net<br>domestic<br>assets | Domestic<br>credit | Monthly rates of growth |             |              |                         |                           |                    |
|------|-------|------------------|-------------|--------------|-------------------------|---------------------------|--------------------|-------------------------|-------------|--------------|-------------------------|---------------------------|--------------------|
|      |       |                  |             |              |                         |                           |                    | Reserve<br>money        | Money<br>M1 | Money<br>M1a | Broadest<br>money<br>M4 | Net<br>domestic<br>assets | Domestic<br>credit |
| 1993 | Dec.  | 2,248.9          | 3,139.3     | 3,764.1      | 10,075.5                | 9,835.8                   | 21,294.7           | -                       | -           | -            | -                       | -                         | -                  |
| 1994 | Jun.  | 3,107.1          | 5,072.9     | 5,714.2      | 13,577.4                | 11,646.1                  | 23,847.4           | -                       | -           | -            | -                       | -                         | -                  |
|      | July  | 3,875.1          | 5,856.9     | 6,747.8      | 14,875.4                | 11,417.0                  | 24,770.7           | 24.72                   | 15.45       | 18.09        | 9.56                    | - 1.97                    | 3.87               |
|      | Aug.  | 4,122.8          | 6,558.5     | 7,478.7      | 16,445.5                | 11,864.9                  | 25,387.3           | 6.39                    | 11.98       | 10.56        | 10.56                   | 3.92                      | 2.45               |
|      | Sept. | 4,332.2          | 6,498.6     | 7,520.3      | 16,747.6                | 12,507.8                  | 26,252.2           | 5.08                    | - 0.91      | 0.56         | 1.84                    | 5.42                      | 3.44               |
|      | Oct.  | 4,141.9          | 6,292.2     | 6,611.9      | 16,745.8                | 12,113.8                  | 26,145.5           | - 4.39                  | - 3.18      | - 12.08      | - 0.01                  | - 3.15                    | - 0.41             |
|      | Nov.  | 4,219.3          | 6,504.0     | 6,740.1      | 17,299.0                | 12,783.8                  | 27,680.0           | 1.89                    | 3.37        | 1.94         | 3.30                    | 5.53                      | 5.87               |
|      | Dec.  | 4,714.2          | 6,640.6     | 6,989.4      | 17,488.2                | 14,479.6                  | 28,207.0           | 11.73                   | 21.08       | 3.70         | 1.09                    | 13.27                     | 1.90               |
|      | Jan.  | 4,517.0          | 6,537.6     | 6,840.9      | 18,045.0                | 15,212.0                  | 28,176.9           | - 4.18                  | - 1.55      | - 2.12       | 3.18                    | 5.06                      | - 0.11             |
| 1995 | Feb.  | 4,558.6          | 6,511.5     | 6,790.3      | 18,099.9                | 15,347.7                  | 27,937.8           | 0.92                    | - 0.40      | - 0.74       | 0.30                    | 0.89                      | - 0.85             |
|      | Mar.  | 4,543.8          | 6,829.1     | 6,937.3      | 17,765.8                | 14,886.4                  | 27,663.0           | - 0.32                  | 4.88        | 2.16         | - 1.85                  | - 3.01                    | - 0.98             |
|      | Apr.  | 4,747.8          | 7,315.7     | 7,583.2      | 18,876.7                | 15,829.3                  | 28,832.7           | 4.49                    | 7.13        | 9.31         | 6.25                    | 6.33                      | 4.23               |
|      | May   | 5,161.9          | 7,492.3     | 7,796.1      | 19,139.7                | 15,883.0                  | 28,505.3           | 8.72                    | 2.41        | 2.81         | 1.39                    | 0.34                      | - 1.14             |
|      | Jun.  | 5,558.2          | 7,749.0     | 7,948.8      | 19,698.0                | 15,686.8                  | 28,069.8           | 7.68                    | 3.43        | 1.96         | 2.92                    | - 1.24                    | - 1.53             |
|      | July  | 6,173.7          | 8,510.7     | 8,739.2      | 21,712.1                | 17,388.7                  | 29,098.8           | 11.07                   | 9.83        | 9.94         | 10.22                   | 10.85                     | 3.67               |
|      | Aug.  | 6,231.5          | 8,841.7     | 9,019.5      | 22,634.5                | 18,163.4                  | 29,711.3           | 0.94                    | 3.89        | 3.21         | 4.25                    | 4.45                      | 2.10               |
|      | Sept. | 6,437.3          | 8,363.5     | 8,552.6      | 22,830.2                | 18,048.0                  | 30,261.0           | 3.30                    | - 5.41      | - 5.18       | 0.86                    | - 0.64                    | 1.85               |
|      | Oct.  | 6,611.2          | 8,339.2     | 8,516.0      | 23,246.9                | 18,846.2                  | 31,965.7           | 2.70                    | - 0.29      | - 0.43       | 1.83                    | 4.42                      | 5.63               |
|      | Nov.  | 6,549.8          | 8,199.2     | 8,369.5      | 23,734.4                | 19,462.1                  | 32,759.7           | - 0.93                  | - 1.68      | - 1.72       | 2.10                    | 3.27                      | 2.48               |
|      | Dec.  | 6,744.1          | 8,275.0     | 8,497.7      | 24,542.0                | 19,792.2                  | 34,141.6           | 2.97                    | 0.92        | 1.53         | 3.40                    | 1.70                      | 4.22               |
|      | Jan.  | 6,513.5          | 8,339.3     | 8,393.3      | 25,967.8                | 21,409.9                  | 34,698.4           | - 3.42                  | 0.78        | - 1.23       | 5.81                    | 8.14                      | 1.63               |
| 1996 | Feb.  | 6,510.6          | 8,296.7     | 8,417.3      | 26,482.2                | 21,676.3                  | 34,971.7           | - 0.04                  | - 0.51      | 0.29         | 1.98                    | 1.28                      | 0.79               |
|      | Mar   | 6,675.8          | 8,601.1     | 8,704.9      | 27,541.0                | 22,187.7                  | 35,572.5           | 2.54                    | 3.67        | 3.42         | 4.00                    | 2.36                      | 1.72               |



**Table B1: Monetary Survey**  
End of period, millions of kuna

|                                                   | 1993     | 1994     | 1 9 9 5  |          |          |          | 1996     |          |          |
|---------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                                   | Dec.     | Dec.     | Mar.     | Jun.     | Sep.     | Dec.     | Jan      | Feb.     | Mar.     |
| <b>ASSETS</b>                                     |          |          |          |          |          |          |          |          |          |
| 1. Foreign assets (net)                           | 239.8    | 3,008.5  | 2,879.4  | 4,011.2  | 4,782.1  | 4,749.8  | 4,564.9  | 4,805.9  | 5,353.2  |
| 2. Domestic credit                                | 40,363.8 | 43,831.8 | 43,103.9 | 43,107.5 | 45,422.6 | 49,297.4 | 50,099.5 | 50,238.5 | 50,741.7 |
| 2.1. Claims on central government and funds (net) | 19,069.1 | 15,624.8 | 15,440.9 | 15,037.7 | 15,161.6 | 15,155.8 | 15,401.1 | 15,266.7 | 15,169.2 |
| 2.2. Claims on other domestic sectors             | 21,268.8 | 28,115.2 | 27,550.5 | 27,950.4 | 30,136.7 | 34,010.1 | 34,569.6 | 34,841.8 | 35,437.4 |
| 2.3. Claims on other banking institutions         | 10.2     | 30.0     | 35.2     | 34.6     | 21.3     | 30.8     | 30.5     | 45.2     | 37.2     |
| 2.4. Claims on nonbank financial institutions     | 15.7     | 61.8     | 77.2     | 84.8     | 102.9    | 100.6    | 98.2     | 84.7     | 97.9     |
| Total (1+2)                                       | 40,603.6 | 46,840.3 | 45,983.3 | 47,118.7 | 50,204.7 | 54,047.1 | 54,664.4 | 55,044.4 | 56,094.9 |
| <b>LIABILITIES</b>                                |          |          |          |          |          |          |          |          |          |
| 1. Money                                          | 3,139.3  | 6,640.6  | 6,829.1  | 7,749.0  | 8,363.5  | 8,275.0  | 8,339.3  | 8,296.7  | 8,601.1  |
| 2. Savings and time deposits                      | 1,475.7  | 1,873.3  | 1,864.9  | 1,850.9  | 2,133.8  | 2,043.3  | 2,112.7  | 2,228.5  | 2,303.7  |
| 3. Foreign currency deposits                      | 5,412.3  | 8,775.3  | 8,977.1  | 9,990.7  | 12,178.7 | 14,099.4 | 15,387.4 | 15,830.0 | 16,498.9 |
| 4. Bonds and money market instruments             | 48.3     | 199.0    | 94.8     | 107.5    | 154.2    | 124.3    | 128.5    | 127.0    | 137.3    |
| 5. Restricted and blocked deposits                | 15,593.9 | 13,321.5 | 12,946.1 | 12,718.7 | 12,480.6 | 11,920.7 | 11,348.0 | 11,234.4 | 11,233.4 |
| o/w: Households' blocked f/c deposits             | 13,857.4 | 11,470.6 | 11,060.8 | 10,798.1 | 10,476.6 | 9,812.5  | 9,349.2  | 9,228.3  | 9,219.0  |
| 6. Other items (net)                              | 14,934.1 | 16,030.7 | 15,271.4 | 14,702.0 | 14,893.9 | 17,584.4 | 17,348.6 | 17,327.8 | 17,320.5 |
| Total (1+2+3+4+5+6)                               | 40,603.6 | 46,840.3 | 45,983.3 | 47,118.7 | 50,204.7 | 54,047.1 | 54,664.4 | 55,044.4 | 56,094.9 |

Table B2: Number of Reporting Deposit Money Banks <sup>1)</sup> and Savings Banks and their Classification by Size

| Year | Month | Total<br>number of<br>reporting<br>DMBs | Reporting DMBs graded according to their total assets |                                                         |                                                       |                                                     |                                                      |                                | Total<br>number of<br>reporting<br>savings<br>banks | Savings banks graded according<br>to their total assets |                                                     |                                 |
|------|-------|-----------------------------------------|-------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------|--------------------------------|-----------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------|---------------------------------|
|      |       |                                         | Less than<br>100 million<br>kuna                      | 100 million<br>kuna to less<br>than 500 million<br>kuna | 500 million<br>kuna to less<br>than 1 billion<br>kuna | 1 billion<br>kuna to less<br>than 2 billion<br>kuna | 2 billion<br>kuna to less<br>than 10 billion<br>kuna | 10 billion<br>kuna<br>and over |                                                     | Less than<br>10 million<br>kuna                         | 10 million kuna<br>to less than<br>100 million kuna | 100 million<br>kuna<br>and over |
| 1    | 2     | 3                                       | 4                                                     | 5                                                       | 6                                                     | 7                                                   | 8                                                    | 9                              | 10                                                  | 11                                                      | 12                                                  | 13                              |
| 1993 | Dec.  | 46                                      | 16                                                    | 12                                                      | 8                                                     | 6                                                   | 2                                                    | 2                              | 0                                                   | 0                                                       | 0                                                   | 0                               |
| 1994 | Jun.  | 50                                      | 16                                                    | 16                                                      | 7                                                     | 7                                                   | 2                                                    | 2                              | 0                                                   | 0                                                       | 0                                                   | 0                               |
|      | July  | 51                                      | 15                                                    | 17                                                      | 8                                                     | 7                                                   | 2                                                    | 2                              | 0                                                   | 0                                                       | 0                                                   | 0                               |
|      | Aug.  | 51                                      | 15                                                    | 17                                                      | 8                                                     | 7                                                   | 2                                                    | 2                              | 0                                                   | 0                                                       | 0                                                   | 0                               |
|      | Sept. | 51                                      | 15                                                    | 17                                                      | 8                                                     | 7                                                   | 2                                                    | 2                              | 0                                                   | 0                                                       | 0                                                   | 0                               |
|      | Oct.  | 52                                      | 15                                                    | 18                                                      | 7                                                     | 8                                                   | 2                                                    | 2                              | 0                                                   | 0                                                       | 0                                                   | 0                               |
|      | Nov.  | 52                                      | 12                                                    | 21                                                      | 7                                                     | 8                                                   | 2                                                    | 2                              | 0                                                   | 0                                                       | 0                                                   | 0                               |
|      | Dec.  | 53                                      | 13                                                    | 21                                                      | 7                                                     | 8                                                   | 2                                                    | 2                              | 33                                                  | 22                                                      | 9                                                   | 2                               |
| 1995 | Jan.  | 54                                      | 15                                                    | 20                                                      | 7                                                     | 8                                                   | 2                                                    | 2                              | 34                                                  | 22                                                      | 10                                                  | 2                               |
|      | Feb.  | 53                                      | 13                                                    | 21                                                      | 7                                                     | 8                                                   | 2                                                    | 2                              | 35                                                  | 23                                                      | 10                                                  | 2                               |
|      | Mar.  | 54                                      | 13                                                    | 22                                                      | 8                                                     | 7                                                   | 2                                                    | 2                              | 37                                                  | 24                                                      | 11                                                  | 2                               |
|      | Apr.  | 54                                      | 14                                                    | 21                                                      | 8                                                     | 7                                                   | 2                                                    | 2                              | 37                                                  | 24                                                      | 11                                                  | 2                               |
|      | May   | 54                                      | 13                                                    | 23                                                      | 7                                                     | 7                                                   | 2                                                    | 2                              | 38                                                  | 24                                                      | 12                                                  | 2                               |
|      | Jun.  | 54                                      | 14                                                    | 22                                                      | 5                                                     | 9                                                   | 2                                                    | 2                              | 35                                                  | 20                                                      | 13                                                  | 2                               |
|      | July  | 54                                      | 14                                                    | 21                                                      | 6                                                     | 9                                                   | 2                                                    | 2                              | 21                                                  | 9                                                       | 11                                                  | 1                               |
|      | Aug.  | 55                                      | 15                                                    | 20                                                      | 7                                                     | 9                                                   | 2                                                    | 2                              | 21                                                  | 9                                                       | 11                                                  | 1                               |
|      | Sept. | 55                                      | 15                                                    | 20                                                      | 7                                                     | 9                                                   | 2                                                    | 2                              | 21                                                  | 8                                                       | 12                                                  | 1                               |
|      | Oct.  | 55                                      | 15                                                    | 20                                                      | 7                                                     | 9                                                   | 2                                                    | 2                              | 21                                                  | 8                                                       | 12                                                  | 1                               |
|      | Nov.  | 56                                      | 16                                                    | 19                                                      | 8                                                     | 9                                                   | 2                                                    | 2                              | 21                                                  | 7                                                       | 13                                                  | 1                               |
|      | Dec.  | 56                                      | 15                                                    | 20                                                      | 8                                                     | 9                                                   | 2                                                    | 2                              | 21                                                  | 7                                                       | 13                                                  | 1                               |
| 1996 | Jan.  | 56                                      | 14                                                    | 21                                                      | 8                                                     | 9                                                   | 2                                                    | 2                              | 21                                                  | 6                                                       | 14                                                  | 1                               |
|      | Feb.  | 57                                      | 14                                                    | 22                                                      | 8                                                     | 8                                                   | 3                                                    | 2                              | 21                                                  | 6                                                       | 14                                                  | 1                               |
|      | Mar.  | 57                                      | 13                                                    | 23                                                      | 7                                                     | 9                                                   | 3                                                    | 2                              | 21                                                  | 6                                                       | 14                                                  | 1                               |

1) Including former branch banks in liquidation.



**Table C1: Monetary Authorities Account (Assets)**  
End of period, millions of kuna

| ASSETS                                           | 1993           | 1994           | 1 9 9 5        |                |                 |                 | 1996            |                 |                 |
|--------------------------------------------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                                  | Dec.           | Dec.           | Mar.           | Jun.           | Sept.           | Dec.            | Jan             | Feb.            | Mar.            |
| <b>1. Foreign assets</b>                         | <b>4,043.5</b> | <b>7,908.3</b> | <b>7,671.7</b> | <b>9,207.6</b> | <b>10,214.5</b> | <b>10,075.1</b> | <b>10,158.9</b> | <b>10,116.1</b> | <b>10,319.0</b> |
| 1.1. Gold                                        | -              | -              | -              | -              | -               | -               | -               | -               | -               |
| 1.2. Holdings of SDRs                            | 24.4           | 25.4           | 27.5           | 518.0          | 770.2           | 743.4           | 754.5           | 740.3           | 752.9           |
| 1.3. Foreign cash in vaults                      | 608.4          | 87.9           | 81.8           | 252.0          | 383.3           | 383.8           | 386.3           | 383.1           | 385.0           |
| 1.4. Demand deposits with foreign banks          | 7.3            | 1.4            | 8.1            | 4.9            | 7.2             | 12.0            | 10.9            | 9.3             | 3.9             |
| 1.5. Time deposits with foreign banks            | 3,403.5        | 7,793.6        | 7,554.3        | 8,432.7        | 8,997.4         | 8,381.3         | 8,366.5         | 8,344.9         | 8,592.7         |
| 1.6. Securities in f/c                           | -              | -              | -              | -              | 56.3            | 554.6           | 640.6           | 638.4           | 584.6           |
| 1.7. Nonconvertible foreign exchange             | 0.0            | 0.0            | 0.0            | 0.0            | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             |
| <b>2. Claims on central government and funds</b> | <b>535.1</b>   | <b>250.6</b>   | <b>191.9</b>   | <b>119.4</b>   | <b>109.1</b>    | <b>390.1</b>    | <b>463.4</b>    | <b>438.9</b>    | <b>585.8</b>    |
| 2.1. Claims in kuna                              | 383.6          | 180.1          | 131.3          | 70.1           | 59.8            | 353.1           | 426.0           | 401.9           | 548.3           |
| Bridging loans                                   | -              | -              | -              | -              | 45.0            | -               | -               | -               | 200.0           |
| Loans on the special decrees                     | 376.7          | 180.1          | 125.1          | 70.1           | 14.8            | 353.1           | 376.0           | 389.6           | 348.3           |
| Overdue claims                                   | 7.0            | -              | 6.1            | -              | -               | 0.1             | 0.1             | 12.3            | 0.0             |
| 2.2. Claims in f/c                               | 151.4          | 70.5           | 60.7           | 49.4           | 49.4            | 37.0            | 37.4            | 36.9            | 37.5            |
| <b>3. Claims on other domestic sectors</b>       | <b>0.3</b>     | <b>0.7</b>     | <b>2.7</b>     | <b>2.1</b>     | <b>1.5</b>      | <b>0.9</b>      | <b>0.7</b>      | <b>0.5</b>      | <b>3.3</b>      |
| <b>4. Claims on DMBs</b>                         | <b>191.6</b>   | <b>223.8</b>   | <b>173.2</b>   | <b>204.7</b>   | <b>90.7</b>     | <b>220.2</b>    | <b>2.6</b>      | <b>39.7</b>     | <b>137.2</b>    |
| 4.1. Credits to DMBs                             | 181.6          | 221.7          | 171.0          | 40.5           | 88.4            | 122.8           | 0.4             | 37.5            | 134.8           |
| Refinancing of DMBs                              | 139.8          | -              | -              | -              | -               | -               | -               | -               | -               |
| Short-term credits against securities portfolio  | -              | -              | -              | -              | 27.2            | 25.8            | 0.0             | -               | -               |
| Lombard credits                                  | 41.0           | 24.0           | 170.7          | 40.1           | 60.8            | 96.6            | 0.0             | 37.1            | 134.4           |
| Other credits                                    | 0.8            | 0.4            | 0.4            | 0.4            | 0.4             | 0.4             | 0.4             | 0.4             | 0.4             |
| NBC bills under repurchase agreement             | -              | 197.3          | -              | -              | -               | -               | -               | -               | -               |
| 4.2. NBC deposits with DMBs                      | 0.5            | 1.2            | 1.2            | 1.2            | 1.3             | 1.3             | 1.3             | 1.3             | 1.3             |
| 4.3. Overdue claims                              | 9.5            | 0.9            | 0.9            | 163.0          | 1.1             | 96.1            | 0.9             | 0.9             | 1.0             |
| <b>5. Claims on other banking institutions</b>   | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b>        |
| <b>Total (1+2+3+4+5)</b>                         | <b>4,770.5</b> | <b>8,383.4</b> | <b>8,039.4</b> | <b>9,533.8</b> | <b>10,415.9</b> | <b>10,686.3</b> | <b>10,625.6</b> | <b>10,595.1</b> | <b>11,045.3</b> |



Table C1: Monetary Authorities Account (Liabilities)  
End of period, millions of kuna

| LIABILITIES                                     | 1993           | 1994           | 1 9 9 5        |                |                 |                 | 1996            |                 |                 |
|-------------------------------------------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                                 | Dec.           | Dec.           | Mar.           | Jun.           | Sept.           | Dec.            | Jan.            | Feb.            | Mar.            |
| <b>1. Reserve money</b>                         | <b>2,248.9</b> | <b>4,714.2</b> | <b>4,543.8</b> | <b>5,558.2</b> | <b>6,437.3</b>  | <b>6,744.1</b>  | <b>6,513.8</b>  | <b>6,510.6</b>  | <b>6,675.8</b>  |
| 1.1. Currency outside banks                     | 1,367.0        | 2,658.2        | 2,555.6        | 2,982.6        | 3,211.9         | 3,365.1         | 3,169.7         | 3,181.2         | 3,275.4         |
| 1.2. DMBs' cash in vaults                       | 52.2           | 133.8          | 119.8          | 125.9          | 132.3           | 131.5           | 131.2           | 114.7           | 113.3           |
| 1.3. DMBs' deposits                             | 821.5          | 1,901.3        | 1,855.5        | 2,422.5        | 3,059.5         | 3,199.0         | 3,167.2         | 3,167.1         | 3,238.6         |
| Giro accounts                                   | 54.9           | 116.1          | 48.1           | 97.7           | 59.0            | 181.2           | 158.8           | 187.1           | 182.0           |
| Statutory reserves                              | 766.6          | 1,785.2        | 1,807.3        | 2,055.1        | 2,320.0         | 2,201.8         | 2,210.3         | 2,182.6         | 2,255.1         |
| NBC bills on obligatory basis                   | -              | -              | -              | 269.6          | 680.5           | 816.0           | 798.1           | 797.4           | 801.6           |
| 1.4. Deposits of other banking institutions     | 0.0            | 5.9            | 8.2            | 15.2           | 21.7            | 45.6            | 45.0            | 47.5            | 48.5            |
| 1.5. Deposits of other domestic sectors         | 8.2            | 15.0           | 4.8            | 11.9           | 11.8            | 2.8             | 0.4             | 0.0             | 0.0             |
| <b>2. Restricted and blocked deposits</b>       | <b>1.4</b>     | <b>40.3</b>    | <b>129.7</b>   | <b>154.7</b>   | <b>172.4</b>    | <b>212.2</b>    | <b>208.3</b>    | <b>207.1</b>    | <b>216.3</b>    |
| 2.1. Restricted deposits                        | 1.4            | 40.3           | 26.7           | 39.8           | 45.1            | 54.1            | 46.6            | 46.7            | 53.3            |
| 2.2. Escrow deposits                            | -              | -              | 103.0          | 114.8          | 127.3           | 158.1           | 161.7           | 160.5           | 163.0           |
| <b>3. Foreign liabilities</b>                   | <b>151.8</b>   | <b>716.2</b>   | <b>671.9</b>   | <b>1,188.2</b> | <b>1,188.6</b>  | <b>1,175.2</b>  | <b>1,189.1</b>  | <b>1,173.5</b>  | <b>1,193.4</b>  |
| 3.1. Use of IMF credit                          | 151.4          | 715.4          | 671.2          | 1,187.4        | 1,187.6         | 1,174.0         | 1,187.4         | 1,171.8         | 1,191.7         |
| 3.2. Liabilities to international organizations | 0.3            | 0.8            | 0.7            | 0.7            | 1.0             | 1.2             | 1.7             | 1.7             | 1.7             |
| <b>4. Central government and funds deposits</b> | <b>0.0</b>     | <b>793.8</b>   | <b>628.9</b>   | <b>705.1</b>   | <b>328.1</b>    | <b>395.5</b>    | <b>393.7</b>    | <b>459.2</b>    | <b>579.6</b>    |
| 4.1. Demand deposits                            | 0.0            | 793.8          | 628.9          | 705.1          | 328.1           | 395.5           | 393.7           | 459.2           | 579.6           |
| Central government demand deposits              | -              | 725.5          | 511.4          | 524.1          | 276.6           | 338.6           | 337.3           | 370.6           | 423.4           |
| Central government funds demand deposits        | 0.0            | 68.3           | 117.4          | 181.0          | 51.5            | 56.9            | 56.5            | 88.6            | 156.2           |
| 4.2. Central government f/c deposits            | -              | -              | -              | -              | -               | -               | -               | -               | -               |
| <b>5. NBC bills</b>                             | <b>21.2</b>    | <b>375.1</b>   | <b>406.9</b>   | <b>252.1</b>   | <b>308.7</b>    | <b>168.3</b>    | <b>258.5</b>    | <b>276.7</b>    | <b>345.6</b>    |
| <b>6. Capital accounts</b>                      | <b>2,366.0</b> | <b>2,066.0</b> | <b>1,652.4</b> | <b>1,664.0</b> | <b>1,968.5</b>  | <b>2,019.4</b>  | <b>2,128.8</b>  | <b>2,030.0</b>  | <b>2,073.3</b>  |
| <b>7. Other items (net)</b>                     | <b>- 18.8</b>  | <b>- 322.2</b> | <b>5.9</b>     | <b>11.6</b>    | <b>12.2</b>     | <b>- 28.4</b>   | <b>- 66.6</b>   | <b>- 62.0</b>   | <b>- 38.7</b>   |
| <b>Total (1+2+3+4+5+6+7)</b>                    | <b>4,770.5</b> | <b>8,383.4</b> | <b>8,039.4</b> | <b>9,533.8</b> | <b>10,415.9</b> | <b>10,686.3</b> | <b>10,625.6</b> | <b>10,595.1</b> | <b>11,045.3</b> |



Table D1: Deposit Money Banks' Accounts  
End of period, millions of kuna

|                                              | 1993     | 1994     | 1 9 9 5  |          |          |           | 1996     |          |          |
|----------------------------------------------|----------|----------|----------|----------|----------|-----------|----------|----------|----------|
|                                              | Dec.     | Dec.     | Mar.     | Jun.     | Sept.    | Dec.      | Jan.     | Feb.     | Mar.     |
| <b>ASSETS</b>                                |          |          |          |          |          |           |          |          |          |
| 1. Reserves                                  | 866.1    | 2,036.2  | 1,981.1  | 2,494.1  | 3,206.5  | 3,303.8   | 3,321.7  | 3,296.5  | 3,367.4  |
| 2. Foreign assets                            | 8,596.5  | 9,117.5  | 8,833.0  | 9,207.6  | 9,470.7  | 11,185.2  | 11,302.6 | 11,611.5 | 12,193.7 |
| o/w: Claims on former Yugoslavia             | 3,353.0  | 2,424.9  | 2,353.8  | 2,319.3  | 2,403.2  | 2,337.1   | 2,355.7  | 2,243.5  | 2,256.8  |
| 3. Claims on central government and funds    | 19,971.9 | 17,837.5 | 17,537.5 | 17,444.2 | 17,325.8 | 17,186.8  | 17,170.2 | 17,046.7 | 16,927.7 |
| 3.1. Bonds arising from blocked f/c deposits | 14,836.8 | 11,437.3 | 11,043.2 | 10,852.8 | 10,486.5 | 10,078.2  | 9,572.6  | 9,482.4  | 9,539.0  |
| 3.2. Big bonds                               | 3,635.5  | 4,971.6  | 5,103.3  | 5,063.9  | 4,999.9  | 5,060.9   | 4,956.0  | 4,979.0  | 4,877.9  |
| 3.3. Other claims                            | 1,499.6  | 1,428.6  | 1,391.0  | 1,527.4  | 1,839.2  | 2,047.7   | 2,641.7  | 2,585.2  | 2,510.8  |
| 4. Claims on other domestic sectors          | 21,268.5 | 28,114.4 | 27,547.8 | 27,948.3 | 30,135.2 | 34,009.2  | 34,569.0 | 34,841.3 | 35,434.1 |
| 4.1. Claims on local governments and funds   | 11.4     | 112.9    | 122.2    | 131.0    | 161.4    | 147.1     | 147.5    | 147.0    | 150.2    |
| 4.2. Claims on enterprises                   | 19,354.7 | 24,626.5 | 23,898.6 | 23,980.2 | 25,711.7 | 29,349.6  | 29,828.1 | 30,004.1 | 30,435.9 |
| 4.3. Claims on households                    | 1,902.4  | 3,375.1  | 3,527.1  | 3,837.1  | 4,262.2  | 4,512.6   | 4,593.4  | 4,690.1  | 4,848.0  |
| 5. Claims on other banking institutions      | 10.2     | 30.0     | 35.2     | 34.6     | 21.3     | 30.8      | 30.5     | 45.2     | 37.2     |
| 6. Claims on nonbank financial institutions  | 15.7     | 61.8     | 77.2     | 84.8     | 102.9    | 100.6     | 98.2     | 84.7     | 97.9     |
| Total (1+2+3+4+5+6)                          | 50,728.9 | 57,197.5 | 56,011.8 | 57,213.5 | 60,262.2 | 65,738.0  | 66,492.2 | 66,925.9 | 68,058.0 |
| <b>LIABILITIES</b>                           |          |          |          |          |          |           |          |          |          |
| 1. Deposit money                             | 1,764.1  | 3,961.5  | 4,260.5  | 4,739.2  | 5,118.1  | 4,861.4   | 5,124.1  | 5,067.9  | 5,277.2  |
| 2. Savings and time deposits                 | 1,475.7  | 1,873.3  | 1,864.9  | 1,850.9  | 2,133.8  | 2,043.3   | 2,112.7  | 2,228.5  | 2,303.7  |
| 3. Foreign currency deposits                 | 5,412.3  | 8,775.5  | 8,977.1  | 9,990.9  | 12,178.7 | 14,099.5  | 15,387.4 | 15,830.0 | 16,498.9 |
| 4. Bonds and money market instruments        | 423.7    | 199.0    | 94.8     | 107.5    | 154.2    | 124.3     | 128.5    | 127.0    | 137.3    |
| 5. Foreign liabilities                       | 12,248.4 | 13,301.0 | 12,953.4 | 13,215.7 | 13,714.4 | 15,335.4  | 15,707.4 | 15,748.1 | 15,966.1 |
| o/w: Liabilities to former Yugoslavia        | 8,356.2  | 6,941.7  | 6,746.1  | 6,789.8  | 6,871.5  | 6,896.0   | 6,997.3  | 6,912.9  | 6,958.2  |
| 6. Central government and funds' deposits    | 1,437.8  | 1,669.4  | 1,659.6  | 1,820.8  | 1,945.0  | 2,025,660 | 1,836.6  | 1,759.6  | 1,764.8  |
| 7. Credit from central bank                  | 275.3    | 224.0    | 183.0    | 137.8    | 89.8     | 183.1     | 2.8      | 39.9     | 136.8    |
| 8. Restricted and blocked deposits           | 15,592.5 | 13,280.7 | 12,918.9 | 12,678.3 | 12,434.8 | 11,865.7  | 11,299.8 | 11,186.3 | 11,178.7 |
| o/w: Households' blocked f/c deposits        | 13,857.4 | 11,470.6 | 11,060.8 | 10,798.1 | 10,476.6 | 9,812.5   | 9,349.2  | 9,228.3  | 9,219.0  |
| 9. Capital accounts                          | 11,756.2 | 14,184.9 | 14,168.0 | 13,404.2 | 13,412.7 | 16,228.1  | 15,855.1 | 16,144.3 | 15,781.9 |
| 10. Other items (net)                        | 718.2    | - 271.6  | -1,068.3 | - 731.7  | - 919.1  | -950.0    | - 964.3  | -1,205.7 | -987.4   |
| Total (1+2+3+4+5+6+7+8+9+10)                 | 50,728.9 | 57,197.5 | 56,011.8 | 57,213.5 | 60,262.2 | 65,816.5  | 66,492.2 | 66,925.9 | 68,058.0 |



Table D2: Deposit Money Banks' Foreign Assets  
End of period, millions of kuna

|                                              | 1993           | 1994           | 1 9 9 5        |                |                |                 | 1996            |                 |                 |
|----------------------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
|                                              | Dec.           | Dec.           | Mar.           | Jun.           | Sept.          | Dec.            | Jan.            | Feb.            | Mar.            |
| <b>1. Foreign assets in f/c</b>              | <b>5,223.3</b> | <b>6,659.8</b> | <b>6,445.8</b> | <b>6,867.6</b> | <b>7,049.6</b> | <b>8,832.8</b>  | <b>8,931.8</b>  | <b>9,353.7</b>  | <b>9,925.4</b>  |
| 1.1. Claims on foreign banks                 | 4,714.1        | 5,581.1        | 5,359.4        | 5,677.5        | 5,902.9        | 7,960.5         | 8,064.6         | 8,493.4         | 9,035.8         |
| Foreign currencies                           | 437.0          | 464.4          | 412.4          | 582.8          | 451.5          | 569.3           | 472.3           | 451.8           | 520.9           |
| Demand deposits and f/c savings deposits     | 2,357.0        | 2,448.7        | 2,419.3        | 2,402.6        | 2,560.8        | 3,286.2         | 3,639.1         | 3,901.0         | 4,151.0         |
| Pledged deposits                             | 25.2           | 45.8           | 27.7           | 27.0           | 29.1           | 27.9            | 28.7            | 42.4            | 42.9            |
| Letters of credit                            | 161.2          | 145.5          | 116.9          | 223.2          | 152.7          | 97.5            | 83.0            | 77.1            | 69.3            |
| Time and notice deposits                     | 1,544.7        | 2,301.3        | 2,231.8        | 2,296.0        | 2,558.0        | 3,803.8         | 3,694.5         | 3,854.7         | 4,095.4         |
| Securities                                   | 51.4           | 60.3           | 37.7           | 47.2           | 49.1           | 76.1            | 47.4            | 54.3            | 44.4            |
| Loans and advances                           | 49.2           | 22.6           | 22.2           | 20.6           | 20.7           | 19.2            | 19.2            | 32.0            | 31.6            |
| Arrears                                      | -              | -              | -              | -              | -              | -               | -               | -               | -               |
| Shares and participations                    | 88.5           | 92.4           | 91.4           | 78.1           | 81.1           | 80.4            | 80.4            | 80.0            | 80.3            |
| 1.2. Claims on foreign nonbanks              | 509.2          | 1,078.7        | 1,086.4        | 1,190.1        | 1,146.7        | 872.3           | 867.2           | 860.3           | 889.7           |
| Claims on foreign governments                | -              | -              | -              | -              | -              | -               | -               | -               | -               |
| Claims on other nonresidents                 | 552.9          | 785.6          | 767.3          | 873.7          | 830.2          | 572.3           | 567.1           | 560.2           | 589.6           |
| Securities                                   | 531.2          | 514.4          | 475.0          | 581.1          | 576.5          | 536.2           | 536.6           | 530.2           | 530.1           |
| Loans and advances                           | 21.7           | 271.2          | 292.4          | 292.6          | 253.7          | 36.1            | 30.5            | 30.0            | 59.5            |
| Arrears                                      | - 47.0         | -              | -              | -              | -              | 7.2             | 7.3             | 8.5             | 8.5             |
| Shares and participations                    | 3.4            | 293.0          | 319.1          | 316.4          | 316.4          | 292.8           | 292.9           | 291.6           | 291.6           |
| <b>2. Foreign assets in kuna</b>             | <b>19.6</b>    | <b>32.7</b>    | <b>33.0</b>    | <b>20.5</b>    | <b>17.8</b>    | <b>15.3</b>     | <b>15.0</b>     | <b>14.2</b>     | <b>11.5</b>     |
| 2.1. Claims on foreign banks                 | -              | -              | -              | -              | -              | -               | -               | -               | -               |
| 2.2. Claims on foreign nonbanks              | 19.6           | 32.7           | 33.0           | 20.5           | 17.8           | 15.3            | 15.0            | 14.2            | 11.5            |
| Loans and advances                           | 16.5           | 28.5           | 28.8           | 20.5           | 17.8           | 15.3            | 15.0            | 14.2            | 11.5            |
| Arrears                                      | 3.1            | 4.1            | 4.1            | -              | -              | -               | -               | -               | -               |
| <b>3. Claims on former Yugoslavia</b>        | <b>969.2</b>   | <b>385.9</b>   | <b>338.1</b>   | <b>376.6</b>   | <b>403.4</b>   | <b>425.8</b>    | <b>440.9</b>    | <b>439.3</b>    | <b>450.2</b>    |
| 3.1. Claims in f/c                           | 968.4          | 383.0          | 334.8          | 374.2          | 400.1          | 423.8           | 438.8           | 437.3           | 447.5           |
| Claims on foreign banks                      | 864.7          | 194.7          | 177.6          | 175.2          | 194.1          | 198.3           | 208.8           | 207.2           | 203.4           |
| Claims on foreign nonbanks                   | 103.7          | 188.3          | 157.2          | 199.0          | 206.0          | 225.5           | 230.0           | 230.1           | 244.1           |
| 3.2. Claims in kuna                          | 0.8            | 2.9            | 3.3            | 2.4            | 3.3            | 2.1             | 2.1             | 2.0             | 2.7             |
| <b>4. Adjustment for former branch banks</b> | <b>2,384.4</b> | <b>2,039.1</b> | <b>2,016.1</b> | <b>1,942.8</b> | <b>1,999.9</b> | <b>1,911.3</b>  | <b>1,914.9</b>  | <b>1,804.3</b>  | <b>1,806.6</b>  |
| o/w: Claims on former Yugoslavia             | 2,383.9        | 2,039.0        | 2,015.8        | 1,942.7        | 1,999.8        | 1,911.3         | 1,914.9         | 1,804.2         | 1,806.6         |
| <b>Total (1+2+3+4)</b>                       | <b>8,596.5</b> | <b>9,117.5</b> | <b>8,833.0</b> | <b>9,207.6</b> | <b>9,470.7</b> | <b>11,185.2</b> | <b>11,302.6</b> | <b>11,611.5</b> | <b>12,193.7</b> |



**Table D3: Deposit Money Banks' Claims on Central Government and Funds**  
End of period, millions of kuna

|                                                   | 1993            | 1994            | 1 9 9 5         |                 |                 |                 | 1996            |                 |                 |
|---------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                                   | Dec.            | Dec.            | Mar.            | Jun.            | Sept.           | Dec.            | Jan.            | Feb.            | Mar.            |
| <b>1. Bonds arising from blocked f/c deposits</b> | <b>14,836.8</b> | <b>11,437.3</b> | <b>11,043.2</b> | <b>10,852.8</b> | <b>10,486.5</b> | <b>10,078.2</b> | <b>9,572.6</b>  | <b>9,482.4</b>  | <b>9,539.0</b>  |
| <b>2. Big bonds</b>                               | <b>3,635.5</b>  | <b>4,971.6</b>  | <b>5,103.3</b>  | <b>5,063.9</b>  | <b>4,999.9</b>  | <b>5,060.9</b>  | <b>4,956.0</b>  | <b>4,979.0</b>  | <b>4,877.9</b>  |
| <b>3. Other claims</b>                            | <b>1,499.6</b>  | <b>1,428.1</b>  | <b>1,390.5</b>  | <b>1,526.9</b>  | <b>1,838.9</b>  | <b>2,047.4</b>  | <b>2,641.4</b>  | <b>2,585.0</b>  | <b>2,510.5</b>  |
| 3.1. In kuna                                      | 532.4           | 176.3           | 40.9            | 158.5           | 261.8           | 181.1           | 147.5           | 155.9           | 235.0           |
| 3.1.1. Claims on central government               | 407.4           | 147.4           | 28.1            | 144.4           | 241.3           | 166.3           | 133.5           | 138.4           | 234.3           |
| Securities                                        | 133.1           | 144.0           | 24.3            | 122.4           | 221.3           | 145.6           | 111.4           | 111.2           | 206.8           |
| Loans and advances                                | 10.8            | 2.5             | 3.8             | 21.4            | 19.9            | 20.2            | 21.5            | 26.5            | 27.4            |
| Arrears                                           | 263.4           | 0.9             | 0.0             | 0.7             | 0.1             | 0.4             | 0.6             | 0.6             | 0.1             |
| 3.1.2. Claims on central government funds         | 125.0           | 28.9            | 12.8            | 14.0            | 20.5            | 14.9            | 14.0            | 17.5            | 0.7             |
| Securities                                        | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| Loans and advances                                | 124.9           | 28.7            | 12.2            | 14.0            | 20.4            | 14.9            | 14.0            | 17.5            | 0.4             |
| Arrears                                           | 0.1             | 0.2             | 0.7             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.3             |
| 3.2. In f/c                                       | 967.2           | 1,251.9         | 1,349.6         | 1,368.5         | 1,577.1         | 1,866.3         | 2,493.8         | 2,429.1         | 2,275.5         |
| 3.2.1. Claims on central government               | 769.3           | 1,016.6         | 1,103.1         | 1,087.3         | 1,289.5         | 1,771.2         | 2,384.6         | 2,305.0         | 2,154.8         |
| Bonds                                             | 55.1            | 271.3           | 233.2           | 225.9           | 607.4           | 704.7           | 1,263.7         | 1,256.7         | 1,260.9         |
| Loans and advances                                | 598.1           | 529.9           | 510.5           | 519.3           | 513.2           | 678.8           | 685.9           | 671.2           | 675.2           |
| Postponed interest arrears                        | -               | 84.2            | 86.3            | 97.2            | 100.0           | 150.9           | 154.6           | 156.5           | 160.5           |
| Arrears                                           | 116.1           | 131.2           | 273.1           | 244.8           | 68.9            | 236.8           | 280.4           | 220.5           | 58.2            |
| 3.2.2. Claims on central government funds         | 197.9           | 235.2           | 246.5           | 281.2           | 287.6           | 95.1            | 109.3           | 124.1           | 120.7           |
| Securities                                        | -               | -               | -               | -               | -               | -               | -               | -               | 0.1             |
| Loans and advances                                | 197.9           | 233.4           | 246.3           | 247.9           | 251.0           | 95.1            | 109.3           | 124.1           | 120.6           |
| Postponed interest arrears                        | -               | -               | 0.0             | 33.3            | 36.6            | -               | 0.0             | 0.0             | 0.0             |
| Arrears                                           | -               | -               | 0.0             | 0.0             | -               | -               | -               | -               | -               |
| <b>4. Adjustment for former branch banks</b>      | <b>-</b>        | <b>0.5</b>      | <b>0.5</b>      | <b>0.5</b>      | <b>0.2</b>      | <b>0.2</b>      | <b>0.2</b>      | <b>0.2</b>      | <b>0.2</b>      |
| <b>Total (1+2+3+4)</b>                            | <b>19,971.9</b> | <b>17,837.5</b> | <b>17,537.5</b> | <b>17,444.2</b> | <b>17,325.6</b> | <b>17,186.8</b> | <b>17,170.2</b> | <b>17,046.7</b> | <b>16,927.7</b> |

Table D4: Deposit Money Banks' Claims on Other Domestic Sectors  
End of period, millions of kuna

|                                              | 1993            | 1994            | 1 9 9 5         |                 |                 |                 | 1996            |                 |                 |
|----------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                              | Dec.            | Dec.            | Mar.            | Jun.            | Sept.           | Dec.            | Jan.            | Feb.            | Mar.            |
| <b>1. Claims in kuna</b>                     | <b>10,122.6</b> | <b>17,126.9</b> | <b>17,069.9</b> | <b>17,803.1</b> | <b>19,508.9</b> | <b>21,296.8</b> | <b>21,618.0</b> | <b>21,945.9</b> | <b>22,532.6</b> |
| 1.1. Bills of exchange                       | 1.0             | 7.8             | 17.9            | 20.1            | 27.9            | 53.0            | 26.7            | 16.1            | 18.2            |
| 1.2. Commercial bills                        | 1,138.7         | 149.3           | 84.4            | 41.6            | 29.8            | 23.9            | 23.9            | 23.9            | 23.9            |
| 1.3. Bonds                                   | 16.2            | 8.0             | 10.6            | 4.5             | 8.8             | 8.0             | 7.2             | 7.4             | 7.4             |
| 1.4. Other short-term securities             | -               | -               | -               | 0.1             | 0.1             | -               | -               | -               | -               |
| 1.5. Loans and advances                      | 6,618.6         | 11,536.7        | 11,950.7        | 12,850.0        | 14,459.8        | 15,749.4        | 16,057.5        | 16,306.4        | 16,874.4        |
| 1.6. Arrears                                 | - 130.4         | 161.8           | 170.8           | 152.5           | 197.8           | 235.6           | 256.9           | 331.7           | 335.5           |
| 1.7. Shares and participations               | 2,478.5         | 5,263.2         | 4,835.5         | 4,734.3         | 4,784.6         | 5,227.0         | 5,245.8         | 5,260.5         | 5,273.3         |
| <b>2. Claims in f/c</b>                      | <b>10,139.2</b> | <b>10,094.0</b> | <b>9,633.3</b>  | <b>9,303.0</b>  | <b>9,762.1</b>  | <b>11,048.9</b> | <b>11,275.1</b> | <b>11,230.1</b> | <b>11,375.4</b> |
| 2.1. Securities                              | 0.5             | 3.6             | 21.9            | 10.7            | 3.6             | 3.6             | 3.6             | 3.6             | 3.6             |
| 2.2. Loans and advances                      | 10,240.5        | 9,071.8         | 8,623.8         | 8,251.8         | 8,663.7         | 9,801.7         | 9,967.0         | 9,911.7         | 10,026.7        |
| 2.3. Postponed interest arrears              | -               | 933.2           | 889.9           | 958.0           | 986.8           | 1,076.1         | 1,111.6         | 1,125.6         | 1,159.0         |
| 2.4. Arrears                                 | - 101.8         | 85.3            | 97.8            | 82.5            | 108.0           | 167.5           | 192.8           | 189.2           | 186.1           |
| <b>3. Adjustment for former branch banks</b> | <b>1,006.8</b>  | <b>893.6</b>    | <b>844.6</b>    | <b>842.2</b>    | <b>864.1</b>    | <b>1,663.4</b>  | <b>1,675.9</b>  | <b>1,665.3</b>  | <b>1,526.1</b>  |
| <b>Total (1+2+3)</b>                         | <b>21,268.5</b> | <b>28,114.4</b> | <b>27,547.8</b> | <b>27,948.3</b> | <b>30,135.2</b> | <b>34,009.2</b> | <b>34,569.0</b> | <b>34,841.3</b> | <b>35,434.1</b> |



Table D5: Distribution of Deposit Money Banks' Loans by Domestic Institutional Sectors  
End of period, millions of kuna

|                                            | 1993     | 1994     | 1 9 9 5  |          |          |          | 1996     |          |          |
|--------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                            | Dec.     | Dec.     | Mar.     | Jun.     | Sept.    | Dec.     | Jan.     | Feb.     | Mar.     |
| <b>LOANS IN KUNA</b>                       |          |          |          |          |          |          |          |          |          |
| 1. Loans to central government and funds   | 135.7    | 31.2     | 15.9     | 35.4     | 40.3     | 35.1     | 35.5     | 44.0     | 27.8     |
| 1.1. Loans to central government           | 10.8     | 2.5      | 3.8      | 21.4     | 19.9     | 20.2     | 21.5     | 26.5     | 27.4     |
| 1.2. Loans to central government funds     | 124.9    | 28.7     | 12.2     | 14.0     | 20.4     | 14.9     | 14.0     | 17.5     | 0.4      |
| 2. Loans to local governments and funds    | 11.4     | 93.5     | 95.5     | 102.1    | 131.1    | 122.5    | 122.4    | 122.1    | 122.8    |
| 2.1. Loans to other republic funds         | 0.9      | 0.0      | -        | -        | -        | -        | -        | -        | -        |
| 2.2. Loans to local governments and funds  | 10.5     | 93.5     | 95.5     | 102.1    | 131.1    | 122.5    | 122.4    | 122.1    | 122.8    |
| 3. Loans to enterprises                    | 4,707.8  | 8,096.2  | 8,338.7  | 8,923.7  | 10,081.2 | 11,136.6 | 11,364.6 | 11,516.7 | 11,926.3 |
| 4. Loans to households                     | 1,899.4  | 3,347.1  | 3,516.5  | 3,824.1  | 4,247.4  | 4,490.3  | 4,570.5  | 4,667.5  | 4,825.3  |
| 5. Loans to other banking institutions     | 10.0     | 29.8     | 35.1     | 32.3     | 19.0     | 28.5     | 28.2     | 36.7     | 28.7     |
| 6. Loans to nonbank financial institutions | 4.1      | 34.8     | 50.7     | 42.7     | 59.4     | 61.1     | 58.3     | 44.6     | 56.7     |
| A. Total (1+2+3+4+5+6)                     | 6,768.4  | 11,632.6 | 12,052.5 | 12,960.4 | 14,578.6 | 15,874.2 | 16,179.5 | 16,431.7 | 16,987.5 |
| <b>LOANS IN F/C</b>                        |          |          |          |          |          |          |          |          |          |
| 1. Loans to central government and funds   | 796.0    | 765.2    | 756.9    | 767.2    | 764.2    | 773.9    | 795.2    | 795.3    | 795.8    |
| 1.1. Loans to central government           | 598.1    | 529.9    | 510.5    | 519.3    | 513.2    | 678.8    | 685.9    | 671.2    | 675.2    |
| 1.2. Loans to central government funds     | 197.9    | 235.2    | 246.4    | 247.9    | 251.0    | 95.1     | 109.3    | 124.1    | 120.6    |
| 2. Loans to local governments and funds    | -        | 19.4     | 21.7     | 25.1     | 26.3     | 21.4     | 22.6     | 22.5     | 25.0     |
| 2.1. Loans to other republic funds         | -        | -        | -        | -        | -        | -        | -        | -        | -        |
| 2.2. Loans to local governments and funds  | -        | 19.4     | 21.7     | 25.1     | 26.3     | 21.4     | 22.6     | 22.5     | 25.0     |
| 3. Loans to enterprises                    | 10,239.6 | 9,049.3  | 8,597.4  | 8,221.7  | 8,632.1  | 9,770.0  | 9,934.1  | 9,879.1  | 9,991.5  |
| 4. Loans to households                     | 0.9      | 3.1      | 4.7      | 5.0      | 5.3      | 10.3     | 10.3     | 10.1     | 10.2     |
| 5. Loans to other banking institutions     | -        | -        | -        | -        | -        | -        | -        | -        | -        |
| 6. Loans to nonbank financial institutions | -        | -        | -        | -        | -        | -        | -        | -        | -        |
| B. Total (1+2+3+4+5+6)                     | 11,036.4 | 9,837.0  | 9,380.7  | 9,019.7  | 9,427.9  | 10,575.5 | 10,762.2 | 10,707.1 | 10,822.5 |
| TOTAL (A+B)                                | 17,804.9 | 21,469.6 | 21,433.2 | 21,979.4 | 24,006.5 | 26,449.7 | 26,941.7 | 27,138.8 | 27,810.0 |



Table D6: Demand Deposits with Deposit Money Banks  
End of period, millions of kuna

|                                                         | 1993    | 1994    | 1 9 9 5 |         |         |         | 1996    |         |         |
|---------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                                         | Dec.    | Dec.    | Mar.    | Jun.    | Sept.   | Dec.    | Jan.    | Feb.    | Mar.    |
| 1. Local governments and funds                          | 142.5   | 512.8   | 596.6   | 679.0   | 737.7   | 495.3   | 607.7   | 548.3   | 604.1   |
| 1.1. Other republic funds                               | 9.7     | 9.2     | 11.6    | 9.0     | 21.8    | 14.6    | 45.2    | 0.0     | 15.5    |
| 1.2. Local governments and funds                        | 132.9   | 503.6   | 585.0   | 670.0   | 715.9   | 480.6   | 562.5   | 548.3   | 588.6   |
| 2. Enterprises                                          | 1,264.7 | 2,678.2 | 2,674.9 | 2,941.0 | 3,165.1 | 3,161.9 | 3,228.9 | 3,185.1 | 3,346.3 |
| 3. Households                                           | 327.3   | 752.7   | 933.7   | 1,084.2 | 1,165.6 | 1,156.8 | 1,166.2 | 1,253.6 | 1,265.3 |
| 4. Other banking institutions                           | 2.8     | 0.1     | 0.1     | 0.4     | 0.2     | 0.1     | 1.4     | 0.0     | 0.2     |
| 5. Nonbank financial institutions                       | 42.6    | 47.5    | 76.9    | 75.0    | 86.3    | 79.6    | 138.1   | 104.2   | 91.3    |
| 6. Other transferable deposits                          | 0.6     | 2.1     | 0.7     | 0.3     | 0.6     | 3.2     | 1.6     | 0.5     | 0.4     |
| 7. Less: Checks of other banks and checks in collection | - 21.8  | - 32.7  | - 23.4  | - 41.7  | - 38.3  | - 35.5  | - 19.9  | - 23.9  | - 30.9  |
| 8. Adjustment for former branch banks                   | 5.4     | 1.0     | 0.9     | 1.0     | 1.0     | 0.2     | 0.2     | 0.1     | 0.4     |
| Total (1+2+3+4+5+6+7+8)                                 | 1,764.1 | 3,961.5 | 4,260.5 | 4,739.2 | 5,118.1 | 4,861.4 | 5,124.1 | 5,067.9 | 5,277.2 |

Table D7: Time and Savings Deposits with Deposit Money Banks  
End of period, millions of kuna

|                                              | 1993           | 1994           | 1 9 9 5        |                |                |                | 1996           |                |                |
|----------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                              | Dec.           | Dec.           | Mar.           | Jun.           | Sept.          | Dec.           | Jan.           | Feb.           | Mar.           |
| <b>1. Savings deposits of households</b>     | <b>215.2</b>   | <b>389.7</b>   | <b>429.6</b>   | <b>464.8</b>   | <b>486.1</b>   | <b>494.6</b>   | <b>528.2</b>   | <b>541.2</b>   | <b>561.0</b>   |
| <b>2. Time and notice deposits</b>           | <b>1,255.3</b> | <b>1,477.1</b> | <b>1,429.3</b> | <b>1,380.2</b> | <b>1,641.8</b> | <b>1,543.2</b> | <b>1,579.1</b> | <b>1,681.9</b> | <b>1,737.4</b> |
| 2.1. Local governments and funds             | 41.8           | 119.8          | 133.0          | 152.8          | 147.9          | 81.2           | 79.7           | 80.8           | 78.4           |
| Other republic funds                         | 5.6            | 39.7           | 46.0           | 48.6           | 38.6           | 5.0            | 4.0            | 3.5            | 1.9            |
| Local governments and funds                  | 36.2           | 80.1           | 87.0           | 104.2          | 109.3          | 76.2           | 75.7           | 77.3           | 76.5           |
| 2.2. Enterprises                             | 680.0          | 765.0          | 704.8          | 611.1          | 811.1          | 784.1          | 758.9          | 826.3          | 850.6          |
| 2.3. Households                              | 408.1          | 425.4          | 422.3          | 424.4          | 445.7          | 475.1          | 513.0          | 551.2          | 581.3          |
| 2.4. Other banking institutions              | 4.1            | 3.3            | - 0.5          | 3.9            | 3.5            | 5.1            | 5.0            | 5.4            | 5.2            |
| 2.5. Nonbank financial institutions          | 116.3          | 163.6          | 169.7          | 188.0          | 233.6          | 197.7          | 222.4          | 218.2          | 221.9          |
| <b>3. Adjustment for former branch banks</b> | <b>10.1</b>    | <b>6.4</b>     | <b>6.0</b>     | <b>5.9</b>     | <b>5.8</b>     | <b>5.4</b>     | <b>5.4</b>     | <b>5.4</b>     | <b>5.4</b>     |
| <b>Total (1+2+3)</b>                         | <b>1,475.7</b> | <b>1,873.3</b> | <b>1,864.9</b> | <b>1,850.9</b> | <b>2,133.8</b> | <b>2,043.3</b> | <b>2,112.7</b> | <b>2,228.5</b> | <b>2,303.7</b> |

Table D8: Foreign Currency Deposits with Deposit Money Banks  
End of period, millions of kuna

|                                     | 1993           | 1994           | 1 9 9 5        |                |                 |                 | 1996            |                 |                 |
|-------------------------------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                     | Dec.           | Dec.           | Mar.           | Jun.           | Sept.           | Dec.            | Jan.            | Feb.            | Mar.            |
| <b>1. Savings Deposits</b>          | <b>3,843.4</b> | <b>5,482.8</b> | <b>5,253.8</b> | <b>5,784.7</b> | <b>6,826.7</b>  | <b>7,952.1</b>  | <b>8,578.2</b>  | <b>8,571.8</b>  | <b>8,890.8</b>  |
| 1.1. Local governments and funds    | 4.0            | 2.1            | 2.9            | 3.0            | 3.6             | 6.0             | 5.7             | 5.2             | 5.9             |
| Other republic funds                | 2.9            | 0.8            | 1.8            | 1.9            | 1.7             | 0.0             | 0.0             | 0.0             | 0.0             |
| Local governments and funds         | 1.1            | 1.4            | 1.1            | 1.1            | 1.9             | 6.0             | 5.7             | 5.2             | 5.9             |
| 1.2. Enterprises                    | 1,302.0        | 1,460.9        | 1,074.9        | 1,111.5        | 1,367.9         | 1,498.0         | 1,323.6         | 1,361.2         | 1,534.1         |
| 1.3. Households                     | 2,524.3        | 3,978.2        | 4,138.1        | 4,635.6        | 5,412.5         | 6,407.3         | 7,217.8         | 7,171.8         | 7,297.7         |
| 1.4. Other banking institutions     | -              | -              | -              | -              | -               | 0.0             | 0.0             | 0.0             | 0.0             |
| 1.5. Nonbank financial institutions | 3.6            | 29.3           | 28.0           | 23.3           | 28.7            | 28.3            | 20.8            | 24.2            | 44.5            |
| 1.6. Other demand deposits          | 9.4            | 12.3           | 9.9            | 11.3           | 14.1            | 12.5            | 10.2            | 9.4             | 8.6             |
| <b>2. Time deposits</b>             | <b>1,568.9</b> | <b>3,292.5</b> | <b>3,723.3</b> | <b>4,206.0</b> | <b>5,352.0</b>  | <b>6,147.3</b>  | <b>6,809.2</b>  | <b>7,258.2</b>  | <b>7,608.1</b>  |
| 2.1. Enterprises                    | 224.6          | 547.2          | 470.2          | 407.0          | 824.1           | 743.7           | 761.4           | 777.2           | 747.6           |
| 2.2. Households                     | 1,308.0        | 2,642.7        | 3,147.2        | 3,687.1        | 4,413.1         | 5,276.4         | 5,895.2         | 6,330.5         | 6,732.9         |
| 2.3. Other banking institutions     | -              | -              | -              | -              | -               | -               | -               | -               | -               |
| 2.4. Nonbank financial institutions | 36.3           | 102.6          | 105.9          | 111.8          | 114.8           | 127.2           | 152.6           | 150.5           | 127.6           |
| <b>Total (1+2)</b>                  | <b>5,412.3</b> | <b>8,775.3</b> | <b>8,977.1</b> | <b>9,990.7</b> | <b>12,178.7</b> | <b>14,099.4</b> | <b>15,387.4</b> | <b>15,830.0</b> | <b>16,498.9</b> |



**Table D9: Bonds and Money Market Instruments**  
End of period, millions of kuna

|                                              | 1993        | 1994         | 1 9 9 5     |              |              |              | 1996         |              |              |
|----------------------------------------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                              | Dec.        | Dec.         | Mar.        | Jun.         | Sept.        | Dec.         | Jan.         | Feb.         | Mar.         |
| <b>1. Money market instruments (net)</b>     | <b>3.3</b>  | <b>1.5</b>   | <b>1.0</b>  | <b>0.8</b>   | <b>0.8</b>   | <b>0.2</b>   | <b>0.8</b>   | <b>0.6</b>   | <b>0.5</b>   |
| <b>2. Bonds (net)</b>                        | <b>12.8</b> | <b>47.8</b>  | <b>43.0</b> | <b>42.9</b>  | <b>43.2</b>  | <b>42.9</b>  | <b>43.1</b>  | <b>43.0</b>  | <b>43.1</b>  |
| <b>3. Other domestic borrowing</b>           | <b>32.2</b> | <b>149.7</b> | <b>50.8</b> | <b>64.0</b>  | <b>110.7</b> | <b>81.7</b>  | <b>85.1</b>  | <b>83.8</b>  | <b>94.2</b>  |
| 3.1. Local governments and funds             | 0.8         | 14.8         | 12.8        | 12.4         | 12.3         | 9.9          | 11.5         | 11.4         | 11.3         |
| Other republic funds                         | 0.8         | 14.8         | 12.8        | 12.4         | 12.3         | 9.9          | 11.5         | 11.4         | 11.3         |
| Local governments and funds                  | -           | -            | -           | -            | -            | -            | -            | -            | -            |
| 3.2. Enterprises                             | 3.9         | 5.6          | 1.8         | 4.3          | 5.7          | 3.9          | 0.3          | 1.3          | 2.5          |
| 3.3. Other banking institutions              | 1.3         | 13.4         | 6.3         | 7.4          | 20.1         | 6.7          | 12.9         | 10.5         | 10.6         |
| 3.4. Nonbank financial institutions          | 26.3        | 115.8        | 29.8        | 39.9         | 72.6         | 61.2         | 60.5         | 60.7         | 69.8         |
| <b>4. Adjustment for former branch banks</b> | <b>0.0</b>  | <b>0.0</b>   | <b>0.0</b>  | <b>- 0.2</b> | <b>- 0.5</b> | <b>- 0.5</b> | <b>- 0.5</b> | <b>- 0.5</b> | <b>- 0.4</b> |
| <b>Total (1+2+3+4)</b>                       | <b>48.3</b> | <b>199.0</b> | <b>94.8</b> | <b>107.5</b> | <b>154.2</b> | <b>124.3</b> | <b>128.5</b> | <b>127.0</b> | <b>137.3</b> |

Table D10: Deposit Money Banks' Foreign Liabilities  
End of period, millions of kuna

|                                              | 1993            | 1994            | 1 9 9 5         |                 |                 |                 | 1996            |                 |                 |
|----------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                              | Dec.            | Dec.            | Mar.            | Jun.            | Sept.           | Dec.            | Jan.            | Feb.            | Mar.            |
| <b>1. Foreign liabilities in f/c</b>         | <b>3,860.9</b>  | <b>6,329.7</b>  | <b>6,181.8</b>  | <b>6,394.2</b>  | <b>6,810.0</b>  | <b>8,397.8</b>  | <b>8,665.0</b>  | <b>8,770.8</b>  | <b>8,973.9</b>  |
| 1.1. Liabilities to foreign banks            | 2,294.5         | 4,056.9         | 4,080.3         | 4,256.2         | 4,494.3         | 5,285.9         | 5,418.5         | 5,531.9         | 6,278.3         |
| Current accounts                             | 218.8           | 105.2           | 207.2           | 147.1           | 87.6            | 117.0           | 116.2           | 109.8           | 116.3           |
| Time and notice deposits                     | 298.1           | 371.4           | 468.3           | 519.1           | 667.0           | 1,152.8         | 1,129.1         | 1,141.3         | 1,207.3         |
| Letters of credit                            | 1.0             | 2.6             | 1.6             | 2.5             | 2.2             | 1.9             | 1.8             | 2.1             | 2.1             |
| Loans and advances                           | 1,776.5         | 2,527.2         | 2,456.6         | 2,520.7         | 2,610.1         | 2,740.9         | 2,853.2         | 2,954.1         | 3,592.2         |
| Postponed interest arrears                   | -               | 1,050.6         | 946.6           | 1,066.7         | 1,127.3         | 1,273.2         | 1,318.2         | 1,324.6         | 1,360.2         |
| 1.2. Liabilities to foreign nonbanks         | 1,566.5         | 2,272.8         | 2,101.5         | 2,138.0         | 2,315.7         | 3,111.9         | 3,246.4         | 3,239.0         | 2,695.6         |
| Savings and time deposits                    | 450.5           | 608.9           | 635.9           | 654.3           | 773.1           | 1,204.2         | 1,313.6         | 1,321.2         | 1,099.1         |
| Sight deposits                               | 373.6           | 401.1           | 388.2           | 453.7           | 464.2           | 654.2           | 723.7           | 708.5           | 625.2           |
| Time and notice deposits                     | 76.9            | 207.8           | 247.7           | 200.6           | 308.9           | 549.9           | 589.9           | 612.8           | 473.9           |
| Loans and advances                           | 1,116.0         | 1,558.7         | 1,408.3         | 1,413.6         | 1,469.8         | 1,825.7         | 1,849.9         | 1,835.6         | 1,513.6         |
| Postponed interest arrears                   | -               | 105.3           | 57.3            | 70.0            | 72.8            | 82.1            | 82.9            | 82.2            | 82.8            |
| <b>2. Foreign liabilities in kuna</b>        | <b>28.4</b>     | <b>27.6</b>     | <b>21.5</b>     | <b>27.7</b>     | <b>28.7</b>     | <b>37.2</b>     | <b>40.7</b>     | <b>59.9</b>     | <b>29.5</b>     |
| 2.1. Liabilities to foreign banks            | 1.0             | 4.8             | 6.3             | 11.0            | 10.2            | 7.5             | 17.5            | 38.0            | 8.4             |
| Demand deposits                              | 1.0             | 4.8             | 6.3             | 9.4             | 6.1             | 6.4             | 15.5            | 35.9            | 5.7             |
| Time and notice deposits                     | -               | 0.0             | 0.0             | 1.6             | 4.1             | 1.1             | 2.0             | 2.0             | 2.7             |
| Loans and advances                           | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| 2.2. Liabilities to foreign nonbanks         | 27.4            | 22.8            | 15.3            | 16.8            | 18.5            | 29.7            | 23.2            | 22.0            | 21.2            |
| Demand deposits                              | 27.1            | 20.7            | 14.9            | 16.3            | 18.3            | 29.6            | 23.1            | 21.8            | 21.0            |
| Time and notice deposits                     | 0.2             | 2.2             | 0.4             | 0.5             | 0.2             | 0.1             | 0.1             | 0.1             | 0.1             |
| Loans and advances                           | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| <b>3. Liabilities to former Yugoslavia</b>   | <b>8,177.1</b>  | <b>6,777.5</b>  | <b>6,585.0</b>  | <b>6,635.7</b>  | <b>6,716.7</b>  | <b>6,713.6</b>  | <b>6,814.9</b>  | <b>6,730.9</b>  | <b>6,776.2</b>  |
| 3.1. In f/c                                  | 8,109.5         | 6,771.2         | 6,578.1         | 6,632.1         | 6,713.0         | 6,709.8         | 6,811.1         | 6,727.0         | 6,772.3         |
| o/w: Loans from foreign banks                | 8,097.7         | 6,725.0         | 6,348.7         | 6,406.5         | 6,479.6         | 6,469.0         | 6,566.0         | 6,484.3         | 6,527.5         |
| 3.2. In kuna                                 | 67.5            | 6.3             | 6.9             | 3.6             | 3.7             | 3.8             | 3.8             | 3.9             | 3.9             |
| <b>4. Adjustment for former branch banks</b> | <b>182.0</b>    | <b>166.2</b>    | <b>165.1</b>    | <b>158.2</b>    | <b>159.1</b>    | <b>186.7</b>    | <b>186.8</b>    | <b>186.5</b>    | <b>186.5</b>    |
| o/w: Liabilities to former Yugoslavia        | 179.2           | 164.2           | 161.1           | 154.1           | 154.8           | 182.4           | 182.4           | 182.0           | 182.0           |
| <b>Total (1+2+3+4)</b>                       | <b>12,248.4</b> | <b>13,301.0</b> | <b>12,953.4</b> | <b>13,215.7</b> | <b>13,714.4</b> | <b>15,335.4</b> | <b>15,707.4</b> | <b>15,748.1</b> | <b>15,966.1</b> |



Table D11: Central Government and Funds Deposits with Deposit Money Banks  
End of period, millions of kuna

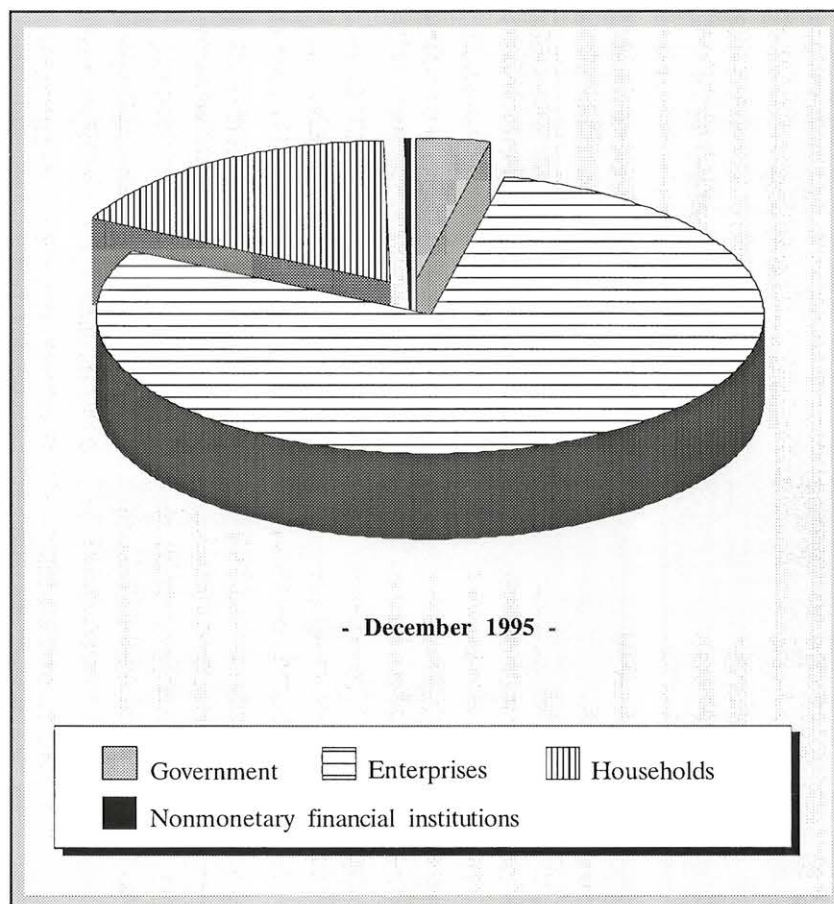
|                                        | 1993           | 1994           | 1 9 9 5        |                |                |                | 1996           |                |                |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                        | Dec.           | Dec.           | Mar.           | Jun.           | Sept.          | Dec.           | Jan.           | Feb.           | Mar.           |
| <b>1. In kuna</b>                      | <b>1,122.1</b> | <b>1,511.5</b> | <b>1,330.5</b> | <b>1,562.8</b> | <b>1,676.5</b> | <b>1,760.4</b> | <b>1,578.4</b> | <b>1,594.6</b> | <b>1,541.1</b> |
| 1.1. Central government deposits       | 494.0          | 178.1          | 142.1          | 141.9          | 130.0          | 179.3          | 153.5          | 129.3          | 77.0           |
| Demand deposits                        | 445.5          | 16.9           | 3.2            | 0.0            | 0.0            | 17.9           | 2.8            | 14.8           | 16.0           |
| Time and notice deposits               | 32.1           | 145.5          | 122.8          | 102.1          | 94.0           | 126.5          | 116.0          | 80.1           | 20.8           |
| Loans and advances                     | 16.3           | 15.7           | 16.1           | 39.8           | 36.0           | 34.9           | 34.6           | 34.4           | 40.2           |
| 1.2. Central government funds deposits | 628.1          | 1,333.4        | 1,188.5        | 1,420.9        | 1,546.5        | 1,581.1        | 1,424.9        | 1,465.2        | 1,464.1        |
| Demand deposits                        | 187.4          | 352.8          | 117.9          | 226.9          | 222.6          | 253.2          | 96.7           | 153.3          | 136.4          |
| Time and notice deposits               | 43.3           | 129.5          | 170.7          | 133.8          | 149.5          | 200.7          | 173.8          | 127.9          | 103.1          |
| Loans and advances                     | 397.4          | 851.1          | 899.8          | 1,060.1        | 1,174.4        | 1,127.2        | 1,154.4        | 1,184.0        | 1,224.6        |
| <b>2. In foreign currency</b>          | <b>315.8</b>   | <b>157.9</b>   | <b>329.0</b>   | <b>258.0</b>   | <b>268.4</b>   | <b>265.2</b>   | <b>260.2</b>   | <b>165.0</b>   | <b>223.7</b>   |
| 2.1. Central government deposits       | 315.8          | 118.8          | 245.9          | 153.3          | 156.7          | 145.4          | 134.7          | 93.3           | 127.5          |
| Savings deposits                       | 315.8          | 118.8          | 234.6          | 142.2          | 145.6          | 134.3          | 118.9          | 77.6           | 111.7          |
| Time and notice deposits               | -              | -              | 11.3           | 11.2           | 11.1           | 11.1           | 15.9           | 15.8           | 15.8           |
| 2.2. Central government funds deposits | 0.0            | 39.1           | 83.2           | 104.7          | 111.7          | 119.8          | 125.5          | 71.7           | 96.2           |
| Savings deposits                       | 0.0            | 39.1           | 83.2           | 104.7          | 13.5           | 21.2           | 25.7           | 40.3           | 64.3           |
| Time and notice deposits               | -              | -              | -              | -              | 98.3           | 98.6           | 99.7           | 31.4           | 31.9           |
| <b>Total (1+2)</b>                     | <b>1,437.8</b> | <b>1,669.4</b> | <b>1,659.6</b> | <b>1,820.8</b> | <b>1,945.0</b> | <b>2,025.6</b> | <b>1,838.6</b> | <b>1,759.6</b> | <b>1,764.8</b> |



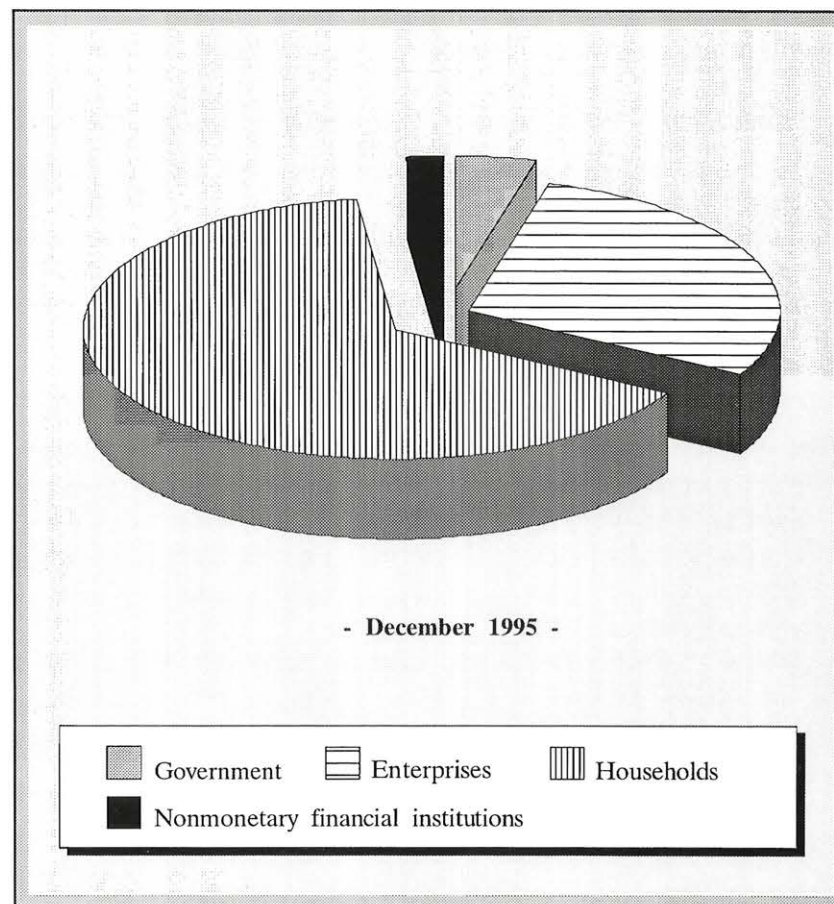
Table D12: Restricted and Blocked Deposits with Deposit Money Banks  
End of period, millions of kuna

|                                                 | 1993            | 1994            | 1 9 9 5         |                 |                 |                 | 1996            |                 |                 |
|-------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                                 | Dec.            | Dec.            | Mar.            | Jun.            | Sept.           | Dec.            | Jan.            | Feb.            | Mar.            |
| <b>1. Restricted deposits</b>                   | <b>408.4</b>    | <b>593.3</b>    | <b>606.9</b>    | <b>617.8</b>    | <b>647.4</b>    | <b>690.7</b>    | <b>583.4</b>    | <b>598.0</b>    | <b>591.7</b>    |
| 1.1. In kuna                                    | 79.6            | 156.6           | 209.3           | 217.3           | 216.1           | 271.3           | 224.6           | 229.8           | 227.7           |
| 1.2. In foreign currency                        | 324.5           | 433.0           | 393.9           | 396.9           | 427.6           | 415.6           | 355.1           | 364.5           | 360.4           |
| 1.3. Adjustment for former branch banks         | 4.3             | 3.7             | 3.7             | 3.6             | 3.7             | 3.7             | 3.7             | 3.7             | 3.7             |
| <b>2. Blocked f/c deposits</b>                  | <b>13,857.4</b> | <b>11,491.8</b> | <b>11,150.5</b> | <b>10,913.3</b> | <b>10,608.1</b> | <b>9,969.0</b>  | <b>9,508.8</b>  | <b>9,388.1</b>  | <b>9,380.5</b>  |
| 2.1. Central government and funds               | -               | 19.6            | 38.0            | 48.4            | 54.0            | 67.9            | 68.2            | 67.8            | 68.0            |
| 2.2. Enterprises                                | -               | 1.6             | 51.7            | 66.7            | 77.4            | 88.7            | 91.3            | 92.0            | 93.5            |
| 2.3. Households                                 | 13,857.4        | 11,470.6        | 11,060.8        | 10,798.1        | 10,476.6        | 9,812.5         | 9,349.2         | 9,228.3         | 9,219.0         |
| <b>3. F/c deposits with former branch banks</b> | <b>1,326.7</b>  | <b>1,195.5</b>  | <b>1,161.5</b>  | <b>1,147.3</b>  | <b>1,179.3</b>  | <b>1,206.0</b>  | <b>1,207.7</b>  | <b>1,200.2</b>  | <b>1,206.4</b>  |
| <b>Total (1+2+3)</b>                            | <b>15,592.5</b> | <b>13,280.7</b> | <b>12,918.9</b> | <b>12,678.3</b> | <b>12,434.8</b> | <b>11,865.7</b> | <b>11,299.8</b> | <b>11,186.3</b> | <b>11,178.7</b> |

Graph D1: Distribution of Deposit Money Banks' Loans



Graph D2: Distribution of Deposit Money Banks' Deposits



Note:

Sector "Government" includes central government and funds and local governments and funds.

Sector "Nonmonetary financial institutions" includes other banking institutions and nonbank financial institutions.



Table E1: Savings Banks' Accounts  
End of period, millions of kuna

|                                             | 1994  | 1 9 9 5 |       |       |       | 1996  |       |       |
|---------------------------------------------|-------|---------|-------|-------|-------|-------|-------|-------|
|                                             | Dec.  | Mar.    | Jun.  | Sept. | Dec.  | Jan.  | Feb.  | Mar.  |
| <b>ASSETS</b>                               |       |         |       |       |       |       |       |       |
| 1. Reserves                                 | 6.3   | 9.0     | 16.8  | 24.9  | 48.1  | 48.1  | 52.0  | 54.2  |
| 2. Foreign assets                           | 4.2   | 8.3     | 12.6  | 16.9  | 22.7  | 25.9  | 22.0  | 21.8  |
| 3. Claims on central government and funds   | 0.2   | 0.1     | 0.1   | 0.2   | 1.6   | 3.9   | 2.0   | 2.7   |
| 4. Claims on other domestic sectors         | 377.9 | 435.7   | 391.8 | 371.0 | 372.0 | 368.6 | 372.3 | 367.5 |
| 4.1. Claims on local governments and funds  | 0.1   | -       | -     | -     | -     | -     | -     | -     |
| 4.2. Claims on enterprises                  | 249.3 | 278.7   | 176.2 | 158.4 | 141.0 | 133.3 | 135.9 | 133.8 |
| 4.3. Claims on households                   | 128.5 | 157.0   | 215.6 | 212.6 | 231.0 | 235.3 | 236.4 | 233.8 |
| 5. Claims on DMBs                           | 35.8  | 33.7    | 25.8  | 29.6  | 18.9  | 23.4  | 21.7  | 22.4  |
| 6. Claims on nonbank financial institutions | 0.3   | 3.7     | 2.0   | 0.1   | 0.2   | 0.2   | 0.2   | 0.1   |
| Total (1+2+3+4+5+6)                         | 424.6 | 490.4   | 449.1 | 442.7 | 463.5 | 470.1 | 470.2 | 468.8 |
| <b>LIABILITIES</b>                          |       |         |       |       |       |       |       |       |
| 1. Demand deposits                          | 9.3   | 8.1     | 9.4   | 9.4   | 8.8   | 8.9   | 9.0   | 10.4  |
| 2. Time and savings deposits                | 182.1 | 192.0   | 114.8 | 110.7 | 127.4 | 142.1 | 133.4 | 130.9 |
| 3. Foreign currency deposits                | 8.0   | 10.8    | 14.5  | 17.7  | -     | -     | -     | -     |
| 4. Bonds                                    | 68.0  | 90.4    | 55.3  | 26.2  | 34.9  | 27.5  | 35.5  | 20.6  |
| 5. Foreign liabilities                      | 0.1   | 0.1     | 0.9   | 1.3   | 1.3   | 2.8   | 2.8   | 2.8   |
| 6. Central government deposits              | 5.6   | 5.0     | 2.0   | 2.0   | -     | -     | -     | -     |
| 7. Credit from central bank                 | 0.6   | 0.6     | 0.2   | -     | -     | -     | -     | -     |
| 8. Restricted deposits                      | 6.3   | 9.5     | 8.7   | 6.7   | 6.4   | 6.9   | 6.5   | 5.8   |
| 9. Capital accounts                         | 125.7 | 125.7   | 219.9 | 266.9 | 276.1 | 265.4 | 269.3 | 264.8 |
| 10. Other items (net)                       | 19.1  | 48.3    | 23.5  | 1.9   | 8.6   | 16.5  | 13.7  | 33.4  |
| Total (1+2+3+4+5+6+7+8+9+10)                | 424.6 | 490.4   | 449.1 | 442.7 | 463.5 | 470.1 | 470.2 | 468.8 |



Table F1: Credit Rates of National Bank of Croatia  
In percentage, on annual basis

| Year | Month | NBC<br>discount<br>rate | C r e d i t   r a t e s                |                               |                                                                         |                                                                 |                          |                                                                         |                                                                      |            |
|------|-------|-------------------------|----------------------------------------|-------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------|--------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------|------------|
|      |       |                         | On<br>lombard<br>credits <sup>1)</sup> | On<br>intervention<br>credits | On daily<br>credits<br>for households'<br>savings in kuna <sup>1)</sup> | On special credits<br>for payment<br>of blocked<br>f/c deposits | On<br>initial<br>credits | On advances<br>on the account<br>of statutory<br>reserves <sup>1)</sup> | On inaccurately<br>calculated<br>statutory<br>reserves <sup>1)</sup> | On arrears |
|      |       |                         | 4                                      | 5                             | 6                                                                       | 7                                                               | 8                        | 9                                                                       | 10                                                                   | 11         |
| 1992 | Dec.  | 1,889.39                | 2,840.09                               | -                             | 6,881.51                                                                | -                                                               | -                        | 4,191.93                                                                | 6,881.51                                                             | 4,191.93   |
| 1993 | Dec.  | 34.49                   | 46.78                                  | -                             | 289.60                                                                  | -                                                               | -                        | 101.22                                                                  | 289.60                                                               | 166.17     |
| 1994 | Sept. | 8.50                    | 14.00                                  | -                             | 23.00                                                                   | -                                                               | -                        | 19.00                                                                   | 23.00                                                                | 22.00      |
|      | Oct.  | 8.50                    | 14.00                                  | 19.00                         | 17.00                                                                   | -                                                               | 14.00                    | -                                                                       | 20.00                                                                | 22.00      |
|      | Nov.  | 8.50                    | 14.00                                  | 19.00                         | 17.00                                                                   | -                                                               | 14.00                    | -                                                                       | 20.00                                                                | 22.00      |
|      | Dec.  | 8.50                    | 18.00                                  | 19.00                         | 17.00                                                                   | -                                                               | 14.00                    | -                                                                       | 19.00                                                                | 22.00      |
| 1995 | Jan.  | 8.50                    | 18.00                                  | 19.00                         | 17.00                                                                   | -                                                               | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | Feb.  | 8.50                    | 18.00                                  | 19.00                         | 17.00                                                                   | -                                                               | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | Mar.  | 8.50                    | 18.00                                  | 19.00                         | 17.00                                                                   | -                                                               | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | Apr.  | 8.50                    | 18.00                                  | 19.00                         | 17.00                                                                   | -                                                               | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | May   | 8.50                    | 18.00                                  | 19.00                         | 17.00                                                                   | -                                                               | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | Jun.  | 8.50                    | 18.86                                  | 19.00                         | 17.00                                                                   | -                                                               | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | July  | 8.50                    | 19.72                                  | 19.00                         | 17.00                                                                   | 12.00                                                           | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | Aug.  | 8.50                    | 20.53                                  | 19.00                         | 17.00                                                                   | 12.00                                                           | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | Sept. | 8.50                    | 22.33                                  | 19.00                         | 17.00                                                                   | 12.00                                                           | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | Oct.  | 8.50                    | 24.35                                  | 19.00                         | 17.00                                                                   | 12.00                                                           | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | Nov.  | 8.50                    | 24.86                                  | 19.00                         | 17.00                                                                   | 12.00                                                           | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | Dec.  | 8.50                    | 25.49                                  | 19.00                         | 17.00                                                                   | 12.00                                                           | -                        | -                                                                       | 19.00                                                                | 22.00      |
| 1996 | Jan.  | 8.50                    | 25.72                                  | 19.00                         | 17.00                                                                   | 12.00                                                           | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | Feb.  | 8.50                    | 27.26                                  | 19.00                         | 17.00                                                                   | 12.00                                                           | -                        | -                                                                       | 19.00                                                                | 22.00      |
|      | Mar.  | 8.50                    | 27.69                                  | 19.00                         | 17.00                                                                   | 12.00                                                           | -                        | -                                                                       | 19.00                                                                | 22.00      |

1) Breaks in the series of data are explained in the Notes on Methodology.

Table F2: Deposit Rates of National Bank of Croatia  
In percentage, on annual basis

| Year | Month | Interest rates on<br>statutory reserves<br>dep. with the NBC <sup>1)</sup> | Interest rates on<br>NBC bills on<br>obligatory basis | Interest rates on NBC bills<br>on voluntary basis <sup>1)</sup> |                              |                              |
|------|-------|----------------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------|------------------------------|------------------------------|
|      |       |                                                                            |                                                       | Due in 7 days                                                   | Due in 35 days <sup>1)</sup> | Due in 91 days <sup>1)</sup> |
| 1    | 2     | 3                                                                          | 4                                                     | 5                                                               | 6                            | 7                            |
| 1992 | Dec.  | 367.60                                                                     | 556.66                                                | 1,057.67                                                        | 1,889.39                     | -                            |
| 1993 | Dec.  | 0.00                                                                       | -                                                     | 67.84                                                           | 63.08                        | 97.38                        |
| 1994 | Sept. | 5.15                                                                       | -                                                     | 11.07                                                           | 14.10                        | 17.01                        |
|      | Oct.  | 5.15                                                                       | -                                                     | 11.07                                                           | 13.72                        | 17.00                        |
|      | Nov.  | 5.15                                                                       | -                                                     | 8.98                                                            | 11.00                        | 14.00                        |
|      | Dec.  | 5.15                                                                       | -                                                     | 9.00                                                            | 12.00                        | 14.00                        |
| 1995 | Jan.  | 5.15                                                                       | -                                                     | 9.00                                                            | 12.00                        | 14.00                        |
|      | Feb.  | 5.15                                                                       | -                                                     | 9.50                                                            | 12.50                        | 14.75                        |
|      | Mar.  | 5.15                                                                       | -                                                     | 9.00                                                            | 16.14                        | 17.29                        |
|      | Apr.  | 5.15                                                                       | -                                                     | 9.00                                                            | 15.90                        | 17.50                        |
|      | May   | 5.50 <sup>2)</sup>                                                         | 16.50                                                 | 9.00                                                            | 15.81                        | 17.50                        |
|      | Jun.  | 5.50                                                                       | 16.50                                                 | 9.00                                                            | 18.00                        | 19.33                        |
|      | July  | 5.50                                                                       | 16.50                                                 | 9.00                                                            | 18.96                        | 19.50                        |
|      | Aug.  | 5.50                                                                       | 16.50                                                 | 10.00                                                           | 19.21                        | 24.00                        |
|      | Sept. | 5.50                                                                       | 16.50                                                 | 12.00                                                           | 21.95                        | 24.00                        |
|      | Oct.  | 5.50                                                                       | 16.50                                                 | 12.00                                                           | 22.89                        | 26.00                        |
|      | Nov.  | 5.50                                                                       | 16.50                                                 | 12.00                                                           | 24.43                        | 27.00                        |
|      | Dec.  | 5.50                                                                       | 16.50                                                 | 12.00                                                           | 25.54                        | 27.00                        |
| 1996 | Jan.  | 5.50                                                                       | 16.50                                                 | 12.00                                                           | 26.00                        | -                            |
|      | Feb.  | 5.50                                                                       | 16.50                                                 | 12.00                                                           | 26.00                        | 27.37                        |
|      | Mar.  | 5.50                                                                       | 16.50                                                 | 12.00                                                           | 26.00                        | 27.55                        |

1) Breaks in the series of data are explained in the Notes on Methodology.

2) Since May 15, 1995.



Table F3: Deposit Money Banks' Reserves on Obligatory Basis  
Daily averages and percentages, millions of kuna and %

| Year | Month | Reserve requirement (RR) | Weighted average reserve requirement in % of res. base | Statutory reserves deposited with the NBC | Statutory reserves deposited with the NBC in % of RR | Other deposits with the NBC on obligatory basis | Total reserve requirement | Total reserve requirement in % of res. base | Weighted average remuneration in % of total RR | Use of obligatory reserves |
|------|-------|--------------------------|--------------------------------------------------------|-------------------------------------------|------------------------------------------------------|-------------------------------------------------|---------------------------|---------------------------------------------|------------------------------------------------|----------------------------|
| 1    | 2     | 3                        | 4                                                      | 5                                         | 6=[5/3]*100                                          | 7                                               | 8=3+7                     | 9                                           | 10                                             | 11                         |
| 1993 | Dec.  | 894.9                    | 25.32                                                  | 804.0                                     | 89.84                                                | 19.8                                            | 914.7                     | 25.88                                       | 1.97                                           | 143.6                      |
| 1994 | Jun.  | 1,386.4                  | 26.47                                                  | 1,352.5                                   | 97.55                                                | 135.8                                           | 1,522.3                   | 29.06                                       | 5.98                                           | 119.4                      |
|      | July  | 1,519.9                  | 26.87                                                  | 1,477.8                                   | 97.23                                                | 168.4                                           | 1,688.3                   | 29.85                                       | 5.87                                           | 102.7                      |
|      | Aug.  | 1,657.6                  | 27.27                                                  | 1,610.5                                   | 97.16                                                | 188.3                                           | 1,845.9                   | 30.36                                       | 5.92                                           | 49.0                       |
|      | Sept. | 1,942.7                  | 27.98                                                  | 1,890.2                                   | 97.30                                                | 210.2                                           | 2,152.9                   | 31.00                                       | 5.89                                           | 55.6                       |
|      | Oct.  | 1,870.0                  | 26.82                                                  | 1,822.8                                   | 97.48                                                | 188.7                                           | 2,058.8                   | 29.53                                       | 5.84                                           | 4.7                        |
|      | Nov.  | 1,821.5                  | 26.23                                                  | 1,775.5                                   | 97.47                                                | 184.2                                           | 2,005.6                   | 28.89                                       | 5.64                                           | 3.8                        |
|      | Dec.  | 1,826.0                  | 26.20                                                  | 1,779.2                                   | 97.44                                                | 188.3                                           | 2,014.3                   | 28.90                                       | 5.63                                           | 3.5                        |
| 1995 | Jan.  | 1,979.6                  | 28.51                                                  | 1,768.8                                   | 89.35                                                | 5.5                                             | 1,985.1                   | 28.59                                       | 4.59                                           | 7.3                        |
|      | Feb.  | 1,995.7                  | 28.38                                                  | 1,804.8                                   | 90.44                                                | 7.1                                             | 2,002.8                   | 28.48                                       | 4.64                                           | 11.2                       |
|      | Mar.  | 2,006.7                  | 28.36                                                  | 1,829.2                                   | 91.15                                                | 0.9                                             | 2,007.6                   | 28.37                                       | 4.69                                           | 3.6                        |
|      | Apr.  | 2,030.6                  | 28.38                                                  | 1,836.5                                   | 90.44                                                | 1.1                                             | 2,031.7                   | 28.39                                       | 4.66                                           | 10.6                       |
|      | May   | 2,168.9                  | 29.20                                                  | 1,948.9                                   | 89.86                                                | 6.5                                             | 2,175.4                   | 29.29                                       | 4.82                                           | 22.2                       |
|      | Jun.  | 2,256.9                  | 29.88                                                  | 2,046.1                                   | 90.66                                                | 133.3                                           | 2,390.2                   | 31.64                                       | 5.62                                           | 20.3                       |
|      | July  | 2,280.1                  | 29.87                                                  | 2,065.5                                   | 90.59                                                | 369.2                                           | 2,649.3                   | 34.71                                       | 6.59                                           | 12.9                       |
|      | Aug.  | 2,352.6                  | 29.86                                                  | 2,134.4                                   | 90.72                                                | 541.5                                           | 2,894.2                   | 36.74                                       | 7.14                                           | 16.4                       |
|      | Sept. | 2,504.9                  | 30.53                                                  | 2,275.3                                   | 90.84                                                | 608.4                                           | 3,113.3                   | 37.95                                       | 7.24                                           | 37.3                       |
|      | Oct.  | 2,517.1                  | 30.87                                                  | 2,291.0                                   | 91.02                                                | 771.6                                           | 3,288.7                   | 40.33                                       | 7.70                                           | 40.8                       |
|      | Nov.  | 2,473.1                  | 30.88                                                  | 2,247.3                                   | 90.87                                                | 832.3                                           | 3,305.3                   | 41.27                                       | 7.89                                           | 17.3                       |
|      | Dec.  | 2,431.8                  | 30.90                                                  | 2,215.9                                   | 91.12                                                | 826.5                                           | 3,258.4                   | 41.40                                       | 7.93                                           | 45.9                       |
| 1996 | Jan.  | 2,407.7                  | 30.87                                                  | 2,197.6                                   | 91.30                                                | 805.5                                           | 3,212.6                   | 41.21                                       | 7.90                                           | 4.7                        |
|      | Feb.  | 2,430.5                  | 30.88                                                  | 2,203.8                                   | 90.67                                                | 798.0                                           | 3,228.4                   | 41.01                                       | 7.83                                           | 0.0                        |
|      | Mar.  | 2,446.9                  | 31.02                                                  | 2,225.5                                   | 90.95                                                | 798.1                                           | 3,244.9                   | 41.14                                       | 7.83                                           | 0.1                        |



Table F4: Deposit Money Banks' Liquidity Indicators  
Daily averages and percentages, millions of kuna and %

| Year | Month | Free reserves | Primary liquidity ratio (in %) | Secondary liquidity sources | NBC bills on voluntary basis |
|------|-------|---------------|--------------------------------|-----------------------------|------------------------------|
| 1    | 2     | 3             | 4                              | 5                           | 6                            |
| 1993 | Dec.  | -18.5         | -0.52                          | 188.0                       | 1.9                          |
| 1994 | Jun.  | 126.5         | 2.41                           | 243.2                       | 187.6                        |
|      | July  | 102.5         | 1.81                           | 206.6                       | 68.7                         |
|      | Aug.  | 163.5         | 2.69                           | 159.5                       | 79.9                         |
|      | Sept. | 126.0         | 1.81                           | 238.9                       | 194.9                        |
|      | Oct.  | 136.0         | 1.95                           | 271.6                       | 157.1                        |
|      | Nov.  | 146.3         | 2.11                           | 234.1                       | 126.1                        |
|      | Dec.  | 119.5         | 1.72                           | 393.7                       | 210.2                        |
| 1995 | Jan.  | 24.9          | 0.36                           | 229.3                       | 389.0                        |
|      | Feb.  | 12.9          | 0.18                           | 231.3                       | 401.0                        |
|      | Mar.  | 65.1          | 0.92                           | 96.6                        | 336.0                        |
|      | Apr.  | 25.3          | 0.35                           | 154.8                       | 365.0                        |
|      | May   | 17.2          | 0.23                           | 154.2                       | 280.3                        |
|      | Jun.  | 43.5          | 0.58                           | 144.3                       | 263.7                        |
|      | July  | 29.2          | 0.38                           | 154.4                       | 256.3                        |
|      | Aug.  | 57.9          | 0.74                           | 106.7                       | 273.3                        |
|      | Sept. | 28.9          | 0.35                           | 206.4                       | 336.6                        |
|      | Oct.  | 7.0           | 0.09                           | 209.5                       | 269.6                        |
|      | Nov.  | 56.1          | 0.70                           | 107.2                       | 193.5                        |
|      | Dec.  | 49.4          | 0.63                           | 199.4                       | 218.7                        |
| 1996 | Jan.  | 86.5          | 1.11                           | 64.9                        | 206.6                        |
|      | Feb.  | 71.2          | 0.90                           | 116.1                       | 271.8                        |
|      | Mar.  | 92.3          | 1.17                           | 79.0                        | 293.5                        |

Table G1: Deposit Money Banks' Credit Rates

Weighted averages of monthly interest rates, in % on annual basis

| Year                                | Month | Money market interest rates |                     | Interest rates on credits in kuna |                       |                      | Interest rates on credits in kuna indexed to f/c |                       |                      | Interest rates on credits in f/c |                       |                      |
|-------------------------------------|-------|-----------------------------|---------------------|-----------------------------------|-----------------------|----------------------|--------------------------------------------------|-----------------------|----------------------|----------------------------------|-----------------------|----------------------|
|                                     |       | On daily market             | On overnight market | Total average                     | On short-term credits | On long-term credits | Total average                                    | On short-term credits | On long-term credits | Total average                    | On short-term credits | On long-term credits |
| 1                                   | 2     | 3                           | 4                   | 5                                 | 6                     | 7                    | 8                                                | 9                     | 10                   | 11                               | 12                    | 13                   |
| 1992                                | Dec.  | 2,182.26                    | 2,182.26            | 2,332.92                          | 2,384.89              | 1,166.29             | 20.41                                            | 9.90                  | 21.41                | ....                             | ....                  | ....                 |
| 1993                                | Dec.  | 86.90                       | 34.49               | 59.00                             | 59.00                 | 78.97                | 21.84                                            | 19.00                 | 23.14                | ....                             | ....                  | ....                 |
| 1994                                | Sept. | 17.42                       | 8.50                | 15.17                             | 15.21                 | 12.64                | 12.51                                            | 13.28                 | 11.96                | ....                             | ....                  | ....                 |
|                                     | Oct.  | 17.11                       | 8.50                | 15.46                             | 15.52                 | 12.93                | 12.14                                            | 12.11                 | 12.18                | ....                             | ....                  | ....                 |
|                                     | Nov.  | 16.98                       | 8.50                | 15.65                             | 15.73                 | 13.75                | 12.77                                            | 14.30                 | 11.61                | ....                             | ....                  | ....                 |
|                                     | Dec.  | 17.76                       | 8.50                | 15.39                             | 15.43                 | 13.82                | 11.99                                            | 12.38                 | 11.65                | ....                             | ....                  | ....                 |
| 1995                                | Jan.  | 17.03                       | 8.50                | 16.00                             | 16.05                 | 13.63                | 12.31                                            | 11.82                 | 12.68                | ....                             | ....                  | ....                 |
|                                     | Feb.  | 16.76                       | 8.50                | 16.13                             | 16.16                 | 14.36                | 15.03                                            | 19.11                 | 12.84                | ....                             | ....                  | ....                 |
|                                     | Mar.  | 17.81                       | 8.50                | 16.72                             | 16.80                 | 13.26                | 14.45                                            | 16.70                 | 12.56                | ....                             | ....                  | ....                 |
|                                     | Apr.  | 17.24                       | 8.50                | 17.56                             | 17.69                 | 14.59                | 20.41                                            | 19.68                 | 21.26                | ....                             | ....                  | ....                 |
|                                     | May   | 18.22                       | 8.50                | 18.72                             | 18.80                 | 15.33                | 19.25                                            | 17.27                 | 21.15                | ....                             | ....                  | ....                 |
|                                     | Jun.  | 21.96                       | 21.96               | 22.62                             | 22.77                 | 15.18                | 21.58                                            | 20.77                 | 22.01                | ....                             | ....                  | ....                 |
|                                     | July  | 22.75                       | 22.74               | 21.88                             | 22.62                 | 10.10                | 21.70                                            | 25.80                 | 13.10                | 17.28                            | 17.12                 | 17.94                |
|                                     | Aug.  | 23.13                       | 23.07               | 22.01                             | 22.61                 | 11.86                | 25.99                                            | 30.00                 | 13.80                | 33.76                            | 35.23                 | 17.32                |
|                                     | Sept. | 22.97                       | 22.97               | 21.73                             | 21.80                 | 16.86                | 23.62                                            | 29.60                 | 13.90                | 16.58                            | 16.63                 | 13.73                |
|                                     | Oct.  | 23.78                       | 23.80               | 23.52                             | 23.56                 | 17.35                | 24.67                                            | 30.32                 | 16.21                | 8.37                             | 8.29                  | 13.05                |
|                                     | Nov.  | 24.76                       | 24.75               | 24.21                             | 24.39                 | 17.24                | 22.97                                            | 31.20                 | 12.33                | 16.77                            | 16.86                 | 13.97                |
|                                     | Dec.  | 27.15                       | 27.26               | 22.32                             | 22.56                 | 13.48                | 19.56                                            | 21.62                 | 14.33                | 15.73                            | 16.56                 | 12.27                |
| 1996                                | Jan.  | 29.55                       | 29.70               | 26.37                             | 26.57                 | 16.20                | 24.02                                            | 26.71                 | 11.26                | 17.72                            | 18.02                 | 14.92                |
|                                     | Feb.  | 30.01                       | 30.01               | 25.81                             | 26.00                 | 14.85                | 26.21                                            | 31.52                 | 11.55                | 17.70                            | 17.76                 | 15.00                |
|                                     | Mar.  | 29.41                       | 29.40               | 24.87                             | 25.15                 | 16.36                | 22.75                                            | 27.28                 | 12.85                | 17.62                            | 18.67                 | 14.26                |
| Relative significance <sup>1)</sup> |       | 7.01                        | 56.95               | 24.53                             | 23.75                 | 0.78                 | 11.10                                            | 7.61                  | 3.48                 | 0.41                             | 0.31                  | 0.10                 |

1) These data represent percentages of related credits in total credits included in calculation of weighted averages of monthly interest rates (for the last month included in this table).



Table G2: Deposit Money Banks' Deposit Rates  
Weighted average of monthly interest rates in % on annual basis

| Year | Month | Interest rates on deposits in kuna |                    |                                            | Interest rates on time and savings deposits in kuna indexed to f/c | Interest rates on deposits in f/c |                    |                                            |
|------|-------|------------------------------------|--------------------|--------------------------------------------|--------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------------------|
|      |       | Total average                      | On demand deposits | On time and savings deposits <sup>1)</sup> |                                                                    | Total average                     | On demand deposits | On time and savings deposits <sup>1)</sup> |
| 1    | 2     | 3                                  | 4                  | 5                                          | 6                                                                  | 7                                 | 8                  | 9                                          |
| 1992 | Dec.  | 434.47                             | 184.69             | 1,867.18                                   | 6.04                                                               | ....                              | ....               | ....                                       |
| 1993 | Dec.  | 27.42                              | 18.16              | 52.16                                      | 5.91                                                               | ....                              | ....               | ....                                       |
| 1994 | Sept. | 4.31                               | 3.04               | 8.63                                       | 7.83                                                               | ....                              | ....               | ....                                       |
|      | Oct.  | 4.89                               | 3.45               | 9.13                                       | 7.57                                                               | ....                              | ....               | ....                                       |
|      | Nov.  | 5.00                               | 3.55               | 9.04                                       | 7.53                                                               | ....                              | ....               | ....                                       |
|      | Dec.  | 5.03                               | 3.55               | 9.65                                       | 6.95                                                               | ....                              | ....               | ....                                       |
| 1995 | Jan.  | 5.10                               | 3.62               | 9.19                                       | 6.12                                                               | ....                              | ....               | ....                                       |
|      | Feb.  | 5.49                               | 3.79               | 10.11                                      | 6.75                                                               | ....                              | ....               | ....                                       |
|      | Mar.  | 5.26                               | 3.80               | 10.27                                      | 7.53                                                               | ....                              | ....               | ....                                       |
|      | Apr.  | 5.25                               | 3.79               | 10.47                                      | 6.72                                                               | ....                              | ....               | ....                                       |
|      | May   | 5.25                               | 3.82               | 10.65                                      | 6.86                                                               | ....                              | ....               | ....                                       |
|      | Jun.  | 5.40                               | 3.87               | 11.20                                      | 6.46                                                               | ....                              | ....               | ....                                       |
|      | July  | 5.24                               | 3.81               | 10.55                                      | 8.13                                                               | 4.55                              | 3.33               | 6.19                                       |
|      | Aug.  | 5.32                               | 3.72               | 11.33                                      | 9.75                                                               | 5.22                              | 3.93               | 6.92                                       |
|      | Sept. | 5.94                               | 4.05               | 12.35                                      | 8.31                                                               | 4.64                              | 3.14               | 6.56                                       |
|      | Oct.  | 5.76                               | 4.15               | 11.21                                      | 9.10                                                               | 3.66                              | 1.74               | 5.94                                       |
|      | Nov.  | 6.19                               | 3.94               | 14.06                                      | 13.05                                                              | 4.61                              | 2.92               | 6.66                                       |
|      | Dec.  | 6.10                               | 3.88               | 13.65                                      | 12.69                                                              | 4.57                              | 2.82               | 6.83                                       |
| 1996 | Jan.  | 6.35                               | 3.95               | 14.81                                      | 11.22                                                              | 4.61                              | 2.95               | 6.71                                       |
|      | Feb.  | 6.56                               | 3.97               | 15.22                                      | 13.02                                                              | 4.72                              | 2.97               | 7.00                                       |
|      | Mar.  | 6.44                               | 3.92               | 14.88                                      | 9.72                                                               | 4.70                              | 2.90               | 6.80                                       |

1) From December 1992 through June 1995, data in columns 5 and 9 represent weighted averages of monthly interest rates on end-of-month outstanding deposits. Since July 1995, data represent weighted averages of monthly interest rates on new deposits in reporting month.



Table G3: Deposit Money Banks' Trade with Foreign Exchange

Millions of Deutsche Mark, current exchange rate

|                                         | 1994    | 1995      | 1 9 9 4 |         |         |         | 1 9 9 5 |         |         |         | 1996    |         |         |
|-----------------------------------------|---------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                         |         |           | Q1      | Q2      | Q3      | Q4      | Q1      | Q2      | Q3      | Q4      | Jan.    | Feb.    | Mar.    |
| <b>A. Purchases of foreign exchange</b> |         |           |         |         |         |         |         |         |         |         |         |         |         |
| 1. Legal entities                       | 2,861.3 | 3,295.9   | 600.2   | 682.2   | 813.8   | 765.1   | 825.9   | 785.9   | 769.4   | 914.7   | 349.3   | 320.3   | 299.2   |
| 2. Individuals                          | 3,463.8 | 3,492.4   | 520.8   | 781.2   | 1,201.9 | 959.9   | 726.8   | 914.5   | 1,045.5 | 805.6   | 245.0   | 253.7   | 279.9   |
| 2.1. Residents                          | 2,512.8 | 2,908.9   | 449.1   | 612.7   | 758.6   | 692.4   | 641.5   | 762.4   | 786.2   | 718.8   | 218.0   | 227.5   | 252.7   |
| 2.2. Non-residents                      | 951.0   | 583.4     | 71.7    | 168.5   | 443.3   | 267.5   | 85.3    | 152.1   | 259.3   | 86.8    | 27.0    | 26.2    | 27.2    |
| 3. DMBs                                 | 375.0   | 599.9     | 56.4    | 90.5    | 98.6    | 129.5   | 135.2   | 176.4   | 158.0   | 130.3   | 62.4    | 56.4    | 66.7    |
| 4. National Bank of Croatia             | 434.0   | 334.0     | 54.0    | 63.0    | 86.0    | 231.0   | 83.2    | 13.8    | 48.2    | 188.8   | 24.4    | 7.0     | 9.4     |
| Total (1+2+3+4)                         | 7,134.1 | 7,722.2   | 1,231.4 | 1,616.9 | 2,200.3 | 2,085.5 | 1,771.2 | 1,890.5 | 2,021.1 | 2,039.4 | 681.1   | 637.4   | 655.2   |
| <b>B. Sales of foreign exchange</b>     |         |           |         |         |         |         |         |         |         |         |         |         |         |
| 1. Legal entities                       | 3,845.8 | 5,000.4   | 689.2   | 871.2   | 1,077.4 | 1,208.0 | 1,182.6 | 1,186.0 | 1,300.9 | 1,330.9 | 506.5   | 431.9   | 486.9   |
| 2. Individuals                          | 1,221.8 | 1,502.7   | 232.9   | 327.0   | 316.1   | 345.8   | 334.0   | 323.9   | 383.3   | 461.5   | 132.6   | 123.6   | 123.1   |
| 2.1. Residents                          | 1,221.8 | 1,502.7   | 232.9   | 327.0   | 316.1   | 345.8   | 334.0   | 323.9   | 383.3   | 461.5   | 132.6   | 123.6   | 123.1   |
| 2.2. Non-residents                      | 0.0     | 0.0       | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| 3. DMBs                                 | 375.0   | 599.9     | 56.4    | 90.5    | 98.6    | 129.5   | 135.2   | 176.4   | 158.0   | 130.3   | 62.4    | 56.4    | 66.7    |
| 4. National Bank of Croatia             | 1,407.0 | 663.2     | 201.0   | 269.0   | 520.0   | 417.0   | 90.5    | 272.1   | 223.3   | 77.3    | 8.4     | 3.7     | 5.8     |
| Total (1+2+3+4)                         | 6,849.6 | 7,766.2   | 1,179.5 | 1,557.7 | 2,012.1 | 2,100.3 | 1,742.3 | 1,958.5 | 2,065.5 | 2,000.0 | 709.9   | 615.6   | 682.5   |
| <b>C. Net purchasing (A-B)</b>          |         |           |         |         |         |         |         |         |         |         |         |         |         |
| 1. Legal entities                       | - 984.5 | - 1,704.5 | - 89.0  | - 189.0 | - 263.6 | - 442.9 | - 356.7 | - 400.2 | - 531.5 | - 416.2 | - 157.2 | - 111.6 | - 187.7 |
| 2. Individuals                          | 2,242.0 | 1,989.7   | 287.9   | 454.2   | 885.8   | 614.1   | 392.8   | 590.5   | 662.3   | 344.1   | 112.4   | 130.1   | 156.8   |
| 2.1. Residents                          | 1,291.0 | 1,406.3   | 216.2   | 285.7   | 442.5   | 346.6   | 307.6   | 438.4   | 403.0   | 257.3   | 85.4    | 103.9   | 129.6   |
| 2.2. Non-residents                      | 951.0   | 583.4     | 71.7    | 168.5   | 443.3   | 267.5   | 85.3    | 152.1   | 259.3   | 86.8    | 27.0    | 26.2    | 27.2    |
| 3. National bank of Croatia             | - 973.0 | - 329.2   | - 147.0 | - 206.0 | - 434.0 | - 186.0 | - 7.3   | - 258.3 | - 175.1 | 111.5   | 16.0    | 3.3     | 3.6     |
| Total (1+2+3)                           | 284.5   | - 44.0    | 51.9    | 59.2    | 188.2   | - 14.8  | 28.9    | - 68.0  | - 44.3  | 39.4    | - 28.8  | 21.8    | 27.3    |

Table H1: Balance of Payments - Summary  
Millions of US dollars

|                                           | 1993           | 1994           | 1995            | 1995           |                |                |                | 1996          |
|-------------------------------------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|---------------|
|                                           |                |                |                 | Q1             | Q2             | Q3             | Q4             | Jan.          |
| <b>A. CURRENT ACCOUNT (1+6)</b>           | <b>104.0</b>   | <b>103.4</b>   | <b>-1,712.0</b> | <b>- 340.3</b> | <b>- 476.9</b> | <b>- 393.3</b> | <b>- 555.5</b> | <b>- 21.7</b> |
| 1. Goods, services and income (2+5)       | - 272.0        | - 355.9        | -2,357.8        | - 481.7        | - 619.6        | - 500.3        | - 756.2        | - 99.5        |
| 1.1. Credit                               | 5,822.2        | 6,653.9        | 7,375.3         | 1,762.2        | 1,938.1        | 1,920.7        | 1,754.3        | 616.2         |
| 1.2. Debit                                | -6,094.1       | -7,009.8       | -9,733.1        | -2,244.0       | -2,557.7       | -2,421.0       | -2,510.5       | - 715.7       |
| 2. Goods and services (3+4)               | - 130.7        | - 231.4        | -2,264.5        | - 475.8        | - 579.3        | - 497.1        | - 712.3        | - 90.4        |
| 2.1. Credit                               | 5,710.5        | 6,552.9        | 7,201.9         | 1,719.3        | 1,903.4        | 1,880.4        | 1,698.8        | 602.3         |
| 2.2. Debit                                | -5,841.2       | -6,784.3       | -9,466.4        | -2,195.0       | -2,482.8       | -2,377.5       | -2,411.1       | - 692.7       |
| 3. Goods                                  | - 762.5        | - 968.9        | -2,877.2        | - 569.7        | - 778.4        | - 728.6        | - 800.4        | - 137.4       |
| 3.1. Credit                               | 3,903.8        | 4,260.4        | 4,632.7         | 1,165.7        | 1,199.1        | 1,177.4        | 1,090.5        | 389.7         |
| 3.2. Debit                                | -4,666.4       | -5,229.3       | -7,509.9        | -1,735.4       | -1,977.5       | -1,906.1       | -1,890.9       | - 527.0       |
| 4. Services                               | 631.9          | 737.5          | 612.7           | 93.9           | 199.1          | 231.5          | 88.2           | 47.0          |
| 4.1. Credit                               | 1,806.7        | 2,292.5        | 2,569.2         | 553.6          | 704.3          | 702.9          | 608.4          | 212.6         |
| 4.2. Debit                                | -1,174.9       | -1,555.0       | -1,956.5        | - 459.7        | - 505.2        | - 471.4        | - 520.2        | - 165.7       |
| 5. Income                                 | - 141.3        | - 124.5        | - 93.3          | - 6.0          | - 40.3         | - 3.2          | - 43.9         | - 9.1         |
| 5.1. Credit                               | 111.6          | 101.0          | 173.4           | 43.0           | 34.7           | 40.3           | 55.4           | 19.9          |
| 5.2. Debit                                | - 252.9        | - 225.5        | - 266.7         | - 48.9         | - 74.9         | - 43.5         | - 99.3         | - 23.0        |
| 6. Current transfers                      | 376.0          | 459.3          | 645.8           | 141.4          | 142.7          | 161.0          | 200.7          | 77.8          |
| 6.1. Credit                               | 554.9          | 602.1          | 814.6           | 178.6          | 186.5          | 201.3          | 248.2          | 91.7          |
| 6.2. Debit                                | - 178.9        | - 142.8        | - 168.8         | - 37.2         | - 43.8         | - 40.3         | - 47.5         | - 13.9        |
| <b>B. CAPITAL AND FINANCIAL ACCOUNT</b>   | <b>- 179.8</b> | <b>- 204.9</b> | <b>409.2</b>    | <b>- 46.3</b>  | <b>136.9</b>   | <b>108.7</b>   | <b>209.8</b>   | <b>155.6</b>  |
| B1. Capital account                       | -              | -              | -               | -              | -              | -              | -              | -             |
| B2. Financial account, excluding reserves | 269.8          | 583.6          | 901.7           | 83.9           | 427.6          | 226.3          | 163.8          | 103.5         |
| 1. Direct investments                     | 74.3           | 97.6           | 80.5            | 18.0           | 20.9           | 17.5           | 24.1           | 7.6           |
| 2. Portfolio investments                  | -              | -              | -               | -              | -              | -              | -              | -             |
| 3. Other investments                      | 195.4          | 486.1          | 821.8           | 65.9           | 406.7          | 208.9          | 139.7          | 95.9          |
| 3.1. Assets                               | 44.2           | 241.8          | 49.8            | - 30.2         | 195.6          | 87.2           | - 202.8        | 39.1          |
| 3.2. Liabilities                          | 151.2          | 244.2          | 771.4           | 96.1           | 211.1          | 121.7          | 342.5          | 56.8          |
| B3. Reserve assets                        | - 449.6        | - 788.6        | - 492.6         | - 130.2        | - 290.8        | - 117.6        | 46.0           | 52.1          |
| <b>C. NET ERRORS AND OMISSIONS</b>        | <b>75.8</b>    | <b>101.5</b>   | <b>1,302.9</b>  | <b>386.7</b>   | <b>340.0</b>   | <b>230.5</b>   | <b>345.7</b>   | <b>-133.9</b> |



Table H2: Balance of Payments - Goods and Services  
Millions of US dollars

|                           | 1993           | 1994           | 1995            | 1995           |                |                |                | 1996           |
|---------------------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
|                           |                |                |                 | Q1             | Q2             | Q3             | Q4             | Jan.           |
| <b>1. Goods</b>           | <b>- 762.5</b> | <b>- 968.9</b> | <b>-2,877.2</b> | <b>- 569.7</b> | <b>- 778.4</b> | <b>- 728.6</b> | <b>- 800.4</b> | <b>- 137.4</b> |
| 1.1. Credit               | 3,903.8        | 4,260.4        | 4,632.7         | 1,165.7        | 1,199.1        | 1,177.4        | 1,090.5        | 389.7          |
| 1.1.1. Intermediate goods | 1,975.7        | 2,073.1        | 2,443.1         | 592.7          | 653.0          | 607.7          | 589.6          | 218.7          |
| 1.1.2. Equipment          | 350.5          | 528.0          | 539.6           | 129.8          | 169.7          | 145.4          | 94.7           | 43.9           |
| 1.1.3. Consumers goods    | 1,577.5        | 1,659.3        | 1,650.0         | 443.1          | 376.4          | 424.4          | 406.1          | 127.1          |
| 1.2. Debit                | -4,666.4       | -5,229.3       | -7,509.9        | -1,735.4       | -1,977.5       | -1,906.1       | -1,890.9       | - 527.0        |
| 1.2.1. Intermediate goods | -2,749.5       | -2,929.0       | -4,154.6        | - 971.0        | -1,084.7       | -1,100.6       | - 998.3        | - 315.9        |
| 1.2.2. Equipment          | - 748.6        | - 898.1        | -1,314.3        | - 314.7        | - 337.3        | - 297.4        | - 365.0        | - 82.3         |
| 1.2.3. Consumers goods    | -1,168.3       | -1,402.2       | -2,040.9        | - 449.7        | - 555.5        | - 508.1        | - 527.6        | - 128.8        |
| <b>2. Services</b>        | <b>631.9</b>   | <b>737.5</b>   | <b>612.7</b>    | <b>93.9</b>    | <b>199.1</b>   | <b>231.5</b>   | <b>88.2</b>    | <b>47.0</b>    |
| 2.1. Transportation       | 178.6          | 120.4          | 59.9            | 5.5            | 28.7           | 31.1           | - 5.4          | 18.1           |
| 2.1.1. Credit             | 674.8          | 630.9          | 654.5           | 146.8          | 183.7          | 179.1          | 145.0          | 64.1           |
| 2.1.2. Debit              | - 496.2        | - 510.6        | - 594.6         | - 141.2        | - 155.0        | - 148.0        | - 150.4        | - 46.0         |
| 2.2. Travel               | 533.2          | 874.7          | 813.2           | 135.8          | 253.4          | 268.1          | 156.0          | 55.9           |
| 2.2.1. Credit             | 831.6          | 1,426.9        | 1,583.8         | 317.0          | 447.1          | 449.6          | 370.1          | 125.9          |
| 2.2.2. Debit              | - 298.4        | - 552.3        | - 770.8         | - 181.1        | - 193.8        | - 181.5        | - 214.2        | - 70.0         |
| 2.3. Other services       | - 79.9         | - 257.5        | - 260.5         | - 47.5         | - 82.9         | - 67.7         | - 62.5         | - 27.0         |
| 2.3.1. Credit             | 300.4          | 234.7          | 330.8           | 89.8           | 73.5           | 74.3           | 93.2           | 22.7           |
| 2.3.2. Debit              | - 380.2        | - 492.2        | - 591.3         | - 137.3        | - 156.5        | - 141.9        | - 155.6        | - 49.7         |
| <b>Total (1+2)</b>        | <b>- 130.7</b> | <b>- 231.4</b> | <b>-2,264.5</b> | <b>- 475.8</b> | <b>- 579.3</b> | <b>- 497.1</b> | <b>- 712.3</b> | <b>- 90.4</b>  |



Table H3: Balance of Payments - Income and Current Transfers  
Millions of US dollars

|                             | 1993           | 1994           | 1995          | 1995         |               |              |               | 1996         |
|-----------------------------|----------------|----------------|---------------|--------------|---------------|--------------|---------------|--------------|
|                             |                |                |               | Q1           | Q2            | Q3           | Q4            | Jan.         |
| <b>1. Income</b>            | <b>- 141.3</b> | <b>- 124.5</b> | <b>- 93.3</b> | <b>- 6.0</b> | <b>- 40.3</b> | <b>- 3.2</b> | <b>- 43.9</b> | <b>- 9.1</b> |
| 1.1. Credit                 | 111.6          | 101.0          | 173.4         | 43.0         | 34.7          | 40.3         | 55.4          | 13.9         |
| 1.1.1. Interest payments    | 108.3          | 100.3          | 172.4         | 42.6         | 34.8          | 40.0         | 55.1          | 13.9         |
| 1.1.2. Other                | 3.3            | 0.7            | 1.0           | 0.4          | - 0.1         | 0.4          | 0.4           | 0.0          |
| 1.2. Debit                  | - 252.9        | - 225.5        | - 266.7       | - 48.9       | - 74.9        | - 43.5       | - 99.3        | - 23.0       |
| 1.2.1. Interest payments    | - 162.8        | - 141.0        | - 168.5       | - 31.8       | - 32.4        | - 32.0       | - 72.4        | - 15.8       |
| 1.2.2. Interest arrears     | - 75.6         | - 78.4         | - 85.2        | - 16.5       | - 34.2        | - 9.4        | - 25.1        | - 6.9        |
| 1.2.3. Other                | - 14.5         | - 6.1          | - 13.0        | - 0.6        | - 8.3         | - 2.1        | - 1.9         | - 0.3        |
| <b>2. Current transfers</b> | <b>376.0</b>   | <b>459.3</b>   | <b>645.8</b>  | <b>141.4</b> | <b>142.7</b>  | <b>161.0</b> | <b>200.7</b>  | <b>77.8</b>  |
| 2.1. General government     | 249.8          | 235.3          | 279.8         | 69.1         | 61.6          | 69.0         | 80.2          | 27.0         |
| 2.1.1. Credit               | 255.7          | 261.9          | 309.2         | 74.5         | 70.4          | 77.1         | 87.1          | 28.6         |
| 2.1.2. Debit                | - 6.0          | - 26.6         | - 29.3        | - 5.4        | - 8.9         | - 8.1        | - 7.0         | - 1.5        |
| 2.2. Other sectors          | 126.2          | 224.0          | 366.0         | 72.3         | 81.1          | 92.0         | 120.6         | 50.8         |
| 2.2.1. Credit               | 299.2          | 340.2          | 505.5         | 104.2        | 116.1         | 124.2        | 161.1         | 63.1         |
| 2.2.2. Debit                | - 172.9        | - 116.2        | - 139.5       | - 31.9       | - 35.0        | - 32.2       | - 40.5        | - 12.4       |
| <b>Total (1+2)</b>          | <b>234.7</b>   | <b>334.8</b>   | <b>552.5</b>  | <b>135.5</b> | <b>102.4</b>  | <b>157.8</b> | <b>156.8</b>  | <b>68.7</b>  |

Table H4: Balance of Payments - Other Investments  
Millions of US dollars

|                                       | 1993         | 1994         | 1995         | 1995          |              |              |                | 1996        |
|---------------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|----------------|-------------|
|                                       |              |              |              | Q1            | Q2           | Q3           | Q4             | Jan.        |
| <b>1. Assets</b>                      | <b>44.2</b>  | <b>241.8</b> | <b>49.8</b>  | <b>- 30.2</b> | <b>195.6</b> | <b>87.2</b>  | <b>- 202.8</b> | <b>39.1</b> |
| 1.1. Currency and deposits            | 44.2         | 241.8        | 49.8         | - 30.2        | 195.6        | 87.2         | - 202.8        | 39.1        |
| 1.1.1. Banks                          | - 210.6      | - 189.5      | - 467.1      | - 115.9       | - 36.6       | - 8.2        | - 306.4        | - 26.1      |
| 1.1.2. Other sectors                  | 254.8        | 431.3        | 516.9        | 85.7          | 232.2        | 95.4         | 103.6          | 65.2        |
| <b>2. Liabilities</b>                 | <b>151.2</b> | <b>244.2</b> | <b>771.4</b> | <b>96.1</b>   | <b>211.1</b> | <b>121.7</b> | <b>342.5</b>   | <b>56.8</b> |
| 2.1. Loans                            | - 118.5      | - 21.5       | 430.7        | 25.9          | 72.4         | 57.1         | 275.3          | 14.8        |
| 2.1.1. Monetary authorities           | - 24.0       | 105.5        | 97.6         | - 1.1         | 100.9        | -            | - 2.2          | -           |
| 2.1.1.1. Use of Fund credit and loans | - 24.0       | 105.5        | 97.6         | - 1.1         | 100.9        | -            | - 2.2          | -           |
| 2.1.1.1.1. Drawings                   | -            | 114.2        | 103.0        | -             | 103.0        | -            | -              | -           |
| 2.1.1.1.2. Repayments                 | - 24.0       | - 8.7        | - 5.4        | - 1.1         | - 2.1        | -            | - 2.2          | -           |
| 2.1.2. General government             | - 7.8        | - 1.8        | 93.5         | - 3.3         | - 6.4        | - 3.6        | 106.8          | 0.1         |
| 2.1.2.1. Long-term                    | - 7.8        | - 1.8        | - 6.5        | - 3.3         | - 6.4        | - 3.6        | 6.8            | 0.1         |
| 2.1.2.1.1. Drawings                   | 3.7          | 10.4         | 9.4          | 0.6           | -            | -            | 8.8            | 0.7         |
| 2.1.2.1.2. Repayments                 | - 11.5       | - 12.2       | - 15.9       | - 3.9         | - 6.4        | - 3.6        | - 2.0          | - 0.6       |
| 2.1.2.2. Short-term                   | -            | -            | 100.0        | -             | -            | -            | 100.0          | -           |
| 2.1.3. Banks                          | - 115.8      | - 41.7       | 176.2        | 24.0          | - 27.7       | 14.5         | 165.4          | - 0.8       |
| 2.1.3.1. Long-term                    | - 133.2      | - 56.7       | - 94.2       | - 19.2        | - 44.1       | - 7.3        | - 23.6         | 4.7         |
| 2.1.3.1.1. Drawings                   | 55.2         | 69.4         | 72.0         | 4.5           | 17.5         | 18.0         | 32.0           | 13.6        |
| 2.1.3.1.2. Repayments                 | - 188.4      | - 126.1      | - 166.2      | - 23.7        | - 61.6       | - 25.3       | - 55.6         | - 8.9       |
| 2.1.3.2. Short-term                   | 17.4         | 15.0         | 270.4        | 43.2          | 16.4         | 21.8         | 189.0          | - 5.5       |
| 2.1.4. Other sectors                  | 29.1         | - 83.5       | 63.4         | 6.3           | 5.6          | 46.2         | 5.3            | 15.4        |
| 2.1.4.1. Long-term                    | - 50.7       | - 78.3       | - 36.1       | - 13.0        | - 37.2       | 23.0         | - 8.9          | 3.3         |
| 2.1.4.1.1. Drawings                   | 94.7         | 104.5        | 233.7        | 24.1          | 41.2         | 79.0         | 89.4           | 19.2        |
| 2.1.4.1.2. Repayments                 | - 145.4      | - 182.8      | - 269.8      | - 37.1        | - 78.4       | - 56.0       | - 98.3         | - 15.9      |
| 2.1.4.2. Short-term                   | 79.8         | - 5.2        | 99.5         | 19.3          | 42.8         | 23.2         | 14.2           | 12.1        |
| 2.2. Other liabilities                | 269.7        | 265.8        | 340.7        | 70.2          | 138.7        | 64.6         | 67.2           | 42.0        |
| 2.2.1. General government             | -            | -            | 0.3          | -             | 3.2          | - 2.8        | - 0.1          | -           |
| 2.2.2. Banks                          | 221.6        | 165.8        | 209.5        | 55.1          | 70.9         | 10.5         | 73.0           | 5.3         |
| 2.2.3. Other sectors                  | 48.1         | 100.0        | 130.9        | 15.1          | 64.6         | 56.9         | - 5.7          | 36.7        |
| <b>Total (1+2)</b>                    | <b>195.4</b> | <b>486.1</b> | <b>821.2</b> | <b>65.9</b>   | <b>406.7</b> | <b>208.9</b> | <b>139.7</b>   | <b>95.9</b> |



Table H5: International Reserves of National Bank of Croatia  
End of period, millions of US dollars

| Year | Month | Total   | Special<br>drawing<br>rights | Reserve<br>position<br>in the Fund | Foreign exchange |                          |                    |
|------|-------|---------|------------------------------|------------------------------------|------------------|--------------------------|--------------------|
|      |       |         |                              |                                    | Total            | Currency<br>and deposits | Bonds<br>and notes |
| 1991 | Dec.  | -       | -                            | -                                  | -                | -                        | -                  |
| 1992 | Dec.  | 166.8   | -                            | -                                  | 166.8            | 166.8                    | -                  |
| 1993 | Dec.  | 616.4   | 3.7                          | -                                  | 612.7            | 612.7                    | -                  |
| 1994 | Jun.  | 866.1   | 0.3                          | -                                  | 865.8            | 865.8                    | -                  |
|      | July  | 970.1   | 4.4                          | -                                  | 965.7            | 965.7                    | -                  |
|      | Aug.  | 1,082.1 | 3.5                          | -                                  | 1,078.6          | 1,078.6                  | -                  |
|      | Sept. | 1,160.3 | 2.4                          | -                                  | 1,157.9          | 1,157.9                  | -                  |
|      | Oct.  | 1,393.9 | 6.9                          | -                                  | 1,387.0          | 1,387.0                  | -                  |
|      | Nov.  | 1,369.2 | 5.7                          | -                                  | 1,363.5          | 1,363.5                  | -                  |
|      | Dec.  | 1,405.0 | 4.5                          | -                                  | 1,400.5          | 1,400.5                  | -                  |
| 1995 | Jan.  | 1,445.2 | 4.6                          | -                                  | 1,440.6          | 1,440.6                  | -                  |
|      | Feb.  | 1,478.2 | 2.0                          | -                                  | 1,476.2          | 1,476.2                  | -                  |
|      | Mar.  | 1,535.2 | 5.5                          | -                                  | 1,529.7          | 1,529.7                  | -                  |
|      | Apr.  | 1,642.3 | 105.3                        | -                                  | 1,537.0          | 1,537.0                  | -                  |
|      | May   | 1,719.6 | 103.1                        | -                                  | 1,616.5          | 1,616.5                  | -                  |
|      | Jun.  | 1,825.9 | 102.7                        | -                                  | 1,723.2          | 1,723.2                  | -                  |
|      | July  | 1,911.3 | 102.1                        | -                                  | 1,809.2          | 1,809.2                  | -                  |
|      | Aug.  | 1,863.3 | 95.3                         | -                                  | 1,768.0          | 1,768.0                  | -                  |
|      | Sept. | 1,943.5 | 146.6                        | -                                  | 1,797.0          | 1,786.2                  | 10.7               |
|      | Oct.  | 1,905.3 | 143.0                        | -                                  | 1,762.3          | 1,714.7                  | 47.5               |
|      | Nov.  | 1,892.4 | 140.3                        | -                                  | 1,752.1          | 1,680.2                  | 71.8               |
|      | Dec.  | 1,897.5 | 139.8                        | -                                  | 1,757.7          | 1,653.3                  | 104.3              |
| 1996 | Jan.  | 1,845.5 | 137.0                        | -                                  | 1,708.4          | 1,592.0                  | 116.4              |
|      | Feb.  | 1,884.3 | 137.8                        | -                                  | 1,746.5          | 1,627.6                  | 118.9              |
|      | Mar.  | 1,889.6 | 138.0                        | -                                  | 1,751.6          | 1,644.5                  | 107.1              |



Table H6: Midpoint Exchange Rates of National Bank of Croatia (period average)

|      |       | HRK/100 ATS | HRK/100 FRF | HRK/100 ITL | HRK/100 CHF | HRK/GBP | HRK/USD | HRK/100 DEM | HRK/XEU |
|------|-------|-------------|-------------|-------------|-------------|---------|---------|-------------|---------|
| 1992 |       | 2.4435      | 5.0688      | 0.0210      | 19.1620     | 0.4540  | 0.2657  | 17.1934     | -       |
| 1993 |       | 30.5459     | 62.3241     | 0.2240      | 243.3658    | 5.3688  | 3.5776  | 214.8962    | 4.1336  |
| 1994 |       | 52.4804     | 107.9560    | 0.3715      | 438.1763    | 9.1662  | 5.9961  | 369.2044    | 7.0874  |
| 1995 |       | 51.8734     | 104.7969    | 0.3213      | 442.5311    | 8.2530  | 5.2300  | 364.9286    | 6.7578  |
| 1994 | Jun.  | 52.8531     | 108.8695    | 0.3806      | 440.3091    | 9.2451  | 6.0736  | 371.7335    | 7.1523  |
|      | July  | 52.6111     | 107.9881    | 0.3716      | 438.7988    | 8.9913  | 5.8286  | 370.1009    | 7.0736  |
|      | Aug.  | 52.4970     | 107.7834    | 0.3648      | 438.4300    | 8.9066  | 5.7722  | 369.3703    | 7.0387  |
|      | Sept. | 52.4753     | 107.9486    | 0.3654      | 442.8756    | 8.9517  | 5.7380  | 369.3110    | 7.0445  |
|      | Oct.  | 52.3050     | 107.5676    | 0.3615      | 442.6421    | 8.9841  | 5.6012  | 368.1161    | 7.0217  |
|      | Nov.  | 51.8672     | 106.3391    | 0.3550      | 434.1770    | 8.9271  | 5.6144  | 365.0980    | 6.9525  |
|      | Dec.  | 51.7094     | 105.6959    | 0.3506      | 430.4322    | 8.9232  | 5.7248  | 363.9458    | 6.9375  |
| 1995 | Jan.  | 51.5934     | 104.9913    | 0.3450      | 431.6409    | 8.7581  | 5.5645  | 362.9735    | 6.8787  |
|      | Feb.  | 51.5903     | 104.4164    | 0.3381      | 429.0141    | 8.5794  | 5.4555  | 363.0535    | 6.8261  |
|      | Mar.  | 51.5608     | 102.3676    | 0.3026      | 435.0267    | 8.1783  | 5.1145  | 362.9025    | 6.6470  |
|      | Apr.  | 51.5376     | 103.4255    | 0.2925      | 440.0785    | 8.0576  | 5.0101  | 362.6410    | 6.6497  |
|      | May   | 51.1379     | 101.6416    | 0.3058      | 433.6728    | 8.0463  | 5.0622  | 359.6267    | 6.6182  |
|      | Jun.  | 51.1905     | 102.5027    | 0.3079      | 435.5881    | 8.0517  | 5.0465  | 359.9503    | 6.6476  |
|      | July  | 51.3085     | 103.5973    | 0.3108      | 433.5420    | 7.9861  | 5.0086  | 360.8377    | 6.6733  |
|      | Aug.  | 51.5752     | 105.4445    | 0.3260      | 438.0572    | 8.2038  | 5.2267  | 362.6948    | 6.7829  |
|      | Sept. | 52.4843     | 107.0436    | 0.3342      | 453.2701    | 8.4059  | 5.4016  | 369.1623    | 6.8895  |
|      | Oct.  | 52.8658     | 106.4992    | 0.3275      | 459.5187    | 8.3019  | 5.2596  | 372.0225    | 6.8313  |
|      | Nov.  | 52.8846     | 107.8401    | 0.3302      | 461.5286    | 8.2401  | 5.2614  | 372.1133    | 6.8284  |
|      | Dec.  | 52.7522     | 107.7925    | 0.3355      | 459.4350    | 8.2262  | 5.3484  | 371.1654    | 6.8204  |
| 1996 | Jan.  | 52.6830     | 108.2060    | 0.3412      | 459.5670    | 8.2753  | 5.4049  | 370.5077    | 6.8323  |
|      | Feb.  | 52.6304     | 107.6193    | 0.3450      | 453.7723    | 8.3341  | 5.4341  | 370.1289    | 6.7954  |
|      | Mar.  | 52.5526     | 107.9038    | 0.3490      | 456.3227    | 8.3349  | 5.4581  | 369.5767    | 6.8452  |
|      | Apr.  | 52.4445     | 108.6350    | 0.3537      | 455.7257    | 8.3997  | 5.5376  | 368.8233    | 6.8932  |



Table H7: Midpoint Exchange Rates of National Bank of Croatia (end of period)

|      |       | HRK/100 ATS | HRK/100 FRF | HRK/100 ITL | HRK/100 CHF | HRK/GBP | HRK/USD | HRK/100 DEM | HRK/XEU |
|------|-------|-------------|-------------|-------------|-------------|---------|---------|-------------|---------|
| 1994 | Jan.  | 53.6964     | 111.0564    | 0.3862      | 447.1287    | 9.8246  | 6.5441  | 377.5054    | 7.3315  |
|      | Feb.  | 51.1168     | 105.7299    | 0.3667      | 430.8489    | 9.1448  | 6.1780  | 359.5216    | 6.9553  |
|      | Mar.  | 52.0348     | 107.0644    | 0.3753      | 431.0749    | 9.0641  | 6.1389  | 366.1073    | 7.0509  |
|      | Apr.  | 52.5086     | 107.7509    | 0.3853      | 434.4392    | 9.2775  | 6.1445  | 369.4148    | 7.1345  |
|      | May   | 52.8201     | 108.7750    | 0.3839      | 435.4813    | 9.2387  | 6.1213  | 371.6456    | 7.1590  |
|      | Jun.  | 52.8661     | 108.3885    | 0.3762      | 442.0245    | 9.1170  | 5.8656  | 371.7600    | 7.1162  |
|      | July  | 52.5311     | 108.2208    | 0.3698      | 435.5173    | 8.9964  | 5.8880  | 369.4300    | 7.0713  |
|      | Aug.  | 52.5278     | 108.0002    | 0.3656      | 437.5311    | 8.9699  | 5.8476  | 369.6800    | 7.0524  |
|      | Sept. | 52.5088     | 108.3340    | 0.3673      | 445.7353    | 9.0259  | 5.7261  | 369.5200    | 7.0693  |
|      | Oct.  | 52.0788     | 107.0513    | 0.3585      | 438.6530    | 8.9790  | 5.4919  | 366.5200    | 6.9888  |
|      | Nov.  | 51.7762     | 106.2313    | 0.3532      | 430.5183    | 8.9250  | 5.6979  | 364.4800    | 6.9528  |
|      | Dec.  | 51.6285     | 105.2510    | 0.3465      | 428.8893    | 8.7842  | 5.6287  | 363.2100    | 6.9024  |
| 1995 | Jan.  | 51.6341     | 104.6006    | 0.3434      | 430.9955    | 8.7295  | 5.4954  | 363.0200    | 6.8571  |
|      | Feb.  | 51.5638     | 102.8536    | 0.3186      | 427.7114    | 8.3662  | 5.2908  | 362.8800    | 6.7369  |
|      | Mar.  | 51.5752     | 102.7286    | 0.2915      | 439.5104    | 8.0530  | 4.9972  | 362.9600    | 6.6030  |
|      | Apr.  | 51.0978     | 101.3986    | 0.2937      | 435.8985    | 8.0110  | 4.9518  | 359.5300    | 6.5927  |
|      | May   | 51.1811     | 102.0650    | 0.3037      | 436.2747    | 7.9755  | 4.9910  | 359.8400    | 6.6236  |
|      | Jun.  | 51.3083     | 102.9121    | 0.3074      | 434.0345    | 7.9787  | 5.0422  | 360.8000    | 6.6492  |
|      | July  | 51.3969     | 104.4659    | 0.3152      | 435.0174    | 8.0026  | 5.0071  | 361.5200    | 6.7138  |
|      | Aug.  | 51.6744     | 105.6669    | 0.3292      | 441.5784    | 8.2850  | 5.3643  | 363.4100    | 6.8107  |
|      | Sept. | 52.6962     | 107.3766    | 0.3263      | 460.9657    | 8.3070  | 5.2550  | 370.7500    | 6.8563  |
|      | Oct.  | 52.8632     | 107.1212    | 0.3285      | 460.4641    | 8.2642  | 5.2534  | 372.0300    | 6.8241  |
|      | Nov.  | 52.8233     | 108.4337    | 0.3345      | 459.5290    | 8.1877  | 5.3393  | 371.6600    | 6.8675  |
|      | Dec.  | 52.6742     | 108.5365    | 0.3358      | 461.8693    | 8.2345  | 5.3161  | 370.5900    | 6.8122  |
| 1996 | Jan.  | 52.7361     | 107.9764    | 0.3452      | 455.9974    | 8.2884  | 5.5057  | 370.8300    | 6.7906  |
|      | Feb.  | 52.4763     | 107.5640    | 0.3477      | 453.4799    | 8.2636  | 5.3706  | 369.0600    | 6.8173  |
|      | Mar.  | 52.6109     | 108.4996    | 0.3474      | 458.8962    | 8.3186  | 5.4576  | 369.9600    | 6.8505  |
|      | Apr.  | 51.9521     | 108.2838    | 0.3567      | 452.0397    | 8.4092  | 5.5669  | 365.5200    | 6.8795  |



Table H8: External Debt <sup>1)</sup>  
Millions of US dollars

|                                              | 1993           | 1994           | 1995           |                |                |                |                |                |
|----------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                              | Dec.           | Dec.           | Mar.           | Jun.           | Sept.          | Dec.           | Jan.           | Feb.           |
| <b>Outstanding debt</b>                      |                |                |                |                |                |                |                |                |
| <b>1. Medium and long term credits</b>       | <b>2,431.3</b> | <b>2,771.0</b> | <b>2,962.5</b> | <b>3,082.7</b> | <b>3,060.0</b> | <b>3,111.3</b> | <b>3,079.7</b> | <b>3,142.8</b> |
| <b>1.1. Official creditors</b>               | <b>1,041.4</b> | <b>1,187.8</b> | <b>1,248.8</b> | <b>1,334.5</b> | <b>1,308.0</b> | <b>1,318.0</b> | <b>1,307.3</b> | <b>1,330.7</b> |
| 1.1.1. International financial organizations | 319.6          | 404.0          | 417.9          | 507.0          | 486.0          | 493.7          | 480.0          | 490.9          |
| 1.1.2. Foreign governments                   | 721.8          | 783.8          | 830.9          | 827.5          | 822.0          | 824.3          | 827.3          | 839.8          |
| <b>1.2. Private creditors</b>                | <b>1,389.9</b> | <b>1,583.2</b> | <b>1,713.7</b> | <b>1,748.2</b> | <b>1,752.0</b> | <b>1,793.3</b> | <b>1,772.4</b> | <b>1,812.1</b> |
| 1.2.1. Foreign banks                         | 1,266.5        | 1,392.8        | 1,510.3        | 1,539.2        | 1,509.3        | 1,508.8        | 1,489.8        | 1,529.2        |
| o/w: Guaranteed by government agencies       | 244.9          | 301.9          | 321.8          | 328.7          | 318.1          | 297.3          | 292.0          | 295.7          |
| 1.2.2. Foreign nonbanks                      | 123.4          | 190.4          | 203.4          | 209.0          | 242.7          | 284.5          | 282.6          | 282.9          |
| o/w: Guaranteed by government agencies       | 18.0           | 29.5           | 31.5           | 31.2           | 29.9           | 37.5           | 35.9           | 35.9           |
| <b>2. Short-term credits</b>                 | <b>54.6</b>    | <b>50.5</b>    | <b>62.8</b>    | <b>92.5</b>    | <b>91.8</b>    | <b>225.1</b>   | <b>230.3</b>   | <b>248.8</b>   |
| 2.1. Foreign banks                           | 10.5           | 15.7           | 24.8           | 30.1           | 30.1           | 136.2          | 144.2          | 154.4          |
| 2.2. Foreign nonbanks                        | 44.1           | 34.8           | 38.0           | 62.4           | 61.7           | 88.9           | 86.1           | 94.4           |
| <b>Total (1+2)</b>                           | <b>2,485.9</b> | <b>2,821.5</b> | <b>3,025.3</b> | <b>3,175.2</b> | <b>3,151.8</b> | <b>3,336.4</b> | <b>3,310.0</b> | <b>3,391.6</b> |
| o/w: Principal arrears                       | 543.4          | 753.5          | 829.6          | 933.9          | 943.6          | 950.5          | 930.5          | 947.1          |
| <b>Interest arrears</b>                      |                |                |                |                |                |                |                |                |
| <b>3. Medium and long term credits</b>       | <b>152.1</b>   | <b>244.6</b>   | <b>276.8</b>   | <b>307.3</b>   | <b>306.9</b>   | <b>322.9</b>   | <b>323.0</b>   | <b>329.2</b>   |
| <b>3.1. Official creditors</b>               | <b>36.7</b>    | <b>45.8</b>    | <b>49.7</b>    | <b>52.5</b>    | <b>49.9</b>    | <b>51.0</b>    | <b>50.9</b>    | <b>52.0</b>    |
| 3.1.1. International financial organizations | 1.4            | 1.8            | 2.1            | 2.1            | 2.4            | 2.2            | 2.2            | 2.3            |
| 3.1.2. Foreign governments                   | 35.3           | 44.0           | 47.6           | 50.4           | 47.5           | 48.8           | 48.7           | 49.7           |
| <b>3.2. Private creditors</b>                | <b>115.4</b>   | <b>198.8</b>   | <b>227.1</b>   | <b>254.8</b>   | <b>257.0</b>   | <b>271.9</b>   | <b>272.1</b>   | <b>271.2</b>   |
| 3.2.1. Foreign banks                         | 109.8          | 191.6          | 218.5          | 245.4          | 247.6          | 263.7          | 264.3          | 271.3          |
| o/w: Guaranteed by government agencies       | 16.6           | 18.7           | 21.1           | 22.5           | 21.4           | 14.4           | 14.2           | 14.4           |
| 3.2.2. Foreign nonbanks                      | 5.6            | 7.2            | 8.6            | 9.4            | 9.4            | 8.2            | 7.8            | 5.9            |
| o/w: Guaranteed by government agencies       | 0.5            | 0.5            | 0.6            | 0.6            | 0.5            | 0.0            | 0.0            | 0.0            |
| <b>4. Short-term credits</b>                 | <b>0.3</b>     | <b>0.5</b>     | <b>0.7</b>     | <b>2.2</b>     | <b>2.2</b>     | <b>1.6</b>     | <b>1.6</b>     | <b>1.6</b>     |
| 4.1. Foreign banks                           | 0.1            | 0.2            | 0.4            | 0.8            | 0.4            | 0.3            | 0.3            | 0.4            |
| 4.2. Foreign nonbanks                        | 0.2            | 0.3            | 0.3            | 1.4            | 1.8            | 1.3            | 1.3            | 1.2            |
| <b>Total (3+4)</b>                           | <b>152.4</b>   | <b>245.1</b>   | <b>277.5</b>   | <b>309.5</b>   | <b>309.1</b>   | <b>324.5</b>   | <b>324.6</b>   | <b>330.8</b>   |
| <b>TOTAL (1+2+3+4)</b>                       | <b>2,638.3</b> | <b>3,066.6</b> | <b>3,302.8</b> | <b>3,484.7</b> | <b>3,460.9</b> | <b>3,660.9</b> | <b>3,634.6</b> | <b>3,722.4</b> |

1) Croatian beneficiaries' outstanding debt. Unallocated debt of the former Yugoslavia is not included.



Table I1: Consolidated Central Government  
Millions of kuna

|                                                           | 1994     | 1995     | 1995    |          |          |          | 1996    |         |
|-----------------------------------------------------------|----------|----------|---------|----------|----------|----------|---------|---------|
|                                                           |          |          | Q1      | Q2       | Q3       | Q4       | Jan.    | Feb.    |
| <b>TOTAL REVENUE AND GRANTS</b>                           |          |          |         |          |          |          |         |         |
| 1. Budgetary central government                           | 23,142.6 | 27,980.8 | 6,085.7 | 6,905.6  | 7,201.0  | 7,788.5  | 2,133.4 | 2,215.8 |
| 2. Extrabudgetary funds                                   | 13,739.6 | 15,302.3 | 3,513.4 | 3,742.9  | 3,966.6  | 4,079.4  | 1,261.8 | 1,322.4 |
| 2.1. Pension fund                                         | 7,165.1  | 8,720.4  | 1,986.0 | 2,144.5  | 2,231.8  | 2,358.2  | 692.1   | 753.3   |
| 2.2. Health insurance fund                                | 3,775.2  | 4,558.1  | 1,065.4 | 1,146.5  | 1,165.6  | 1,180.5  | 393.9   | 408.0   |
| 2.3. Employment fund                                      | 556.7    | 691.2    | 160.4   | 128.2    | 221.7    | 180.9    | 56.6    | 62.6    |
| 2.4. Child benefit fund                                   | 689.4    | 782.1    | 178.9   | 200.7    | 201.2    | 201.4    | 62.3    | 66.2    |
| 2.5. Croatian Roads <sup>1)</sup>                         | 1,117.5  | -        | -       | -        | -        | -        | -       | -       |
| 2.6. Croatian Water Company                               | 435.7    | 550.5    | 122.8   | 123.1    | 146.3    | 158.4    | 56.9    | 50.3    |
| A. Total (1+2)                                            | 36,882.3 | 43,283.1 | 9,599.1 | 10,648.5 | 11,167.6 | 11,867.9 | 3,395.2 | 3,538.2 |
| <b>TOTAL EXPENDITURE AND LENDING</b><br>(less repayments) |          |          |         |          |          |          |         |         |
| 3. Budgetary central government                           | 20,732.4 | 26,189.3 | 5,411.8 | 6,416.2  | 6,447.2  | 7,914.0  | 2,101.1 | 1,908.0 |
| 4. Extrabudgetary funds                                   | 14,736.9 | 17,976.8 | 4,066.6 | 4,365.3  | 4,676.9  | 4,868.0  | 1,764.6 | 1,759.4 |
| 4.1. Pension fund                                         | 6,685.6  | 8,860.7  | 1,925.5 | 2,195.1  | 2,258.2  | 2,481.9  | 810.2   | 817.9   |
| 4.2. Health insurance fund                                | 5,255.7  | 7,083.1  | 1,654.9 | 1,634.0  | 1,940.0  | 1,854.2  | 731.0   | 734.7   |
| 4.3. Employment fund                                      | 416.1    | 445.9    | 134.9   | 119.9    | 88.7     | 102.4    | 61.9    | 72.9    |
| 4.4. Child benefit fund                                   | 665.2    | 820.6    | 204.6   | 203.2    | 208.9    | 203.8    | 73.2    | 67.8    |
| 4.5. Croatian Roads <sup>1)</sup>                         | 1,207.0  | -        | -       | -        | -        | -        | -       | -       |
| 4.6. Croatian Water Company                               | 507.4    | 766.6    | 146.6   | 213.1    | 181.1    | 225.8    | 88.3    | 66.1    |
| B. Total (3+4)                                            | 35,469.3 | 44,166.1 | 9,478.5 | 10,781.4 | 11,124.1 | 12,782.1 | 3,865.7 | 3,667.3 |
| C. Overall surplus/deficit (A-B)                          | 1,413.0  | - 883.0  | 120.7   | - 132.9  | 43.4     | - 914.2  | - 470.4 | - 129.1 |
| 5. Budgetary central government (1-3)                     | 2,410.3  | 1,791.5  | 673.9   | 489.4    | 753.8    | - 125.5  | 32.3    | 307.8   |
| 6. Extrabudgetary funds (2-4)                             | - 997.3  | -2,674.6 | - 553.2 | - 622.3  | - 710.4  | - 788.7  | - 502.7 | - 436.9 |

1) Included in government budget in 1995. Source: Ministry of Finance.

Table 12: Budgetary Central Government Operations  
Millions of kuna

|                                                                | 1992         | 1993           | 1994            | 1995*           | 1995           |                |                |                | 1996           |                |
|----------------------------------------------------------------|--------------|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                                                |              |                |                 |                 | Q1             | Q2             | Q3             | Q4*            | Jan.           | Feb.           |
| <b>1. Total revenue</b>                                        | <b>547.4</b> | <b>8,382.2</b> | <b>23,142.6</b> | <b>27,880.8</b> | <b>6,085.7</b> | <b>6,905.6</b> | <b>7,169.0</b> | <b>7,720.5</b> | <b>2,133.4</b> | <b>2,215.8</b> |
| 1.1. Current revenue                                           | 547.0        | 8,371.2        | 22,788.9        | 27,287.1        | 6,029.8        | 6,865.0        | 7,073.0        | 7,319.2        | 2,085.0        | 2,170.9        |
| 1.1.1. Tax revenue                                             | 502.1        | 7,891.8        | 22,377.5        | 26,505.4        | 5,847.2        | 6,658.8        | 6,896.1        | 7,103.1        | 1,997.6        | 2,081.4        |
| 1.1.2. Nontax revenue                                          | 45.0         | 479.3          | 411.4           | 781.8           | 182.6          | 206.2          | 176.9          | 216.1          | 87.3           | 89.6           |
| 1.2. Capital revenue                                           | 0.3          | 11.0           | 353.8           | 593.7           | 55.9           | 40.5           | 95.9           | 401.3          | 48.5           | 44.9           |
| <b>2. Grants</b>                                               | <b>0.0</b>   | <b>0.0</b>     | <b>0.0</b>      | <b>100.0</b>    | <b>0.0</b>     | <b>0.0</b>     | <b>32.0</b>    | <b>68.0</b>    | <b>0.0</b>     | <b>0.0</b>     |
| 2.1. Current                                                   | 0.0          | 0.0            | 0.0             | 0.0             | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| 2.2. Capital                                                   | 0.0          | 0.0            | 0.0             | 100.0           | 0.0            | 0.0            | 32.0           | 68.0           | 0.0            | 0.0            |
| <b>A. Total revenue and grants (1+2)</b>                       | <b>547.4</b> | <b>8,382.2</b> | <b>23,142.6</b> | <b>27,980.8</b> | <b>6,085.7</b> | <b>6,905.6</b> | <b>7,201.0</b> | <b>7,788.5</b> | <b>2,133.4</b> | <b>2,215.8</b> |
| <b>3. Total expenditure</b>                                    | <b>564.6</b> | <b>8,403.4</b> | <b>22,282.8</b> | <b>28,475.6</b> | <b>5,912.6</b> | <b>6,984.9</b> | <b>7,117.0</b> | <b>8,461.2</b> | <b>2,222.6</b> | <b>2,171.6</b> |
| 3.1. Current expenditure                                       | 519.8        | 7,738.1        | 20,360.5        | 25,495.2        | 5,618.7        | 6,495.4        | 6,468.3        | 6,921.7        | 2,126.2        | 1,985.8        |
| 3.2. Capital expenditure                                       | 44.5         | 661.3          | 1,922.3         | 2,980.4         | 293.8          | 489.4          | 648.7          | 1,548.4        | 96.5           | 185.8          |
| <b>4. Lending minus repayments</b>                             | <b>- 9.7</b> | <b>- 88.8</b>  | <b>316.0</b>    | <b>220.6</b>    | <b>49.9</b>    | <b>46.1</b>    | <b>9.0</b>     | <b>115.7</b>   | <b>157.6</b>   | <b>- 2.9</b>   |
| <b>B. Total expenditure and net lending (3+4)</b>              | <b>554.9</b> | <b>8,314.6</b> | <b>22,598.8</b> | <b>28,696.2</b> | <b>5,962.4</b> | <b>7,030.9</b> | <b>7,126.0</b> | <b>8,576.8</b> | <b>2,380.3</b> | <b>2,168.7</b> |
| <b>5. Current account surplus without grants (1.1.-3.1.)</b>   | <b>27.3</b>  | <b>633.1</b>   | <b>2,428.4</b>  | <b>1,791.9</b>  | <b>411.1</b>   | <b>369.6</b>   | <b>604.8</b>   | <b>406.5</b>   | <b>- 41.2</b>  | <b>185.2</b>   |
| <b>6. Current account surplus with current grants (5+2.1.)</b> | <b>27.3</b>  | <b>633.1</b>   | <b>2,428.4</b>  | <b>1,791.9</b>  | <b>411.1</b>   | <b>369.6</b>   | <b>604.8</b>   | <b>406.5</b>   | <b>- 41.2</b>  | <b>185.2</b>   |
| <b>7. Gross fixed capital formation<sup>1)</sup></b>           | <b>44.2</b>  | <b>650.3</b>   | <b>1,235.0</b>  | <b>1,040.5</b>  | <b>187.5</b>   | <b>370.5</b>   | <b>307.5</b>   | <b>174.9</b>   | <b>8.0</b>     | <b>50.0</b>    |
| <b>8. Gross capital formation<sup>2)</sup></b>                 | <b>44.2</b>  | <b>650.3</b>   | <b>1,415.0</b>  | <b>1,040.5</b>  | <b>187.5</b>   | <b>370.5</b>   | <b>307.5</b>   | <b>174.9</b>   | <b>8.0</b>     | <b>50.0</b>    |
| <b>C. Overall surplus/deficit (A-B)</b>                        | <b>- 7.5</b> | <b>67.6</b>    | <b>543.9</b>    | <b>- 715.4</b>  | <b>123.3</b>   | <b>- 125.4</b> | <b>75.0</b>    | <b>- 788.3</b> | <b>- 246.8</b> | <b>47.1</b>    |
| <b>9. Foreign financing</b>                                    | <b>0.0</b>   | <b>0.0</b>     | <b>47.3</b>     | <b>686.0</b>    | <b>35.5</b>    | <b>73.0</b>    | <b>5.9</b>     | <b>571.6</b>   | <b>115.8</b>   | <b>60.2</b>    |
| <b>10. Domestic financing</b>                                  | <b>7.5</b>   | <b>- 67.6</b>  | <b>- 591.2</b>  | <b>29.4</b>     | <b>- 158.8</b> | <b>52.4</b>    | <b>- 80.9</b>  | <b>216.7</b>   | <b>131.0</b>   | <b>- 107.3</b> |
| 10.1. From other government                                    | 0.0          | - 18.5         | 0.0             | 0.0             | 0.0            | 0.0            | 15.0           | - 15.0         | 0.0            | 0.0            |
| 10.2. From monetary authorities                                | 0.0          | 67.0           | - 617.3         | 396.0           | - 6.7          | 52.4           | 143.5          | 206.7          | 131.0          | - 107.3        |
| 10.3. From deposit money banks                                 | - 4.0        | - 106.2        | - 63.8          | 0.0             | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| 10.4. Other domestic financing                                 | 11.5         | - 9.9          | 89.9            | - 366.6         | - 152.1        | 0.0            | - 239.5        | 25.0           | 0.0            | 0.0            |
| <b>D. Total financing (9+10)</b>                               | <b>7.5</b>   | <b>- 67.6</b>  | <b>- 543.9</b>  | <b>715.4</b>    | <b>- 123.3</b> | <b>125.4</b>   | <b>- 75.0</b>  | <b>788.3</b>   | <b>246.8</b>   | <b>- 47.1</b>  |

1) Net purchase of fixed capital formation. 2) Net purchase of fixed capital formation and net purchase of shares. Source: Ministry of Finance.



Table J1: Retail Prices, Costs of Living and Manufacturing Producer's Prices Indices

| Year | Month | Chain indices |                 |                          | Monthly year-on-year indices |                 |                          | Cumulative year-on-year indices |                 |                          |
|------|-------|---------------|-----------------|--------------------------|------------------------------|-----------------|--------------------------|---------------------------------|-----------------|--------------------------|
|      |       | Retail prices | Costs of living | Manufactur. prod. prices | Retail prices                | Costs of living | Manufactur. prod. prices | Retail prices                   | Costs of living | Manufactur. prod. prices |
| 1992 | Dec.  | 122.4         | 125.3           | 129.1                    | 1,053.4                      | 1,026.3         | 1,120.9                  | 745.4                           | 694.7           | 846.6                    |
| 1993 | Dec.  | 99.5          | 100.6           | 98.5                     | 1,249.7                      | 1,225.1         | 1,175.6                  | 1,616.6                         | 1,591.3         | 1,610.4                  |
| 1994 | Jun.  | 99.7          | 99.9            | 99.3                     | 284.3                        | 309.3           | 237.0                    | 482.9                           | 499.1           | 415.6                    |
|      | July  | 100.7         | 100.4           | 100.7                    | 225.8                        | 246.1           | 191.4                    | 415.8                           | 434.6           | 356.5                    |
|      | Aug.  | 99.9          | 99.3            | 100.7                    | 176.1                        | 185.7           | 156.5                    | 355.7                           | 372.1           | 307.5                    |
|      | Sept. | 100.5         | 100.4           | 100.4                    | 135.5                        | 140.8           | 114.0                    | 301.4                           | 314.4           | 258.7                    |
|      | Oct.  | 100.1         | 100.1           | 99.8                     | 97.8                         | 104.2           | 88.1                     | 249.5                           | 261.4           | 216.7                    |
|      | Nov.  | 99.9          | 100.1           | 100.6                    | 96.3                         | 102.2           | 92.9                     | 218.0                           | 228.8           | 193.2                    |
|      | Dec.  | 100.2         | 100.9           | 100.2                    | 97.0                         | 102.5           | 94.5                     | 197.5                           | 207.2           | 177.7                    |
| 1995 | Jan.  | 100.7         | 100.8           | 99.9                     | 97.9                         | 102.5           | 95.7                     | 97.9                            | 102.5           | 95.7                     |
|      | Feb.  | 100.1         | 101.0           | 100.6                    | 99.3                         | 104.5           | 100.6                    | 98.6                            | 103.5           | 98.1                     |
|      | Mar.  | 100.1         | 100.4           | 99.5                     | 100.4                        | 104.6           | 101.7                    | 99.2                            | 103.8           | 99.3                     |
|      | Apr.  | 100.7         | 101.5           | 99.5                     | 102.5                        | 106.6           | 101.3                    | 100.7                           | 104.5           | 99.8                     |
|      | May   | 100.2         | 100.5           | 100.1                    | 102.8                        | 105.4           | 101.3                    | 100.6                           | 104.7           | 100.1                    |
|      | Jun.  | 99.6          | 98.1            | 99.8                     | 102.7                        | 103.5           | 101.8                    | 100.9                           | 104.5           | 100.3                    |
|      | July  | 100.0         | 99.0            | 100.1                    | 102.0                        | 102.1           | 101.2                    | 101.1                           | 104.2           | 100.5                    |
|      | Aug.  | 99.9          | 99.2            | 100.3                    | 102.0                        | 102.0           | 100.8                    | 101.2                           | 103.9           | 100.5                    |
|      | Sept. | 101.6         | 101.9           | 100.3                    | 103.1                        | 103.5           | 100.7                    | 101.4                           | 103.8           | 100.5                    |
|      | Oct.  | 100.5         | 101.0           | 100.5                    | 103.5                        | 104.4           | 101.4                    | 101.6                           | 103.9           | 100.6                    |
|      | Nov.  | 100.1         | 100.5           | 100.5                    | 103.7                        | 104.8           | 101.3                    | 101.8                           | 104.0           | 100.7                    |
|      | Dec.  | 100.2         | 100.7           | 100.5                    | 103.7                        | 104.6           | 101.6                    | 102.0                           | 104.0           | 100.8                    |
| 1996 | Jan.  | 100.2         | 101.0           | 100.1                    | 103.2                        | 104.8           | 101.8                    | 103.2                           | 104.8           | 101.8                    |
|      | Feb.  | 100.5         | 100.5           | 100.0                    | 103.6                        | 104.4           | 101.3                    | 103.4                           | 104.6           | 101.6                    |
|      | Mar.  | 99.9          | 100.3           | 99.0                     | 103.3                        | 104.4           | 100.7                    | 103.4                           | 104.4           | 101.3                    |
|      | Apr.  | 99.7          | 99.3            | 100.4                    | 102.4                        | 102.1           | 101.6                    | 103.2                           | 103.9           | 101.4                    |

Source: Central Bureau of Statistics



Table J2: Average Monthly Net Wages  
In current prices, in kuna

|      |       | Nominal<br>amount<br>in kuna | Chain<br>indices | Monthly<br>year-on-year<br>indices | Cumulative<br>year-on-year<br>indices |
|------|-------|------------------------------|------------------|------------------------------------|---------------------------------------|
| 1992 | Dec.  | 74.4                         | 120.2            | 681.7                              | 409.4                                 |
| 1993 | Dec.  | 1,073.2                      | 105.2            | 1,442.1                            | 1,605.3                               |
| 1994 | Jun.  | 1,224.0                      | 104.9            | 315.4                              | 540.9                                 |
|      | July  | 1,247.0                      | 101.9            | 239.8                              | 453.3                                 |
|      | Aug.  | 1,267.0                      | 101.6            | 189.2                              | 381.3                                 |
|      | Sept. | 1,259.0                      | 99.4             | 140.4                              | 316.9                                 |
|      | Oct.  | 1,326.0                      | 105.3            | 135.6                              | 276.0                                 |
|      | Nov.  | 1,383.0                      | 104.3            | 135.5                              | 249.2                                 |
|      | Dec.  | 1,646.0                      | 119.0            | 153.4                              | 233.2                                 |
| 1995 | Jan.  | 1,745.0                      | 106.0            | 157.8                              | 157.8                                 |
|      | Feb.  | 1,725.0                      | 98.9             | 155.2                              | 156.5                                 |
|      | Mar.  | 1,800.0                      | 104.3            | 159.5                              | 157.5                                 |
|      | Apr.  | 1,791.0                      | 99.5             | 160.1                              | 158.2                                 |
|      | May   | 1,836.0                      | 102.5            | 157.3                              | 158.0                                 |
|      | Jun.  | 1,843.0                      | 100.4            | 150.6                              | 156.7                                 |
|      | July  | 1,798.0                      | 97.6             | 144.2                              | 154.7                                 |
|      | Aug.  | 1,839.0                      | 102.3            | 145.1                              | 153.4                                 |
|      | Sept. | 1,826.0                      | 99.3             | 145.0                              | 152.4                                 |
|      | Oct.  | 1,848.0                      | 101.2            | 139.4                              | 151.0                                 |
|      | Nov.  | 1,895.0                      | 102.5            | 137.0                              | 149.5                                 |
|      | Dec.  | 1,883.0                      | 99.4             | 114.4                              | 145.7                                 |
| 1996 | Jan.  | 1,924.0                      | 102.2            | 110.3                              | 110.3                                 |
|      | Feb.  | 1,908.0                      | 99.2             | 110.6                              | 110.4                                 |

Source: Central Bureau of Statistics

## Classification and Presentation of Data on Claims and Liabilities

Data on financial institutions' claims and liabilities are classified according to institutional sectors and financial instruments. Institutional sectors are: financial institutions, central government and funds, other domestic sectors and foreign sector.

The financial institutions sector includes following sub-sectors: monetary authorities (the central bank), deposit money banks (DMBs), other banking institutions and nonbank financial institutions. The central bank is the National Bank of Croatia (NBC). Deposit money banks are institutions granted, by the National Bank of Croatia, the permission to perform banking business services in accordance with the Law on Banks and Savings Banks. Other banking institutions comprise savings banks. Since July 1995 savings banks have been under auspices, and have operated with the permission of the NBC. Nonbank financial institutions are financial institutions not classified as banks or other banking institutions (insurance companies, investment funds, savings cooperatives etc.)

The central government and funds comprises government institutions including Croatian Roads Company, Bank Rehabilitation Agency and Croatian Guarantee Agency, and following central government funds: Croatian health insurance fund, state retirement funds, employment agency, Croatian Privatization Fund, Croatian water company and Croatian Bank for Reconstruction and Development. Other domestic sectors are other central government funds (those not classified under the central government and funds sector), local government authorities and local funds, public and private companies and households, including craftsmen and non-profit institutions. In some tables other domestic sectors are divided into following sub-sectors: local governments and funds (including other republic funds, local government authorities and local funds), public and private enterprises, and households (including craftsmen and non-profit institutions).

Foreign sector includes foreign legal entities and individuals.

All data on claims and liabilities refer to balances at the end of the reporting period. Foreign exchange items are reported in their kuna equivalent at the midpoint NBC exchange rate at the end of the reporting period.

### Table A1: Monetary and Credit Aggregates

The table shows data on some basic monetary and credit aggregates, including their monthly growth rates.

Reserve money has been taken over in its entirety from the Monetary Authorities Accounts (Table C1).

Money (M1) is defined in the same way as the corresponding item in the Monetary Survey (Table B1). It comprises cash outside banks, deposits with NBC by other banking institutions and other domestic sectors as well as DMBs' demand deposits. Money (M1a) comprises currency outside banks and DMBs' demand deposits, increased by the demand deposits of the central government and funds with DMBs.

Broadest money (M4) comprises Money (M1), savings and time deposits, foreign currency deposits as well as bonds and money

market instruments (all above components taken over from the Monetary Survey (Table B1).

Net domestic assets are defined as a difference between total liquid assets and foreign assets (net).

Domestic credit comprises DMBs' claims on other domestic sectors, other banking institutions and nonbank financial institutions.

### Table B1: Monetary Survey

The monetary survey shows consolidated data from the Monetary Authorities Accounts (Table C1) and DMB's Accounts (Table D1).

Foreign assets (net) are the difference between total foreign assets and total foreign liabilities of the NBC and DMBs.

Domestic credit is the sum of corresponding items from Monetary Authorities Accounts and DMB's accounts. Claims on central government and funds are reported on the net basis, i.e. decreased by central government and funds' deposits with the NBC and DMBs.

The money is the sum of currency outside banks, deposits by other banking institutions with the NBC, deposits by other domestic sectors with the NBC and DMB's demand deposits (item Demand deposits in DMB's Accounts, Table D1).

Items Savings and time deposits, Foreign currency deposits as well as Bonds and money market instruments are entirely taken over from the DMB's Accounts, while item Restricted and blocked deposits represent the sum of correspondent items from Monetary Authorities Accounts (excluding DMBs blocked deposits with the NBC) and DMBs Accounts. Other items (net) are unclassified liabilities decreased by unclassified assets.

### Table B2: Number of Reporting Deposit Money Banks and Savings Banks and Their Classification by Size

The table shows the total number of DMBs and savings banks which report monthly to the NBC. Their operation is shown in the DMB's/savings banks' accounts. Total number of reporting DMBs includes former branches of banks with their headquarters in the former Yugoslavia, which are currently under liquidation.

Due to the fact that savings banks were not legally obliged to report their operation to the NBC until July 1995, the total number of savings banks refers only to those savings banks which reported voluntarily to the NBC. In June 1995, coordination of the registration of savings banks with the Law on Banks and Savings Banks, and reporting to the NBC became compulsory. Since June 1995, total number of savings banks reporting to the NBC has corresponded with the total number of registered savings banks. The table also shows the classification of reporting DMBs and savings banks according to their total assets. Former branches of banks with their headquarters in the former Yugoslavia are classified in relation to the size of their total assets decreased by households' foreign currency deposits transferred to resident banks.



**Table CI: Monetary Authorities Accounts**

The table reports data on claims and liabilities by monetary authorities. Foreign assets include the following forms of foreign currency and kuna claims on foreign legal entities and individuals: monetary gold, holdings of special drawing rights, foreign cash in vaults, reserve position in the International Monetary Fund, current account balances with foreign banks, time deposits in foreign banks, foreign currency security investments and other claims.

Claims on central government and funds are loans and overdue claims on the budget of the Republic of Croatia. Claims in kuna are short-term loans granted for the purpose of overcoming the incoordination between incoming revenues and execution of budgetary expenditures, long-term loans granted by special decrees by the government of the Republic of Croatia, and overdue claims on the State Budget for liabilities to the IMF and foreign banks. Claims in foreign currency is a counter-entry to the liability to the IMF based on the succession of membership in that institution.

Claims on other domestic sectors are loans and overdue claims on other domestic sectors.

Claims on DMBs are credit to DMBs, deposits by the NBC with DMBs and overdue claims on DMBs. Credit to DMBs is split according to the type of financial instruments. Refinancing of DMBs include loans granted within general and selective quotas up to the end of 1993, as well as advances to DMBs for performing currency exchanges. Refinancing loans granted within the general and selective quotas were paid back in their entirety by the end of April 1994. In July 1994, they were formally revoked. Item Lombard credits comprises credits to DMBs for regular maintaining of the day-to-day liquidity, which were replaced by lombard credits in December 1994. Overdue claims on DMBs comprise loans due, giro account overdrafts and banks' undiscipline in allocation and maintenance of statutory reserve requirements.

Reserve money consists of currency outside banks, cash in DMBs' vaults, DMBs' deposits with the NBC, other banking institutions' deposits and other domestic sectors' deposits with the NBC. DMBs' deposits are: giro account balances, statutory reserves deposited on a special account with the NBC as well as NBC bills on obligatory basis. Deposits by other banking institutions are: giro account balances of savings banks as well as statutory reserves of savings banks' deposited on a special account with the NBC. Deposits by other domestic sectors are: other domestic sectors' giro account balances (this refers to accounts opened with the NBC by October 1994, since when they have been in the process of transition into deposits with the DMBs).

Restricted and blocked deposits are mainly import deposits. Blocked foreign currency deposits are funds deposited on a special account with the NBC for the purpose of covering the unpaid liabilities due to foreign creditors.

Foreign liabilities include use of IMF credits and liabilities to international financial institutions.

Central government and funds deposits are demand deposits and foreign currency deposits of the central government and funds with the NBC.

NBC bills are NBC bills on voluntary basis.

Capital accounts include reserves, funds, undistributed profit and f/c revaluation adjustment (net).

Other items (net) are unclassified liabilities decreased by unclassified assets of the NBC's accounts.

**Table DI: Deposit Money Banks' Accounts**

DMBs accounts include data on Croatian DMBs' claims and liabilities and data on claims and liabilities of former branches of banks with their headquarters in former Yugoslavia, which are now in the process of liquidation. DMBs' mutual claims and liabilities are consolidated.

Reserves with the central bank are: kuna cash in vaults and kuna deposits with the central bank.

Foreign assets are the following forms of kuna and foreign currency claims on foreign legal entities and individuals: foreign cash in vaults, nostro letters of credit and other collateral's with foreign banks, securities, loans, equities and arrears. Unregulated claims on institutions of former Yugoslavia are shown separately.

Claims on central government and funds are the following forms of claims in kuna and foreign currency: securities, loans, equities and arrears (including claims for interest charged and due 30 and more days prior to the reporting date). Main forms of claims on the central government are shown separately: bonds issued in accordance with the Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia, and bonds issued in accordance with the Law on the Issue of Bonds for the Restructuring of the Economy of the Republic of Croatia.

Claims on other domestic sectors include the following claims in kuna and foreign currency: securities, loans (including acceptances), equities and claims due.

Same forms of kuna and foreign currency claims are included in claims on other banking institutions and nonbank financial institutions, with one difference: Claims on other banking institutions also include deposits with those institutions.

Items Demand deposits, Savings and time deposits, Foreign currency deposits as well as Bonds and money market instruments comprise banks' liabilities to other domestic sectors, other banking institutions and nonbank financial institutions.

Demand deposits include giro and current accounts balances and other transferable deposits, decreased by currency in the payment system, i.e. checks in banks' vaults and checks in collection.

Savings and time deposits are: kuna sight deposits as well as kuna time and notice deposits.

Foreign currency deposits are: foreign currency sight deposits as well as foreign currency time and notice deposits.

Bonds and money market instruments are: banks' liabilities for securities issued (net) and loans obtained.



Foreign liabilities comprise the following forms of kuna and foreign currency liabilities to foreign legal entities and individuals: giro and current accounts, loan letters of credit and other collateral's, savings and time deposits, loans received and liabilities due. Unregulated liabilities to institutions in former Yugoslavia are shown separately within foreign liabilities.

Central government and funds' deposits are all forms of DMBs' kuna and foreign currency liabilities (except restricted and blocked deposits) to the central government and funds.

Credit from central bank comprises loans obtained from the NBC and deposits by the NBC with DMBs. Repurchase of securities is also considered and treated as loan.

Restricted and blocked deposits comprise the following DMBs' liabilities: kuna and foreign currency restricted deposits by other domestic sectors, other banking institutions, nonbank financial institutions, central government and funds as well as foreign legal entities and individuals; households' blocked foreign currency deposits, regulated by the Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia, foreign currency deposits by domestic sectors to cover outstanding liabilities due to foreign creditors and foreign currency deposits with former branches of banks with their headquarters in former Yugoslavia.

Capital accounts are share capital, reserves, provisions, current profit or loss, undistributed profits and f/c revaluation adjustments (net).

Other items (net) are unclassified liabilities decreased by unclassified assets.

## Tables D2 - D12

This group of tables (with the exception of Table D5) represents an elaborate presentation of appropriate items of claims and liabilities of DMBs' Accounts (Table D1).

Claims and Liabilities related to former branch banks with their headquarters in former Yugoslav bank's branches are shown under the separate item Adjustment for former branch banks with an exception of Table D8: Foreign currency deposits with DMBs, which does not contain this item. Foreign currency deposits with former branch banks are classified as restricted and blocked deposits, and therefore shown as a separate item in the Table D12.

### Table D2: Deposit Money Bank's Foreign Assets

This table shows DMBs' claims on foreign legal entities and individuals.

Foreign assets of the DMBs comprise foreign assets in kuna and foreign currency as well as DMBs' claims on the former Yugoslavia and the adjustment for former branches. Item Claims on former Yugoslavia, reported separately in its full amount in the Table D1, is in the Table D2 divided into claims of the DMBs (shown under item Claims on former Yugoslavia) and claims of former branches (shown as a separate item within Adjustment for former branch banks).

Claims on foreign banks and Claims on foreign nonbanks (total and by financial instruments) are shown separately within both foreign assets in kuna and in foreign currency. Within Claims on former Yugoslavia, those in kuna and in foreign currency are shown separately.

### Table D3: Deposit Money Banks' Claims on the Central Government and Funds

The table shows kuna and foreign currency DMBs' claims on the central government and funds.

Bonds arising from blocked foreign currency savings deposits are issued in accordance with the Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia

Big bonds are those issued in accordance with the Law on the Issue of Bonds for the Restructuring of the Economy of the Republic of Croatia.

Other claims are all other DMBs' kuna and foreign currency claims on central government and funds: securities, loans, equities, postponed interest arrears (claims for interest due but not payable before relations with foreign creditors are regulated) and arrears (including claims for interest due 30 and more days prior to the reporting date).

Adjustment for former branch banks refers entirely to other central government's bonds.

### Table D4: Deposit Money Bank's Claims on Other Domestic Sectors

The table shows DMBs' kuna and foreign currency claims on other domestic sectors, classified according to financial instruments: bills of exchange, commercial bills, bonds, other short-term securities, loans and advances (including acceptances and commodity futures), equities and arrears.

By October 1994, foreign currency loans were granted only when counterparted by DMB's loan abroad, in bank's name and on behalf of the final beneficiary of the loan. Due to the fact that foreign debts are still not entirely regulated, there is an item Postponed interest arrears. It refers to claims on interest due at the original due date, but the obligation to pay is postponed until relations with foreign creditors are regulated.

Adjustment for former branch banks refers in greater part to foreign currency loans to enterprises.

### Table D5: Distribution of Deposit Money Banks' Loans by Domestic Institutional Sectors

The table shows data on kuna and foreign currency loans granted by DMBs to domestic sectors, including acceptances and commodity futures.

The above data do not include loans of former branch banks.



**Table D6: Demand Deposits with Deposit Money Banks**

The table shows demand deposits with DMBs, classified by domestic institutional sectors.

Demand deposits are the sum of other domestic sectors', other banking institutions' and nonbank financial institutions' giro and current accounts balances, as well as other transferable deposits, decreased by currency in the payment system, i.e. by amount of checks in banks' vaults and checks in collection.

Adjustment for former branch banks mostly refers to demand deposits by private enterprises and households.

**Table D7: Time and Savings Deposits with Deposit Money Banks**

The table shows Savings deposits of households in kuna as well as Time and notice deposits in kuna by other domestic sectors, other banking institutions and nonbank financial institutions with DMBs.

Adjustment for former branch banks refers in larger part to households' savings and time deposits.

**Table D8: Foreign Currency Deposits with Deposit Money Banks**

The table shows foreign currency savings and time deposits by other domestic sectors, other banking institutions and nonbank financial institutions with DMBs. Foreign currency savings deposits are all foreign currency sight deposits, while foreign currency time deposits also include foreign currency notice deposits.

Foreign currency deposits with former branch banks are not included in this table.

**Table D9: Bonds and Money Market Instruments**

The table shows DMBs liabilities for securities issued (net) and loans received from other domestic sectors, other banking institutions and nonbank financial institutions.

Money market instruments (net) comprise DMBs net liabilities for NBC bills, bills of exchange (issued and accepted) and other securities issued.

Bonds (net) comprise DMBs net liabilities for kuna and foreign currency bonds issued.

Other domestic borrowings comprises loans received, reported total and classified by institutional sectors.

**Table D10: Deposit Money Banks' Foreign Liabilities**

The table shows DMBs' total foreign currency and kuna liabilities to foreign legal entities and individuals, with the exception of restricted kuna and foreign currency deposits by foreign legal entities and individuals.

DMBs' foreign liabilities comprise foreign currency liabilities, foreign kuna liabilities, DMBs' liabilities to the former Yugoslavia and adjustment for former branches. Item Liabilities to the former Yugoslavia, which is reported

separately in the Table D1, is here divided into part of the liabilities referring to DMBs (shown as item Liabilities to the former Yugoslavia) and the part referring to of former branches (reported as a separate item within the Adjustment for former branch banks).

Within foreign kuna and foreign currency liabilities, liabilities to foreign banks are reported separately from liabilities to foreign nonbanks (total and by financial instruments). Within liabilities to the former Yugoslavia, liabilities in foreign currency are reported separately from kuna liabilities.

Item Postponed interest arrears on foreign currency loans showing within foreign currency liabilities refers to liabilities for interest due on the original due date, but payable after the regulation of relations with foreign creditors.

**Table D11: Central Government and Funds Deposits with Deposit Money Banks**

The table reports total DMBs' kuna and foreign currency liabilities to the central government and funds, with the exception of restricted (kuna and foreign currency) deposits by the central government and funds with DMBs.

Kuna and foreign currency deposits by Republic of Croatia and republic funds are shown separately. Kuna deposits comprise demand deposits, kuna time and notice deposits, and kuna loans obtained from the central government and funds. Foreign currency deposits comprise foreign currency sight deposits, as well as foreign currency time and notice deposits.

The table does not state the item Adjustment for former branch banks because the salvage value of former branch does not include liabilities to the central government and funds.

**Table D12: Restricted and Blocked Deposits with Deposit Money Banks**

The table shows restricted and blocked deposits by the central government and funds, other domestic sectors, other banking institutions, nonbank financial institutions and foreign legal entities and individuals with DMBs.

Restricted deposits include three categories of deposits: restricted (kuna and foreign currency) deposits, blocked foreign currency deposits and foreign currency deposits with former branch banks.

Blocked foreign currency deposits include households' foreign currency deposits regulated by the Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia, as well as domestic sectors' deposits regulated by the Decree Law on the Settlement of Arrears to External Creditors.

**Table E1: Savings Banks' Accounts**

Savings banks' accounts include the data on savings banks' claims and liabilities. Savings banks' mutual claims and liabilities are consolidated.

Reserves are savings banks' kuna cash in vaults and kuna deposits with the NBC.



Foreign assets refer to foreign currency in savings banks' possession either within arrangements which are in the process of liquidation due to the adjustment to the new Law on Banks and Savings Banks or within arrangements with DMBs regarding performing currency exchange transactions.

Claims on central government and funds are all kuna and foreign currency claims on the Republic of Croatia and central government funds.

Claims on other domestic sectors are the following forms of kuna and foreign currency claims: securities, loans, equities and claims due. Claims on local governments and funds, enterprises and households, are shown separately within this item.

Claims on DMBs include the following forms of kuna and foreign currency claims on DMBs: savings and time deposits, securities, loans, equities and arrears. Item Claims on nonbank financial institutions comprises the same forms of kuna and foreign currency claims.

Demand deposits comprises other domestic sectors' and nonbank financial institutions' kuna giro and current accounts balances as well as other transferable deposits.

Savings and time deposits are households' savings deposits in kuna as well as time and notice deposits by other domestic sectors, domestic deposit money banks and nonbank financial institutions.

Foreign currency deposits are households' foreign currency savings and time deposits. These deposits, however, represent transactions in liquidation owing to adjustment to the new Law on Banks and Savings Banks.

Bonds are liabilities by other banking institutions for securities issued (net), as well as loans received from other domestic sectors, domestic DMBs and nonbank financial institutions.

Foreign liabilities are foreign savings and time deposits in foreign currency. These deposits represent transactions in liquidation owing to adjustment to the new Law on Banks and Savings Banks.

Central government deposits are kuna time and notice deposits by the Republic of Croatia and central government funds.

Credit from central bank comprise kuna loans obtained from the National bank of Croatia.

Capital accounts are: share capital, reserves, provisions, current profit or loss, undistributed profit and f/c revaluation adjustment (net).

Other items (net) are unclassified assets decreased by unclassified liabilities.

#### **Table F1 - Credit Rates of National Bank of Croatia**

The table shows interest rates used by the NBC to calculate and charge interest on loans and on all other claims.

Lending NBC interest rates are being set by special decrees of the Council of the National Bank of Croatia, on annual basis. Exceptionally, since July 1995, interest rate charged by NBC on lombard credits has been 1.5% higher than the weighted average interest rate on NBC bills on voluntary basis (which

serve as collateral for lombard credits) in cases when the weighted average interest rate is higher than 16.5. Congruently, from July 1995 onwards, the table reports weighted average interest rate on lombard credits.

Time series presented in the table contain certain breaches, due to changes in NBC's monetary policy instruments. Consequently, until November 1994, column 4 shows interest rates on regular credits for maintenance of day-to-day liquidity, which were granted based on securities portfolio, and from December 1994 onwards, interest rates on lombard credits.

Furthermore, data shown in column 6 refer, until September 1994, to interest rates on special credits for savings deposits' payments and for payments from households' current accounts, and since October 1994 to interest rates on daily credits for savings deposits and current accounts in kuna. Daily credits, as opposed to special credits, are paid back on the same day.

Interest rates reported in column 9 refer to the use of statutory reserves, which was being used by the banks (in prescribed percentage) to maintain day-to-day liquidity until September 1994. Interest rates paid until September 1994 on the use of statutory reserve funds in amount above prescribed and/or for longer period than allowed are shown in column 10. Since October 1994, interest rates paid on the use of statutory reserve funds are the same as those used for any other form of financial undiscipline, in accordance with the late interest regulations (shown in column 11).

Until July 1994 the same interest rate was applied to funds used above amounts available on giro accounts and to inaccurately calculated or under-appropriated statutory reserves (reported in column 10). From July to September 1994, interest rate applied to the use of those funds was 21%, and since October 1994 the same interest rates have been applied as for other forms of financial undiscipline, shown in column 11.

#### **Table F2: Deposit Rates of National Bank of Croatia**

The table shows interest rates paid by the NBC on funds deposited with the NBC as well as on securities issued.

Interest rates paid by the NBC for appropriated statutory reserve funds are being set by the Council of the NBC. Until 7 October 1993, NBC was setting different exchange rates for statutory reserve funds based on savings and time deposits. Therefore, for that period the table reports weighted average interest rate on appropriated statutory reserve funds (column 3). From 8 October 1993 until the end of February 1994, NBC paid no interest on appropriated statutory reserve funds, and since March 1994, uniform rate has been applied to these funds.

Interest rates on NBC bills on obligatory basis are set by the Council of the NBC.

Until October 1993, interest rates on NBC bills on voluntary basis were also set by the Council of the NBC, while since November 1993, they have been set at NBC bills' auction sales. Congruently, since November 1993, columns 5, 6 and 7 report weighted average interest rates attained in auctions of the NBC bills. Until October 1994, interest rates on NBC bills on voluntary basis due in 30 and 90 days are reported in columns 6 and 7 respectively.



**Table F3: Deposit Money Banks' Reserves on Obligatory Basis**

This table shows data on monthly averages of day-to-day balances of reserves on obligatory basis by DMBs with the NBC.

Reserve requirement (column 3) represents the prescribed amount of funds banks are required to deposit on a special statutory reserve account with the NBC, or to maintain (in average) on their giro accounts or in vaults. This amount corresponds with the statutory reserve instrument of January 1995, while until December 1994 it comprised two instruments: statutory reserves and liquid assets requirement - LAR (except for the part in which banks were conforming to this requirement by registering NBC bills on voluntary basis).

Column 4 shows weighted average reserve requirement ratio as a percentage of the reserve requirement (column 3) in the reserve base (NBC prescribes different reserve requirement ratios for different categories of deposit).

Column 5 shows the portion of the reserve requirement banks are required to deposit on a special statutory reserves account with the NBC (until December 1994 this amount corresponds with the statutory reserves instrument, while since January 1995, banks have been required to deposit at least 75% of the total reserve requirement on a special account with the NBC).

Column 6 shows the percentage of the statutory reserves deposited with the NBC in the total reserve requirement.

Column 7 shows the total amount of other deposits with the NBC on obligatory basis, which comprises NBC bills on obligatory basis, part of NBC bills on voluntary basis used by the banks to maintain the prescribed minimal liquidity (LAR), and special statutory reserves.

Column 8 shows the total reserve requirement as a sum of reserve requirement and other deposits with the NBC on obligatory basis. Column 9 shows the percentage of total reserve requirement in the reserve base.

Column 10 shows weighted average remuneration rate for all forms of immobilized funds (i.e. for all components of total reserve requirement).

Column 11 shows the use of obligatory reserves, which includes use of appropriated statutory reserve funds (authorized and unauthorized), inaccurately calculated statutory reserves, non-maintenance of the prescribed minimal liquidity, i.e. (since January 1995) non-maintenance of the minimal average giro account and vault balance (determined in accordance with the calculation of statutory reserves), unregistered amount of the NBC bills on obligatory basis and inaccurately calculated special statutory reserves.

**Table F4: Deposit Money Banks' Liquidity Indicators**

The table reports monthly averages of day-to-day balances of some indicators of DMBs' liquidity.

Column 3 shows free reserves, defined as bank's total reserves (on giro accounts and in vaults) decreased by the minimal average giro account and treasury balance, as prescribed by instruments of the NBC (until December 1994 by the

requirement for banks' minimal liquidity, and since January 1995 by statutory reserve requirement).

Column 4 shows the primary liquidity ratio as a percentage of monthly day-to-day free reserves averages in monthly day-to-day averages of deposits which constitute the reserve base.

Column 5 shows the monthly average of day-to-day balances of secondary liquidity sources used. Secondary liquidity sources comprise: use of statutory reserves (until October 1994), regular loans for maintenance of day-to-day liquidity (until November 1994), use of funds exceeding those available on bank's giro account (until October 1994), initial loans (since October 1994), lombard credits (since December 1994), intervention credits for overcoming illiquidity (since October 1994), as well as outstanding liabilities due to the NBC.

Column 6 reports monthly average of day-to-day balances of NBC bills on voluntary basis (until December 1994, this amount is decreased by the portion of voluntarily registered NBC bills used by banks to maintain the prescribed minimal liquidity).

**Table G1: Deposit Money Banks' Credit Rates**

The table contains weighted averages of DMBs' monthly interest rates on kuna and foreign currency loans, reported on a yearly basis.

Columns 3 and 4 show interest rates on the interbank daily and overnight money markets, according to information received from Money Market Zagreb. From December 1993 until May 1995, interest rates on overnight loans were identical to the NBC discount rate. Until December 1993 and since July 1995, interest rates charged for overnight loans equaled to daily weighted average interest rates reached on the daily money market.

Data on DMBs' interest rates on kuna and foreign currency credits are based on DMBs' periodic reports. Basis for calculation of weighted averages are amounts of credits bearing corresponding interest rates, which were disbursed during the reported month, with the exception of interest rates on giro and current accounts credit lines, for which weighted averages were calculated based on the balance of these loans at the end of the reported month.

Column 5 shows interest rates on total (short-term and long-term) kuna credits not indexed to foreign currency. Interest rates on short-term kuna credits (shown in column 6) also include interest rates on discounted short-term securities (not indexed to foreign currency), weighted based on their face value.

Column 8 shows interest rates on total (short-term and long-term) kuna credits indexed to foreign currency, including interest rates on discounted short-term securities indexed to foreign currency.

Interest rates on foreign currency credits (columns 9, 10 and 11) refer to credits released in Deutsche Mark or US dollars in a reported month, while weighted averages are calculated based on their kuna equivalent using current exchange rate. Credits released in other currencies are not included in this table.

Relative significance of particular interest rates (reported in the last line of the table) refers to data for the last period included



in the table. It is calculated as a percentage of corresponding credit category (to which exchange rates apply) in total credits included in the calculation of weighted averages for that period.

#### **Table G2: Deposit Money Banks' Deposit Rates**

The table shows weighted averages of monthly DMBs' interest rates on kuna and foreign currency deposits, reported on a yearly basis.

Data on interest rates on DMBs' deposits are obtained from DMBs' periodic reports.

Column 3 reports weighted averages of monthly interest rates on total kuna deposits (sight deposits, savings and time deposits) not indexed to foreign currency. Weighted averages of monthly interest rates on total kuna deposits indexed to foreign currency are reported in column 6.

Interest rates on foreign currency deposits refer to deposits received in Deutsche Mark or US dollars, while weighted averages are calculated based on their kuna equivalent using current exchange rate. Deposits received in other foreign currencies are not included in the data reported in this table.

Basis for calculation of weighted averages are end-of-month balances of deposits. Exceptions are kuna and foreign currency time and savings deposits for which weighted averages are calculated (since July 1995) based on amounts of those deposits received during the reported month. Weighted averages of interest rates on total kuna and foreign currency deposits (columns 3 and 7) are weighted by the end-of-month balances of all categories included in the calculation.

Kuna and foreign currency deposits used as a credit collateral are included, while restricted deposits (deposits used for payment of imports and other restricted deposits) are not included into the calculation of weighted averages.

#### **Table G3: Deposit Money Banks' Trade with Foreign Exchange**

Data on trade with foreign exchange between DMBs comprise transactions of purchase and sale of foreign exchange on domestic foreign currency market. The transactions are classified by categories of participants (legal entities or individuals, banks, NBC). Source of data are DMBs periodic reports on trading with foreign exchange, sent to the NBC on a regular basis. The amounts are stated in Deutsche Mark, converted from other foreign currencies using the NBC's midpoint exchange rate (reporting period average).

#### **Table H1 - H4: Balance of Payments**

Balance of payments is based on the methodology of the International Monetary Fund (Balance of Payments Manual, fifth edition, 1993). Sources of data are following: reports of the State Bureau of Statistics, reports of transportation companies, reports of deposit money banks, Croatian Bank for Reconstruction and Development and the National Bank of Croatia.

Data on international flows of merchandise trade commodities are compiled by the State Bureau of Statistics on the basis of

the customs declaration forms. According to the existing methodology applied by the CBS, commodity imports include temporary commodity imports as well. Other data required for compilation of the balance of payments are collected and processed directly by the NBC.

Services are, except for the data on the international cargo and passenger transport, reported on cash-flow basis.

Earnings from traveling (tourism), are calculated as a total value of: purchase of foreign currency and checks from nonresident natural persons, foreign exchange remittances to accounts owned by companies offering tourist services, sales of domestic currency and traveler's checks abroad, sales of domestic goods and services for foreign currency to nonresident natural persons, foreign exchange checks and credit cards charges in the country, sales of foreign goods to nonresident natural persons, purchase of foreign currency in casinos, 25% of the value of purchase of currency and traveler's checks from resident natural persons and 25% of the value of cash and traveler's checks deposited to resident natural persons foreign currency accounts.

Expenditures from traveling (tourism) industry, are calculated as total value of: payments for business travels, scholarships and specialization, payments for tourist trips organized by domestic tourist agencies, 25% of the value of sales of foreign currency and traveler's checks to resident natural persons and 20% of the value of currency and checks drawn from resident natural persons' foreign currency accounts.

Other services include investment works, construction and installation projects abroad, representation fees, insurance, freight and forwarding services, postal services, costs of Croatian representative offices abroad, unclassified services and 25% of the value of foreign currency transfers from foreign currency accounts to foreign countries.

Current transfers are classified into two categories: transfers to the central government and transfers to other sectors. Transfers to and from the central government consist of retirement and social welfare payments, financial aid payments, gifts, as well as of import and export bearing no payment obligation. Credits of transfers to other sectors represent the total value of foreign remittances received. Debits of other sectors transfers represent 75% of the value of transfers from resident natural persons foreign currency accounts to foreign countries.

Direct foreign investments are calculated partly from the data on imports of goods to be invested in resident corporations, partly from the data on payments made by nonresidents in connection with investments in the Republic of Croatia.

Data on other investment are structured into following institutional sectors: monetary authorities, general government, banks and other sectors. The scope of sectors somewhat differs from the corresponding scope in the balance sheets of financial institutions. General government sector includes the central government and funds, local government authorities and local funds. Banking sector includes DMBs.

Item Other investments - assets - banks currency and deposits, represents the change in total foreign currency held by banks authorized to do business with foreign countries, i.e. banks with full authorization. Inflow from foreign countries, reported in the

item Other investments - assets - other sectors - currency and deposits, is calculated as a difference between the sum of 75% of the value of currency and traveler's checks deposited to resident natural persons' foreign currency accounts and 75% of the value of currency and checks purchased from resident natural persons and the sum of 80% of the value of currency and traveler's checks withdrawn from resident natural persons foreign currency accounts and 75% of the value of sale of currency and traveler's checks to resident natural persons.

Data on loans for all previously mentioned sectors are based in greater part on originally concluded and registered credit agreements included in the NBC database. These do not include unallocated debt of the former Yugoslavia.

Changes in the total current balances of the NBC's foreign currency reserves are calculated using current US dollars exchange rates for currencies that form the reserves, and they are denominated in US dollars on the day when the balance of payments is compiled (end of month, end of quarter or year).

#### **Table H8: External Debt**

The table shows the balance of external debt at the end of the period, in millions of US dollars, according to the NBC's midpoint foreign currency rate at the end of the period.

External debt is defined as total value of following liabilities for foreign credits: outstanding debt (including principal arrears) and interest arrears.

Data are formed following the criteria of the final user, i.e. these include foreign credits used by the final users from the Republic of Croatia (and also those for which the debtor to foreign country is a bank from the former Yugoslavia).

Interest arrears are estimated by using originally agreed interest rates and do not include late interest.

Short-term credits do not include the use of short-term interbank credit lines.

Unallocated debt of the former Yugoslavia is not included.



# LIST OF ABBREVIATIONS & SYMBOLS

|             |                                |
|-------------|--------------------------------|
| GDP         | - gross domestic product       |
| DMB         | - deposit money bank           |
| dep.        | - deposit                      |
| Q           | - quarterly                    |
| CBS         | - Central Bureau of Statistics |
| manufactur. | - manufacturer                 |
| mil         | - million                      |
| bil         | - billion                      |
| o.w.        | - of which                     |
| IMF         | - International Monetary Fund  |
| NBC         | - National Bank of Croatia     |
| res.        | - reserve                      |
| SNA         | - System of National Accounts  |
| prod.       | - producers                    |
| RR          | - reserve requirement          |

## ABBREVIATIONS FOR CURRENCY

|     |                          |
|-----|--------------------------|
| HRK | - Croatian kuna          |
| ATS | - Austrian schilling     |
| FRF | - French franc           |
| DEM | - German mark            |
| CHF | - Swiss franc            |
| GBP | - British pound          |
| ITL | - Italian lira           |
| USD | - US dollar              |
| SDR | - Special drawing rights |
| SIT | - Slovenian tolar        |
| XEU | - European currency unit |

## SYMBOLS

|      |                                                            |
|------|------------------------------------------------------------|
| -    | - no entry                                                 |
| .... | - data not available                                       |
| 0    | - value is less than 0.5 of the unit of measure being used |
| Ø    | - average                                                  |
| )    | - indicates a note beneath the table                       |
| *    | - corrected data                                           |
| ( )  | - incomplete or insufficiently verified data               |

Published by: National Bank of Croatia  
Trg burze 3  
10000 Zagreb  
Croatia

Tel: 385-1-4564 555  
Fax: 385-1-441 684  
Telex: 22 569

Design and DTP: Gandalf d.o.o., Zagreb.  
Printed by: Tipotisak, Zagreb.  
Printed in 1000 copies

**Those using data from this publication are requested to cite the source.**

ISSN 1330-9358





