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1 Analysis of Risks Arising from Floating Rate Loans with a Currency Clause

1.1 Introduction

For the purpose of long-term financing, banks in the Republic of Croatia mostly offer loans with floating interest rate and with a currency clause.

When households borrow on the basis of foreign currency loans, i.e. in kuna indexed to foreign currency, they are exposed to a risk of an increase in the loan annuity, as a result of possible kuna depreciation, which is the so-called foreign exchange risk. Since the future interest rate is uncertain, they are also exposed to a risk of an interest rate increase, the so-called interest rate risk. Households cannot efficiently manage foreign exchange risk, unless they have savings or expected future cash inflows in the very currency to which the loan is indexed. In addition, it is almost impossible for households to manage interest rate risk, since banks change interest rate in accordance with their own business strategy.

A considerable importance was attached by the Croatian National Bank to the foreign exchange risk, in the new amendments to the regulation that is effective for banks. The regulation prescribes that a higher level of bank capital is required for those loan users who are exposed to foreign exchange risk.

In order to inform the households on the intensity of foreign exchange and interest rate risk impact on their own investment decisions, the analysis of the risks to which they would be exposed when taking a loan with a bank is given below. The analysis is carried out on an example of a floating rate loan indexed to a Swiss franc.

Since it is not possible to identify the universal risk profile acceptable to all loan beneficiaries, a floating rate loan indexed to a Swiss franc is analysed, in view of the fact that banks have recently offered such loans to a greater extent.

Methods and parameters of the model, set out below, are not necessarily adjusted to the methods commonly used by the Croatian National Bank.

1.2 Analysis

The impact on risk, obtained by the analysis carried out, directly depends on the preset assumptions and a specification of the data used. Historical movements are used only as an indicator.

1.2.1 Analysis Assumptions and Postulates

It is assumed that banks change interest rate on loans indexed to foreign currency once a month on the basis of a change in the reference interest rate, where the credit spread is constant. LIBOR¹ for the Swiss franc with a maturity of 3 months is used as a reference rate. The effect of a loan processing fee and other related costs is not taken into account.

Credit spread implies a difference between the loan interest rate and a reference interest rate and it is defined to amount to 3.79%² and to be constant for the entire observed period. The said difference is obtained on the basis of the information about market conditions when granting housing loans. It is assumed that the quality and quantity of collateral and other guarantees to banks are constant during the loan period.

Banks' interest rate adjustment to the degree of competitiveness on the banking market has not been taken into account in this analysis, since it is not possible to define the exact determinants of the system which would then describe the banks' behaviour. Accordingly, banks are assumed to change interest rate on loans when the reference rate is changed. More specifically, there are already loans with interest rates that are more favourable for clients than the market rates, which may imply that the future level of interest rate will also be adjusted to the degree of competitiveness of the creditor bank. In addition, conditions of competitiveness may also commonly generate "less favourable" terms for customers as well.

The amounts obtained by a historical simulation with a confidence level of 95% are taken as a risk measure, where all the possible outcomes are taken into account. The historical simulation represents a distribution of changes as a histogram of hypothetical changes. Any hypothetical change is obtained by calculating the change in present values, in case the day on which the exchange rate and/or interest rate change has taken place repeats in the same manner. The confidence level is an indicator of the level of acceptable risk. In other words, in 5 out of 100 cases, the annuity will be larger than the measured one.

Changes in monthly balances are expressed at the annual level, assuming that the determination of the effect on households is more consistent if a longer time period is taken into account. In other words, short-term changes in annuity are not considered significant. It should be noted that it is not possible to estimate the annuity changes for a period longer than one year on the basis of historical movements, which represents a significant restriction of this analysis. In the comprehensive risk analysis, and especially in risk projection for longer time horizons, a systematic inclusion of analysis of possible scenarios and testing programs for the plausible, but uncommon market movements (stress testing) gains importance, which is, however, not a part of this analysis, and a possibility of error is thus also increased.

1 LIBOR (London Interbank Offered Rate) is an interest rate achieved in borrowing money among banks.

2 The stated spread is obtained on the basis of the information about the terms and conditions for granting housing loans, published on the web sites of the major domestic banks.

The effect of individual risk factors (exchange rate and reference interest rate) on the level of loan annuity is determined by the share of price change that they generate in the aggregate price changes generated by the individual factors.

Changes in exchange rate and the amount of loan annuity for the purpose of this analysis are simulated by a percentage difference, while the change in reference interest rate is simulated by the balance difference at the beginning and at the end of the observed period.

Stability and currency of own sources of funds of households, the effect of inflation, etc., are not taken into account in setting the model.

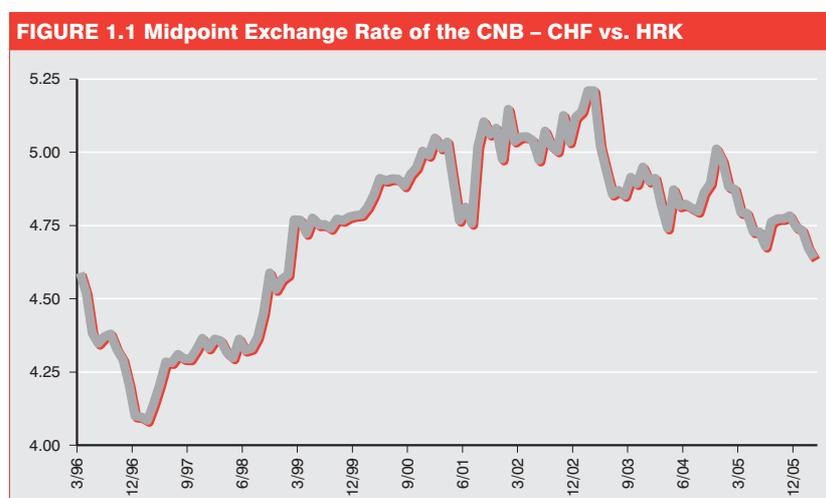
1.2.2 Data Specification

The midpoint exchange rates of the CNB as at the last day in a month for CHF/HRK and LIBOR for CHF with a 3-month maturity, in the March 1996-March 2006 time series are used as the input data in the analysis.

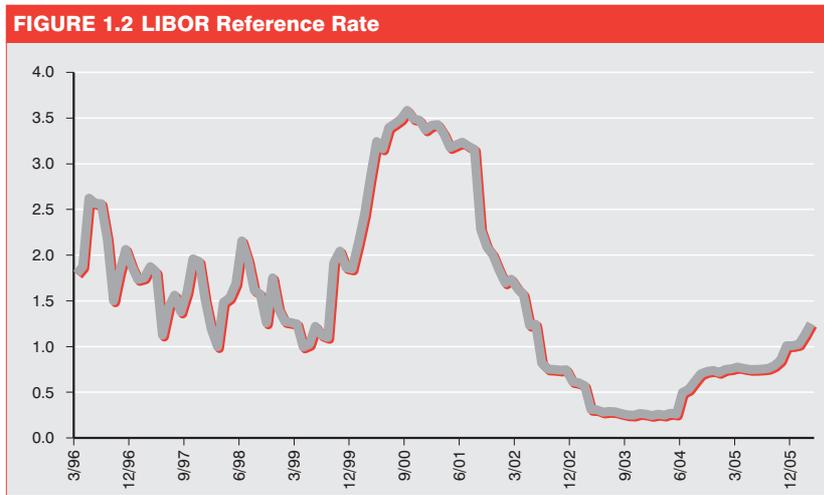
A long-term loan granted on 31 March 1996, with a monthly repayment over a period of 20 years, principal of HRK 458,896.20, which corresponds to CHF 100.000,00 as at that day, and with the interest rate of 5.58% for a loan indexed to Swiss francs is taken as the subject of analysis. The monthly annuities determined as at the day of granting the loan amount to HRK 3,201.19.

1.2.3 Historical Movements

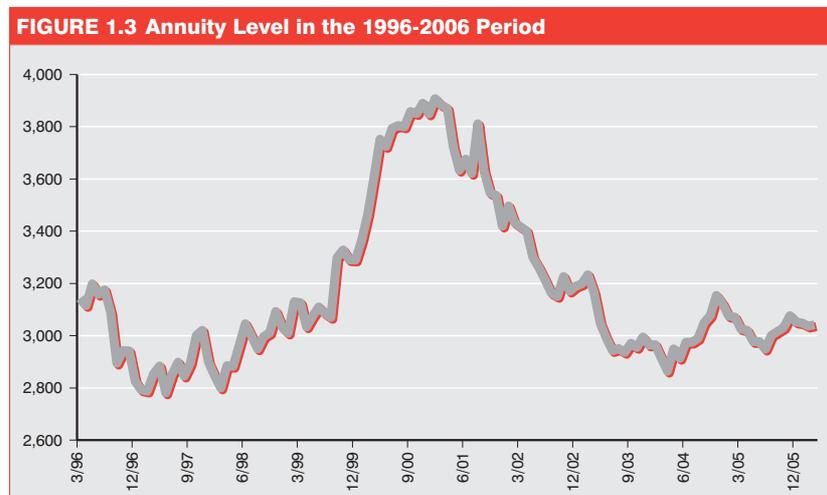
In the 10-year period, from end-March 1996 to end-March 2006, the CHF/HRK exchange rate increased from 4.59 to 4.64, i.e. by 1.1%.



The LIBOR reference rate in the stated period fell from 1.8% to 1.2%.



The loan instalment amounted to HRK 3,142.81 in March 1996 and it fell by 3.2%, to HRK 3,041.59, after ten years. The annuity level in the stated period fluctuated from HRK 2,781.28 to HRK 3,908.25.

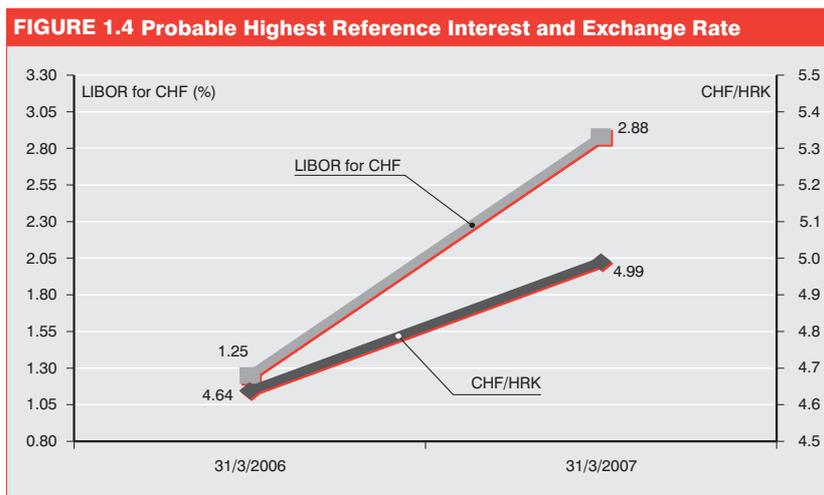


1.2.4 Effect on Risk

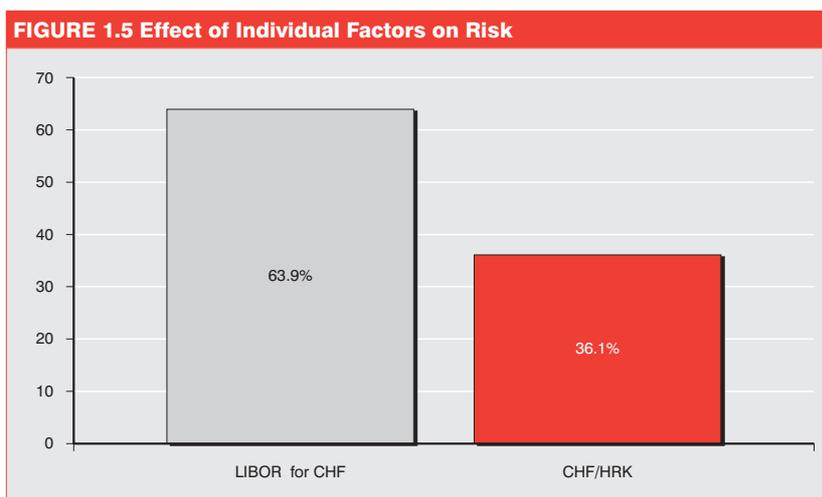
On the basis of the observed 10-year period and prior to the identified assumptions, the risk consists of the amounts obtained by a historical simulation with a confidence level of 95%, where all the possible outcomes are taken into account.

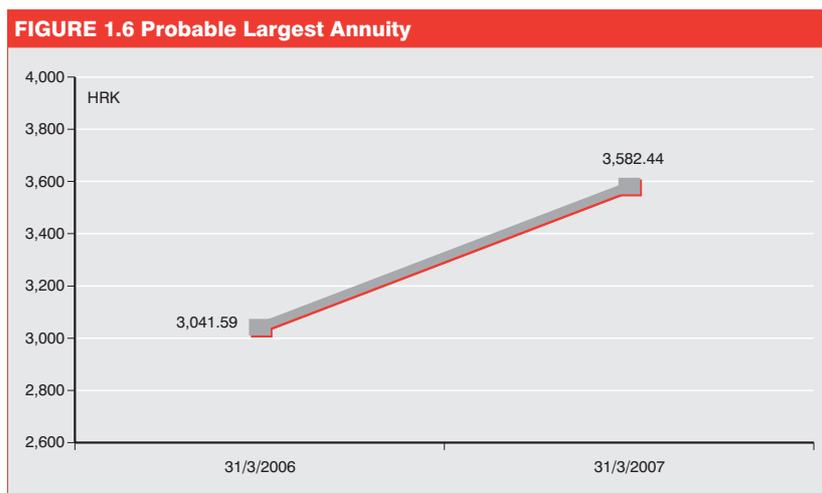
In this manner, the model produced the risk of change in the CHF/HRK exchange rate of 7.6% in the following one-year period, implying that the exchange rate will not exceed 4.99 HRK for CHF in a year's time. The stated historical data series implies that the risk of the LIBOR change in the following one-year period stands at 1.6 percentage points. Accordingly, it may be concluded that the LIBOR will not exceed 2.9% in a year's time.

The effect of risk of the reference rate change on the annuity is 63.9%, while the foreign exchange risk effect accounts for the remaining 36.1%.



The risk of annuity change amounts to 17.8%. Under such risk assessment, the loan annuity which was HRK 3,041.59 in March 2006 is expected to be HRK 3,582.44 at most in a year's time.





1.3 Conclusion

The results of the analysis carried out indicate that the major uncertainty which the households may expect in the repayment of a loan indexed to foreign currency and with a floating interest rate is the very level of future annuities, which will change relative to the exchange rate of the kuna against the foreign currency, and even more relative to the interest rate.

It is evident from the comparison of historical movements (Figures 1.1 to 1.3) that the interest rate level has a predominant effect on the annuity, which, along with a synthetic assessment of the effects of individual factors on the overall risk (Figure 1.5) clearly points to a significance of the reference interest rate. More specifically, according to Figure 1.2, it can be concluded that interest rates at historically low levels (2003) trend upwards, which asks for an additional caution when taking a long-term loan. In addition, the assumption of the analysis that banks' interest rates will follow the reference rates is also justified, because banks themselves, regardless of a possible strategy of "bargain" loan prices, are exposed to the reference interest rates, since they are largely dependent on them in the acquisition of funds that are used for granting loans to their customers.

The effect of the exchange rate change cannot be disregarded as well, especially because the exchange rate of the kuna against the Swiss franc is not likely to be adjusted to the real wage growth. Regardless of the estimate of the probable highest exchange rate of HRK 4.99 for a Swiss franc, it is indicative that the exchange rate in the August 2001-April 2003 period was almost constantly above 5 kuna for a Swiss franc (Figure 1.1).

The presented analysis shows that households, in choosing the method of financing through loans, should comprehend in advance the said risks and should attempt to adjust the loan principal, and indirectly annuities, to these risks, since future own income generally cannot be used to hedge against the said risks.

2 Indicators of Banking Institution Operations

Data on banks and housing savings banks operations in 2005, as shown below, are based on unconsolidated audited financial reports submitted by banks and housing savings banks to the Croatian National Bank.

At the end of 2005, the banking sector of the Republic of Croatia comprised 34 banks and 4 housing savings banks. Total banking sector assets amounted to HRK 262.7bn. While banks' assets continued to make up the lion's share of 97.7% of total banking sector assets, the assets of housing savings banks accounted for only 2.3%.

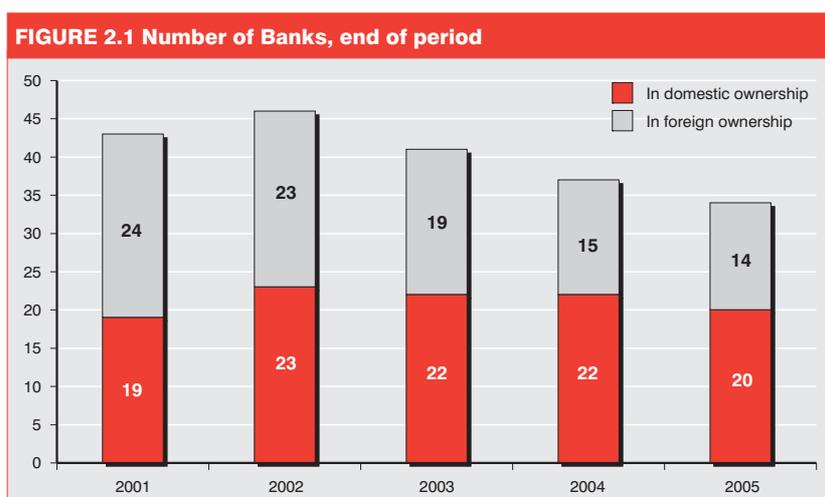
2.1 Banks

2.1.1 Structure of the Banking Sector in the Republic of Croatia

The number of banks continued to decline in 2005. Compared to the end of 2004, there were three banks less operating in the banking sector: two banks merged with other banks, and one bank initiated voluntary winding-up proceedings.¹ Although two banks that were merged with other banks were in foreign ownership, the number of banks in foreign ownership went down only by one bank because one bank in foreign ownership became the majority owner of a domestic private bank in 2005, which thus indirectly became a bank in (majority) foreign ownership.² Following these changes and the initiation of voluntary winding-up proceedings, the number of banks in (majority) domestic ownership fell by two.

Despite the decline in the number of banks in (majority) foreign ownership, the share of their assets in total banking sector assets remained at 91.3% at the end of 2005 or the same as a year before.

-
- 1 Privredna banka Zagreb d.d., Zagreb merged with Privredna banka – Laguna banka d.d., Poreč on 1 January 2005, Zagrebačka banka d.d., Zagreb merged with Dresdner Bank Croatia d.d., Zagreb on 30 June 2005, and Križevačka banka d.d., Križevci initiated voluntary winding-up proceedings on 3 January 2005.
 - 2 On 11 May 2005, the CNB Council gave its approval for Podravska banka d.d., Koprivnica to acquire a majority holding in Požeška banka d.d., Požega.



In the banking sector operate six banking groups that are required to report to the CNB on their operations through their superordinate bank pursuant to the provisions of the Decision on Consolidated Financial Reports of a Banking Group.³ In 2005, two new banking groups became subject to the obligation of submitting their consolidated financial reports (Hypo Alpe-Adria-Bank Group and Podravska banka Group). During the same period, however, one banking group ceased to exist (Nova banka Group). The composition of groups also changed to a certain extent, while the operations of all banking groups continued to be dominated by superordinate banks.

To facilitate comparison, banks have been classified into four groups based on their asset size. Group I consists of banks with assets exceeding 5 billion kuna, Group II of banks with assets between 1 billion and 5 billion kuna, Group III of banks with assets between 500 million and 1 billion kuna, and Group IV of banks with assets below 500 million kuna (Table 2.1). A list of banks by peer groups is given in Attachment I.

TABLE 2.1 Bank Groups by Asset Size, end of period, in thousand kuna

Group	Bank assets (A)	Number of banks			
		Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005
I	Assets (A) > 5,000,000	9	8	9	9
II	1,000,000 < A < 5,000,000	12	11	7	9
III	500,000 < A < 1,000,000	7	8	10	7
IV	A < 500,000	18	14	11	9
	Total	46	41	37	34

In 2005, the number of banks fell in Groups III and IV but rose in Group II.

The increase in the number of banks in Group II and the decrease in the number of banks in Group III were brought about by the growth in assets of two Group III banks. In addition, the reduction in the

³ See Attachment II.

number of banks in Group III was affected by the merger between one Group III bank and one Group I bank. The initiation of voluntary winding-up proceedings and the merger of one bank with one Group I bank were the reasons behind the fall in the number of banks in Group IV.

The share of Group I banks' assets in total banking assets went up from 90.0% at end-2004 to 90.8% at end-2005, or by 0.8 percentage points. Due to the changes in the number of banks comprised by Group II, Group II banks' assets in total banking assets rose from 5.7% to 6.1%. Concurrently, the reduction in the number of banks in the remaining two groups had a reverse effect. The share of Group III banks' assets in total banking assets fell by 1 percentage point or from 3.2% to 2.2%. In addition, the share of Group IV banks' assets went down by 0.2 percentage points or from 1.2% to 1%.

The difference between the amounts of individual banks' assets is most pronounced in Group I. At end-2005, the assets of the largest bank in Group I were 8.8 times larger than the assets of the smallest bank in the group and more than 565 times larger than the assets of the smallest bank in the system as a whole. In other groups of banks, the assets of the largest banks were 1.5 to 3.9 times larger than the assets of the smallest banks.

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

The number of bank operating units rose to 1114 or by 77 at end the end of 2005 compared with the end of 2004 (Table 2.2). During 2005, 16 banks increased the number of operating units by a total of 130. In contrast, 8 banks decreased the number of operating units by a total 24. The number of operating units remained unchanged in 10 banks only.

The number of operating units went up the most in Group I banks. Seven banks from Group I opened 91 new operating units, while the two remaining Group I banks closed 16 operating units. The number of operating units in Group II and Group III banks rose by 24 and 7, respectively. Moreover, Group IV banks did not open or close any operating unit during 2005.

In 2005, the concentration of operating units remained the largest in the County of Zagreb and the City of Zagreb (Figure 2.2). With 27 banks operating in this area, it accounted for 20.1% of the total number of operating units. The County of Split-Dalmatia followed with 19 banks and the concentration of 11.1%, and the County of Primorje-Gorski Kotar with 22 banks and the concentration of 10.0%. Like at the end of 2004, the lowest concentration of operating units was recorded in the County of Lika-Senj (1.3%) where only 4 banks operated. In comparison to end-2004 figures, the concentration of operating units rose in five counties and fell in the remaining 15 counties.

In absolute terms, the number of operating units grew the most in the County of Zagreb and the City of Zagreb (23) and in the County of Koprivnica-Križevci (20) in 2005 compared with 2004. On the other hand, the largest decrease in the number of operating units was seen in the County of Primorje-Gorski Kotar (3). In relative terms, the largest increase in the number of operating units was registered in the County of Koprivnica-Križevci (64.5%) (Figure 2.3). The Counties of

TABLE 2.2 Territorial Distribution of Branches and Sub-Branches, end of period

Counties	Number of branches and sub-branches			
	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005
County of Zagreb and City of Zagreb	188	190	201	224
County of Krapina-Zagorje	23	23	24	25
County of Sisak-Moslavina	25	29	29	35
County of Karlovac	23	24	27	25
County of Varaždin	29	33	38	40
County of Koprivnica-Križevci	26	28	31	51
County of Bjelovar-Bilogora	25	27	27	26
County of Primorje-Gorski Kotar	108	124	114	111
County of Lika-Senj	14	14	14	14
County of Virovitica-Podravina	16	23	26	25
County of Požega-Slavonia	20	23	24	25
County of Slavonski Brod-Posavina	20	21	23	28
County of Zadar	38	39	44	45
County of Osijek-Baranya	50	55	56	72
County of Šibenik-Knin	30	33	33	32
County of Vukovar-Srijem	15	18	22	23
County of Split-Dalmatia	123	124	121	124
County of Istria	103	110	103	107
County of Dubrovnik-Neretva	56	56	54	55
County of Međimurje	24	28	26	27
Total	956	1022	1037	1114

Osijek-Baranya, Slavonski Brod-Posavina and Sisak-Moslavina followed with 28.6%, 21.7% and 20.7%, respectively.

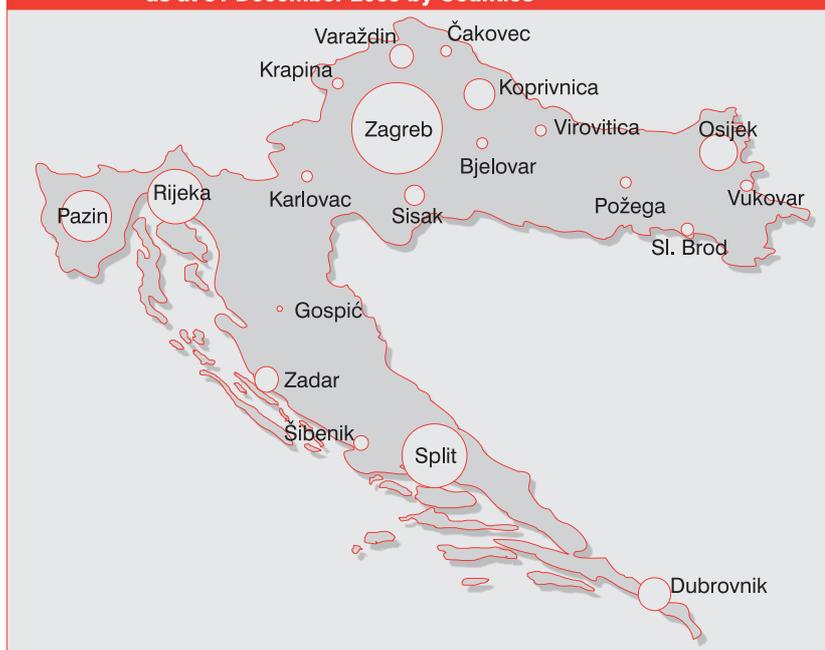
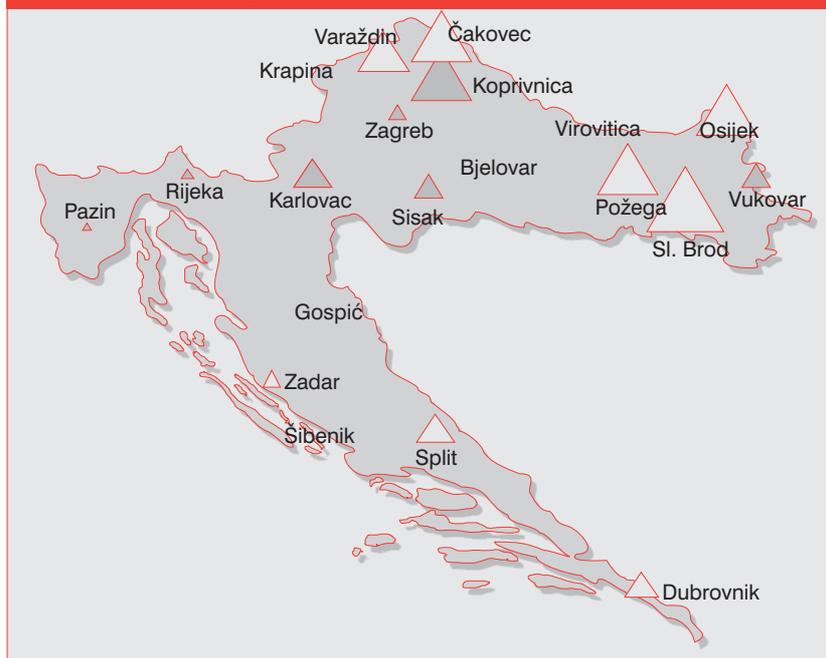
FIGURE 2.2 Geographical Concentration of Branches and Sub-Branches as at 31 December 2005 by Counties

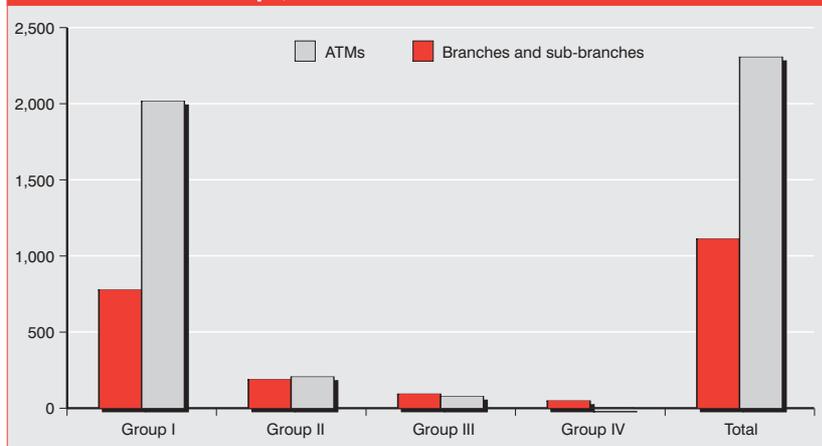
FIGURE 2.3 Relative Change in the Number of Branches and Sub-Branches in 2005 by Counties



At the end of 2005, each bank had on average operating units in seven counties, which was the same as at the end of 2004. Nine banks operated in ten or more counties, eleven banks operated in five to ten counties, and fourteen banks operated in less than five counties. Six banks had its operating units in one county only.

Group I banks had the largest number of operating units at the end of 2005 (799). This Group's share in the total number of operating units stood at 69.9%. With 191 operating units and the share of 17.2%, banks from Group II had the second largest number of operating units. Group III banks had 95 operating units and the share of 8.5%, while Group IV banks had 49 operating units and the share of 4.4%. Only four banks had one operating unit.

FIGURE 2.4 Number of Branches and Sub-Branches and ATMs by Bank Groups, as at 31 December 2005



Banks owned 2307 ATMs at the end of 2005, which was 394 or 20.6% more than at the end of the previous year (Table 2.3). In the reference period, 21 banks installed new ATMs, including three banks that offered ATM services for the first time in 2005. Nine banks did not have any ATMs, while four banks chose to leave the number of ATMs the same as in 2004.

All groups of banks, except for Group IV, increased the number of ATMs in their ownership during the reference period. The largest absolute increase in the number of ATMs was recorded in Group I (359 units or 21.6%). Group I banks owned a total of 2018 ATMs. After increasing the number of its ATMs by 14.4% or 21, Group II owned a total of 207 units. The number of ATMs in Group III grew by 12.8% or 9, reaching a total of 79 units. Only one bank from Group IV had ATMs in the reference period (3 units) and it did not increase their number.

At the end of 2005, Group I banks owned 87.5% of all banks' ATMs. Group II, III and IV banks followed, accounting for 9.0%, 3.4% and 0.1% respectively.

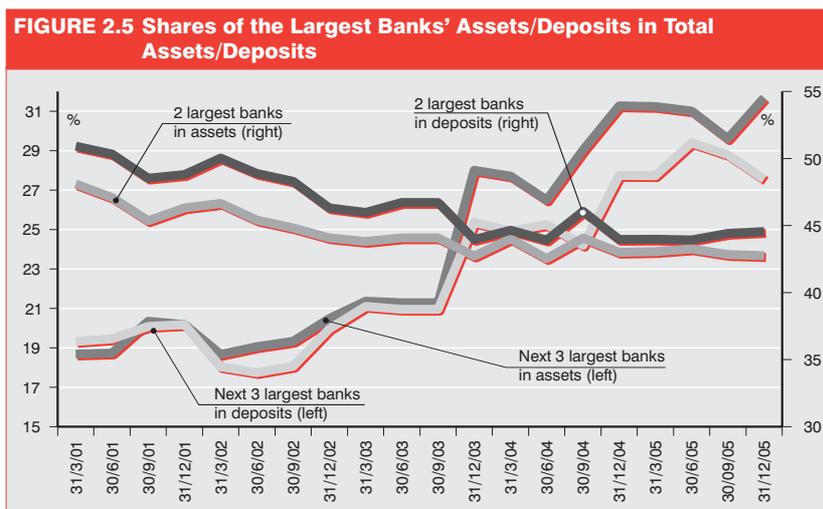
The number of installed ATMs went up in all counties at the end of 2005 compared with the end of 2004. Both in nominal and relative terms, the number of ATMs grew the most in the County of Zagreb and the City of Zagreb (by 104 units or 18.8%). The second and third largest increase in the number of installed ATMs were registered in the County of Istria and the County of Split-Dalmatia, amounting to 48 units (28.2%) and 37 units (17.3%) respectively.

At the end of 2005, the concentration of installed ATMs remained the largest in the County of Zagreb and the City of Zagreb (accounting for 28.4% of all ATMs) where 18 banks had their ATMs. The County of Split-Dalmatia followed with the share of 10.9%. In all other counties, this share was below 10%. During 2005, four banks provided ATM services in all counties. Except for these banks, five banks had ATMs in more than 10 counties.

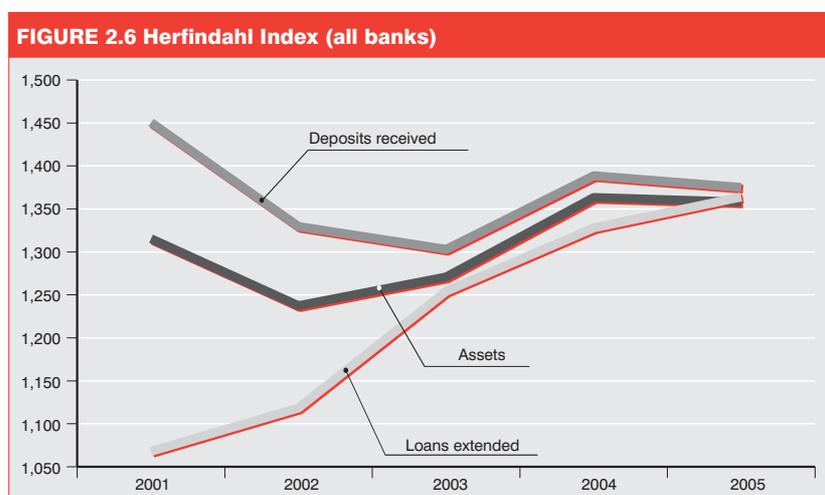
TABLE 2.3 Territorial Distribution of ATMs, end of period

Counties	Number of ATMs			
	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005
County of Zagreb and City of Zagreb	394	464	552	656
County of Krapina-Zagorje	23	27	32	36
County of Sisak-Moslavina	27	36	47	59
County of Karlovac	26	30	42	50
County of Varaždin	62	54	67	82
County of Koprivnica-Križevci	21	31	35	40
County of Bjelovar-Bilogora	28	39	45	53
County of Primorje-Gorski Kotar	149	177	199	224
County of Lika-Senj	17	22	24	33
County of Virovitica-Podravina	11	15	19	25
County of Požega-Slavonia	9	17	22	24
County of Slavonski Brod-Posavina	18	24	31	38
County of Zadar	53	67	92	114
County of Osijek-Baranya	58	74	87	110
County of Šibenik-Knin	35	61	65	80
County of Vukovar-Srijem	19	29	38	51
County of Split-Dalmatia	148	188	214	251
County of Istria	129	141	170	218
County of Dubrovnik-Neretva	59	64	74	97
County of Međimurje	44	51	58	66
Total	1330	1611	1913	2307

The concentration of two major banks' share of assets in total assets fell slightly at the end of 2005 compared with the end of 2004. Two major banks accounted for 42.8% of total assets at the end of 2005, while this ratio stood at 43.0% at the end of 2004. Concurrently, the concentration of their share of deposits in total deposit went up from 44.0% at the end of 2004 to 44.6% at the end of 2005 (Figure 2.5). However, the next three largest banks showed opposite trends: their share of assets in total assets went up from 31.3% to 31.7%, while their share in total deposits went down from 27.7% to 27.6%.



Both the concentration of assets and the concentration of deposits, as measured by the Herfindahl index, decreased slightly at the end of 2005 compared with the end of 2004, while the concentration of loans continued to rise (Figure 2.6). The Herfindahl index value for the concentration of loans rose to 1364 or by 36 points. The index value for the concentration of deposits fell by 13 points or to 1375, while the index value for the concentration of assets decreased by 5 or to 1358 points.



2.1.3 Banks' Balance Sheet

Regulatory changes in 2005 affected the structure of balance sheet items for 2005. In line with the amended and revised International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) banks have changed the way in which financial assets are reported as of 30 June 2005 in order to comply with financial reporting requirements.

Revised IAS 39	Earlier version of IAS 39
1. Financial assets and financial liabilities at fair value through profit or loss a) Financial assets and financial liabilities held for trading b) Entities are permitted to designate any financial asset or financial liability on initial recognition as one to be measured at fair value, with changes in fair value recognised in profit or loss (the so-called fair value option)	1. Financial assets and financial liabilities held for trading
2. Held-to-maturity investments	2. Held-to-maturity investments
3. Loans and receivables	3. Loans and receivables originated by an enterprise
4. Available-for-sale financial assets	4. Available-for-sale financial assets

For the purpose of data comparability, the table and figure items for the previous periods have been adjusted and shown in line with the new reporting format.

The regulatory changes introduced in 2005 resulted in the reduction in the minimum required coverage of foreign currency liabilities by foreign currency claims (from 35% to 32%⁴), the several-fold increase in the marginal reserve requirement allocation rate (from the initial 24% to 55%⁵), the increase in the minimum percentage for allocating the kuna component of reserve requirements (from 60% to 70%), the increase in the percentage of the calculated foreign currency reserve requirement that is included in the calculated kuna reserve requirement and allocated in kuna (from 42% to 50%) and the decrease in the reserve requirement rate from 18% to 17%.⁶ The year 2005 also saw the introduction of two new monetary policy instruments aimed at maintaining banking sector liquidity: regular reverse repo operations⁷ and the possibility of overnight deposits with the Croatian National Bank.⁸

Banks' assets totalled HRK 260.3bn on 31 December 2005, up HRK 31.0bn or 13.5% on a year before (Table 2.4). During the reference period, two banks from Group II and one bank from Group IV saw their assets decline, while other reported asset growth.

In line with the trend present for several years now, loans to other clients continued to grow in 2005, up 21.5% or HRK 26.2bn compared with the end of 2004. Their growth rate exceeded the growth rate of total assets, while their share in total assets went up from last year's 53.2% to 56.9% in 2005. The growth rate of money assets and deposits with the CNB also outpaced the growth of total assets (by 23.0%). For the most part, this was due to a 24.4% rise in deposits with the CNB, which was stimulated by the introduction of the marginal reserve requirement aimed at curbing foreign borrowing of banks.

4 Decision on the Minimum Required Amount of Foreign Currency Claims (Official Gazette 22/2005).

5 Decision on the Marginal Reserve Requirement (Official Gazette 99/2004, 22/2005, 64/2005, 136/2005 and 146/2005).

6 Decision on Reserve Requirements (Official Gazette 203/2003, 145/2004, 34/2005, 64/2005, 136/2005 and 146/2005).

7 Decision on the Terms of Granting Short-Term Loans on the Basis of Pledged Securities (Lombard Loan) (Official 34/2005).

8 Decision on the Deposit Facility with the Croatian National Bank (Official Gazette 34/2005).

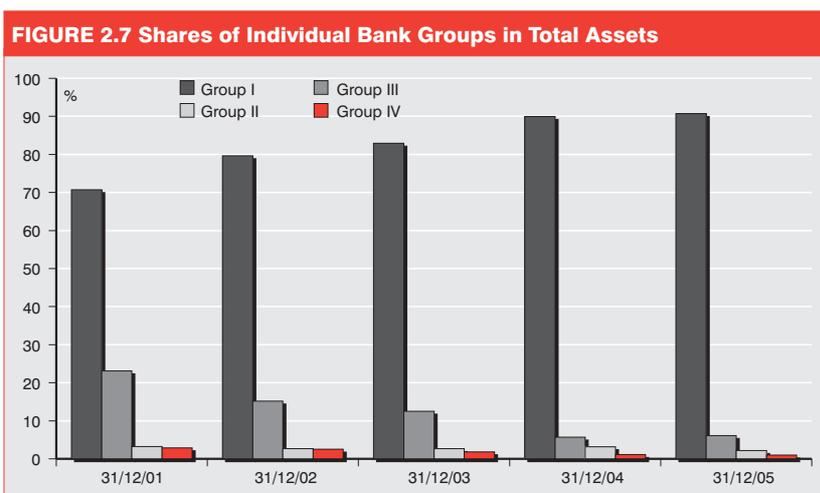
Total securities went up at a rate of 20.8%. The greatest increase of 95.7% year-on-year was seen in the item MoF T-bills, as a direct consequence of the introduction of open market operations. The portfolio of securities held for trading and available for sale increased by 22.0% in 2005 compared with 2004. As a result, its share in total assets rose from 7.2% to 7.7%. More than one-third of total securities and other financial instruments (35.6%) was accounted for by available-for-sale securities.

Deposits with banking institutions changed considerably at the end of 2005 compared with the end of 2004; they trended downwards by HRK 10.2bn or 30.6% which is to some extent attributed to the decrease in the required coverage rate between foreign currency liabilities and foreign currency claims. Due to a significant nominal increase, their share in total assets also fell, from 14.5% at the end of 2004 to 8.9% at the end of 2005.

Group I share of assets in total bank assets continued on its upward trend in 2005 (Figure 2.7). Due to a 14.5% increase in assets at the end of 2005 compared with the end of 2004, this group's share of assets in total bank assets rose to 90.8% or by 0.8 percentage points. The assets of Group II banks grew by 31.2% over the reference period, while their share in total bank assets went up by 0.4 percentage points and reached 6.1%. In contrast, assets fell in other two groups of banks: by 22.6% in Group III banks, accounting for 2.2% of total bank assets, and by 2.4% in Group IV banks, accounting for somewhat less than 1.0% of total bank assets.

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

	Dec. 2002		Dec. 2003			Dec. 2004			Dec. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	21,387.9	12.3	28,002.6	13.7	30.9	34,891.3	15.2	24.6	42,900.8	16.5	23.0
1.1. Money assets	2,236.9	1.3	2,955.6	1.4	32.1	3,062.1	1.3	3.6	3,347.1	1.3	9.3
1.2. Deposits with the CNB	19,151.0	11.0	25,047.0	12.3	30.8	31,829.2	13.9	27.1	39,553.7	15.2	24.3
2. Deposits with banking institutions	20,146.2	11.6	31,186.6	15.3	54.8	33,351.2	14.5	6.9	23,155.9	8.9	-30.6
3. MoF treasury bills and CNB bills	10,116.7	5.8	7,820.7	3.8	-22.7	3,580.6	1.6	-54.2	7,007.2	2.7	95.7
4. Securities and other financial instruments held for trading and available for sale	9,023.2	5.2	7,784.9	3.8	-13.7	16,484.7	7.2	111.8	20,145.7	7.7	22.2
4.1. Securities and other financial instruments held for trading	0.0	0.0	0.0	0.0	0.0	6,566.1	2.9	-	8,285.5	3.2	26.2
4.2. Securities and other financial instruments available for sale	0.0	0.0	0.0	0.0	0.0	9,918.6	4.3	-	11,860.2	4.6	19.6
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	12,531.7	7.2	10,773.3	5.3	-14.0	7,551.6	3.3	-29.9	5,106.0	2.0	-32.4
5.1. Securities and other financial instruments held to maturity	0.0	0.0	0.0	0.0	0.0	6,557.3	2.9	-	5,106.0	2.0	-22.1
5.2. Securities and other financial instruments bought on issue directly from the issuer	0.0	0.0	0.0	0.0	0.0	994.3	0.4	-	0.0	0.0	-
6. Securities and other financial instruments not traded in active markets but carried at fair value	-	-	-	-	-	-	-	-	1,101.4	0.4	-
7. Derivative financial assets	0.0	0.0	0.0	0.0	0.0	152.0	0.1	-	147.3	0.1	-3.1
8. Loans to financial institutions	2,157.8	1.2	3,057.0	1.5	41.7	3,289.5	1.4	7.6	3,867.3	1.5	17.6
9. Loans to other clients	89,673.9	51.5	106,730.6	52.3	19.0	121,912.6	53.2	14.2	148,092.5	56.9	21.5
10. Investments in subsidiaries and associates	2,448.2	1.4	2,456.0	1.2	0.3	1,687.5	0.7	-31.3	1,563.9	0.6	-7.3
11. Foreclosed and repossessed assets	375.4	0.2	355.4	0.2	-5.3	358.1	0.2	0.7	356.3	0.1	-0.5
12. Tangible assets (net of depreciation)	3,755.4	2.2	4,094.6	2.0	9.0	3,786.9	1.7	-7.5	4,198.8	1.6	10.9
13. Interest, fees and other assets	4,042.3	2.3	3,603.6	1.8	-10.9	4,255.4	1.9	18.1	4,905.3	1.9	15.3
14. Net of: Specific reserves for unidentified losses	1,519.4	0.9	1,750.2	0.9	15.2	1,996.1	0.9	14.0	2,263.1	0.9	13.4
TOTAL ASSETS	174,139.2	100.0	204,115.0	100.0	17.2	229,305.2	100.0	12.3	260,285.2	100.0	13.5

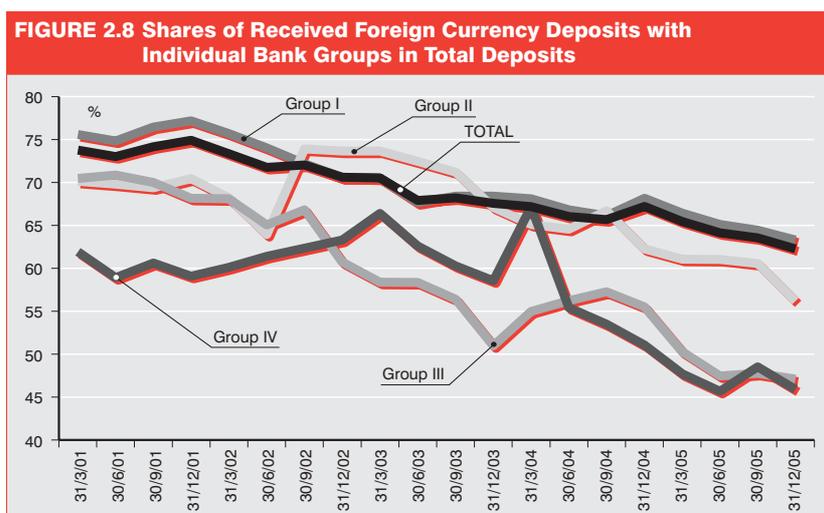


Received deposits by banks totalled HRK 171.7bn at the end of 2005, continuing on their upward trend. This increase notwithstanding, their share in total bank liabilities fell from 67.7% at the end of 2004 to 66.0% at the end of 2005 (Table 2.5). Within the structure of deposits, all other items trended upwards during the reference period, while the growth in time deposits (by HRK 119.bn or 11.4%) made the largest contribution to the increase in total deposits.

The share of foreign currency deposits in total deposits continued to trend downward in the reference period. Foreign currency deposits of banks accounted for 62.3% of total deposits at the end of 2005, which is a decrease of 4.9 percentage points compared with the end of 2004 (Figure 2.8). Like at the end of 2004, deposits denominated in foreign currency accounted for a major part of savings deposits, and foreign currency savings deposits accounted for 90.4% of total savings deposits. However, their share in total savings deposits went down by 0.7 percentage points. The share of foreign currency time deposits in total time deposits stood at 70.6% at the end of 2005, down 6.3% on a year before. Almost all deposits in giro and current accounts were denominated in kuna. Hence, the share of giro and current account deposits denominated in foreign currency stood at 3.9%.

The decrease in the share of foreign currency deposits in total received deposits was observed in all groups of banks at the end of 2005. The share of foreign currency deposits in total deposits fell the most in Group III banks (by 8.4 percentage points) and Group II banks (by 6.1 percentage points). Group IV remained the group of banks with the smallest share of foreign currency deposits in total deposits (45.9%), while the largest share was accounted for by Group I banks (63.3%). Group II and Group III banks followed with the shares of 56.2% and 47.1%, respectively.

Total received loans continued to trend upwards in 2005. After growing by HRK 10.2bn (or 25.6%) in 2005, received loans reached the level of HRK 50.0bn. During the reference period, the share of received loans in total liabilities grew from 17.4% to 19.2%. Loans received from non-residents, although accounting for a smaller share at the end of 2005 than at the end of 2004 (71.2% vs. 77.0%), remained the major item in total received loans. This is attributed to their increase of 16.2%, which, however, was lower than that of total received loans. Group I banks accounted for the largest share of total received loans from non-residents (95.3%). The share of loans from foreign owners in total received loans also trended upward in the reference period, from 30.5% to 35.4%. In addition, almost



all loans received from foreign owners, 92.1%, were loans extended to banks from Group I.

Issued long-term debt securities stood at HRK 3.4bn at the end of 2005, down 3.9% compared with the end of 2004. Issued subordinated and hybrid instruments fell by 5.8% and 46.0%, respectively, due to the restructuring of capital and regulatory capital and the transformation of these instruments into share capital.⁹

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

	Dec. 2002		Dec. 2003			Dec. 2004			Dec. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	4,084.6	2.3	7,112.9	3.5	74.1	8,462.0	3.7	19.0	13,844.2	5.3	63.6
1.1. Short-term loans	1,184.4	0.7	3,689.1	1.8	211.5	3,592.1	1.6	-2.6	7,346.5	2.8	104.5
1.2. Long-term loans	2,900.2	1.7	3,423.8	1.7	18.1	4,869.9	2.1	42.2	6,497.7	2.5	33.4
2. Deposits	124,471.8	71.5	143,692.8	70.4	15.4	155,277.9	67.7	8.1	171,742.0	66.0	10.6
2.1. Giro account and current account deposits	23,272.3	13.4	25,285.1	12.4	8.6	25,561.2	11.1	1.1	29,175.2	11.2	14.1
2.2. Savings deposits	23,980.0	13.8	24,770.7	12.1	3.3	25,223.3	11.0	1.8	26,124.5	10.0	3.6
2.3. Time deposits	77,219.6	44.3	93,637.0	45.9	21.3	104,493.4	45.6	11.6	116,442.2	44.7	11.4
3. Other loans	19,492.6	11.2	25,080.3	12.3	28.7	31,368.3	13.7	25.1	36,191.2	13.9	15.4
3.1. Short-term loans	4,451.2	2.6	3,429.0	1.7	-23.0	5,265.3	2.3	53.6	8,213.9	3.2	56.0
3.2. Long-term loans	15,041.4	8.6	21,651.3	10.6	43.9	26,103.0	11.4	20.6	27,977.3	10.7	7.2
4. Derivative financial liabilities and other financial liabilities held for trading	0.0	0.0	0.0	0.0	0.0	238.8	0.1	-	223.7	0.1	-6.3
5. Debt securities issued	24.7	0.0	97.0	0.0	292.1	3,535.1	1.5	3,543.9	3,396.9	1.3	-3.9
5.1. Short-term debt securities issued	5.2	0.0	0.0	0.0	-100.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2. Long-term debt securities issued	19.6	0.0	97.0	0.0	395.3	3,535.1	1.5	3,543.9	3,396.9	1.3	-3.9
6. Subordinated instruments issued	641.3	0.4	813.6	0.4	26.9	818.3	0.4	0.6	770.7	0.3	-5.8
7. Hybrid instruments issued	2,268.9	1.3	2,261.6	1.1	-0.3	1,642.8	0.7	-27.4	886.6	0.3	-46.0
8. Interest, fees and other liabilities	6,646.4	3.8	6,899.4	3.4	3.8	8,280.3	3.6	20.0	9,774.3	3.8	18.0
TOTAL LIABILITIES	157,630.4	90.5	185,957.6	91.1	18.0	209,623.4	91.4	12.7	236,829.7	91.0	13.0
TOTAL CAPITAL	16,508.8	9.5	18,157.3	8.9	10.0	19,681.8	8.6	8.4	23,455.6	9.0	19.2
TOTAL LIABILITIES AND CAPITAL	174,139.2	100.0	204,115.0	100.0	17.2	229,305.2	100.0	12.3	260,285.2	100.0	13.5

⁹ Three banks from Group I.

2.1.4 Banks' Capital

Banks' capital totalled HRK 23.5bn on 31 December 2005, rising by HRK 3.8bn or 19.2% compared with 31 December 2004 (Table 2.6). This was due to the increase in current year profit of HRK 3.2bn and the increase in share capital of HRK 1.4bn that was mostly generated through the transformation of subordinate and hybrid instruments into share capital (about 3/4) and the issuance of ordinary and preference shares.

The 2004 income distribution and the payment of HRK 1bn worth of dividends to shareholders increased the reserves provided for by the articles of association and other capital reserves by HRK 1.4bn and the retained earnings by HRK 0.6bn. Thus, as shown by end-of-year figures, the structure of total capital changed as well, with the share capital falling from 51.4% to 49.1% and the current year profit from 15.4% to 13.9%. The share of total reserves provided for by the articles of association and other capital reserves rose from 19.9% to 22.9%, and that of retained earnings from 9.6% to 10.7%.

Eight banks contributed to the increase in total share capital. Following the review of the peer groups of banks to which these eight banks are assigned, it may be concluded that during the reference period the share capital was higher in Groups I, II and IV.

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

	Dec. 2002		Dec. 2003			Dec. 2004			Dec. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	9,772.1	59.2	9,945.6	54.8	1.8	10,113.1	51.4	1.7	11,523.3	49.1	13.9
2. Current year profit/loss	1,925.5	11.7	2,351.6	13.0	22.1	3,036.8	15.4	29.1	3,259.9	13.9	7.3
3. Retained earnings (loss)	860.3	5.2	1,415.0	7.8	64.5	1,899.0	9.6	34.2	2,499.9	10.7	31.6
4. Legal reserves	583.5	3.5	711.2	3.9	21.9	718.1	3.6	1.0	798.4	3.4	11.2
5. Total reserves provided for by the articles of association and other capital reserves	3,367.4	20.4	3,824.0	21.1	13.6	3,915.5	19.9	2.4	5,373.9	22.9	37.2
5.1. Reserves provided for by the articles of association and other capital reserves	0.0	0.0	0.0	0.0	0.0	3,918.2	19.9	-	5,350.4	22.8	36.6
5.2. Unrealised gains/losses on value adjustment of financial assets available for sale	0.0	0.0	0.0	0.0	0.0	-2.8	0.0	-	23.5	0.1	-955.1
5.3. Reserves arising from hedging transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Previous year profit/loss	0.0	0.0	-90.1	-0.5	0.0	-0.7	0.0	-99.2	0.2	0.0	-132.2
TOTAL CAPITAL	16,508.8	100.0	18,157.3	100.0	10.0	19,681.8	100.0	8.4	23,455.6	100.0	19.2

Group I banks accounted for the largest share of total bank capital at the end of 2005, 87.8%. Group II, III and IV banks followed with the shares of 6.2%, 3.8% and 2.2%, respectively. The comparison between the groups of banks' shares in capital and in total assets indicates, *inter alia*, increased efficiency in the use of the capital. Hence, Group I and Group II banks had lower shares in capital than in total assets, which suggests that they use relatively lower amounts of capital for the financing of their assets.

Total regulatory capital of banks amounted to HRK 24.6bn at the end of 2005, up 16.7% compared with its balance on 31 December 2004 (Table 2.7). This is attributed to a HRK 3.9bn increase in core capital at the end of 2005 compared with the end of 2004. Moreover, the increase in reserves made from after-tax profit and the increase in paid-in ordinary shares contributed equally to the growth in

core capital (HRK 1.3bn each).

Following the year-on-year increase in regulatory capital of 19.5%, Group I banks accounted for the largest share of total regulatory capital at the end of 2005 (88.1%). During the reference period, the regulatory capital also grew in Group II banks, by 26.7%. However, it fell by 20.8% and 19.7% respectively in Group III and IV banks (due to the change in Group III composition¹⁰ and a substantial negative operating result posted by one bank from Group IV). The registered increases/decreases in the level of regulatory capital in the peer groups of banks also resulted in the change of their shares in total regulatory capital. Accordingly, the shares of Group I and Group II grew by 1.4 percentage points and 0.3 percentage points, respectively, while those of Group III and Group IV fell by 1.2 percentage points and 0.4 percentage points, respectively.

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

	Dec. 2002		Dec. 2003			Dec. 2004			Dec. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Group I	11,776.2	70.0	14,423.4	74.8	22.5	18,157.6	86.0	25.9	21,703.7	88.1	19.5
Group II	3,276.0	19.5	3,150.0	16.3	-3.8	1,239.4	5.9	-60.7	1,569.9	6.4	26.7
Group III	793.2	4.7	987.7	5.1	24.5	1,107.3	5.2	12.1	877.2	3.6	-20.8
Group IV	965.8	5.7	710.9	3.7	-26.4	611.7	2.9	-14.0	491.3	2.0	-19.7
Total	16,811.2	100.0	19,272.0	100.0	14.6	21,115.9	100.0	9.6	24,642.1	100.0	16.7

The upward trend in core capital (net of items deducted from gross regulatory capital) continued into 2005. As a result, the share of core capital rose from 81.7% at the end of 2004 to 85.8% at the end of 2005. Supplementary capital I went down by HRK 428m in the reference period due to the transformation of hybrid and subordinated instruments into ordinary shares (supplementary capital constitutes an integral part of regulatory capital). Hence, its share in gross regulatory capital also fell, from 18.3% at the end of 2004 to 14.2% at the end of 2005. In addition, supplementary capital II continued to account for a negligible share of 0.03%.

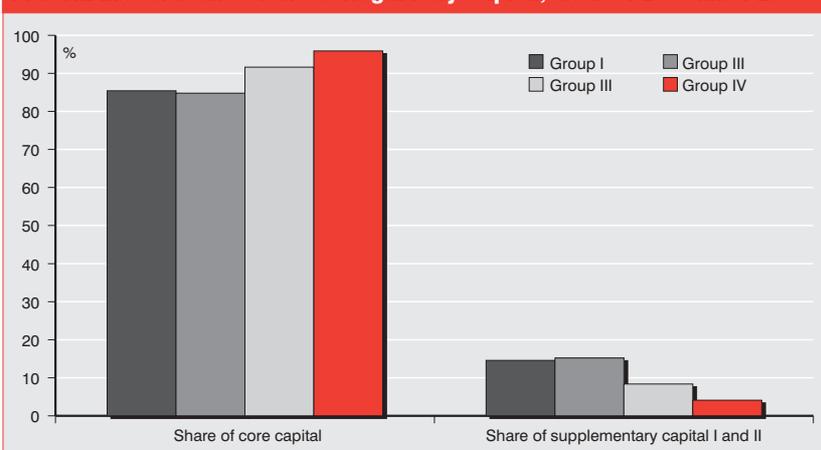
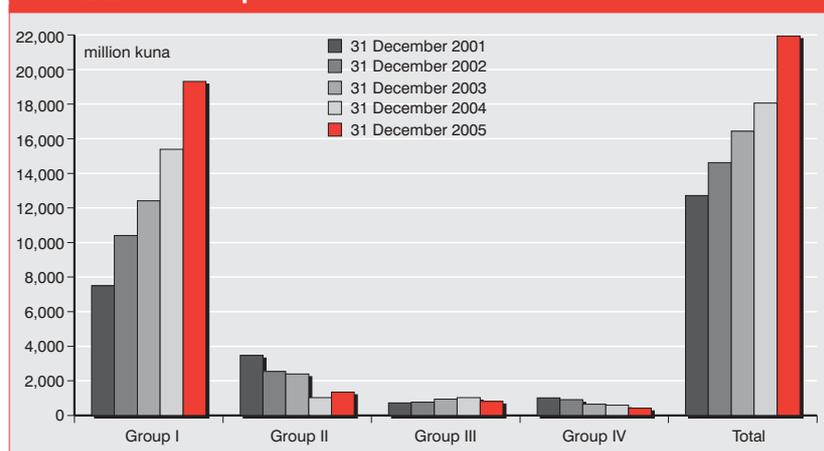
Group IV banks had the largest share of core capital in gross regulatory capital (95.9%). Group III, Group II and Group I banks followed with the shares of 91.6%, 84.8% and 85.4%, respectively (Figure 2.9). Gross regulatory capital totalled HRK 25.6bn at the end of 2005, up 15.7% compared with its level at the end of 2004.

At the end of 2005, total core capital (net of deduction items) amounted to HRK 21.9bn, an increase of 21.5% compared with the end of 2004. Core capital went up in Group I and Group II banks by 25.4% and 30.2%, respectively, but it went down in Group III and IV banks, by 21.9% and 20.2%, respectively (Figure 2.10).

At the end of 2005, ten banks allocated HRK 231.9m to reserves for general bank risks in accordance with the Decision on the Classification of Placements and Contingent Liabilities of Banks.¹¹ Banks

¹⁰ Following the growth in their assets, two banks moved into Group II, while one bank from Group II merged with one bank from Group I.

¹¹ Official Gazette 17/2003.

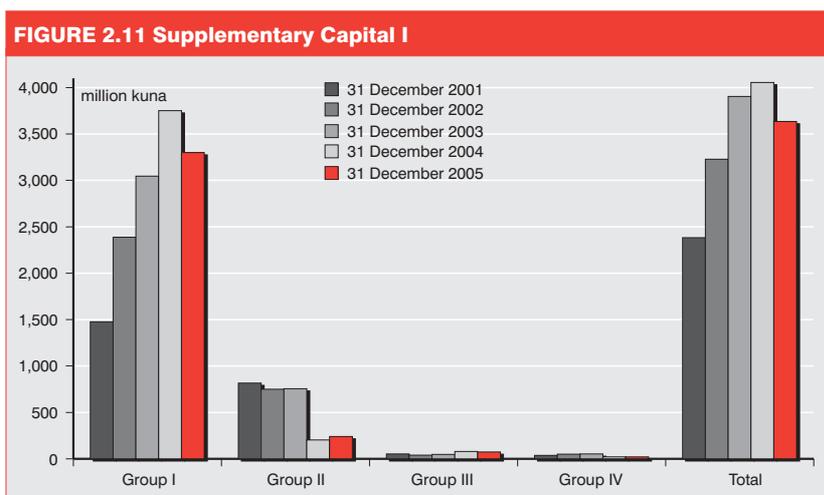
FIGURE 2.9 Structure of Gross Regulatory Capital, as at 31 December 2005**FIGURE 2.10 Core Capital**

which record in the current year (according to the audited annual report) a growth of more than 20 % in particular positions of assets and particular positions of off-balance sheet contingent liabilities compared to the balance at the end of the previous year are required to form and maintain reserves for general bank risks. In addition, these reserves are to be maintained for the period of three years, provided that the continuous exposure growth during this period does not exceed 20% at the annual level.

Of the total amount of reserves for general bank risks, 96.7% were allocated by five banks from Group I, two banks from Group II and two banks from Group III. Only one bank from Group IV had to set aside these reserves.

Total supplementary capital, which is included in regulatory capital, was made up of the supplementary capital I, amounting to 99.8%, and of the supplementary capital II, amounting to only 0.2%.

Total supplementary capital amounted to HRK 4.2bn at the end of 2005. Of this amount, HRK 3.6bn were included in regulatory capital (Figure 2.11). Supplementary capital I was mostly made up of capital

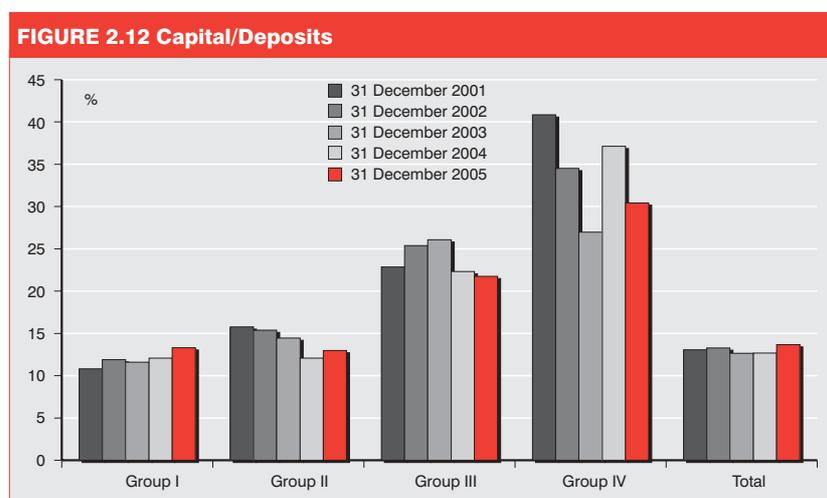


of Group I banks, accounting for 90.6% of total supplementary capital (supplementary capital I and II).

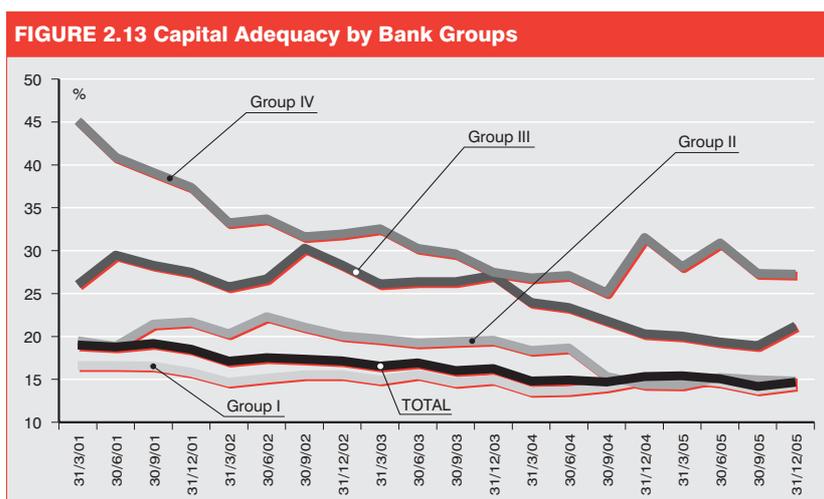
Supplementary capital II remained negligible at the end of 2005, amounting to HRK 11.4m. In accordance with the regulation currently in force, only HRK 7.3m were used in the calculation of regulatory capital.

Total capital to deposit ratio was one percentage points higher on 31 December 2005 (13.7%) than on 31 December 2004 (12.7%). This was due to faster growth in capital (19.2%) and slower increase in deposits (10.6%). Total capital to deposit ratio grew in Groups I and II, and fell in Groups III and IV (Figure 2.12).

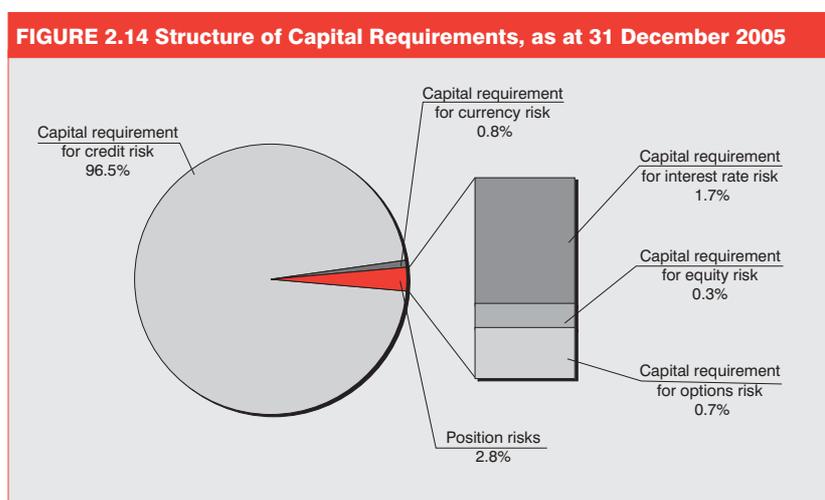
Banks' capital adequacy ratio stood at 14.65% at the end of 2005, down 0.7 percentage points compared with the end of 2004. Despite the growth in supplementary capital of 16.7%, the capital adequacy ratio was lower in the reference year than in 2004. This is attributed to stronger growth in



risk-weighted assets and off-balance sheet risky items (i.e. capital requirement for credit risk) and other capital requirements (i.e. requirement for position risks and interest rate risk) (23.3%). Broken down by peer groups of banks, the capital adequacy ratio rose to 14.80% and 21.23% in Group II and III banks, i.e. by 0.4 percentage points and 0.9 percentage points, respectively. The capital adequacy ratio of Group I banks fell by 0.6 percentage points and stood at 14.32% at the end of 2005. In Group IV banks, it diminished by 4.3 percentage points, reaching a value of 27.24%.



Overall capital requirements were 22.3% higher at the end of 2005 than at the end of 2004, amounting to HRK 16.8bn. The capital requirement for credit risk stood at 96.5%, accounting for the largest share of overall capital requirements (Figure 2.14). Capital requirements for position risks and currency risk stood at 2.7% and 0.8%, respectively, at the end of the reference period. The capital requirement for counterparty risk stood at a modest HRK 1.9m at the end of 2005 and was reported by four banks from Group I. As at the end of 2004, none of the banks reported the exposure to commodity risk, settlement risk and risk of exceeding the permissible exposure limits.



2.1.5 Income Statement

Income before taxes stood at HRK 4042.3m at the end of 2005, up 11.2% over the end of 2004 (Table 2.8). Of the total number of banks, 33 banks earned income before taxes of HRK 4092.7m, while only one posted losses in the total amount of HRK 50.4m.

Total net interest income went up by HRK 567m (8.8%), with total interest income improving by HRK 1112.7m. Total interest expenses grew by HRK 545.7m. In addition, total income from commissions and fees grew by HRK 240.2m or 7.8%, while total expenses on commissions and fees fell by HRK 53.1m or 3.7%. Hence, total net income from commissions and fees rose by 17.8%.

General administrative expenses and depreciation went up by HRK 372.4m or 7.4%, while net other non-interest income and total expenses on loss provisions went down by HRK 173.3m or 14.1% and HRK 93.4m or 15.1%, respectively.

Loss before taxes in the amount of HRK 50.4m was reported by one bank from Group IV (the bank was sold in 2005 and merged with one bank from Group II in the first half of 2006). This bank's share of assets accounts for 0.14% of total bank assets. Due to the loss reported by one bank which belongs to the group of the smallest banks in the market, the group as a whole reported loss before taxes of HRK 2.6m. All other groups of banks reported income before taxes, whereas income before taxes of Group III banks was lower than that reported at the end of 2004.

TABLE 2.8 Income Statement, in million kuna

	Group I		Group II		Group III		Group IV		Total	
	Jan.–Dec. 2004	Jan.–Dec. 2005								
1. Net interest income	5,579.5	6,157.7	411.2	512.3	310.8	236.7	136.7	98.5	6,438.2	7,005.2
1.1. Total interest income	10,279.9	11,395.9	749.6	921.9	543.2	428.6	229.7	168.9	11,802.5	12,915.2
1.2. Total interest expenses	4,700.5	5,238.2	338.4	409.5	232.4	191.9	93.1	70.4	5,364.3	5,910.0
2. Net income from commissions and fees	1,467.9	1,742.1	91.3	128.3	65.0	50.1	20.5	17.6	1,644.8	1,938.1
2.1. Total income from commissions and fees	2,777.8	3,007.2	155.2	200.3	110.5	83.0	39.4	32.6	3,082.9	3,323.1
2.2. Total expenses on commissions and fees	1,309.8	1,265.1	63.9	72.0	45.5	32.9	18.9	15.1	1,438.1	1,385.0
3. Net other non-interest income	1,048.0	884.6	95.1	101.5	59.7	38.5	24.4	29.3	1,227.3	1,054.0
3.1. Other non-interest income	1,548.2	1,497.0	142.1	156.9	103.8	73.0	51.8	46.1	1,846.0	1,773.0
3.2. Other non-interest expenses	500.2	612.5	47.0	55.3	44.1	34.4	27.5	16.8	618.8	719.0
4. Net non-interest income	2,515.9	2,626.7	186.5	229.8	124.8	88.6	44.9	46.9	2,872.0	2,992.1
5. General administrative expenses and depreciation	4,217.7	4,598.3	426.1	520.6	249.1	196.9	164.8	114.2	5,057.7	5,430.1
6. Net operating income before loss provisions	3,877.7	4,186.1	171.7	221.6	186.5	128.4	16.8	31.2	4,252.6	4,567.2
7. Total expenses on loss provisions	470.7	428.3	54.8	36.8	55.9	26.0	36.9	33.8	618.3	524.9
7.1. Expenses on value adjustment and provisions for identified losses	250.6	110.3	41.2	21.9	65.3	20.4	45.0	33.8	402.1	186.3
7.2. Expenses on provisions for unidentified losses	220.1	318.1	13.6	15.0	-9.4	5.6	-8.1	-0.1	216.2	338.6
8. Income/loss before taxes	3,407.0	3,757.7	116.9	184.8	130.5	102.4	-20.1	-2.6	3,634.3	4,042.3
9. Income tax	546.6	718.6	21.4	35.7	24.3	19.3	5.2	8.8	597.4	782.4
10. Current year profit/loss	2,860.4	3,039.1	95.5	149.1	106.3	83.1	-25.3	-11.3	3,036.8	3,259.9

Income before taxes of Group I banks totalled HRK 3757.7m at the end of 2005, up 9.3% compared with the end of 2004. Income before taxes of Group I banks accounted for as much as 93% of total income before taxes. Its growth is attributed to the increases in net interest income (10.4%), net income from commissions and fees (18.7%) and net other non-interest income (4.4%) and to the decrease in total expenses on loss provisions (9.0%). General administrative expenses and depreciation (up HRK 380.6m or 9.0%) was the only item that contributed to the decrease in income before taxes. Trends observed in Group I banks in 2005 were in part also affected by the mergers between banks from other groups of banks.

Almost all income statement items of Group II banks showed positive trends in 2005: total net interest income went up by 24.6%, total net income from commissions and fees by 40.4% and total net other non-interest income by 6.7%. Expenses on loss provisions fell by 32.7%. As a result, income before taxes of this group of banks rose by a considerable 58.1% at the end of 2005 compared with the end of 2004, reaching HRK 184.8m. General administrative expenses and depreciation also grew during the reference period, by 22.2%. Positive trends in this group of banks may, *inter alia*, be attributed to the increase in the number of banks by two.

As a result, trends observed in Group III banks were mostly negative: total net interest income fell by HRK 23.8m, total net income from commissions and fees by 23.0% and total net other non-interest income by 35.5%. Following these negative developments, which could not be offset by a 20.9% decrease in general administrative expenses and depreciation and a 53.6% decrease in expenses on loss provisions, income before taxes of Group III banks was 21.6% lower at the end of 2005 than at the end of 2004. To a certain extent, these developments were also brought about by the changes in the composition of Group III.

Group IV was the only group that reported loss before taxes of HRK 2.6m at the end 2005, which is an improvement in relation to the end of 2004 when its loss before taxes stood at HRK 20.1m. The positive changes in this group of banks are attributed to the reduction in the number of banks by two. More specifically, these two banks recorded negative operating results in previous periods: one of them merged with a bank from Group I, while the other initiated winding-up proceedings. During the reference period, the operating results of this group of banks, and especially its expenses on loss provisions, were largely influenced by the bank which reported a substantial loss before taxes (HRK 50.4m). Unfortunately, positive operating results of other banks in the group were not sufficient to cover the amount of reported loss. Its net interest income grew by 8.8% and net income from commission and fees by 17.8%. In contrast, expenses on loss provisions and net other non-interest income fell by 15.1% and 14.1%, respectively. The growth in general administrative expenses and depreciation stood at 7.4%.

The structure of total income, as shown in Table 2.9, underwent no massive changes at the end of 2005 compared with 2004. The most important source of income – interest income – went up by 1.2 percentage points. This was due to the increase in interest income from extended loans whose share in total income also rose, by 2.1 percentage points. In addition, the share of income from commissions and fees grew by a negligible 0.1 percentage point, while the share of other non-interest income went down by 1.2 percentage points during the reference period. Among items of other non-interest income, the largest decrease was seen in the share of income from investments in subsidiaries and associates (1.3 percentage points).

TABLE 2.9 Structure of Income, in %

	Group I		Group II		Group III		Group IV		Total	
	Jan.-Dec. 2004	Jan.-Dec. 2005								
1. INTEREST INCOME	70.4	71.7	71.6	72.1	71.7	73.3	71.6	68.2	70.5	71.7
1.1. Interest on loans and placements	56.3	58.7	59.7	61.0	63.9	65.3	59.9	57.2	57.0	59.1
1.2. Interest income from deposits	5.7	5.0	5.3	4.9	2.9	2.9	3.8	3.1	5.5	4.9
1.3. Interest income from debt securities	7.7	7.6	6.0	5.9	4.0	4.3	7.6	7.3	7.4	7.4
1.4. Net balances on exchange rate fluctuations related to interest income	0.0	-0.1	0.0	-0.1	0.0	0.0	0.3	0.2	0.0	-0.1
1.5. Interest income from previous years	0.3	0.3	0.6	0.4	0.9	0.8	0.0	0.3	0.3	0.3
2. NET INTEREST INCOME	38.2	38.7	39.3	40.1	41.0	40.5	42.6	39.8	38.5	38.9
3. INCOME FROM COMMISSIONS AND FEES	19.0	18.9	14.8	15.7	14.6	14.2	12.3	13.2	18.4	18.5
3.1. Income from fees for payment operation services	11.2	10.5	7.2	7.3	9.1	7.7	7.3	6.8	10.8	10.1
3.2. Income from fees for other banking services	7.8	8.4	7.6	8.4	5.5	6.5	5.0	6.3	7.6	8.3
3.3. Net balances on exchange rate fluctuations related to claims based on fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. NET INCOME FROM COMMISSIONS AND FEES	10.1	11.0	8.7	10.0	8.6	8.6	6.4	7.1	9.8	10.8
5. OTHER NON-INTEREST INCOME	10.6	9.4	13.6	12.3	13.7	12.5	16.2	18.6	11.0	9.8
5.1. Gains/losses from investment in subsidiaries, associates and joint ventures	0.2	0.0	-0.1	0.0	-0.2	-0.9	0.0	0.0	0.1	0.0
5.2. Gains/losses from trading activities	5.6	6.6	6.0	6.1	9.1	7.5	10.8	7.9	5.9	6.6
5.3. Gains/losses from activities related to assets available for sale	0.2	0.3	2.4	2.4	0.4	0.8	-0.5	-0.5	0.4	0.5
5.4. Gains/losses from activities related to assets held to maturity	0.0	0.0	0.0	0.0	0.2	0.0	0.0	-0.1	0.0	0.0
5.5. Gains/losses from hedging transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0
5.6. Income from investments in subsidiaries and associates	2.4	0.9	0.2	0.0	0.0	0.0	0.0	0.0	2.1	0.8
5.7. Income from other equity investments	0.0	0.0	0.5	0.1	0.0	0.0	0.1	0.0	0.1	0.1
5.8. Gains/losses from calculated exchange rate differentials	0.2	-1.3	0.2	0.3	-0.4	0.1	-0.7	-0.4	0.1	-1.1
5.9. Other income	1.9	2.4	3.9	1.6	1.3	1.5	1.6	8.9	2.0	2.4
5.10. Extraordinary income	0.1	0.0	0.5	0.5	3.3	3.3	4.6	2.8	0.3	0.2
6. NET NON-INTEREST INCOME	17.2	16.5	17.8	18.0	16.5	15.2	14.0	19.0	17.2	16.6
7. NET OPERATING INCOME BEFORE LOSS PROVISIONS	26.5	26.3	16.4	17.3	24.6	22.0	5.2	12.6	25.4	25.4
TOTAL INCOME	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The increase in the share of interest income in total income was brought about by the increase in the share of interest income in total income in Group I, Group II and Group III banks (by 1.3 percentage points, 0.5 percentage points and 1.6 percentage points, respectively). In contrast, this share fell by 3.4 percentage points in Group IV banks. The income from commissions and fees changed only slightly in the reference period. However, their growth was the highest in Group IV banks (by 0.9 percentage points) and in Group II banks (by 0.8 percentage points). Income from commissions and fees fell in Group III banks and Group I banks by 0.4 percentage points and 0.1 percentage points, respectively. During the reference period, the share of other non-interest income in total income went up only in Group IV banks (by 2.5 percentage points), while it fell by approximately the same percentage (1.2 percentage points) in all other groups of banks.

The structure of total expenses at the end of 2005 showed a noticeable increase in the shares of interest expenses (by 1.3 percentage points), other non-interest expenses (by 0.5 percentage points) and general administrative expenses and depreciation (by 0.3 percentage points). Compared with the same period last year, the shares of expenses on loss provisions and expenses on commissions and fees

TABLE 2.10 Structure of Expenses, in %

	Group I		Group II		Group III		Group IV		Total	
	Jan.-Dec. 2004	Jan.-Dec. 2005								
1. INTEREST EXPENSES	42.0	43.1	36.4	37.4	37.1	39.8	27.3	28.1	41.0	42.3
1.1. Interest expenses on borrowings	9.0	9.5	6.5	6.3	3.3	2.0	3.1	3.8	8.4	8.9
1.2. Interest expenses on deposits	27.8	29.2	26.4	28.9	31.3	35.8	22.6	23.1	27.8	29.3
1.3. Interest expenses on debt securities	1.6	1.9	0.4	0.4	0.3	0.6	0.1	0.0	1.4	1.7
1.4. Premiums for the insurance of savings deposits	2.7	2.0	2.9	2.0	1.9	1.5	1.4	1.2	2.6	2.0
1.5. Net balances on exchange rate fluctuations related to interest expenses	0.0	-0.2	0.1	-0.1	0.0	-0.2	0.0	0.0	0.0	-0.2
1.6. Interest expenses from previous years	0.0	0.1	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.1
2. EXPENSES ON COMMISSIONS AND FEES	11.7	10.4	6.9	6.6	7.3	6.8	5.5	6.0	11.0	9.9
2.1. Expenses on fees/commissions for banking services	11.7	10.4	6.9	6.6	7.3	6.8	5.5	6.0	11.0	9.9
2.2. Net balances on exchange rate fluctuations related to liabilities based on fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. OTHER NON-INTEREST EXPENSES	4.5	5.0	5.1	5.1	7.0	7.1	8.1	6.7	4.7	5.1
3.1. Other expenses	4.4	5.0	5.0	5.0	4.6	6.9	6.4	4.9	4.5	5.1
3.2. Extraordinary expenses	0.0	0.0	0.1	0.1	2.4	0.2	1.7	1.8	0.2	0.1
4. GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION	37.7	37.9	45.8	47.6	39.7	40.8	48.3	45.7	38.6	38.9
4.1. Expenses for employees	18.8	19.2	22.3	23.8	19.6	19.2	25.3	26.2	19.3	19.7
4.2. Depreciation	6.0	5.4	5.0	5.3	5.8	6.9	4.6	5.1	5.8	5.4
4.3. Other administrative expenses	12.9	13.3	18.5	18.5	14.2	14.7	18.4	14.3	13.5	13.8
5. LOSS PROVISION EXPENSES	4.2	3.5	5.9	3.4	8.9	5.4	10.8	13.5	4.7	3.8
5.1. Expenses on value adjustment and provisions for identified losses	2.2	0.9	4.4	2.0	10.4	4.2	13.2	13.5	3.1	1.3
5.2. Expenses on unidentified loss provisions	2.0	2.6	1.5	1.4	-1.5	1.2	-2.4	0.0	1.7	2.4
TOTAL EXPENSES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

fell by 0.9 percentage points and 1.1 percentage points, respectively (Table 2.10). Among items of interest expenses, interest expenses on deposits accounted for the largest share of total expenses (1.5 percentage points). The largest fall in the share of expenses in total expenses was accounted for by value adjustments and provisions for identified losses (1.7 percentage points).

The structure of expenses of Group I banks at the end of 2005 closely resembled to that seen at the end of 2004. Interest expenses rose by 1.2 percentage points, accounting for the largest share of total expenses. This was mostly due to the increase in interest expenses on deposits. In addition, other non-interest expenses and general administrative expenses and depreciation accounted for larger shares of 0.6 percentage points and 0.2 percentage points, respectively, while expenses on loss provisions and expenses on commission and fees accounted for smaller shares of 0.7 percentage points and 1.3 percentage points, respectively.

The share of general administrative expenses and depreciation grew the most in the structure of expenses of Group II banks at the end of 2005 (by 1.8 percentage points). For the most part, this is attributed to expenses for employees and interest expenses of 1.0 percentage point. In contrast, the share of expenses on commissions and fees fell by 0.3 percentage points. The largest decrease was seen in the share of expenses on loss provisions (by 2.5 percentage points), which is to a large extent attributed to the reduction in the share of expenses on provisions for identified losses (by 2.4 percentage points).

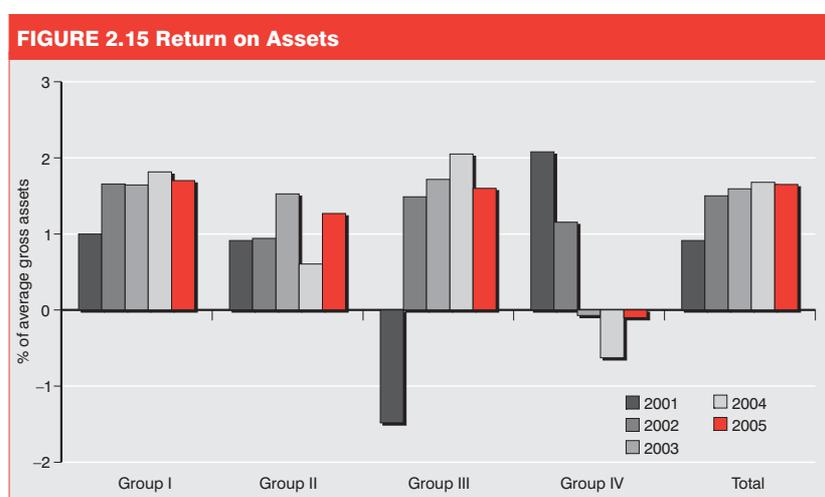
As far as the structure of total expenses of Group III banks is concerned, the major changes included the fall in the share of expenses on provisions for identified losses (3.5 percentage points), and the increase in the share of interest expenses (2.7 percentage points). This group's share of general administrative expenses and depreciation went up by 1.1 percentage points, while the share of other non-interest expenses rose by only 0.1 percentage point. In addition to expenses on loss provisions, there was also a fall in expenses on commissions and fees (0.4 percentage points).

Expenses on loss provisions grew the most in the structure of expenses of Group IV banks (by 2.7 percentage points), which is attributed to the increase in the share of expenses on provisions for unidentified losses of 2.3 percentage points. The shares of interest expenses and expenses on commissions and fees went up by 0.8 percentage points and 0.5 percentage points, respectively. In addition, general administrative expenses and depreciation and other non-interest expenses accounted for the smallest shares of total expenses (2.6 percentage points and 1.4 percentage points, respectively).

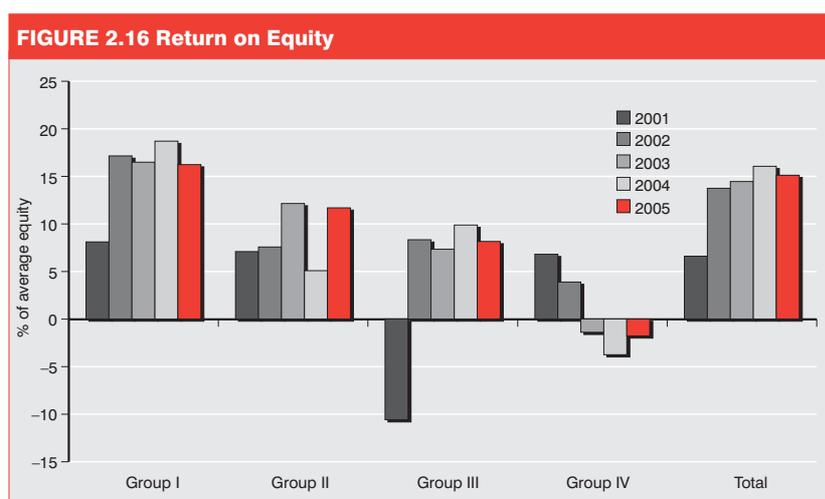
2.1.6 Return Indicators

Banks' return indicators remained the same or fell slightly at the end of 2005 compared with the end of 2004. This is a reflection of the fact that profit grew slower than assets and liabilities in consequence of competition pressures aimed at continued reduction in market prices.

At the end 2005, the return on average assets of all banks hovered around its end-2004 level of 1.7% (Figure 2.15), decreasing by 0.3 percentage points. Just like during the previous year, the fall in the return on average assets was influenced by both the reduction in returns of Group I and Group III banks (by 0.1 and 0.5 percentage points, respectively) and the increase in returns of Group II and Group IV banks (by 0.7 and 0.5 percentage points, respectively). The return on gross assets was the highest in Group I and III banks (1.7% and 1.6%). In Group II banks, it stood at 1.3%. The return on gross assets of Group IV banks was -0.1% (due to the loss of HRK 11.3m)



The return on average equity was 15.1% at the end of 2005 (Figure 2.16), down 0.9 percentage points compared with the end of 2004. This was due to almost two-times higher growth rate in share capital (mostly during the second half of the year, or towards its end) than in profit. The return on average equity remained the largest in Group I banks (16.3%). It stood at 11.7% and 8.2%, respectively, in Group II and Group III banks. The return on equity was however negative in Group IV banks, -1.8%. On the other hand, the largest decline in the return on average equity, due to the recapitalisation and the transfer of profit into capital, was registered in Group I banks (2.5 percentage points). Group III banks recorded a fall in the return on average equity of 1.7 percentage points. In contrast, the return rose by 6.6 and 2.0 percentage points, respectively, in Group II and Group IV banks.

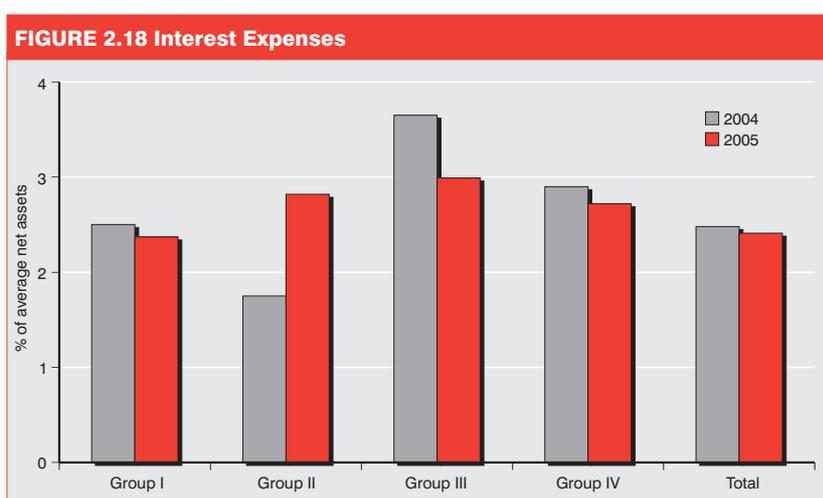
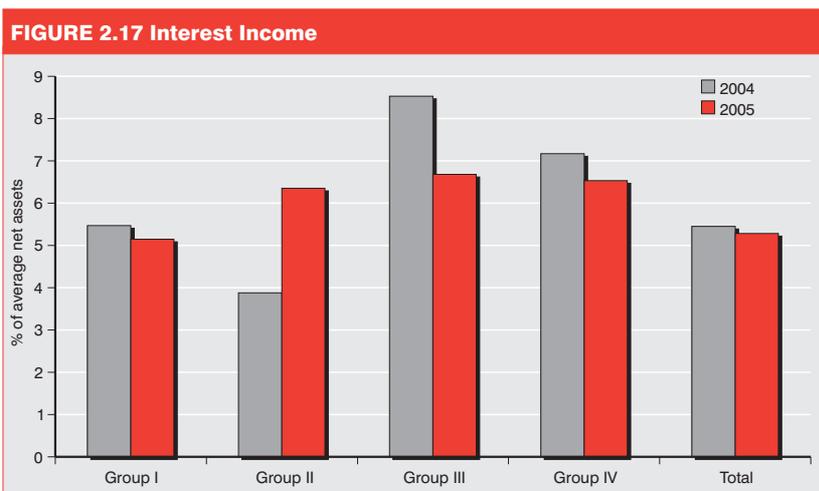


The ratio of average interest income to average assets of all banks dipped by an additional 0.2 percentage points at the end of 2005 compared with the end of 2004 (Figure 2.17). Group III had the largest average interest income to average assets ratio (6.7%). Groups IV, II and I followed with 6.5%, 6.4% and 5.2%, respectively. The decrease in the ratio ranged from 0.2 percentage points to 1.9 percentage points in all groups of banks, except for in Group II banks where it grew by 2.5 percentage points. The growth in the ratio of Group II banks may to a large extent be attributed to the change in the composition of this group of banks (two banks joined the group).

The ratio of average interest expenses to average assets of all banks changed only slightly at the end of 2005 compared with the end of 2004, i.e. it stood at 2.4% (Figure 2.18). This ratio was lower than the average only in Group I banks (by 0.03 percentage points), while the above the average ratios of 2.8%, 3.0% and 2.7%, respectively, were recorded by Groups II, III and IV, respectively. During the reference period, the ratio fell only in Group II banks (by 1.1 percentage points) and grew in all other groups (by 0.1 percentage points in Group I, 0.7 percentage points in Group III and 0.2 percentage points in Group IV).

Banks' net interest spread¹² was 2.9% at the end of 2005 compared with the end of 2004, down 0.1 percentage points. The spread grew only in Group II (by 1.4 percentage points) and fell in all other

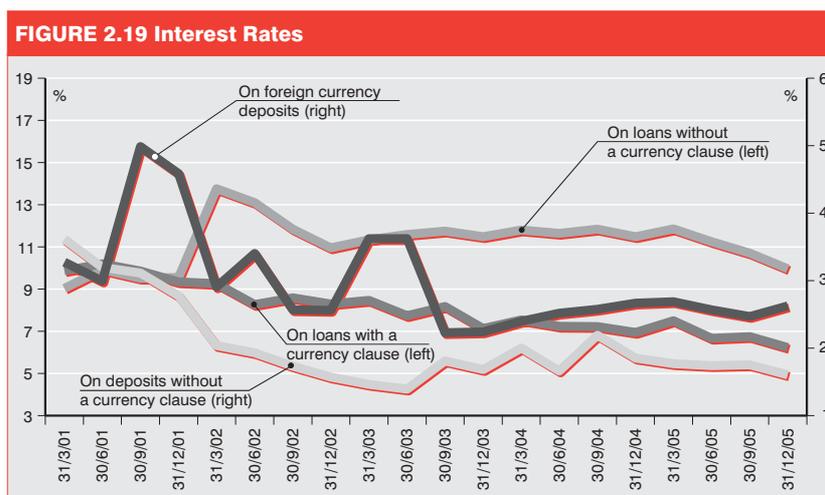
12 Net interest spread is calculated as the difference between interest income and interest expenses (on an annual level) divided by the average assets.



groups of banks. Net interest spread of Group IV was the largest, 3.8%, during the reference period. The spreads of Groups III, II and I were 3.7%, 3.5% and 2.8%, respectively.

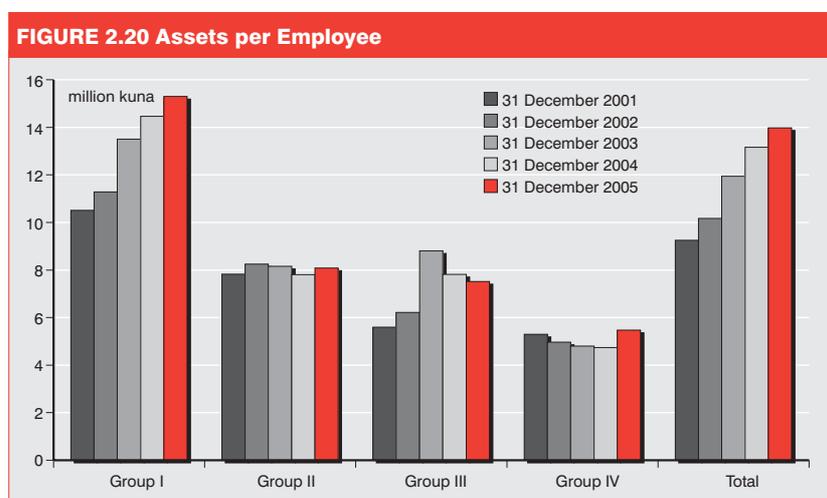
All interest rates of banks fell additionally at the end of 2005. Interest rates on foreign currency deposits and deposits without a currency clause declined by 0.04 percentage points and 0.3 percentage points to 2.6% and 1.6%, respectively. If, however, deposits on current and giro accounts are excluded from deposits without a currency clause, it follows that the average interest rates charged on all other types of deposits without a currency clause amounted to 3.4%. Interest rates on loans without a currency clause fell by 1.5 percentage points, or from 11.4% to 9.9%, while interest rates on loans with a currency clause fell by 0.7%, or from 6.9% to 6.2%.

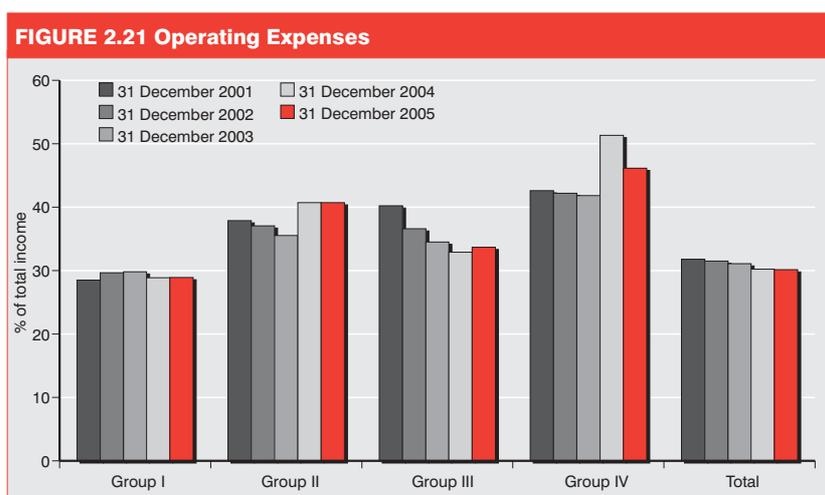
The number of persons employed by the banking sector rose from 17 424 at the end of 2004 to 18 624 at the end of 2005 (or by 6.9%), continuing the upward trend from 2003. The number of employees rose in Group I (by 1 176 or 8.2%) and in Group II (by 291 or 17.3%), while it declined by 19.6% or 181 in Group III and by 15.6% or 86 in Group IV. In addition, Group I accounted for 83.0% or



15 443 of the total number of all persons working in the banking sector, while Groups II, III and IV accounted for 10.5% (1 970), 4.0% (744) and 2.5% (467), respectively, of the total number of persons employed.

Assets per employee have been trending upwards since 1997. At the end of 2005, assets per employee stood at HRK 14.0m, which is an increase of HRK 0.8m from the end of 2004 (Figure 2.20). Moreover, during the last five years this indicator trended upwards only in Group I, remained stable in Group II (ranging between HRK 7.8m and HRK 8.2m), and, after experiencing an upswing in 2003, it started to decline in Group III. However, despite its years-long decline, assets per employee grew from HRK 4.7m to HRK 5.5m in Group IV. The decline in assets per employee in Group III was brought about by the fall in assets of 29.2%, which was driven by the fall in the number of banks in this group of banks (three banks left the group). As a result, Group III also reported the fall in the number of employees of 19.6%. Group I was the most efficacious group in terms of assets per employee and the Group's average assets per employee stood at HRK 15.3m. Groups II, III and IV followed with HRK 8.1m, HRK 7.5m and HRK 5.5m, respectively.





The ratio of operating expenses to total income stood at 31.2% at the end of 2005, which is a decline of 0.08 percentage points compared with the end of 2004 (Figure 2.21). At the banking sector level, this ratio has been steadily improving ever since 2001. The reason for this lies in the proportioned changes in the numerator and the denominator of the indicator with the rates of changes in total income being higher than the rates of changes in operating expenses. Although Group IV, the least efficacious group in terms of this indicator, decreased the ratio of operating expenses to total income by as much as 5.2 percentage points, it remained, compared with other groups of banks, the group with the highest ratio at the end of 2005 (46.13%). In addition, the growth of the ratio was less significant in other groups of banks. The ratio of operating expenses to total income went up the most in Group III (by 0.8 percentage points) and stood at 33.7%. Group I followed with the increase of 0.04 percentage points and the ratio of 28.9%. In addition, the ratio of Group II hardly changed in the reference period; it grew by only 0.01 percentage points and amounted to 40.7%.

2.1.7 Credit Activity

Total placements and contingent liabilities amounted to HRK 278.9bn at the end of 2005, up HRK 36.5bn or 15.1% from the end of 2004 (Table 2.11). The major contributors to this were a HRK 26.5bn or 20.1% increase in extended loans (gross) and a HRK 15.6bn or 49.8% increase in off-balance sheet (contingent) liabilities. During the reference period, deposits received fell by HRK 2bn (3.8%), while debt securities held in the portfolio of debt securities bought on issue directly from the issuer went down by HRK 3.1bn. The first was due to the significant changes in the structure of received deposits (in response to the new monetary policy framework, total deposits with the CNB rose by HRK 7.7bn or 24.6%, and deposits with banks fell by HRK 10.2bn or 30.6%), whereas the latter was due to the reclassification of debt securities held in this portfolio in accordance with the provisions of the revised IAS 39.

Although their share was 1.2% smaller in 2005 than in 2004, loans remained the most significant item of total placements and contingent liabilities (gross) in 2005, accounting for 56.6%. Deposits followed with the share of 22.3%. In addition, the share of contingent liabilities stood at 16.9% (an

increase of 2.2% due to their strong growth in the reporting year). The remaining 4.2% were accounted for by other placements.

The growth in loans to households (by HRK 13.3bn or 20.5%) and in loans (gross) to other companies (by HRK 8.8bn or 16.6%) contributed the most to the increase in extended loans (gross). In addition, loans extended to the sector of government units went up by a total of HRK 3.7bn or 41.3%. Within loans to households (which represent the most important type of loans), there was an almost equal increase in other loans to household (HRK 6.3bn or 21.4%) and in housing loans (HRK 6.2bn or 28.9%).

The rise in off-balance sheet (contingent) liabilities was for the most part influenced by the growth in unutilised overdraft facilities (by HRK 6.1bn or 43.4%). Other contributors to this were the growth in guarantees of HRK 4.7bn or 44.6% and the growth in other contingent liabilities of HRK 4.5bn or 85.67%.

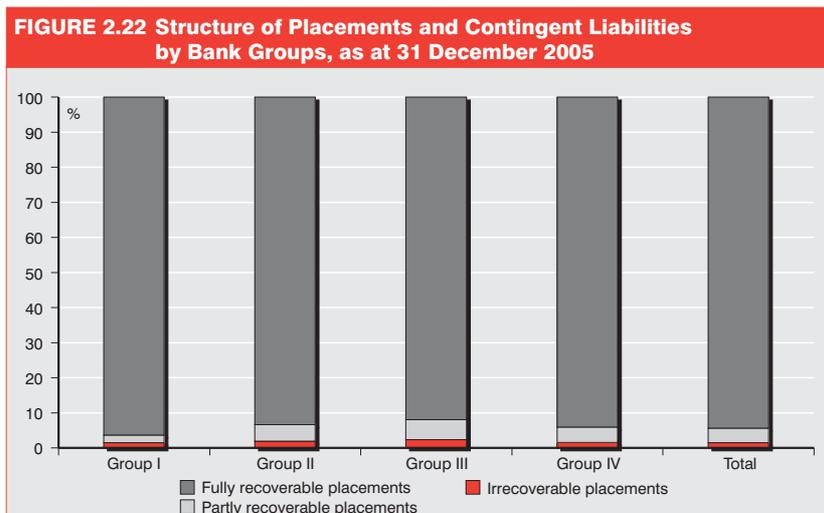
TABLE 2.11 Classification of Placements and Contingent Liabilities by Risk Categories, end of period, in million kuna and %

Placements	Dec. 2002		Dec. 2003		Dec. 2004		Dec. 2005	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	172,251.3	94.1	200,166.3	94.9	231,225.3	95.4	267,835.4	96.0
2. Partly recoverable placements (category B)	6,473.3	3.5	7,475.8	3.5	6,722.6	2.8	6,801.6	2.4
3. Irrecoverable placements (category C)	4,245.4	2.3	3,371.5	1.6	4,386.2	1.8	4,238.5	1.5
Total	182,970.0	100.0	211,013.6	100.0	242,334.1	100.0	278,875.5	100.0

Fully recoverable placements and contingent liabilities went up by 15.8% during the reference period. As a result, their share in total placements and contingent liabilities rose from 95.4% at the end of 2004 to 96.0% at the end of 2005. Partly recoverable placements and contingent liabilities were 1.2% higher at the end of 2005 than at the end of 2004, while their share fell by 2.4%. Moreover, irrecoverable placements and contingent liabilities fell by 3.4%, and their share in total placements and contingent liabilities went down by 1.5% at the end of the reference period.

Group I remained the group with the best quality placements and contingent liabilities in 2005. Its share of fully recoverable placements and contingent liabilities in total placements and contingent liabilities continued to trend upward, rising from 95.7% at the end of 2004 to 96.4% at the end of 2005. The share of fully recoverable placements and contingent liabilities also grew in Groups III and IV (from 90.1% to 91.9% in Group III and from 90.7% to 94.4% in Group IV). In contrast, this share fell in Group II, by 1 percentage points or from 94.4% to 93.4%.

The relative ratio of total value adjustments and provisions for contingent liabilities to total placements and contingent liabilities decreased from 3.7% at the end of 2004 to 3.2% at the end of 2005 (Table 2.12). Despite an improvement in the overall quality of placements, total value adjustments against placements and provisions for contingent liabilities went up by HRK 92.4m or 1.0% during the reference period. This was due to an enormous growth in newly-extended placements and the resultant growth in provisions for unidentified losses (by HRK 337.1m or 15.1%). Concurrently, the value adjustments against placements and provisions for contingent liabilities fell by HRK 244.7m or 3.7%. These developments in the value adjustments against placements, provisions for contingent



liabilities and provisions for unidentified losses contributed to the fall in the share of value adjustments against placements and provisions for identified losses arising from contingent liabilities, i.e. those provisions which relate to identified losses (from 74.9% to 71.4%). In addition, the share of provisions for unidentified losses rose from 25.1% to 28.6%.

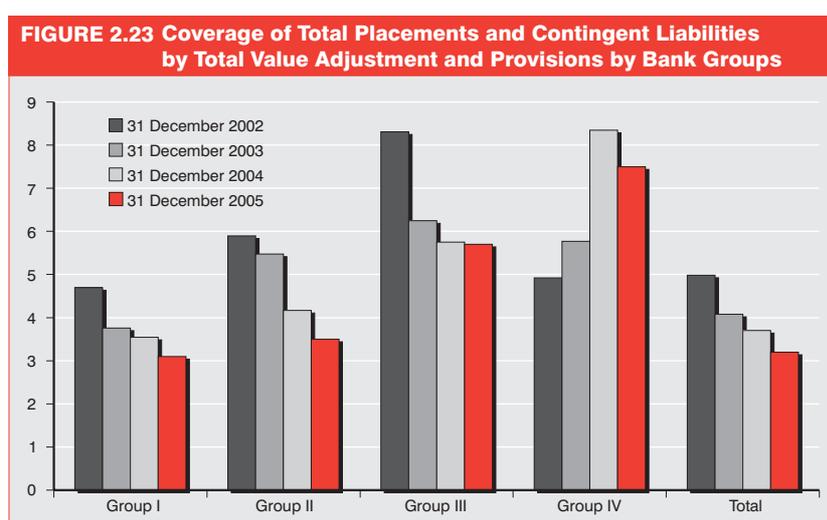
The amount of total provisions changed the most in Group III where all provisions fell by 23.0% or almost by as much as total placements and contingent liabilities (22.9%). Total provisions for unidentified losses went down by 27.7%, while the value adjustments against placements and provisions for identified losses fell by 22.2%. Total placements and contingent liabilities and provision for unidentified losses grew at the same rate of 16.1% in Group I banks. In addition, this group of banks also saw a 3.4% drop in the value adjustments and in provisions for identified losses. Provisions for unidentified losses grew by a strong 29.1% in Group II banks, which is a direct consequence of a somewhat lower growth rate of total placements and contingent liabilities (25.7%). The value adjustments and provisions for identified losses went up by a modest 0.3%. Total provisions of Group IV banks declined 13.9%. Specifically, the value adjustments and provisions for identified losses fell by 14.3% and provisions for unidentified losses by 10.6%, while total placements and contingent liabilities (which form the basis for the allocation of reserves) went down by 4.2%.

The dynamics of these changes, i.e. the relation between them, determine the developments in the coverage ratio. Accordingly, the coverage of total placements and contingent liabilities by total value adjustments and provisions declined in all groups of banks at the end of 2005 compared with the end of 2004.

TABLE 2.12 Total Value Adjustment and Provisions to Total Placements and Contingent Liabilities Ratio, end of period, in million kuna and %

Placements	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005
1. Total value adjustment against placements and provisions for contingent liabilities	9,121.2	8,611.5	8,909.9	9,002.3
1.1. Value adjustment against placements and provisions for contingent liabilities	7,303.4	6,573.8	6,672.5	6,427.8
1.2. Provisions for unidentified losses	1,817.9	2,037.7	2,237.3	2,574.5
2. Total placements and contingent liabilities	182,970.0	211,013.6	242,334.1	278,875.5
3. Relative ratio of total value adjustment and provisions to total placements and contingent liabilities	5.0%	4.1%	3.7%	3.2%

The coverage ratio dipped the most in Group IV banks (by 0.8 percentage points). Group II and Group I banks followed with the decline of 0.6 percentage points and 0.4 percentage points, respectively. Although the individual changes in the numerator and the denominator of the said indicator were the most extensive in Group III, the coverage ratio of this group of banks remained almost unchanged, falling by only 0.012 percentage points.



Extended loans (net) totalled HRK 152bn at the end of 2005, up HRK 26.8bn or 21.4% from the end of 2004 (Table 2.13). Although the growth in lending was registered with respect to all sectors, the major contributors to the growth of total extended loans (net) were loans to households, which rose by HRK 13.1bn or 20.9% and loans to other companies, which rose by HRK 7.7bn or 17.3%. Notwithstanding the growth in loans to these sectors, their individual shares in the sectoral structure of net loans fell from 50.0% and 35.6%, respectively, at the end of 2004 to 49.8% and 34.4%, respectively, at the end of 2005.

Loans extended to the sector of government units (net) grew by HRK 3.7bn or 41.3% during the reference period, increasing their share in total extended loans (net) to 8.4% or by 1.2 percentage points. Loans to financial institutions went up by HRK 577.8m (or 17.6%) in 2005, while their share in total extended loans (net) registered only a minimum decrease (from 2.6% to 2.5%). Similar trends were also observed in loans to non-profit institutions – the increase of HRK 42.2m or 10.7% that was accompanied by a minimum decrease in their share. The increase in loans and a minimum increase in the relative share in total extended loans (net) were observed in loans to public enterprises (specifically, loans grew by HRK 1.4bn and the share went up from 4.0% to 4.2%) and in loans to non-residents (specifically, loans grew by HRK 203.6m and the share went up from 0.2% to 0.3%).

Loans to households accounted for the largest shares in the loan portfolios of Group I, II and III banks (49.8%, 51.2% and 47.7%, respectively). In contrast, in Group IV banks the largest share was accounted for by loans to other companies (51.1%). However, it should be noted that loans to households account for a relatively large share in this group of banks as well (46.6%).

The structure of loans (net) extended to households closely resembled to that seen at the end of 2004. Other loans (cash loans, overdraft facilities and the like), which are increasingly gaining on importance, had the largest share of 45.3%. Following the 29.25% growth in housing loans in 2005, the share of housing loans (net) in total loans extended to households (net) went up from 33.7% at the end of 2004 to 36.0% at the end of 2005. In contrast, the shares of other types of loans went downward. Hence, car loans (net) accounted for a share of 11.8% at the end of 2005, down 1% compared with the end of 2004. The same percentage fall was seen in mortgage loans whose share at the end of 2005 stood at 3.2%. In addition, the share of credit card loans fell from 4.5% at the end of 2004 to 4.3% at the end of 2005.

TABLE 2.13 Structure of Net Loans by Institutional Sectors, end of period, in million kuna

	Group I		Group II		Group III		Group IV		Total	
	Dec. 2004	Dec. 2005								
1. Government units	8,935.9	12,651.2	86.1	102.0	7.3	4.0	1.9	1.3	9,031.1	12,758.6
2. Financial institutions	2,841.1	3,342.4	320.7	332.7	109.9	165.3	17.7	27.0	3,289.5	3,867.3
3. Public enterprises	4,847.8	6,304.4	56.0	76.8	48.6	15.5	0.0	0.0	4,952.4	6,396.6
4. Other enterprises	38,915.9	46,048.0	2,614.3	3,881.2	2,415.1	1,684.3	638.5	669.8	44,583.7	52,283.2
5. Non-profit institutions	364.1	407.5	19.7	22.3	8.2	4.7	2.2	2.1	394.3	436.5
6. Households	56,012.4	68,740.7	3,975.2	4,645.6	1,933.6	1,709.0	721.6	610.6	62,642.8	75,705.8
7. Non-residents	305.3	500.7	1.9	11.0	1.0	0.0	0.0	0.0	308.2	511.8
Total	112,222.4	137,994.8	7,074.0	9,071.6	4,523.6	3,582.7	1,382.0	1,310.7	125,202.1	151,959.8

2.1.8 Liquidity Ratios

Subscribed central government bills totalled HRK 17.4bn at the end of 2005, up 28.1% over the end of the previous year.

There were no subscriptions of kuna and foreign currency CNB bills since they were not issued during the observed period. Almost 60% (i.e. 59.7%) of total subscribed securities was accounted for by money market instruments of the central government (bonds of the Republic of Croatia), while the remaining 40.3% were accounted for by T-bills of the Ministry of Finance.

Following the changes in the monetary policy framework (see 2.1.3 Banks' Balance Sheet), the amount of loans received from the Croatian National Bank was considerably larger at the end of 2005

TABLE 2.14 Purchased CNB and Central Government Bills, in million kuna and %, stock on 31 December 2005

	Group I		Group II		Group III		Group IV		Total	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. CNB bills denominated in kuna	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. CNB bills denominated in foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. MoF treasury bills	6,651.3	40.8	282.4	32.2	60.6	46.4	12.9	20.3	7,007.2	40.3
4. Other money market instruments of the central government ^a	9,654.4	59.2	594.5	67.8	70.0	53.6	50.8	79.7	10,369.7	59.7
Total	16,305.7	100.0	876.9	100.0	130.6	100.0	63.7	100.0	17,376.9	100.0

^a Includes the instruments whose price is market determined.

than at the end of 2004 (HRK 1.7bn vs. HRK 50.4m), comprising almost entirely repo T-bills (Table 2.15).

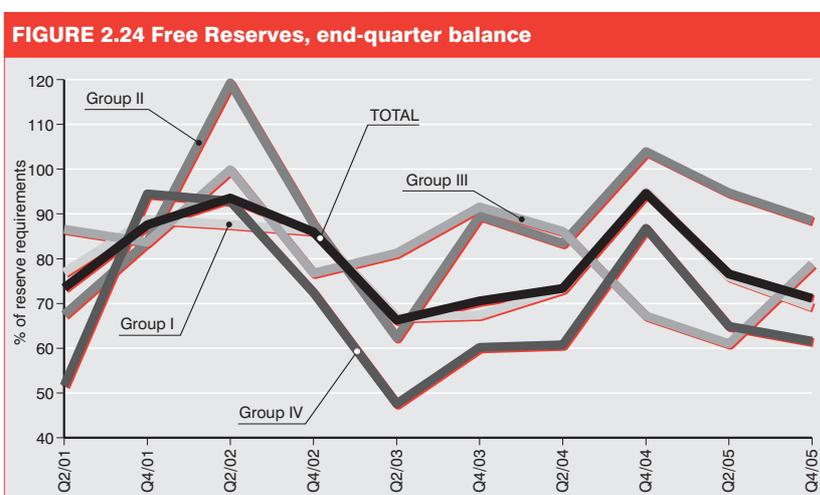
The ratio of average free reserves to average reserve requirements fell down to 71.1% or by 23.5 percentage points in the last quarter of 2005 compared with the last quarter of 2004 (Figure 2.24). This ratio fluctuated throughout 2005: due to the spill-over of liquidity surplus generated at the end of 2004, the ratio was the highest in the first quarter of 2005 but fell to 76.6% and 71.1%, respectively, in the second and fourth quarters. Due to higher surpluses at the end of the third quarter, the ratio of average free reserves to average reserve requirements reached 84.6%.

TABLE 2.15 CNB Loans, in million kuna, annual average

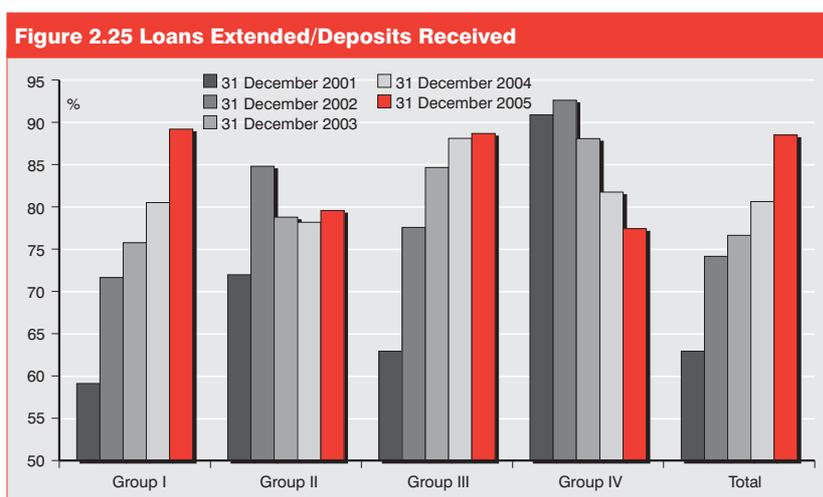
	Group I		Group II		Group III		Group IV		Total	
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
1. Lombard loans	49.3	0.0	0.7	0.0	0.0	0.0	0.4	0.0	50.4	0.0
2. Liquidity loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Repo CNB bills	0.0	1,681.3	0.0	15.0	0.0	2.6	0.0	0.0	0.0	1,699.0

Measured by the quarterly averages, Group II had the highest average free reserves to average reserve requirements ratio (88.5%) in the fourth quarter of 2005. Groups III and I followed with the ratios of 78.8% and 69.3%, respectively, while the ratio of Group IV was the smallest (61.6%). Compared with the fourth quarter of 2004, the ratio declined from 15.4 percentage points in Group II to 25.7 percentage points in Group I. It grew only in Group III, from 67.2% to 78.8% (or by 11.6 percentage points).

The ratio of extended loans to received deposits went up by 7.9 percentage points at the end of 2005 compared with the end of 2004 and stood at 88.5% (Figure 2.25). The major contributor to this was faster growth in extended loans (21.4%) than in received deposits (10.6%). The ratio of extended loans to received deposits grew in all groups of banks except for in Group IV in which it fell by 4.3

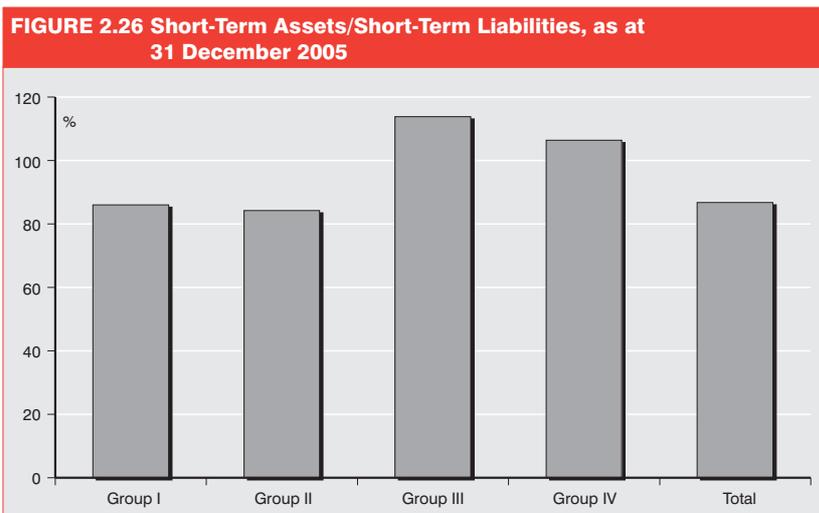


percentage points. As a result, the increase in the ratio in Group I, III and II banks stood at 8.7 percentage points, 0.6 percentage points and 1.4 percentage points, respectively. Group I had the highest extended loans to received deposits ratio (89.2%), while Group IV had the smallest ratio (77.4%).



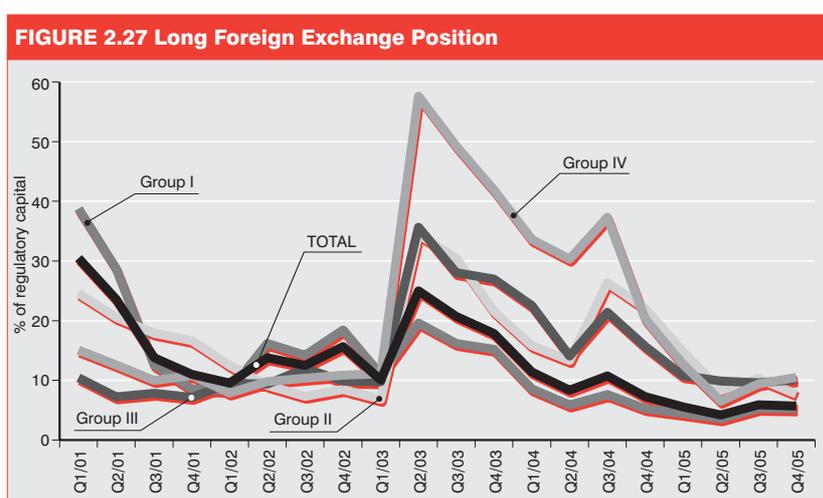
The ratio between short-term assets and short-term liabilities (calculated on the basis of remaining maturity) was 86.8% at the end of 2005, up of 79.4% over its end-2004 level (Figure 2.26). This is attributed to faster growth in assets with the remaining maturity of less than one year (4.9%), compared with growth in the short-term liabilities of all banks (2.8%). The short-term assets grew the most in Group II banks (7.8%). This group, however, also registered an increase in its short-term liabilities (9.1%), i.e. it registered faster growth in short-term liabilities than in short-term assets. The most favourable ratio was that registered by Group III banks whose liabilities falling due in the next year went down by 15.1% and assets easily turned into cash by only 4.2%. The least favourable ratios between short-term assets and short-term liabilities were those in Group II and Group IV. Group II's growth in liabilities falling due in the next year (9.1%) was faster than growth in assets used for their coverage (7.8%). In Group IV, the decrease in assets falling due within one year (2.7%) was faster than the decrease in liabilities of the same maturity term (1.4%).

Groups III and IV managed to maintain their short-term assets at the level exceeding that of short-term liabilities (113.8% and 106.4%, respectively). Opposite trends were, however, observed in Groups I and II where the ratio stood at 86.0% and 84.2%, respectively.



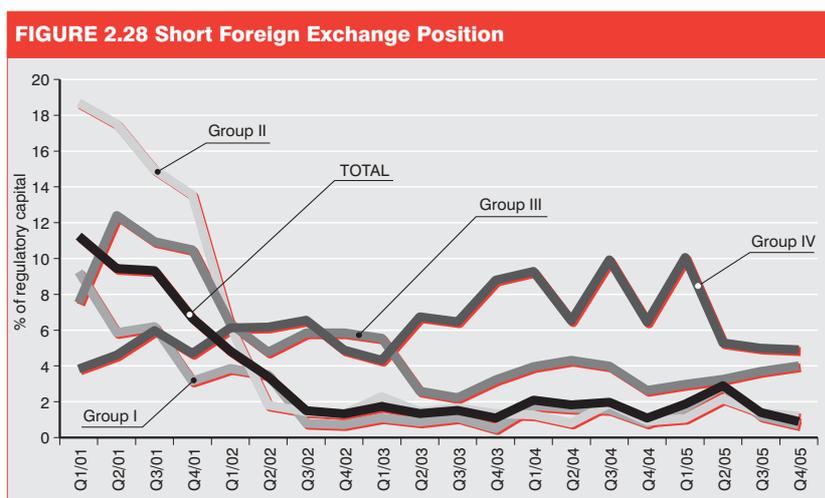
2.1.9 Currency Adjustment of Assets and Liabilities

The ratio of average long foreign exchange position to regulatory capital stood at 5.7% in the last quarter of 2005, which was much lower than in the same period last year (7.3%) (Figure 2.27). At the end of 2005, Group IV had the largest average quarterly ratio of long foreign exchange position to regulatory capital (10.5%). Groups III, II and I followed with 10.1%, 7.7% and 5.2%, respectively.



13 The strong growth in the ratio of average long foreign exchange position to regulatory capital, observed in the second quarter of 2003, is attributed to the change in the methodology for calculating banks exposure to the currency risk set forth in the Decision on the Limitation of Banks' Exposure to Foreign Exchange Risk (Official Gazette 17/2003), in force as of 1 April 2003.

Due to the exchange rates movements, the ratio of average short foreign exchange position to regulatory capital of all banks was expectedly much lower than the ratio of average long foreign exchange position to regulatory capital and stood at 0.9%. This was almost the same as in 2004 when the ratio amounted to 1.1% (Figure 2.28).¹³ The ratio of average short foreign exchange position to regulatory capital was the largest in Group IV (4.9%). Groups III and II followed with the ratios of 4.0% and 1.2%, while Group I was far behind with the ratio of 0.7%.



2.2 Housing Savings Banks

Same as in the previous year, there were four housing savings banks operating in the Republic of Croatia in 2005. Their assets totalled HRK 6.1bn, rising by 14.7% over the end of 2004. At the end of 2005, housing savings banks accounted for 2.3% of total bank assets. Despite having a relatively small share in total bank assets, individual housing savings banks surpassed many banks by the size of their assets. If they were banks, the asset size of two housing savings banks would place them in the second group of peer banks, while the remaining two savings banks would belong to Group III. All housing savings banks are, directly or indirectly, owned by foreign owners.

2.2.1 Housing Savings Banks' Balance Sheet

At end-2005, securities, other financial instruments and T-bills accounted for over a half of total assets of housing savings banks. Securities and other financial instruments not traded in active markets but carried at fair value (reported by only one housing savings bank) made up the largest share, of 22.5%, followed by securities and other financial instruments held to maturity, with a share of 14.2%, and securities and other financial instruments available for sale, with a share of 11.5%. Securities and other financial instruments held for trading accounted for the smallest share of 6.4%.

Free assets were used predominantly for purchase of long-term government securities, especially bonds issued by the Republic of Croatia, accounting for 80.8%. T-bills made up 18.9% of total securities, while the remaining share of 0.2% was accounted for by investments in debt securities.

Net loans of housing savings banks extended to financial institutions and other clients increased by 17.7% compared with the end of 2004, making up 16.2% of total assets of housing savings banks. In 2005, savers increased their reliance on housing savings loans extended on the basis of their housing savings, thus affecting a rise in net loans of housing savings banks extended to households by 54.2% compared with the end of 2004. Concurrently, loans to financial institutions fell by 43.8%.

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

	Dec. 2002		Dec. 2003			Dec. 2004			Dec. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	19.15	0.88	0.01	0.00	-99.96	0.01	0.00	100.00	0.02	0.00	42.86
1.1. Money assets	0.02	0.00	0.01	0.00	-56.25	0.01	0.00	100.00	0.02	0.00	42.86
1.2. Deposits with the CNB	19.13	0.88	0.00	0.00	-100.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Deposits with banking institutions	27.19	1.24	25.86	0.73	-4.92	332.36	6.21	1,185.48	720.52	11.74	116.79
3. MoF treasury bills and CNB bills	561.52	25.68	748.89	21.27	33.37	780.79	14.59	4.26	781.98	12.74	0.15
4. Securities and other financial instruments held for trading and available for sale	1,149.60	52.58	766.81	21.78	-33.30	2,398.14	44.81	212.74	1,097.47	17.88	-54.24
4.1. Securities and other financial instruments held for trading	-	-	-	-	-	250.18	4.68	-	390.64	6.36	56.14
4.2. Securities and other financial instruments available for sale	-	-	-	-	-	2,147.96	40.14	-	706.82	11.51	-67.09
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	277.77	12.71	1,527.89	43.40	450.05	623.14	11.64	-59.22	869.63	14.17	39.56
5.1. Securities and other financial instruments held to maturity	-	-	-	-	-	548.19	10.24	-	869.63	14.17	58.64
5.2. Securities and other financial instruments bought on issue directly from the issuer	-	-	-	-	-	74.96	1.40	-	-	-	-
6. Securities and other financial instruments not traded in active markets but carried at fair value	-	-	-	-	-	-	-	-	1,382.46	22.52	-
7. Derivative financial assets	-	-	-	-	-	0.00	0.00	-	0.00	0.00	0.00
8. Loans to financial institutions	10.05	0.46	211.39	6.00	2,002.72	468.95	8.76	121.85	263.70	4.30	-43.77
9. Loans to other clients	91.32	4.18	187.78	5.33	105.62	372.94	6.97	98.61	727.58	11.85	95.09
10. Investments in subsidiaries and associates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11. Foreclosed and repossessed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12. Tangible assets (net of depreciation)	20.51	0.94	18.98	0.54	-7.44	8.72	0.16	-54.04	8.17	0.13	-6.35
13. Interest, fees and other assets	30.76	1.41	39.10	1.11	27.13	389.35	7.28	895.68	323.77	5.27	-16.84
14 Net of: Specific reserves for unidentified losses	1.58	0.07	6.27	0.18	297.84	23.13	0.43	269.10	36.93	0.60	59.69
TOTAL ASSETS	2,186.31	100.00	3,520.43	100.00	61.02	5,351.29	100.00	52.01	6,138.35	100.00	14.71

The structure of liabilities of housing savings banks did not change much, with time deposits, which grew by 16.6% on the end of 2004, still accounting for the largest share of 89.8% at the end of 2005 (Table 2.17).

Total capital of housing savings bank amounted to HRK 220.2m at the end of 2005, up by 42.3% on the previous year. This was to the greatest extent due to the increase in current year profit. Three housing savings banks reported unrealised gain from value adjustments of financial assets available for sale, which raised their capital by additional HRK 29.9m.

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

	Dec. 2002		Dec. 2003			Dec. 2004			Dec. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	0.00	0.00	0.39	0.01	0.00	0.00	0.00	-100.00	0.00	0.00	0.00
1.1. Short-term loans	0.00	0.00	0.39	0.01	0.00	0.00	0.00	-100.00	0.00	0.00	0.00
1.2. Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Deposits	2,012.87	92.07	3,265.14	92.75	62.21	4,728.25	88.36	44.81	5,514.72	89.84	16.63
2.1. Giro account and current account deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.2. Savings deposits	0.00	0.00	0.13	0.00	13,000.00	0.09	0.00	-32.82	0.03	0.00	-71.59
2.3. Time deposits	2,012.87	92.07	3,265.01	92.74	62.21	4,728.16	88.36	44.81	5,514.69	89.84	16.64
3. Other loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.1. Short-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.2. Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Derivative financial liabilities and other financial liabilities held for trading	-	-	-	-	-	4.87	0.09	-	4.13	0.07	-15.17
5. Debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.1. Short-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.2. Long-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. Subordinated instruments issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7. Hybrid instruments issued	0.00	0.00	10.71	0.30	0.00	10.74	0.20	0.32	10.33	0.17	-3.85
8. Interest, fees and other liabilities	36.30	1.66	89.39	2.54	146.24	452.63	8.46	406.34	388.97	6.34	-14.06
TOTAL LIABILITIES	2,049.17	93.73	3,365.63	95.60	64.24	5,196.48	97.11	54.40	5,918.14	96.41	13.89
TOTAL CAPITAL	137.14	6.27	154.81	4.40	12.88	154.81	2.89	0.00	220.21	3.59	42.25
TOTAL LIABILITIES AND CAPITAL	2,186.31	100.00	3,520.43	100.00	61.02	5,351.29	100.00	52.01	6,138.35	100.00	14.71

Despite a HRK 195.2m increase in regulatory capital (up 27.7% at the end of 2005 on the previous year), the capital adequacy ratio of housing savings banks decreased from 27.74% to 23.78%. The first reason was the increase in total risk-weighted assets, which was 44.1% higher at the end of 2005 than at the end of 2004. The second reason was the 81.7% increase in the position risk exposure of housing savings banks, which arose from larger investment of housing savings banks in securities.

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

	Dec. 2002		Dec. 2003			Dec. 2004			Dec. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	163.36	119.12	193.36	124.91	18.36	203.36	131.36	5.17	203.36	92.35	0.00
2. Current year profit/loss	33.81	24.65	-9.33	-6.03	-127.60	11.40	7.37	-222.22	52.28	23.74	358.47
3. Retained earnings (loss)	-73.20	-53.38	-51.46	-33.24	-29.71	-63.44	-40.98	23.28	-53.64	-24.36	-15.44
4. Legal reserves	0.30	0.22	1.50	0.97	400.00	3.48	2.25	132.07	1.94	0.88	-44.21
5. Total reserves provided for by the articles of association and other capital reserves	12.87	9.38	20.73	13.39	61.08	0.00	0.00	-100.00	29.88	13.57	-
5.1. Reserves provided for by the articles of association and other capital reserves	-	-	-	-	-	0.00	0.00	-	0.00	0.00	-
5.2. Unrealised gains/losses on value adjustment of financial assets available for sale	-	-	-	-	-	0.00	0.00	-	29.88	13.57	-
5.3. Reserves arising from hedging transactions	-	-	-	-	-	0.00	0.00	-	0.00	0.00	-
6. Previous year profit/loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-13.61	-6.18	-
TOTAL CAPITAL	137.14	100.00	154.81	100.00	12.88	154.81	100.00	0.00	220.21	100.00	42.25

2.2.2 Housing Savings Banks' Income Statement

In 2005, all housing savings banks reported income before taxes, which totalled HRK 49.7m (Table 2.19), compared with HRK 14.2m in 2004.

Net interest income of housing savings banks rose by 15.4% at the end of 2005 compared with the end of the previous year. In the structure of interest income, income from deposits with financial institutions went up the most, by HRK 19.1m. The increase in the amount of loans extended to savers of housing savings banks contributed to higher interest earnings from household loans, which went up by HRK 10.5m. In the same period, the increase in liabilities arising from deposits received from savers contributed to a rise in interest expenses on deposits (25.3%), and thus a rise in total interest expenses (18.3%.) Net income from commissions and fees went down by a considerable 17.8% at the end of 2005 compared with 2004, while income arising from securities trading contributed to a 16.8% increase in net non-interest income.

TABLE 2.19 Housing Savings Bank Income Statement, in million kuna		
	Jan.-Dec. 2004	Jan.-Dec. 2005
1. Net interest income	61.81	71.30
1.1. Total interest income	205.27	240.97
1.2. Total interest expenses	143.46	169.67
2. Net income from commissions and fees	82.60	67.93
2.1. Total income from commissions and fees	90.21	75.91
2.2. Total expenses on commissions and fees	7.61	7.98
3. Net other non-interest income	4.87	34.23
3.1. Other non-interest income	45.62	65.29
3.2. Other non-interest expenses	40.76	31.05
4. Net non-interest income	87.47	102.16
5. General administrative expenses and depreciation	118.10	108.85
6. Net operating income before loss provisions	31.18	64.61
7. Total expenses on loss provisions	16.98	14.88
7.1. Expenses on value adjustment and provisions for identified losses	0.09	0.67
7.2. Expenses on provisions for unidentified losses	16.89	14.21
8. Income/loss before taxes	14.20	49.73
9. Income tax	2.80	-2.56
10. Current year profit/loss	11.40	52.28

2.2.3 Credit Activity of Housing Savings Banks

Total placements and contingent liabilities of housing savings banks were 32.0% higher at the end of 2005 than at the end of the previous year (Table 2.21). During the same period all types of placements that are divided into different risk categories increased in nominal terms. However, due to greater investments in government securities and newly approved loans to housing savers, the greatest portion of the increase was accounted for by fully recoverable placements (category A). As a result, total placements and contingent liabilities at the end of 2005 were made up almost entirely of risk category A placements. Partly recoverable and irrecoverable placements, in the total amount of HRK 2.5m, accounted for only an insignificant share of total placements and contingent liabilities, totalling 0.7%.

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

Placements	Dec. 2002		Dec. 2003		Dec. 2004		Dec. 2005	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	889.35	100.00	2,717.31	99.99	2,648.84	99.97	3,493.99	99.93
2. Partly recoverable placements (category B)	0.00	0.00	0.24	0.01	0.68	0.03	2.11	0.06
3. Irrecoverable placements (category C)	0.00	0.00	0.00	0.00	0.05	0.00	0.36	0.01
Total	889.35	100.00	2,717.54	100.00	2,649.57	100.00	3,496.46	100.00

The relative ratio of total value adjustments and provisions for contingent liabilities to total placements and contingent liabilities of housing savings banks stood at 1.1% at the end of 2005 (Table 2.21). Total value adjustments against placements and provisions for contingent liabilities amounted to HRK 38.4m. Due to the small share of bad placements in total placements and contingent liabilities, the majority of total value adjustments and provisions at the end of 2005 was accounted for by provisions for unidentified losses.

TABLE 2.21 Total Value Adjustment and Provisions to Total Placements and Contingent Liabilities Ratio of Housing Savings Banks, end of period, in million kuna and %

	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005
1. Total value adjustment against placements and provisions for contingent liabilities	0.00	6.50	23.48	38.36
1.1. Value adjustment against placements and provisions for contingent liabilities	0.00	0.13	0.22	0.89
1.2. Provisions for unidentified losses	0.00	6.37	23.26	37.47
2. Total placements and contingent liabilities	889.35	2,717.54	2,649.57	3,496.46
3. Relative ratio of total value adjustment and provisions to total placements and contingent liabilities	0.00%	0.24%	0.89%	1.10%

3 Notes on Methodology

Figure 2.1 Number of Banks

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

The CNB statistics is the source of data on the number of banks.

Table 2.1 Bank Groups by Asset Size

In accordance with the selected criterion – the size of assets – Table 2.1 shows the parameters for the classification of banks into individual groups.

Schedule BS is the source of data on the size (amount) of assets (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Table 2.2 Territorial Distribution of Branches and Sub-Branches

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

Banks are the source of data.

Figure 2.2 Geographical Concentration of Branches and Sub-Branches by Counties

The concentration of branches and sub-branches by counties is represented by cycles, which are positioned along the capitals of individual counties. The largest cycle shows the largest concentration of branches and sub-branches in relation to other counties. The size of other cycles is in the proportion to the largest cycle.

Banks are the source of data.

Figure 2.3 Relative Change in the Number of Branches and Sub-Branches by Counties

The relative change in the number of branches and sub-branches in individual counties is represented by triangles, which are positioned along the capitals of individual counties. The largest triangle shows the largest relative change in the number of branches and sub-branches in relation to other counties.

The size of other triangles is in the proportion to the largest triangle. The underlined capitals of counties and shadowed triangles represent counties in which the relative number of branches and sub-branches has decreased in the observed period.

Banks are the source of data.

Figure 2.4 Number of Branches and Sub-Branches and ATMs by Bank Groups

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

Banks are the source of data.

Table 2.3 Territorial Distribution of ATMs

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

Banks are the source of data.

Figure 2.5 Share of the Largest Banks' Assets/Deposits in Total Assets/ Deposits

The criterion for selecting the two largest and the next three largest banks in the banking system is the size of their assets. The share of the assets of the two largest banks (the next three banks) in the total assets is calculated as a ratio between the sum of the assets of the two largest banks (the next three banks) and the total assets of all banks, and is stated in percent. The share of their deposits in the total deposits of the banking system is calculated in the same manner.

Schedule BS is the source of data on the amount of assets (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004), while Schedule BS/DEP is the source of data on the total deposits (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Figure 2.3 Herfindahl Index (all banks)

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

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

The Herfindahl index can vary from 0 (perfectly competitive industry) to 10,000 (monopoly).

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

Schedule BS is the source of data on the amount of assets (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Table 2.4 Structure of Bank Assets

The share of each balance sheet item of assets in the total banking system assets is calculated on the basis of data from the Bank Statistical Report (Official Gazette 166/2003, 53/2004 and 129/2004 – Schedule BS) and the derived aggregate report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period. For comparability purposes, the value of asset items reported in the previous period has been presented in accordance with the new reporting form.

Figure 2.7 Share of Individual Bank Groups in Total Assets

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

Schedule BS is the source of data on the amount of assets (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Table 2.5 Structure of Bank Liabilities

Bank liabilities are calculated in the same manner as bank assets in Table 2.4, i.e. the share of each balance sheet item of liabilities in the total banking system liabilities is calculated on the basis of data from the Bank Statistical Report (Official Gazette 166/2003, 53/2004 and 129/2004 – Schedule BS) and the derived aggregate report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period. For comparability purposes, the value of liability items reported in the previous period has been presented in accordance with the new reporting form.

Figure 2.8 Shares of Received Foreign Currency Deposits with Individual Bank Groups in Total Deposits

The share of received foreign currency deposits with an individual bank group in the total banking system deposits is calculated in the following manner. First, the received foreign currency deposits of all banks in an individual bank group, recorded in the relevant quarter, are added up. Second, the total deposits are added up. The sums thus calculated are mutually divided and multiplied by 100.

Schedule BS/DEP is the source of data on the received foreign currency deposits and total deposits (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Table 2.6 Structure of Bank Capital

This Table shows in detail the structure of the bank capital (see also Table 2.5). The share of each stated capital item in the total banking system capital is calculated as a ratio between each capital item and the total banking system capital, and multiplied by 100. The change in the balance is the

percentage change in comparison with the balance recorded at the end of the previous period.

Table 2.7 Changes in Regulatory Capital

The regulatory capital is calculated in accordance with the Decision on the Capital Adequacy of Banks (Official Gazette 17/2003, 120/2003 and 149/2005) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (Official Gazette 195/2003, 39/2004 and 41/2004).

Schedule JK2 is the source of data on the regulatory capital and an integral part of the stated regulation.

Figure 2.9 Structure of Gross Regulatory Capital

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

Schedule JK2 is the source of data on the core capital, supplementary capital I, supplementary capital II and gross regulatory capital. This Schedule is an integral part of the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (Official Gazette 195/2003, 39/2004 and 41/2004).

Figure 2.10 Core Capital

The core capital, which is an integral part of the regulatory capital, is calculated in accordance with the Decision on the Capital Adequacy of Banks (Official Gazette 17/2003, 120/2003 and 149/2005) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (Official Gazette 195/2003, 39/2004 and 41/2004).

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

Figure 2.11 Supplementary Capital I

The supplementary capital I is calculated in accordance with the Decision on the Capital Adequacy of Banks (Official Gazette 17/2003, 120/2003 and 149/2005) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (Official Gazette 195/2003, 39/2004 and 41/2004).

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

Figure 2.12 Capital/Deposits

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

Schedule BS is the source of data on the amount of capital (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

The deposits used in this calculation are giro and current account deposits, savings deposits and time deposits. Schedule BS/DEP is the source of data (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Figure 2.13 Capital Adequacy by Bank Groups

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

The regulatory capital, credit risk-weighted assets and exposures to other risks are calculated in accordance with the Decision on the Capital Adequacy of Banks (Official Gazette 17/2003, 120/2003 and 149/2005) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (Official Gazette 195/2003, 39/2004 and 41/2004).

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

Figure 2.14 Structure of Capital Requirements

The capital requirements required for the coverage of individual risk are calculated in accordance with the Decision on the Capital Adequacy of Banks (Official Gazette 17/2003, 120/2003 and 149/2005) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (Official Gazette 195/2003, 39/2004 and 41/2004). Schedule PKZ is the source of data and an integral part of the stated regulation.

Table 2.8 Income Statement

In the observed period, the income statement items are stated cumulatively for all banks and individual bank groups on the basis of data from the Bank Statistical Report (Official Gazette 166/2003, 53/2004 and 129/2004 – Schedule IS). For comparability purposes, the value of income statement

items reported in the previous period has been presented in accordance with the new reporting form.

Table 2.9 Structure of Income

The share of each income item in the total income of an individual bank group is calculated as a ratio between the sum of the same income items from the reports of the banks in the group (Bank Statistical Report – Schedule IS, Official Gazette 166/2003, 53/2004 and 129/2004) and the total income earned by the group, and multiplied by 100. The same principle is applied to the calculation made at the level of all banks, i.e. the amounts of the same income items from the reports of all banks are added up and expressed as the ratio between the sums thus calculated and the total income earned by all banks in the observed period, and multiplied by 100. For comparability purposes, the value of income items reported in the previous period has been presented in accordance with the new reporting form.

Schedule IS is the source of data on the income (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Table 2.10 Structure of Expenses

The structure of expenses is calculated in the same manner as the structure of income in Table 2.9, i.e. the share of each expense item in the total expenses of an individual bank group is calculated as a ratio between the sum of the same expense items from the reports of the banks in the group (Schedule IS) and the total expenses incurred by the group, and multiplied by 100. The same principle is applied to the calculation made for the banking system as a whole, i.e. the amounts of the same expense items from the reports of all banks are added up and expressed as the ratio between the sums thus calculated and the total expenses incurred by the banking system in the observed period, and multiplied by 100. For comparability purposes, the value of expense items reported in the previous period has been presented in accordance with the new reporting form.

Schedule IS is the source of data on the expenses (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Figure 2.15 Return on Assets

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

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

Schedule IS is the source of data on the income before taxes (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004), Schedule BS is the source of data on the gross assets (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004) and Schedule RC is the source of data on the provisions. Schedule RC forms an integral part of the Instruction for the

Preparation of Supervisory Reports (see the Decision on Supervisory Reports of Banks, Official Gazette 115/2003).

Figure 2.16 Return on Equity

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

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

Schedule IS is the source of data on the income after taxes (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004), while Schedule BS is the source of data on the average equity (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Figure 2.17 Interest Income

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

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

Schedule IS is the source of data on the interest income, while Schedule BS is the source of data on the amount of assets (both Schedules form an integral part of the Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Figure 2.18 Interest Expenses

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

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

Schedule IS is the source of data on the interest expenses, while Schedule BS is the source of data on the amount of assets (both Schedules form an integral part of the Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Figure 2.19 Interest Rates

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

Kuna deposits without a currency clause (sight deposits, savings and time deposits) and foreign currency deposits are reported as the weighted averages of the monthly interest rates. The basis for calculating the weighted averages is the balance in the deposits at the end of the reporting month. The exceptions are kuna savings deposits and time deposits, whose weighted averages are calculated (since July 1995) on the basis of the amounts of deposits received in the reporting month. When the average interest rates on the total kuna deposits are calculated, all components are weighted on the basis of the balance in the relevant deposits at the end of reporting period.

The CNB statistics is the source of data.

Figure 20. Assets per Employee

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

Schedule BS is the source of data on the amount of assets (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004), while banks are the source of data on the number of persons employed.

Figure 2.21 Operating Expenses

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

Schedule IS is the source of data on the operating expenses (general administrative expenses and depreciation) and the source of data on the total income (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Table 2.11 Classification of Placements and Contingent Liabilities by Risk Categories

Table 2.11 shows the amounts of placements and contingent liabilities classified by risk categories, as well as their shares in the total placements that are classified.

Schedule RC forms an integral part of the Instruction for the Preparation of Supervisory Reports (see the Decision on Supervisory Reports of Banks, Official Gazette 115/2003).

Figure 2.22 Structure of Placements and Contingent Liabilities by Bank Groups

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

The sources of data are the same as in Table 2.11.

Table 2.12 Total Value Adjustment and Provisions to Total Placements and Contingent Liabilities Ratio

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

Schedules PVA and RC are the source of data on the amounts of placement value impairment, provisions for contingent liabilities and provisions for unidentified losses. Schedules PVA and RC are an integral part of the Instruction for the Preparation of Supervisory Reports (see the Decision on Supervisory Reports of Banks, Official Gazette 115/2003).

Figure 2.23 Coverage of Total Placements and Contingent Liabilities by Total Value Adjustment and Provisions by Bank Groups

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

The sources of data on the amounts of provisions and total placements are the same as in Table 2.12.

Table 2.13 Structure of Net Loans by Institutional Sectors

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

Schedule BS/LOA is the source of data (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Table 2.14 Purchased CNB and Central Government Bills

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

CNB bills are purchased on the basis of the Decision on the Croatian National Bank Bills (Official Gazette 203/2003).

Table 2.15 CNB Loans

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

The utilisation of the stated secondary liquidity sources is regulated by the following decisions of the CNB: 1) Decision on the Terms of Granting Short-Term Loans on the Basis of Pledged Securities (Lombard Loan) (Official Gazette 160/1998, 28/1999, 32/1999, 38/1999, 131/2000, 53/2001 and 34/2005), 2) Decision on the Short-Term Liquidity Loan (Official Gazette 132/1999, 53/2001 and 135/2002) and 3) Decision on the Terms of Granting Intraday Loans on the Basis of Pledged Securities (Official Gazette 34/2005).

Figure 2.24 Free Reserves

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

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

$$\text{free reserves} = (\text{actual kuna reserves} + \text{actual foreign currency reserves} + \text{additional reserves}) - (\text{prescribed kuna reserves} + \text{prescribed foreign currency reserves}) - \text{borrowed reserves}$$

$$\text{actual kuna reserves} = \text{balance in giro accounts} + \text{balance in the vault} + \text{allocated reserves}$$

$$\text{actual foreign currency reserves} = \text{liquid foreign currency claims (including CNB bills in foreign currency)} + \text{allocated reserves}$$

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

$$\text{borrowed reserves} = \text{Lombard loan} + \text{repurchased CNB bills} + \text{intervention loan} + \text{special loans} +$$

pre-rehabilitation loan + overnight loan + other loans with maturity up to 7 days

The CNB statistics is the source of data.

Figure 2.25 Loans Extended/Deposits Received

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

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

Schedule BS/LOA is the source of data on the loans (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004), while Schedule BS/DEP is the source of data on the deposits (Bank Statistical Report)

Figure 2.26 Short-Term Assets/Short-Term Liabilities

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

Schedule BS/ALM is the source of data on the short-term assets and the short-term liabilities (Bank Statistical Report – Official Gazette 166/2003, 53/2004 and 129/2004).

Figure 2.27 Long Foreign Exchange Position

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

The reports submitted by banks on the basis of the Decision on the Limitation of Banks' Exposure to Foreign Exchange Risk (Official Gazette 17/2003) are the source of data on the long foreign exchange positions, while Schedule JK2 is the source of data on the regulatory capital. The regulatory capital is calculated in accordance with the Decision on the Capital Adequacy of Banks (Official Gazette 17/2003, 120/2003 and 149/2005) and the Instruction for the Uniform Implementation of

the Decision on the Capital Adequacy of Banks (Official Gazette 195/2003, 39/2004 and 41/2004).

Figure 2.28 Short Foreign Exchange Position

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

The reports submitted by banks on the basis of the Decision on the Limitation of Banks' Exposure to Foreign Exchange Risk (Official Gazette 17/2003) are the source of data on the short foreign exchange positions, while Schedule JK2 is the source of data on the regulatory capital. The regulatory capital is calculated in accordance with the Decision on the Capital Adequacy of Banks (Official Gazette 17/2003, 120/2003 and 149/2005) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (Official Gazette 195/2003, 39/2004 and 41/2004).

Table 2.16 Structure of Housing Savings Bank Assets

The share of each balance sheet item of assets in the total assets is calculated on the basis of data from the Bank Statistical Report (Official Gazette 166/2003, 53/2004 and 129/2004 – Schedule BS) and the derived aggregate report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period. For comparability purposes, the value of asset items reported in the previous period has been presented in accordance with the new reporting form.

Table 2.17 Structure of Housing Savings Bank Liabilities

The liabilities of housing savings banks are calculated in the same manner as the assets of housing savings banks in Table 2.16, i.e. the share of each balance sheet item of liabilities in the total liabilities is calculated on the basis of data from the Bank Statistical Report (Official Gazette 166/2003, 53/2004 and 129/2004 – Schedule BS) and the derived aggregate report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period. For comparability purposes, the value of liability items reported in the previous period has been presented in accordance with the new reporting form.

Table 2.18 Structure of Housing Savings Bank Capital

This Table shows in detail the structure of the housing savings bank capital (see also Table 2.17). The share of each stated capital item in the total capital of housing savings banks is calculated as a ratio between each capital item and the total capital of housing savings banks, and multiplied by 100. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Table 2.19 Housing Savings Bank Income Statement

In the observed period, the income statement items are stated cumulatively for all housing savings banks on the basis of data from the Bank Statistical Report (Official Gazette 166/2003, 53/2004 and 129/2004 – Schedule IS). For comparability purposes, the value of income statement items reported in the previous period has been presented in accordance with the new reporting form.

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

Table 2.20 shows the amounts of placements and contingent liabilities classified by risk categories, as well as their shares in the total placements that are classified.

Schedule RC forms an integral part of the Instruction for the Preparation of Supervisory Reports (see the Decision on Supervisory Reports of Banks, Official Gazette 115/2003).

Table 2.21 Total Value Adjustment and Provisions to Total Placements and Contingent Liabilities Ratio of Housing Savings Banks

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

Schedules PVA and RC are the source of data on the amounts of placement value impairment, provisions for contingent liabilities and provisions for unidentified losses. Schedules PVA and RC are an integral part of the Instruction for the Preparation of Supervisory Reports (see the Decision on Supervisory Reports of Banks, Official Gazette 115/2003).

4 List of Banks

Data on individual banks' addresses, telephone numbers, fax numbers, members of management and supervisory boards, and on bank auditors are shown in the list of banks.

Data on members of management and supervisory boards, and on shareholders who hold 3% or more of share in the bank's share capital are as at 31 March 2006.

Data on auditors relate to bank auditors for 2005.

BANKA BROD d.d.

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Management Board

Zdenko Vidaković – chairman, Mićo Tomičić

Supervisory Board

Damir Kreso – chairman, Mara Tomičić,
 Maja Vidaković

Shareholders

	Share in share capital (%)
1. Damir Kreso	8.87
2. Slobodanka Kreso	8.87
3. Mara Tomičić	8.87
4. Mićo Tomičić	8.87
5. Maja Vidaković	8.87
6. Zdenko Vidaković	8.87
7. Razija Kreso	7.79
8. Karlo Tomičić	7.79
9. Mirko Vidaković	7.79
10. Ante Zdilar	7.03
11. Neđo Jelčić	7.03
12. Željko Rački	4.30
13. Višnja Rački	4.26

Audit firm for 2005:
 Alfa Revizija d.o.o., Slavonski Brod

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	11,883
1.1. Total interest income	20,413
1.2. Total interest expenses	8,530
2. Net income from commissions and fees	616
2.1. Total income from commissions and fees	1,616
2.2. Total expenses on commissions and fees	1,000
3. Net other non-interest income	1,096
3.1. Other non-interest income	1,667
3.2. Other non-interest expenses	571
4. Net non-interest income	1,712
5. General administrative expenses and depreciation	7,187
6. Net operating income before loss provisions	6,408
7. Total expenses on loss provisions	1,083
7.1. Expenses on value adjustment and provisions for identified losses	839
7.2. Expenses on provisions for unidentified losses	245
8. Income/loss before taxes	5,325
9. Income tax	1,044
10. Current year profit/loss	4,281

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	32,752
1.1. Money assets	13,889
1.2. Deposits with the CNB	18,863
2. Deposits with banking institutions	16,214
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	4,616
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	129,425
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	3,377
14. Interest, fees and other assets	2,970
15. Net of: Specific reserves for unidentified losses	1,508
TOTAL ASSETS	187,844

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	134,914
2.1. Giro account and current account deposits	5,335
2.2. Savings deposits	1,975
2.3. Time deposits	127,603
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	6,417
9. CAPITAL	46,514
TOTAL LIABILITIES AND CAPITAL	187,844

1 Bank Account Number.

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Management Board

Lidija Hočurščak – chairwoman, Ratko Špirelja

Supervisory Board

Josip Samaržija – chairman, Darko Horvatin,
 Ivan Majdak, Božica Samaržija, Milan Štimac

Shareholders

1. Josip Samaržija	63.80
2. Euroherc osiguranje d.d.	12.48
3. Miroslav Fuzul	6.08
4. Centar banka d.d.	4.66

Share in share capital (%)

Audit firm for 2005:
 Revidicon d.o.o., Varaždin

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	39,137
1.1. Total interest income	77,642
1.2. Total interest expenses	38,505
2. Net income from commissions and fees	1,295
2.1. Total income from commissions and fees	2,065
2.2. Total expenses on commissions and fees	770
3. Net other non-interest income	-6,856
3.1. Other non-interest income	2,566
3.2. Other non-interest expenses	9,422
4. Net non-interest income	-5,561
5. General administrative expenses and depreciation	26,563
6. Net operating income before loss provisions	7,013
7. Total expenses on loss provisions	4,492
7.1. Expenses on value adjustment and provisions for identified losses	3,239
7.2. Expenses on provisions for unidentified losses	1,253
8. Income/loss before taxes	2,522
9. Income tax	1,282
10. Current year profit/loss	1,240

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	109,747
1.1. Money assets	25,121
1.2. Deposits with the CNB	84,626
2. Deposits with banking institutions	47,051
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	22,745
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	2
9. Loans to financial institutions	0
10. Loans to other clients	482,420
11. Investments in subsidiaries and associates	75
12. Foreclosed and repossessed assets	1,342
13. Tangible assets (net of depreciation)	22,727
14. Interest, fees and other assets	16,889
15. Net of: Specific reserves for unidentified losses	6,310
TOTAL ASSETS	696,689

Structure of Liabilities	
1. Loans from financial institutions	5,702
1.1. Short-term loans	5,000
1.2. Long-term loans	702
2. Deposits	580,269
2.1. Giro account and current account deposits	8,087
2.2. Savings deposits	13,093
2.3. Time deposits	559,089
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	27,156
8. Interest, fees and other liabilities	30,021
9. CAPITAL	53,541
TOTAL LIABILITIES AND CAPITAL	696,689

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Management Board

Anka Tomas – chairwoman, Goran Matanović

Supervisory Board

Branko Ostović – chairman, Tatjana Ostović,
 Karlo Kosina

Shareholders

1. Branko Ostović	54.98
2. Tatjana Ostović	9.68
3. Ljiljana Ostović	9.48
4. Mirjana Ostović	6.06

Share in share capital (%)

Audit firm for 2005:
 Revidicon d.o.o., Varaždin

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	47,479
1.1. Total interest income	79,169
1.2. Total interest expenses	31,690
2. Net income from commissions and fees	10,795
2.1. Total income from commissions and fees	12,297
2.2. Total expenses on commissions and fees	1,502
3. Net other non-interest income	3,920
3.1. Other non-interest income	9,504
3.2. Other non-interest expenses	5,584
4. Net non-interest income	14,715
5. General administrative expenses and depreciation	37,321
6. Net operating income before loss provisions	24,873
7. Total expenses on loss provisions	4,690
7.1. Expenses on value adjustment and provisions for identified losses	3,815
7.2. Expenses on provisions for unidentified losses	875
8. Income/loss before taxes	20,183
9. Income tax	4,127
10. Current year profit/loss	16,056

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	89,850
1.1. Money assets	16,081
1.2. Deposits with the CNB	73,769
2. Deposits with banking institutions	128,432
3. MoF treasury bills and CNB bills	7,818
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	394
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	546,256
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	1,288
13. Tangible assets (net of depreciation)	21,029
14. Interest, fees and other assets	9,976
15. Net of: Specific reserves for unidentified losses	6,642
TOTAL ASSETS	798,402

Structure of Liabilities	
1. Loans from financial institutions	1,308
1.1. Short-term loans	0
1.2. Long-term loans	1,308
2. Deposits	676,644
2.1. Giro account and current account deposits	24,812
2.2. Savings deposits	27,968
2.3. Time deposits	623,864
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	8
7. Hybrid instruments issued	155
8. Interest, fees and other liabilities	38,498
9. CAPITAL	81,789
TOTAL LIABILITIES AND CAPITAL	798,402

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Management Board

Ivan Filipović – chairman, Ivo Krolo

Supervisory Board

Juroslav Buljubašić – chairman, Mirko Vukušić,
 Nataša Vuković

Shareholders

	Share in share capital (%)
1. Juroslav Buljubašić	46.97
2. Mirko Vukušić	9.54
3. Hypo Alpe-Adria-Bank d.d.	7.91
4. Jozo Vukušić	5.51
5. Blue Line	4.45
6. Jakiša Medić	4.22
7. Nataša Vuković	4.04

Audit firm for 2005:
 Veritas d.o.o., Split

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	10,857
1.1. Total interest income	16,176
1.2. Total interest expenses	5,319
2. Net income from commissions and fees	93
2.1. Total income from commissions and fees	618
2.2. Total expenses on commissions and fees	525
3. Net other non-interest income	-130
3.1. Other non-interest income	724
3.2. Other non-interest expenses	854
4. Net non-interest income	-37
5. General administrative expenses and depreciation	6,608
6. Net operating income before loss provisions	4,212
7. Total expenses on loss provisions	794
7.1. Expenses on value adjustment and provisions for identified losses	761
7.2. Expenses on provisions for unidentified losses	34
8. Income/loss before taxes	3,418
9. Income tax	702
10. Current year profit/loss	2,716

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	23,625
1.1. Money assets	3,285
1.2. Deposits with the CNB	20,340
2. Deposits with banking institutions	15,734
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	5,336
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	95,996
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	887
13. Tangible assets (net of depreciation)	8,964
14. Interest, fees and other assets	1,626
15. Net of: Specific reserves for unidentified losses	1,237
TOTAL ASSETS	150,931

Structure of Liabilities	
1. Loans from financial institutions	291
1.1. Short-term loans	0
1.2. Long-term loans	291
2. Deposits	101,813
2.1. Giro account and current account deposits	526
2.2. Savings deposits	2,662
2.3. Time deposits	98,625
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	5,123
9. CAPITAL	43,704
TOTAL LIABILITIES AND CAPITAL	150,931

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Management Board

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

Supervisory Board

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

Shareholders

1. Heruc d.d.
2. PBZ d.d. (custody account)
3. Heruc Euroholding
4. Heruc Zug AG

Share in share capital (%)

- 50.29
 9.35
 4.69
 3.29

Audit firm for 2005:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	33,233
1.1. Total interest income	56,973
1.2. Total interest expenses	23,740
2. Net income from commissions and fees	11,586
2.1. Total income from commissions and fees	16,787
2.2. Total expenses on commissions and fees	5,201
3. Net other non-interest income	6,619
3.1. Other non-interest income	8,117
3.2. Other non-interest expenses	1,499
4. Net non-interest income	18,205
5. General administrative expenses and depreciation	32,375
6. Net operating income before loss provisions	19,063
7. Total expenses on loss provisions	6,585
7.1. Expenses on value adjustment and provisions for identified losses	4,726
7.2. Expenses on provisions for unidentified losses	1,858
8. Income/loss before taxes	12,478
9. Income tax	2,476
10. Current year profit/loss	10,003

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	120,305
1.1. Money assets	9,853
1.2. Deposits with the CNB	110,452
2. Deposits with banking institutions	64,459
3. MoF treasury bills and CNB bills	34,351
4. Securities and other financial instruments held for trading	32,713
5. Securities and other financial instruments available for sale	924
6. Securities and other financial instruments held to maturity	58,155
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	10
9. Loans to financial institutions	35,066
10. Loans to other clients	475,141
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	7,927
13. Tangible assets (net of depreciation)	6,633
14. Interest, fees and other assets	9,332
15. Net of: Specific reserves for unidentified losses	7,720
TOTAL ASSETS	837,317

Structure of Liabilities	
1. Loans from financial institutions	152,367
1.1. Short-term loans	48,709
1.2. Long-term loans	103,659
2. Deposits	505,293
2.1. Giro account and current account deposits	131,024
2.2. Savings deposits	27,714
2.3. Time deposits	346,554
3. Other loans	14,315
3.1. Short-term loans	14,315
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	73
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	9,428
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	37,849
9. CAPITAL	117,992
TOTAL LIABILITIES AND CAPITAL	837,317

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Management Board

Šime Luketin – chairman, Mato Mišić

Supervisory Board

Mirko Vuković – chairman, Boris Barać, Dražen Bilić

Shareholders

1. Boris Barać	24.97
2. Mirko Vuković	9.98
3. Bedem d.o.o.	9.50
4. Simag d.o.o.	9.31
5. Alkom d.o.o. za graditeljstvo	8.36
6. Arca Mercatus d.o.o.	4.98
7. Plastal d.o.o.	3.52

Share in share capital (%)

Audit firm for 2005:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	36,159
1.1. Total interest income	68,211
1.2. Total interest expenses	32,052
2. Net income from commissions and fees	8,931
2.1. Total income from commissions and fees	11,871
2.2. Total expenses on commissions and fees	2,940
3. Net other non-interest income	3,802
3.1. Other non-interest income	7,031
3.2. Other non-interest expenses	3,229
4. Net non-interest income	12,734
5. General administrative expenses and depreciation	28,660
6. Net operating income before loss provisions	20,233
7. Total expenses on loss provisions	9,111
7.1. Expenses on value adjustment and provisions for identified losses	6,739
7.2. Expenses on provisions for unidentified losses	2,371
8. Income/loss before taxes	11,122
9. Income tax	2,536
10. Current year profit/loss	8,586

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	140,702
1.1. Money assets	11,831
1.2. Deposits with the CNB	128,871
2. Deposits with banking institutions	59,253
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	42,118
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	91
9. Loans to financial institutions	0
10. Loans to other clients	724,704
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	10,328
13. Tangible assets (net of depreciation)	18,793
14. Interest, fees and other assets	23,147
15. Net of: Specific reserves for unidentified losses	9,137
TOTAL ASSETS	1,009,998

Structure of Liabilities	
1. Loans from financial institutions	150,805
1.1. Short-term loans	14,700
1.2. Long-term loans	136,105
2. Deposits	664,905
2.1. Giro account and current account deposits	114,999
2.2. Savings deposits	51,981
2.3. Time deposits	497,926
3. Other loans	14,655
3.1. Short-term loans	0
3.2. Long-term loans	14,655
4. Derivative financial liabilities and other financial liabilities held for trading	258
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	10,980
8. Interest, fees and other liabilities	88,095
9. CAPITAL	80,299
TOTAL LIABILITIES AND CAPITAL	1,009,998

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Management Board

Krunoslav Brkljačić – chairman, Željka Prga,
 Dalibor Jandl

Supervisory Board

Ivan Pažin – chairman, Jure Šimović, Ivan
 Tomljenović, Branka Grabovac, Ivan Bukarica

Shareholders

1. State Agency for Bank Rehabilitation and Deposit Insurance

Share in share capital (%)

100.00

Audit firm for 2005:

Revizija Zagreb d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	36,432
1.1. Total interest income	78,660
1.2. Total interest expenses	42,228
2. Net income from commissions and fees	3,885
2.1. Total income from commissions and fees	13,840
2.2. Total expenses on commissions and fees	9,955
3. Net other non-interest income	8,576
3.1. Other non-interest income	15,818
3.2. Other non-interest expenses	7,242
4. Net non-interest income	12,460
5. General administrative expenses and depreciation	63,820
6. Net operating income before loss provisions	-14,927
7. Total expenses on loss provisions	-19,406
7.1. Expenses on value adjustment and provisions for identified losses	-20,135
7.2. Expenses on provisions for unidentified losses	730
8. Income/loss before taxes	4,479
9. Income tax	0
10. Current year profit/loss	4,479

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	220,877
1.1. Money assets	22,524
1.2. Deposits with the CNB	198,353
2. Deposits with banking institutions	215,493
3. MoF treasury bills and CNB bills	34,249
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	163,407
6. Securities and other financial instruments held to maturity	4,926
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	308
9. Loans to financial institutions	5,326
10. Loans to other clients	694,967
11. Investments in subsidiaries and associates	440
12. Foreclosed and repossessed assets	47,952
13. Tangible assets (net of depreciation)	41,219
14. Interest, fees and other assets	42,249
15. Net of: Specific reserves for unidentified losses	10,215
TOTAL ASSETS	1,461,197

Structure of Liabilities	
1. Loans from financial institutions	181,928
1.1. Short-term loans	19,511
1.2. Long-term loans	162,416
2. Deposits	1,056,231
2.1. Giro account and current account deposits	177,901
2.2. Savings deposits	133,436
2.3. Time deposits	744,893
3. Other loans	16,801
3.1. Short-term loans	3,688
3.2. Long-term loans	13,113
4. Derivative financial liabilities and other financial liabilities held for trading	416
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	53,689
9. CAPITAL	152,133
TOTAL LIABILITIES AND CAPITAL	1,461,197

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Management Board

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

Supervisory Board

Reinhard Ortner – chairman, Franz Kerber, Josip
Stanković, Kristijan Schellander, Manfred Wimmer,
Helmut Payer, Peter Nemschak, Herbert Juranek,
Andreas Klingen

Shareholders

	Share in share capital (%)
1. Erste Bank der Österreichischen Sparkassen AG	51.43
2. Die Steiermärkische Bank und Sparkassen AG	43.98

Audit firm for 2005:
Deloitte & Touche d.o.o., Zagreb

Income Statement, as at 31 December 2005, in thousand kuna

1. Net interest income	776,795
1.1. Total interest income	1,430,037
1.2. Total interest expenses	653,243
2. Net income from commissions and fees	163,763
2.1. Total income from commissions and fees	281,620
2.2. Total expenses on commissions and fees	117,857
3. Net other non-interest income	72,567
3.1. Other non-interest income	146,929
3.2. Other non-interest expenses	74,362
4. Net non-interest income	236,330
5. General administrative expenses and depreciation	483,912
6. Net operating income before loss provisions	529,213
7. Total expenses on loss provisions	92,805
7.1. Expenses on value adjustment and provisions for identified losses	51,569
7.2. Expenses on provisions for unidentified losses	41,236
8. Income/loss before taxes	436,408
9. Income tax	88,646
10. Current year profit/loss	347,762

Balance Sheet, as at 31 December 2005, in thousand kuna

Structure of Assets	
1. Money assets and deposits with the CNB	6,793,011
1.1. Money assets	290,031
1.2. Deposits with the CNB	6,502,981
2. Deposits with banking institutions	1,922,265
3. MoF treasury bills and CNB bills	658,246
4. Securities and other financial instruments held for trading	506,078
5. Securities and other financial instruments available for sale	801,799
6. Securities and other financial instruments held to maturity	480,517
7. Securities and other financial instruments not traded in active markets but carried at fair value	2,830
8. Derivative financial assets	8,716
9. Loans to financial institutions	111,793
10. Loans to other clients	18,443,521
11. Investments in subsidiaries and associates	56,925
12. Foreclosed and repossessed assets	14,712
13. Tangible assets (net of depreciation)	559,394
14. Interest, fees and other assets	317,661
15. Net of: Specific reserves for unidentified losses	241,843
TOTAL ASSETS	30,435,625

Structure of Liabilities	
1. Loans from financial institutions	1,916,704
1.1. Short-term loans	1,010,175
1.2. Long-term loans	906,530
2. Deposits	18,835,806
2.1. Giro account and current account deposits	2,400,469
2.2. Savings deposits	2,769,855
2.3. Time deposits	13,665,482
3. Other loans	6,096,375
3.1. Short-term loans	29,155
3.2. Long-term loans	6,067,220
4. Derivative financial liabilities and other financial liabilities held for trading	9,234
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	710,638
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,091,538
9. CAPITAL	1,775,330
TOTAL LIABILITIES AND CAPITAL	30,435,625

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Management Board

Suzana Sučić – chairwoman, Krešimir Jerin

Supervisory Board

Izidor Sučić – chairman, Branko Josipović,
 Željko Krznarić

Shareholders

	Share in share capital (%)
1. Izidor Sučić	10.00
2. Branko Mijović	9.97
3. Suzana Sučić	9.89
4. Ivan Sučić	9.84
5. Kristina Sučić	9.82
6. Vesna Mijović	9.78
7. Branko Josipović	9.59
8. Josip Bašić	9.56
9. Željko Krznarić	8.51
10. Faktor banka d.d.	8.36

Audit firm for 2005:
 Repos d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	20,982
1.1. Total interest income	31,762
1.2. Total interest expenses	10,780
2. Net income from commissions and fees	5,060
2.1. Total income from commissions and fees	6,919
2.2. Total expenses on commissions and fees	1,859
3. Net other non-interest income	9,846
3.1. Other non-interest income	11,583
3.2. Other non-interest expenses	1,738
4. Net non-interest income	14,905
5. General administrative expenses and depreciation	22,951
6. Net operating income before loss provisions	12,937
7. Total expenses on loss provisions	-6,831
7.1. Expenses on value adjustment and provisions for identified losses	-5,764
7.2. Expenses on provisions for unidentified losses	-1,067
8. Income/loss before taxes	19,768
9. Income tax	4,096
10. Current year profit/loss	15,671

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	70,423
1.1. Money assets	24,179
1.2. Deposits with the CNB	46,245
2. Deposits with banking institutions	61,440
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	537
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	41,957
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	20,000
10. Loans to other clients	154,283
11. Investments in subsidiaries and associates	9,090
12. Foreclosed and repossessed assets	6,424
13. Tangible assets (net of depreciation)	15,602
14. Interest, fees and other assets	5,365
15. Net of: Specific reserves for unidentified losses	2,709
TOTAL ASSETS	382,412

Structure of Liabilities	
1. Loans from financial institutions	51,376
1.1. Short-term loans	2,884
1.2. Long-term loans	48,492
2. Deposits	114,703
2.1. Giro account and current account deposits	19,080
2.2. Savings deposits	30,932
2.3. Time deposits	64,692
3. Other loans	47,942
3.1. Short-term loans	21,205
3.2. Long-term loans	26,737
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	55,774
9. CAPITAL	112,616
TOTAL LIABILITIES AND CAPITAL	382,412

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Management Board

Josip Protega – chairman, Ivan Sladonja

Supervisory Board

Ante Žigman – chairman, Zoran Bubaš,
 Dragan Kovačević, Drago Jakovčević, Vera Babić,
 Grga Ivezić, Jadranko Mijalić

Shareholders

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

Share in share capital (%)

Audit firm for 2005:
 KPMG Croatia d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	244,120
1.1. Total interest income	356,080
1.2. Total interest expenses	111,960
2. Net income from commissions and fees	60,764
2.1. Total income from commissions and fees	558,796
2.2. Total expenses on commissions and fees	498,032
3. Net other non-interest income	19,266
3.1. Other non-interest income	57,700
3.2. Other non-interest expenses	38,434
4. Net non-interest income	80,029
5. General administrative expenses and depreciation	184,254
6. Net operating income before loss provisions	139,896
7. Total expenses on loss provisions	24,114
7.1. Expenses on value adjustment and provisions for identified losses	25,165
7.2. Expenses on provisions for unidentified losses	-1,051
8. Income/loss before taxes	115,782
9. Income tax	25,620
10. Current year profit/loss	90,162

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	1,065,726
1.1. Money assets	221,242
1.2. Deposits with the CNB	844,483
2. Deposits with banking institutions	676,209
3. MoF treasury bills and CNB bills	1,126,878
4. Securities and other financial instruments held for trading	305,977
5. Securities and other financial instruments available for sale	918,845
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	3,789
9. Loans to financial institutions	11,840
10. Loans to other clients	2,958,829
11. Investments in subsidiaries and associates	5,050
12. Foreclosed and repossessed assets	1,376
13. Tangible assets (net of depreciation)	158,051
14. Interest, fees and other assets	121,114
15. Net of: Specific reserves for unidentified losses	50,792
TOTAL ASSETS	7,302,892

Structure of Liabilities	
1. Loans from financial institutions	1,211,523
1.1. Short-term loans	593,425
1.2. Long-term loans	618,098
2. Deposits	4,329,024
2.1. Giro account and current account deposits	1,606,981
2.2. Savings deposits	1,167,327
2.3. Time deposits	1,554,715
3. Other loans	33,314
3.1. Short-term loans	0
3.2. Long-term loans	33,314
4. Derivative financial liabilities and other financial liabilities held for trading	562
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	979,042
9. CAPITAL	749,427
TOTAL LIABILITIES AND CAPITAL	7,302,892

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Shareholders

1. Bank Austria Creditanstalt AG

Share in share capital (%)

99.75

Management Board

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

Audit firm for 2005:

KPMG Croatia d.o.o., Zagreb

Supervisory Board

Regina Prehofer – chairwoman, Helmut Bernkopf,
 Wolfgang Edelmüller, Wolfgang Helpa, Heinz
 Meidlinger, Robert Zadrazil, Josef Duregger

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	620,592
1.1. Total interest income	1,151,764
1.2. Total interest expenses	531,172
2. Net income from commissions and fees	165,983
2.1. Total income from commissions and fees	217,161
2.2. Total expenses on commissions and fees	51,178
3. Net other non-interest income	41,645
3.1. Other non-interest income	107,602
3.2. Other non-interest expenses	65,956
4. Net non-interest income	207,628
5. General administrative expenses and depreciation	461,467
6. Net operating income before loss provisions	366,753
7. Total expenses on loss provisions	13,016
7.1. Expenses on value adjustment and provisions for identified losses	-7,937
7.2. Expenses on provisions for unidentified losses	20,953
8. Income/loss before taxes	353,737
9. Income tax	71,056
10. Current year profit/loss	282,681

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	4,405,818
1.1. Money assets	192,844
1.2. Deposits with the CNB	4,212,974
2. Deposits with banking institutions	1,093,992
3. MoF treasury bills and CNB bills	288,970
4. Securities and other financial instruments held for trading	1,586,434
5. Securities and other financial instruments available for sale	1,106,574
6. Securities and other financial instruments held to maturity	560,982
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	10,147
9. Loans to financial institutions	381,101
10. Loans to other clients	13,312,696
11. Investments in subsidiaries and associates	531
12. Foreclosed and repossessed assets	158
13. Tangible assets (net of depreciation)	201,298
14. Interest, fees and other assets	587,912
15. Net of: Specific reserves for unidentified losses	170,365
TOTAL ASSETS	23,366,246

Structure of Liabilities	
1. Loans from financial institutions	1,244,477
1.1. Short-term loans	10,050
1.2. Long-term loans	1,234,427
2. Deposits	11,836,656
2.1. Giro account and current account deposits	2,238,663
2.2. Savings deposits	1,854,057
2.3. Time deposits	7,743,937
3. Other loans	7,699,862
3.1. Short-term loans	2,625,637
3.2. Long-term loans	5,074,224
4. Derivative financial liabilities and other financial liabilities held for trading	54,862
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	830,679
9. CAPITAL	1,699,709
TOTAL LIABILITIES AND CAPITAL	23,366,246

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Shareholders

1. Hypo Alpe-Adria-Bank AG

Share in share capital (%)

100.00

Audit firm for 2005:

Confida revizija d.o.o., Zagreb

Management Board

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

Supervisory Board

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

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	426,885
1.1. Total interest income	878,842
1.2. Total interest expenses	451,956
2. Net income from commissions and fees	167,510
2.1. Total income from commissions and fees	211,318
2.2. Total expenses on commissions and fees	43,808
3. Net other non-interest income	68,789
3.1. Other non-interest income	125,785
3.2. Other non-interest expenses	56,997
4. Net non-interest income	236,298
5. General administrative expenses and depreciation	325,914
6. Net operating income before loss provisions	337,270
7. Total expenses on loss provisions	86,258
7.1. Expenses on value adjustment and provisions for identified losses	67,381
7.2. Expenses on provisions for unidentified losses	18,877
8. Income/loss before taxes	251,012
9. Income tax	49,921
10. Current year profit/loss	201,090

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	2,758,247
1.1. Money assets	99,944
1.2. Deposits with the CNB	2,658,304
2. Deposits with banking institutions	997,186
3. MoF treasury bills and CNB bills	594,368
4. Securities and other financial instruments held for trading	234,365
5. Securities and other financial instruments available for sale	2,058,191
6. Securities and other financial instruments held to maturity	16,684
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	5,515
9. Loans to financial institutions	390,989
10. Loans to other clients	11,987,700
11. Investments in subsidiaries and associates	8,659
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	123,315
14. Interest, fees and other assets	270,518
15. Net of: Specific reserves for unidentified losses	138,887
TOTAL ASSETS	19,306,850

Structure of Liabilities	
1. Loans from financial institutions	664,378
1.1. Short-term loans	120,731
1.2. Long-term loans	543,647
2. Deposits	13,882,645
2.1. Giro account and current account deposits	1,416,343
2.2. Savings deposits	1,648,496
2.3. Time deposits	10,817,807
3. Other loans	1,553,288
3.1. Short-term loans	1,523,515
3.2. Long-term loans	29,773
4. Derivative financial liabilities and other financial liabilities held for trading	1,168
5. Debt securities issued	75,522
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	75,522
6. Subordinated instruments issued	0
7. Hybrid instruments issued	736,501
8. Interest, fees and other liabilities	578,728
9. CAPITAL	1,814,620
TOTAL LIABILITIES AND CAPITAL	19,306,850

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Management Board

Branko Buljan – chairman, Milivoj Delač

Supervisory Board

Anđelko Matić – chairman, Branka Žaja, Marica Javorović

Shareholders

1. Imex trgovina d.o.o.	52.61
2. Trajektna luka Split d.d.	32.80
3. Branko Buljan	10.51
4. Ivka Mijić	4.08

Share in share capital (%)

Audit firm for 2005:
 Maran d.o.o., Split

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	22,820
1.1. Total interest income	40,698
1.2. Total interest expenses	17,878
2. Net income from commissions and fees	2,174
2.1. Total income from commissions and fees	2,805
2.2. Total expenses on commissions and fees	630
3. Net other non-interest income	-1,936
3.1. Other non-interest income	1,404
3.2. Other non-interest expenses	3,339
4. Net non-interest income	239
5. General administrative expenses and depreciation	15,832
6. Net operating income before loss provisions	7,227
7. Total expenses on loss provisions	-470
7.1. Expenses on value adjustment and provisions for identified losses	-1,456
7.2. Expenses on provisions for unidentified losses	986
8. Income/loss before taxes	7,697
9. Income tax	1,475
10. Current year profit/loss	6,222

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	134,109
1.1. Money assets	6,326
1.2. Deposits with the CNB	127,783
2. Deposits with banking institutions	57,570
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	29,798
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	1
9. Loans to financial institutions	0
10. Loans to other clients	364,103
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	14,513
14. Interest, fees and other assets	6,609
15. Net of: Specific reserves for unidentified losses	5,619
TOTAL ASSETS	601,085

Structure of Liabilities	
1. Loans from financial institutions	2,960
1.1. Short-term loans	0
1.2. Long-term loans	2,960
2. Deposits	474,869
2.1. Giro account and current account deposits	96,985
2.2. Savings deposits	22,359
2.3. Time deposits	355,525
3. Other loans	44,254
3.1. Short-term loans	44,254
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	9,177
9. CAPITAL	69,824
TOTAL LIABILITIES AND CAPITAL	601,085

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Management Board

Miro Dodić – chairman, Marina Vidić

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Intercommerce d.o.o.	17.30
2. Tvornica cementa Umag d.o.o.	15.44
3. Hempel d.o.o.	15.40
4. Serfin d.o.o.	9.92
5. Medias S.p.A.	7.83
6. Plava laguna d.d.	3.66

Audit firm for 2005:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	49,357
1.1. Total interest income	85,084
1.2. Total interest expenses	35,728
2. Net income from commissions and fees	11,773
2.1. Total income from commissions and fees	20,070
2.2. Total expenses on commissions and fees	8,297
3. Net other non-interest income	13,531
3.1. Other non-interest income	16,066
3.2. Other non-interest expenses	2,535
4. Net non-interest income	25,304
5. General administrative expenses and depreciation	48,245
6. Net operating income before loss provisions	26,416
7. Total expenses on loss provisions	-700
7.1. Expenses on value adjustment and provisions for identified losses	-1,915
7.2. Expenses on provisions for unidentified losses	1,215
8. Income/loss before taxes	27,116
9. Income tax	5,713
10. Current year profit/loss	21,403

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	317,754
1.1. Money assets	36,555
1.2. Deposits with the CNB	281,199
2. Deposits with banking institutions	470,271
3. MoF treasury bills and CNB bills	24,903
4. Securities and other financial instruments held for trading	1,578
5. Securities and other financial instruments available for sale	2,206
6. Securities and other financial instruments held to maturity	30,896
7. Securities and other financial instruments not traded in active markets but carried at fair value	78,743
8. Derivative financial assets	0
9. Loans to financial institutions	18,000
10. Loans to other clients	709,058
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	15,176
13. Tangible assets (net of depreciation)	29,220
14. Interest, fees and other assets	16,962
15. Net of: Specific reserves for unidentified losses	13,220
TOTAL ASSETS	1,701,565

Structure of Liabilities	
1. Loans from financial institutions	16,553
1.1. Short-term loans	1,500
1.2. Long-term loans	15,053
2. Deposits	1,500,489
2.1. Giro account and current account deposits	233,077
2.2. Savings deposits	336,894
2.3. Time deposits	930,519
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	32,022
9. CAPITAL	152,501
TOTAL LIABILITIES AND CAPITAL	1,701,565

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Management Board

Ivo Šinko – chairman, Mate Šarić,
 Marija Trlaja

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Croatia osiguranje d.d.	9.75
2. Alfa d.d.	7.89
3. HVB Splitska banka d.d.	7.83
4. Vinoplod – vinarija d.d.	4.92
5. Importanne d.o.o.	4.81
6. Tiskara Kačić d.o.o.	4.23
7. Vodovod i odvodnja d.o.o.	4.20

Audit firm for 2005:

Revicon Zagreb d.o.o., Zagreb and Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	39,649
1.1. Total interest income	88,071
1.2. Total interest expenses	48,422
2. Net income from commissions and fees	8,929
2.1. Total income from commissions and fees	19,462
2.2. Total expenses on commissions and fees	10,533
3. Net other non-interest income	30,601
3.1. Other non-interest income	37,501
3.2. Other non-interest expenses	6,900
4. Net non-interest income	39,530
5. General administrative expenses and depreciation	40,432
6. Net operating income before loss provisions	38,747
7. Total expenses on loss provisions	16,483
7.1. Expenses on value adjustment and provisions for identified losses	16,431
7.2. Expenses on provisions for unidentified losses	51
8. Income/loss before taxes	22,264
9. Income tax	4,425
10. Current year profit/loss	17,840

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	216,581
1.1. Money assets	29,905
1.2. Deposits with the CNB	186,675
2. Deposits with banking institutions	290,603
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	40,157
6. Securities and other financial instruments held to maturity	230,542
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	23
9. Loans to financial institutions	0
10. Loans to other clients	709,769
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	105,468
13. Tangible assets (net of depreciation)	29,290
14. Interest, fees and other assets	38,970
15. Net of: Specific reserves for unidentified losses	15,008
TOTAL ASSETS	1,646,394

Structure of Liabilities	
1. Loans from financial institutions	113,402
1.1. Short-term loans	30,000
1.2. Long-term loans	83,402
2. Deposits	1,310,071
2.1. Giro account and current account deposits	145,265
2.2. Savings deposits	333,718
2.3. Time deposits	831,088
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	38
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	10,867
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	30,832
9. CAPITAL	181,184
TOTAL LIABILITIES AND CAPITAL	1,646,394

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Management Board

Sandi Šola – chairman, Sanda Cvitešić, Stjepan Poljak, Marijana Trpčić-Reškovic

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Croatian Privatisation Fund	7.48
2. Novopromet d.o.o.	7.44
3. Cityexpress d.o.o.	5.82
4. Ivan Jaime Guerrero Devlahovic	5.69
5. Lanzville Investments	5.12
6. Antun Farkaš	4.30
7. Karlovačka pivovara d.d.	4.26
8. Munja d.d.	4.09
9. PBZ Invest d.o.o.	3.86
10. Žabac, trgovačko-pekarSKI obrt i ugostiteljstvo	3.55
11. Aks d.o.o.	3.11

Audit firm for 2005:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	42,163
1.1. Total interest income	67,813
1.2. Total interest expenses	25,650
2. Net income from commissions and fees	10,259
2.1. Total income from commissions and fees	23,527
2.2. Total expenses on commissions and fees	13,268
3. Net other non-interest income	7,371
3.1. Other non-interest income	11,219
3.2. Other non-interest expenses	3,849
4. Net non-interest income	17,630
5. General administrative expenses and depreciation	53,424
6. Net operating income before loss provisions	6,369
7. Total expenses on loss provisions	1,831
7.1. Expenses on value adjustment and provisions for identified losses	2,726
7.2. Expenses on provisions for unidentified losses	-895
8. Income/loss before taxes	4,539
9. Income tax	1,144
10. Current year profit/loss	3,394

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	148,179
1.1. Money assets	21,259
1.2. Deposits with the CNB	126,921
2. Deposits with banking institutions	168,533
3. MoF treasury bills and CNB bills	14,802
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	416
6. Securities and other financial instruments held to maturity	147,183
7. Securities and other financial instruments not traded in active markets but carried at fair value	27,771
8. Derivative financial assets	111
9. Loans to financial institutions	5,642
10. Loans to other clients	560,402
11. Investments in subsidiaries and associates	17,358
12. Foreclosed and repossessed assets	1,175
13. Tangible assets (net of depreciation)	30,614
14. Interest, fees and other assets	11,272
15. Net of: Specific reserves for unidentified losses	8,922
TOTAL ASSETS	1,124,535

Structure of Liabilities	
1. Loans from financial institutions	84,072
1.1. Short-term loans	14,632
1.2. Long-term loans	69,440
2. Deposits	923,344
2.1. Giro account and current account deposits	191,831
2.2. Savings deposits	248,083
2.3. Time deposits	483,431
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	100
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	2,029
7. Hybrid instruments issued	13,571
8. Interest, fees and other liabilities	23,894
9. CAPITAL	77,525
TOTAL LIABILITIES AND CAPITAL	1,124,535

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Management Board

Ivan Purgar – chairman, Željko Jakuš

Supervisory Board

Rudo Mikulić – chairman, Tomislav Lučić, Ivica Sertić

Shareholders

1. Euroherc osiguranje d.d.	28.00
2. Jadransko osiguranje d.d.	20.00
3. Agram životno osiguranje d.d.	12.24
4. Euro daus d.d.	9.99
5. Euroleasing d.o.o.	9.99
6. Sunce osiguranje d.d.	9.99

Share in share capital (%)

Audit firm for 2005:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	25,086
1.1. Total interest income	51,788
1.2. Total interest expenses	26,702
2. Net income from commissions and fees	9,438
2.1. Total income from commissions and fees	28,816
2.2. Total expenses on commissions and fees	19,379
3. Net other non-interest income	19,585
3.1. Other non-interest income	23,457
3.2. Other non-interest expenses	3,872
4. Net non-interest income	29,023
5. General administrative expenses and depreciation	34,288
6. Net operating income before loss provisions	19,820
7. Total expenses on loss provisions	8,251
7.1. Expenses on value adjustment and provisions for identified losses	7,538
7.2. Expenses on provisions for unidentified losses	712
8. Income/loss before taxes	11,570
9. Income tax	0
10. Current year profit/loss	11,570

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	133,748
1.1. Money assets	38,835
1.2. Deposits with the CNB	94,914
2. Deposits with banking institutions	102,425
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	319
6. Securities and other financial instruments held to maturity	5,074
7. Securities and other financial instruments not traded in active markets but carried at fair value	18,478
8. Derivative financial assets	491
9. Loans to financial institutions	94,859
10. Loans to other clients	515,061
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	36,696
14. Interest, fees and other assets	12,877
15. Net of: Specific reserves for unidentified losses	6,583
TOTAL ASSETS	913,446

Structure of Liabilities	
1. Loans from financial institutions	25,656
1.1. Short-term loans	0
1.2. Long-term loans	25,656
2. Deposits	706,376
2.1. Giro account and current account deposits	205,994
2.2. Savings deposits	37,406
2.3. Time deposits	462,976
3. Other loans	3,298
3.1. Short-term loans	3,298
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	58
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	34,449
9. CAPITAL	143,608
TOTAL LIABILITIES AND CAPITAL	913,446

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Management Board

Goran Rameša – chairman, Milivoj Debelić

Supervisory Board

Marijan Ključariček – chairman, Vito Svetina, Mirjana
 Petković, Dušan Todorović, Giuseppe Tomsich

Shareholders

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

**Share in share
capital (%)**

Audit firm for 2005:
 PricewaterhouseCoopers d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	13,739
1.1. Total interest income	19,126
1.2. Total interest expenses	5,387
2. Net income from commissions and fees	3,708
2.1. Total income from commissions and fees	7,138
2.2. Total expenses on commissions and fees	3,430
3. Net other non-interest income	2,314
3.1. Other non-interest income	3,742
3.2. Other non-interest expenses	1,428
4. Net non-interest income	6,023
5. General administrative expenses and depreciation	13,261
6. Net operating income before loss provisions	6,501
7. Total expenses on loss provisions	-613
7.1. Expenses on value adjustment and provisions for identified losses	-1,254
7.2. Expenses on provisions for unidentified losses	641
8. Income/loss before taxes	7,113
9. Income tax	1,631
10. Current year profit/loss	5,483

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	44,377
1.1. Money assets	2,114
1.2. Deposits with the CNB	42,263
2. Deposits with banking institutions	27,767
3. MoF treasury bills and CNB bills	12,917
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	11,940
6. Securities and other financial instruments held to maturity	62,158
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	1
9. Loans to financial institutions	0
10. Loans to other clients	151,672
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	351
13. Tangible assets (net of depreciation)	25,824
14. Interest, fees and other assets	4,009
15. Net of: Specific reserves for unidentified losses	3,420
TOTAL ASSETS	337,597

Structure of Liabilities	
1. Loans from financial institutions	32,804
1.1. Short-term loans	500
1.2. Long-term loans	32,304
2. Deposits	223,839
2.1. Giro account and current account deposits	88,445
2.2. Savings deposits	19,160
2.3. Time deposits	116,234
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	8,836
9. CAPITAL	72,117
TOTAL LIABILITIES AND CAPITAL	337,597

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Shareholders

1. Privredna banka Zagreb d.d.

Share in share capital (%)

96.39

Audit firm for 2005:

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

Management Board

Nenad Jeđud – chairman, Ljiljana Horvat

Supervisory Board

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

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	79,943
1.1. Total interest income	137,137
1.2. Total interest expenses	57,194
2. Net income from commissions and fees	25,395
2.1. Total income from commissions and fees	28,846
2.2. Total expenses on commissions and fees	3,451
3. Net other non-interest income	2,586
3.1. Other non-interest income	11,740
3.2. Other non-interest expenses	9,154
4. Net non-interest income	27,981
5. General administrative expenses and depreciation	55,655
6. Net operating income before loss provisions	52,269
7. Total expenses on loss provisions	14,166
7.1. Expenses on value adjustment and provisions for identified losses	10,018
7.2. Expenses on provisions for unidentified losses	4,148
8. Income/loss before taxes	38,103
9. Income tax	7,667
10. Current year profit/loss	30,436

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	289,627
1.1. Money assets	48,236
1.2. Deposits with the CNB	241,392
2. Deposits with banking institutions	358,389
3. MoF treasury bills and CNB bills	164,774
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	3,147
6. Securities and other financial instruments held to maturity	2,778
7. Securities and other financial instruments not traded in active markets but carried at fair value	140,170
8. Derivative financial assets	46
9. Loans to financial institutions	33,760
10. Loans to other clients	1,172,406
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	1,784
13. Tangible assets (net of depreciation)	35,667
14. Interest, fees and other assets	23,430
15. Net of: Specific reserves for unidentified losses	18,718
TOTAL ASSETS	2,207,260

Structure of Liabilities	
1. Loans from financial institutions	148,088
1.1. Short-term loans	0
1.2. Long-term loans	148,088
2. Deposits	1,751,948
2.1. Giro account and current account deposits	298,301
2.2. Savings deposits	375,451
2.3. Time deposits	1,078,197
3. Other loans	22,127
3.1. Short-term loans	0
3.2. Long-term loans	22,127
4. Derivative financial liabilities and other financial liabilities held for trading	9
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	62,787
9. CAPITAL	222,301
TOTAL LIABILITIES AND CAPITAL	2,207,260

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Management Board

Stipan Pamuković – chairman, Željko Škalec

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Kemika d.d.	14.51
2. Agram životno osiguranje d.d.	8.24
3. Euroherc osiguranje d.d.	8.24
4. Jadransko osiguranje d.d.	8.24
5. Sunce osiguranje d.d.	8.24
6. GIP Pionir d.d.	5.94
7. Dragica Predović	4.56
8. Stipan Pamuković	3.92
9. Željko Škalec	3.92

Audit firm for 2005:
 Revizija Zagreb d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	11,564
1.1. Total interest income	24,703
1.2. Total interest expenses	13,139
2. Net income from commissions and fees	2,175
2.1. Total income from commissions and fees	3,784
2.2. Total expenses on commissions and fees	1,608
3. Net other non-interest income	2,014
3.1. Other non-interest income	2,758
3.2. Other non-interest expenses	744
4. Net non-interest income	4,189
5. General administrative expenses and depreciation	8,605
6. Net operating income before loss provisions	7,148
7. Total expenses on loss provisions	3,625
7.1. Expenses on value adjustment and provisions for identified losses	3,822
7.2. Expenses on provisions for unidentified losses	-197
8. Income/loss before taxes	3,523
9. Income tax	718
10. Current year profit/loss	2,805

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	63,185
1.1. Money assets	6,182
1.2. Deposits with the CNB	57,003
2. Deposits with banking institutions	28,696
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	3,007
6. Securities and other financial instruments held to maturity	6,583
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	34
9. Loans to financial institutions	0
10. Loans to other clients	254,807
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	5,842
14. Interest, fees and other assets	4,414
15. Net of: Specific reserves for unidentified losses	2,751
TOTAL ASSETS	363,815

Structure of Liabilities	
1. Loans from financial institutions	18,143
1.1. Short-term loans	5,500
1.2. Long-term loans	12,643
2. Deposits	282,908
2.1. Giro account and current account deposits	51,107
2.2. Savings deposits	8,354
2.3. Time deposits	223,447
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	34
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	9,231
9. CAPITAL	53,498
TOTAL LIABILITIES AND CAPITAL	363,815

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Shareholders

1. OTP Bank RT

Share in share capital (%)

100.00

Audit firm for 2005:

Deloitte & Touche d.o.o., Zagreb

Management Board

Damir Odak – chairman, Zorislav Vidović,
 Sanja Martinko

Supervisory Board

Laszlo Wolf – chairman, Antal Gyorgy Kovacs, Pal
 Kovacs, Akos Takats, Andras Michnai

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	266,407
1.1. Total interest income	443,824
1.2. Total interest expenses	177,417
2. Net income from commissions and fees	57,449
2.1. Total income from commissions and fees	95,867
2.2. Total expenses on commissions and fees	38,418
3. Net other non-interest income	51,295
3.1. Other non-interest income	94,094
3.2. Other non-interest expenses	42,799
4. Net non-interest income	108,744
5. General administrative expenses and depreciation	218,197
6. Net operating income before loss provisions	156,954
7. Total expenses on loss provisions	-3,392
7.1. Expenses on value adjustment and provisions for identified losses	-9,874
7.2. Expenses on provisions for unidentified losses	6,482
8. Income/loss before taxes	160,346
9. Income tax	33,248
10. Current year profit/loss	127,098

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	1,228,347
1.1. Money assets	99,748
1.2. Deposits with the CNB	1,128,600
2. Deposits with banking institutions	1,399,683
3. MoF treasury bills and CNB bills	229,487
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	939,761
6. Securities and other financial instruments held to maturity	48,715
7. Securities and other financial instruments not traded in active markets but carried at fair value	7,500
8. Derivative financial assets	893
9. Loans to financial institutions	15,105
10. Loans to other clients	4,447,290
11. Investments in subsidiaries and associates	76,982
12. Foreclosed and repossessed assets	19,075
13. Tangible assets (net of depreciation)	148,781
14. Interest, fees and other assets	183,576
15. Net of: Specific reserves for unidentified losses	67,390
TOTAL ASSETS	8,677,805

Structure of Liabilities	
1. Loans from financial institutions	365,631
1.1. Short-term loans	18,999
1.2. Long-term loans	346,632
2. Deposits	6,952,535
2.1. Giro account and current account deposits	1,193,844
2.2. Savings deposits	1,391,998
2.3. Time deposits	4,366,694
3. Other loans	244,022
3.1. Short-term loans	1,624
3.2. Long-term loans	242,398
4. Derivative financial liabilities and other financial liabilities held for trading	762
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	37,711
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	233,448
9. CAPITAL	843,696
TOTAL LIABILITIES AND CAPITAL	8,677,805

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Management Board

Marija Šola – chairwoman, Branka Oštrić, Siniša Žanetić

Supervisory Board

Borislav Škegro – chairman, Igor Oppenheim,
 Ivan Ćurković

Shareholders

1. Metroholding d.d.
2. INGRA d.d.

Share in share capital (%)

86.64
 8.83

Audit firm for 2005:

Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	48,416
1.1. Total interest income	72,216
1.2. Total interest expenses	23,801
2. Net income from commissions and fees	11,455
2.1. Total income from commissions and fees	18,638
2.2. Total expenses on commissions and fees	7,182
3. Net other non-interest income	7,466
3.1. Other non-interest income	11,130
3.2. Other non-interest expenses	3,664
4. Net non-interest income	18,922
5. General administrative expenses and depreciation	40,587
6. Net operating income before loss provisions	26,750
7. Total expenses on loss provisions	555
7.1. Expenses on value adjustment and provisions for identified losses	-3,198
7.2. Expenses on provisions for unidentified losses	3,753
8. Income/loss before taxes	26,195
9. Income tax	5,372
10. Current year profit/loss	20,823

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	120,198
1.1. Money assets	11,060
1.2. Deposits with the CNB	109,138
2. Deposits with banking institutions	100,264
3. MoF treasury bills and CNB bills	19,324
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	50,854
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	30
9. Loans to financial institutions	50,000
10. Loans to other clients	631,926
11. Investments in subsidiaries and associates	1,960
12. Foreclosed and repossessed assets	621
13. Tangible assets (net of depreciation)	35,508
14. Interest, fees and other assets	32,780
15. Net of: Specific reserves for unidentified losses	11,730
TOTAL ASSETS	1,031,736

Structure of Liabilities	
1. Loans from financial institutions	122,277
1.1. Short-term loans	0
1.2. Long-term loans	122,277
2. Deposits	705,694
2.1. Giro account and current account deposits	209,196
2.2. Savings deposits	37,940
2.3. Time deposits	458,559
3. Other loans	21,971
3.1. Short-term loans	0
3.2. Long-term loans	21,971
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	41,883
9. CAPITAL	139,911
TOTAL LIABILITIES AND CAPITAL	1,031,736

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Management Board

Julio Kuruc – chairman, Marijan Marušić

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Lorenzo Gorgoni	9.97
2. Cerere S.R.L.	9.93
3. Jurica (Đuro) Predović	9.33
4. Miljan Todorović	8.73
5. Antonia Gorgoni	7.95
6. Sigilfredo Montinari	5.94
7. Dario Montinari	5.63
8. Andrea Montinari	5.63
9. Piero Montinari	5.63
10. Podravska banka (custody account)	5.14
11. Giovanni Semeraro	4.39
12. Giuliano Chersi	3.06

Audit firm for 2005:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	60,055
1.1. Total interest income	107,566
1.2. Total interest expenses	47,512
2. Net income from commissions and fees	22,040
2.1. Total income from commissions and fees	33,122
2.2. Total expenses on commissions and fees	11,083
3. Net other non-interest income	22,106
3.1. Other non-interest income	28,723
3.2. Other non-interest expenses	6,617
4. Net non-interest income	44,145
5. General administrative expenses and depreciation	77,135
6. Net operating income before loss provisions	27,066
7. Total expenses on loss provisions	7,928
7.1. Expenses on value adjustment and provisions for identified losses	6,328
7.2. Expenses on provisions for unidentified losses	1,600
8. Income/loss before taxes	19,138
9. Income tax	4,018
10. Current year profit/loss	15,119

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	250,229
1.1. Money assets	38,668
1.2. Deposits with the CNB	211,561
2. Deposits with banking institutions	210,120
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	157,428
6. Securities and other financial instruments held to maturity	10,232
7. Securities and other financial instruments not traded in active markets but carried at fair value	29,782
8. Derivative financial assets	0
9. Loans to financial institutions	105,000
10. Loans to other clients	956,738
11. Investments in subsidiaries and associates	21,891
12. Foreclosed and repossessed assets	57
13. Tangible assets (net of depreciation)	32,541
14. Interest, fees and other assets	41,641
15. Net of: Specific reserves for unidentified losses	13,380
TOTAL ASSETS	1,802,279

Structure of Liabilities	
1. Loans from financial institutions	108,929
1.1. Short-term loans	69,503
1.2. Long-term loans	39,426
2. Deposits	1,432,545
2.1. Giro account and current account deposits	216,193
2.2. Savings deposits	212,891
2.3. Time deposits	1,003,461
3. Other loans	24,585
3.1. Short-term loans	0
3.2. Long-term loans	24,585
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	62,842
9. CAPITAL	173,378
TOTAL LIABILITIES AND CAPITAL	1,802,279

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Management Board

Davorka Jakir – chairwoman,
 Andrea Zemljić-Modronja

Supervisory Board

Krunoslav Grašić – chairman, Božana Kovačević,
 Vesna Lalaš, Josip Medunić, Marina Jakovljević

Shareholders

1. Podravska banka d.d.

Share in share capital (%)

86.18

Audit firm for 2005:

Revicon Zagreb d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	8,639
1.1. Total interest income	20,320
1.2. Total interest expenses	11,681
2. Net income from commissions and fees	3,856
2.1. Total income from commissions and fees	6,495
2.2. Total expenses on commissions and fees	2,638
3. Net other non-interest income	-2,407
3.1. Other non-interest income	1,821
3.2. Other non-interest expenses	4,227
4. Net non-interest income	1,450
5. General administrative expenses and depreciation	20,632
6. Net operating income before loss provisions	-10,543
7. Total expenses on loss provisions	39,893
7.1. Expenses on value adjustment and provisions for identified losses	40,507
7.2. Expenses on provisions for unidentified losses	-613
8. Income/loss before taxes	-50,436
9. Income tax	0
10. Current year profit/loss	-50,436

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	45,334
1.1. Money assets	6,252
1.2. Deposits with the CNB	39,082
2. Deposits with banking institutions	59,281
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	25,197
6. Securities and other financial instruments held to maturity	38,684
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	404
9. Loans to financial institutions	7,000
10. Loans to other clients	186,185
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	3,923
13. Tangible assets (net of depreciation)	7,841
14. Interest, fees and other assets	4,250
15. Net of: Specific reserves for unidentified losses	2,716
TOTAL ASSETS	375,383

Structure of Liabilities	
1. Loans from financial institutions	54,991
1.1. Short-term loans	38,500
1.2. Long-term loans	16,491
2. Deposits	298,606
2.1. Giro account and current account deposits	48,874
2.2. Savings deposits	21,367
2.3. Time deposits	228,365
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	362
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	7,982
9. CAPITAL	13,442
TOTAL LIABILITIES AND CAPITAL	375,383

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Management Board

Duško Miculinić – chairman, Željka Pavić, Anto Pekić

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Francesco Signorio	50.35
2. Carlo Di Dato	8.14
3. Domenico Petrella	7.19
4. Svitlana Bondareva	6.75
5. J.L.L. Marc Jourdan	5.60
6. IBS S.R.L.	5.59
7. Franco Guidantoni	4.88
8. Cofisi S.A.	4.10

Audit firm for 2005:
 Concordia Audit d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	6,309
1.1. Total interest income	8,495
1.2. Total interest expenses	2,186
2. Net income from commissions and fees	262
2.1. Total income from commissions and fees	878
2.2. Total expenses on commissions and fees	616
3. Net other non-interest income	2,047
3.1. Other non-interest income	2,296
3.2. Other non-interest expenses	249
4. Net non-interest income	2,309
5. General administrative expenses and depreciation	7,072
6. Net operating income before loss provisions	1,546
7. Total expenses on loss provisions	1,471
7.1. Expenses on value adjustment and provisions for identified losses	1,384
7.2. Expenses on provisions for unidentified losses	87
8. Income/loss before taxes	74
9. Income tax	0
10. Current year profit/loss	74

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	18,343
1.1. Money assets	2,514
1.2. Deposits with the CNB	15,828
2. Deposits with banking institutions	10,622
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	5,040
6. Securities and other financial instruments held to maturity	979
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	70,447
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	57
13. Tangible assets (net of depreciation)	347
14. Interest, fees and other assets	7,195
15. Net of: Specific reserves for unidentified losses	850
TOTAL ASSETS	112,179

Structure of Liabilities	
1. Loans from financial institutions	1,953
1.1. Short-term loans	1,953
1.2. Long-term loans	0
2. Deposits	66,007
2.1. Giro account and current account deposits	5,799
2.2. Savings deposits	14,211
2.3. Time deposits	45,997
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,491
9. CAPITAL	42,729
TOTAL LIABILITIES AND CAPITAL	112,179

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Management Board

Božo Prka – chairman, Ivan Gerovac, Tomislav Lazarić, Giancarlo Miranda, Gabriela Pace, Mario Henjak, Draženko Kopljar

Supervisory Board

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

Shareholders

1. Intesa Bci Holding International S.A.
2. European Bank for Reconstruction and Development

Share in share capital (%)

76.30
 20.88

Audit firm for 2005:

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

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	1,366,893
1.1. Total interest income	2,416,139
1.2. Total interest expenses	1,049,247
2. Net income from commissions and fees	334,077
2.1. Total income from commissions and fees	534,992
2.2. Total expenses on commissions and fees	200,915
3. Net other non-interest income	234,286
3.1. Other non-interest income	389,144
3.2. Other non-interest expenses	154,858
4. Net non-interest income	568,363
5. General administrative expenses and depreciation	952,841
6. Net operating income before loss provisions	982,415
7. Total expenses on loss provisions	57,113
7.1. Expenses on value adjustment and provisions for identified losses	-55,387
7.2. Expenses on provisions for unidentified losses	112,500
8. Income/loss before taxes	925,302
9. Income tax	173,129
10. Current year profit/loss	752,173

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	6,986,171
1.1. Money assets	824,376
1.2. Deposits with the CNB	6,161,795
2. Deposits with banking institutions	5,333,768
3. MoF treasury bills and CNB bills	1,269,178
4. Securities and other financial instruments held for trading	3,048,831
5. Securities and other financial instruments available for sale	23,845
6. Securities and other financial instruments held to maturity	1,562,850
7. Securities and other financial instruments not traded in active markets but carried at fair value	75,293
8. Derivative financial assets	16,605
9. Loans to financial institutions	1,239,330
10. Loans to other clients	26,914,766
11. Investments in subsidiaries and associates	283,736
12. Foreclosed and repossessed assets	24,615
13. Tangible assets (net of depreciation)	858,297
14. Interest, fees and other assets	737,050
15. Net of: Specific reserves for unidentified losses	500,803
TOTAL ASSETS	47,873,532

Structure of Liabilities	
1. Loans from financial institutions	3,112,926
1.1. Short-term loans	2,122,574
1.2. Long-term loans	990,352
2. Deposits	33,407,832
2.1. Giro account and current account deposits	5,276,615
2.2. Savings deposits	5,631,438
2.3. Time deposits	22,499,779
3. Other loans	4,842,239
3.1. Short-term loans	40,644
3.2. Long-term loans	4,801,595
4. Derivative financial liabilities and other financial liabilities held for trading	21,936
5. Debt securities issued	19,410
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	19,410
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	2,033,806
9. CAPITAL	4,435,384
TOTAL LIABILITIES AND CAPITAL	47,873,532

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Management Board

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

Supervisory Board

Herbert Stepic – chairman, Heinz Hoedl, Franz Rogi, Angelika Johanna Weiss, Peter Lennkh

Shareholders

1. Raiffeisen International Beteiligungs AG
2. Raiffeisenbank-Zagreb Beteiligungsgesellschaft GmbH

Share in share capital (%)

75.00
 25.00

Audit firm for 2005:
 KPMG Croatia d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	667,376
1.1. Total interest income	1,391,835
1.2. Total interest expenses	724,459
2. Net income from commissions and fees	180,909
2.1. Total income from commissions and fees	293,180
2.2. Total expenses on commissions and fees	112,272
3. Net other non-interest income	188,858
3.1. Other non-interest income	217,041
3.2. Other non-interest expenses	28,183
4. Net non-interest income	369,767
5. General administrative expenses and depreciation	532,163
6. Net operating income before loss provisions	504,980
7. Total expenses on loss provisions	135,198
7.1. Expenses on value adjustment and provisions for identified losses	99,587
7.2. Expenses on provisions for unidentified losses	35,611
8. Income/loss before taxes	369,782
9. Income tax	74,740
10. Current year profit/loss	295,042

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	4,970,266
1.1. Money assets	283,550
1.2. Deposits with the CNB	4,686,716
2. Deposits with banking institutions	2,685,549
3. MoF treasury bills and CNB bills	783,247
4. Securities and other financial instruments held for trading	1,821,887
5. Securities and other financial instruments available for sale	1,029
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	665,891
8. Derivative financial assets	40,467
9. Loans to financial institutions	853,015
10. Loans to other clients	15,681,362
11. Investments in subsidiaries and associates	207,445
12. Foreclosed and repossessed assets	127
13. Tangible assets (net of depreciation)	376,555
14. Interest, fees and other assets	800,708
15. Net of: Specific reserves for unidentified losses	227,587
TOTAL ASSETS	28,659,961

Structure of Liabilities	
1. Loans from financial institutions	1,691,333
1.1. Short-term loans	1,391,589
1.2. Long-term loans	299,745
2. Deposits	16,650,377
2.1. Giro account and current account deposits	2,888,670
2.2. Savings deposits	2,284,031
2.3. Time deposits	11,477,675
3. Other loans	6,921,560
3.1. Short-term loans	594,610
3.2. Long-term loans	6,326,950
4. Derivative financial liabilities and other financial liabilities held for trading	18,422
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,170,574
9. CAPITAL	2,207,696
TOTAL LIABILITIES AND CAPITAL	28,659,961

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Shareholders

1. Aquae vivae d.d.
2. Samoborka d.d.
3. JP Hrvatske šume p.o.

Share in share capital (%)

79.34
 5.15
 3.78

Management Board

Marijan Kantolić – chairman, Dragutin Plahutar

Audit firm for 2005:

Revidicon d.o.o., Varaždin

Supervisory Board

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

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	10,278
1.1. Total interest income	16,125
1.2. Total interest expenses	5,847
2. Net income from commissions and fees	1,325
2.1. Total income from commissions and fees	3,823
2.2. Total expenses on commissions and fees	2,498
3. Net other non-interest income	-1,680
3.1. Other non-interest income	2,647
3.2. Other non-interest expenses	4,327
4. Net non-interest income	-355
5. General administrative expenses and depreciation	10,717
6. Net operating income before loss provisions	-795
7. Total expenses on loss provisions	-3,342
7.1. Expenses on value adjustment and provisions for identified losses	-3,339
7.2. Expenses on provisions for unidentified losses	-3
8. Income/loss before taxes	2,547
9. Income tax	567
10. Current year profit/loss	1,980

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	61,754
1.1. Money assets	7,360
1.2. Deposits with the CNB	54,394
2. Deposits with banking institutions	112,164
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	12,761
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	117,266
11. Investments in subsidiaries and associates	52
12. Foreclosed and repossessed assets	2,139
13. Tangible assets (net of depreciation)	23,834
14. Interest, fees and other assets	1,637
15. Net of: Specific reserves for unidentified losses	2,419
TOTAL ASSETS	329,188

Structure of Liabilities	
1. Loans from financial institutions	375
1.1. Short-term loans	0
1.2. Long-term loans	375
2. Deposits	232,679
2.1. Giro account and current account deposits	45,927
2.2. Savings deposits	74,175
2.3. Time deposits	112,578
3. Other loans	45
3.1. Short-term loans	45
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	30,620
9. CAPITAL	65,468
TOTAL LIABILITIES AND CAPITAL	329,188

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Management Board

Angelina Horvat – chairwoman, Elvis Mališ

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. HVB Splitska banka d.d. (custody account)	14.75
2. State Agency for Bank Rehabilitation and Deposit Insurance	11.12
3. Ingra d.d.	4.74
4. PBZ d.d./Kapitalni fond d.d.	4.69
5. HPB d.d./Aureus invest, Aureus equity OIF	3.22
6. Raiffeisenbank Austria d.d., EQI	3.17

Audit firm for 2005:
 Revidicon d.o.o., Varaždin

Income Statement, as at 31 December 2005, in thousand kuna

1. Net interest income	34,317
1.1. Total interest income	61,928
1.2. Total interest expenses	27,611
2. Net income from commissions and fees	7,477
2.1. Total income from commissions and fees	10,644
2.2. Total expenses on commissions and fees	3,168
3. Net other non-interest income	9
3.1. Other non-interest income	2,138
3.2. Other non-interest expenses	2,129
4. Net non-interest income	7,486
5. General administrative expenses and depreciation	32,132
6. Net operating income before loss provisions	9,670
7. Total expenses on loss provisions	-1,116
7.1. Expenses on value adjustment and provisions for identified losses	-1,882
7.2. Expenses on provisions for unidentified losses	767
8. Income/loss before taxes	10,786
9. Income tax	2,381
10. Current year profit/loss	8,405

Balance Sheet, as at 31 December 2005, in thousand kuna

Structure of Assets	
1. Money assets and deposits with the CNB	111,388
1.1. Money assets	14,724
1.2. Deposits with the CNB	96,664
2. Deposits with banking institutions	119,071
3. MoF treasury bills and CNB bills	8,925
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	61,663
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	22,334
10. Loans to other clients	497,104
11. Investments in subsidiaries and associates	6,477
12. Foreclosed and repossessed assets	2,552
13. Tangible assets (net of depreciation)	32,290
14. Interest, fees and other assets	7,891
15. Net of: Specific reserves for unidentified losses	6,646
TOTAL ASSETS	863,052

Structure of Liabilities	
1. Loans from financial institutions	44,633
1.1. Short-term loans	1,164
1.2. Long-term loans	43,469
2. Deposits	635,364
2.1. Giro account and current account deposits	83,209
2.2. Savings deposits	83,119
2.3. Time deposits	469,036
3. Other loans	18,214
3.1. Short-term loans	0
3.2. Long-term loans	18,214
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	82
8. Interest, fees and other liabilities	27,741
9. CAPITAL	137,018
TOTAL LIABILITIES AND CAPITAL	863,052

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Shareholders

1. Hypo Alpe-Adria-Bank AG

Share in share capital (%)

97.20

Audit firm for 2005:

Confida revizija d.o.o., Zagreb

Management Board

Ivan Mihaljević – chairman, Tadija Vrdoljak, Branka Štinc

Supervisory Board

Zlata Vrdoljak – chairwoman, Gerhard Suess, Josef Kircher

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	186,565
1.1. Total interest income	334,114
1.2. Total interest expenses	147,549
2. Net income from commissions and fees	49,672
2.1. Total income from commissions and fees	69,016
2.2. Total expenses on commissions and fees	19,345
3. Net other non-interest income	14,643
3.1. Other non-interest income	46,258
3.2. Other non-interest expenses	31,615
4. Net non-interest income	64,315
5. General administrative expenses and depreciation	164,721
6. Net operating income before loss provisions	86,159
7. Total expenses on loss provisions	38,802
7.1. Expenses on value adjustment and provisions for identified losses	13,801
7.2. Expenses on provisions for unidentified losses	25,000
8. Income/loss before taxes	47,358
9. Income tax	7,028
10. Current year profit/loss	40,329

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	1,502,006
1.1. Money assets	67,367
1.2. Deposits with the CNB	1,434,639
2. Deposits with banking institutions	505,543
3. MoF treasury bills and CNB bills	44,868
4. Securities and other financial instruments held for trading	56,436
5. Securities and other financial instruments available for sale	152,802
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	4,740,826
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	56,088
13. Tangible assets (net of depreciation)	48,380
14. Interest, fees and other assets	131,449
15. Net of: Specific reserves for unidentified losses	58,399
TOTAL ASSETS	7,179,997

Structure of Liabilities	
1. Loans from financial institutions	182,318
1.1. Short-term loans	0
1.2. Long-term loans	182,318
2. Deposits	5,700,546
2.1. Giro account and current account deposits	671,091
2.2. Savings deposits	420,149
2.3. Time deposits	4,609,306
3. Other loans	59,629
3.1. Short-term loans	0
3.2. Long-term loans	59,629
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	27,805
8. Interest, fees and other liabilities	169,657
9. CAPITAL	1,040,042
TOTAL LIABILITIES AND CAPITAL	7,179,997

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Management Board

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

Supervisory Board

Ivo Andrijanić – chairman, Đuro Benček, Petar Ćurković

Shareholders

- Šted-Invest d.d.
- Paveko 2000 d.o.o.

Share in share capital (%)

89.71
5.50

Audit firm for 2005:
 Revizija Spajić d.o.o., Zagreb

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	34,622
1.1. Total interest income	60,412
1.2. Total interest expenses	25,791
2. Net income from commissions and fees	7,300
2.1. Total income from commissions and fees	9,585
2.2. Total expenses on commissions and fees	2,285
3. Net other non-interest income	17,204
3.1. Other non-interest income	25,796
3.2. Other non-interest expenses	8,591
4. Net non-interest income	24,505
5. General administrative expenses and depreciation	18,436
6. Net operating income before loss provisions	40,690
7. Total expenses on loss provisions	3,542
7.1. Expenses on value adjustment and provisions for identified losses	4,419
7.2. Expenses on provisions for unidentified losses	-877
8. Income/loss before taxes	37,148
9. Income tax	7,563
10. Current year profit/loss	29,586

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	80,624
1.1. Money assets	4,389
1.2. Deposits with the CNB	76,235
2. Deposits with banking institutions	112,776
3. MoF treasury bills and CNB bills	9,503
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	19,857
6. Securities and other financial instruments held to maturity	43,758
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	313
9. Loans to financial institutions	13,000
10. Loans to other clients	537,311
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	1,073
13. Tangible assets (net of depreciation)	63,583
14. Interest, fees and other assets	12,156
15. Net of: Specific reserves for unidentified losses	7,786
TOTAL ASSETS	886,187

Structure of Liabilities	
1. Loans from financial institutions	4,853
1.1. Short-term loans	0
1.2. Long-term loans	4,853
2. Deposits	525,233
2.1. Giro account and current account deposits	56,007
2.2. Savings deposits	29,540
2.3. Time deposits	439,687
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	67,837
9. CAPITAL	288,264
TOTAL LIABILITIES AND CAPITAL	886,187

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Management Board

Josip Šeremet – chairman, Marinko Benić, Manda Cipić

Supervisory Board

Milan Horvat – chairman, Mika Mimica, Stjepan Bunić, Vladimir Koščec, Željko Filipović, Artur Gedike, Ljiljana Weissbarth

Shareholders

1. Validus d.d.
2. Retis d.o.o.
3. Tar d.d.
4. Fima holding d.d.

Share in share capital (%)

- 57.61
5.94
5.94
5.07

Audit firm for 2005:
DTTC d.o.o., Varaždin

Income Statement, as at 31 December 2005, in thousand kuna

1. Net interest income	4,272
1.1. Total interest income	11,752
1.2. Total interest expenses	7,480
2. Net income from commissions and fees	491
2.1. Total income from commissions and fees	1,374
2.2. Total expenses on commissions and fees	884
3. Net other non-interest income	16,239
3.1. Other non-interest income	18,859
3.2. Other non-interest expenses	2,620
4. Net non-interest income	16,730
5. General administrative expenses and depreciation	17,199
6. Net operating income before loss provisions	3,803
7. Total expenses on loss provisions	-2,311
7.1. Expenses on value adjustment and provisions for identified losses	-3,127
7.2. Expenses on provisions for unidentified losses	816
8. Income/loss before taxes	6,114
9. Income tax	0
10. Current year profit/loss	6,114

Balance Sheet, as at 31 December 2005, in thousand kuna

Structure of Assets	
1. Money assets and deposits with the CNB	57,871
1.1. Money assets	5,791
1.2. Deposits with the CNB	52,080
2. Deposits with banking institutions	36,127
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	44,763
6. Securities and other financial instruments held to maturity	10,970
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	27
9. Loans to financial institutions	0
10. Loans to other clients	123,668
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	8,051
13. Tangible assets (net of depreciation)	18,140
14. Interest, fees and other assets	17,319
15. Net of: Specific reserves for unidentified losses	2,064
TOTAL ASSETS	314,873

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	237,570
2.1. Giro account and current account deposits	24,665
2.2. Savings deposits	9,733
2.3. Time deposits	203,172
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	12,329
9. CAPITAL	64,973
TOTAL LIABILITIES AND CAPITAL	314,873

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Shareholders

1. VB International AG

Share in share capital (%)

96.94

Audit firm for 2005:

PricewaterhouseCoopers d.o.o., Zagreb

Management Board

Tomasz Jerzy Taraba – chairman, Andrea Kovacs,
 Dieter Hornbacher

Supervisory Board

Denis Le Moullac – chairman, Gerhard Woeber,
 Herbert Hartl, Hans Janeschitz, Fausto Maritan,
 Manfred Wiebogen, Joerg Poglitis

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	120,159
1.1. Total interest income	217,102
1.2. Total interest expenses	96,943
2. Net income from commissions and fees	25,638
2.1. Total income from commissions and fees	30,887
2.2. Total expenses on commissions and fees	5,249
3. Net other non-interest income	5,493
3.1. Other non-interest income	17,626
3.2. Other non-interest expenses	12,133
4. Net non-interest income	31,132
5. General administrative expenses and depreciation	112,609
6. Net operating income before loss provisions	38,681
7. Total expenses on loss provisions	6,875
7.1. Expenses on value adjustment and provisions for identified losses	4,856
7.2. Expenses on provisions for unidentified losses	2,019
8. Income/loss before taxes	31,806
9. Income tax	4,824
10. Current year profit/loss	26,981

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	778,506
1.1. Money assets	33,503
1.2. Deposits with the CNB	745,003
2. Deposits with banking institutions	306,612
3. MoF treasury bills and CNB bills	24,312
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	98,039
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	1,829
9. Loans to financial institutions	115,000
10. Loans to other clients	2,578,937
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	12,726
14. Interest, fees and other assets	56,137
15. Net of: Specific reserves for unidentified losses	34,023
TOTAL ASSETS	3,938,076

Structure of Liabilities	
1. Loans from financial institutions	97,454
1.1. Short-term loans	76,500
1.2. Long-term loans	20,954
2. Deposits	1,903,988
2.1. Giro account and current account deposits	246,183
2.2. Savings deposits	211,764
2.3. Time deposits	1,446,042
3. Other loans	1,460,201
3.1. Short-term loans	0
3.2. Long-term loans	1,460,201
4. Derivative financial liabilities and other financial liabilities held for trading	1,920
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	70,326
8. Interest, fees and other liabilities	122,237
9. CAPITAL	281,950
TOTAL LIABILITIES AND CAPITAL	3,938,076

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Shareholders

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

Share in share capital (%)

82.16
 13.75

Management Board

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

Audit firm for 2005:

KPMG Croatia d.o.o., Zagreb

Supervisory Board

Andrea Moneta – chairman, Paolo Fiorentino, Klaus Junker, Torsten Leue, Marina Monassi, Guiseppe Vovk, Jakša Barbić, Mato Lukinić, Elisabetta Magistretti

**Income Statement,
as at 31 December 2005, in thousand kuna**

1. Net interest income	1,602,038
1.1. Total interest income	2,993,261
1.2. Total interest expenses	1,391,223
2. Net income from commissions and fees	562,019
2.1. Total income from commissions and fees	745,260
2.2. Total expenses on commissions and fees	183,242
3. Net other non-interest income	193,212
3.1. Other non-interest income	312,477
3.2. Other non-interest expenses	119,265
4. Net non-interest income	755,231
5. General administrative expenses and depreciation	1,274,852
6. Net operating income before loss provisions	1,082,417
7. Total expenses on loss provisions	-15,573
7.1. Expenses on value adjustment and provisions for identified losses	-74,055
7.2. Expenses on provisions for unidentified losses	58,481
8. Income/loss before taxes	1,097,990
9. Income tax	195,252
10. Current year profit/loss	902,738

**Balance Sheet,
as at 31 December 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	9,511,094
1.1. Money assets	827,552
1.2. Deposits with the CNB	8,683,542
2. Deposits with banking institutions	5,362,351
3. MoF treasury bills and CNB bills	1,656,065
4. Securities and other financial instruments held for trading	690,641
5. Securities and other financial instruments available for sale	5,217,866
6. Securities and other financial instruments held to maturity	1,574,745
7. Securities and other financial instruments not traded in active markets but carried at fair value	54,922
8. Derivative financial assets	57,449
9. Loans to financial institutions	339,178
10. Loans to other clients	36,165,455
11. Investments in subsidiaries and associates	867,161
12. Foreclosed and repossessed assets	21,554
13. Tangible assets (net of depreciation)	1,151,899
14. Interest, fees and other assets	1,344,204
15. Net of: Specific reserves for unidentified losses	605,704
TOTAL ASSETS	63,408,878

Structure of Liabilities	
1. Loans from financial institutions	2,034,035
1.1. Short-term loans	1,748,423
1.2. Long-term loans	285,613
2. Deposits	43,100,278
2.1. Giro account and current account deposits	8,753,746
2.2. Savings deposits	6,591,263
2.3. Time deposits	27,755,269
3. Other loans	7,052,507
3.1. Short-term loans	3,311,956
3.2. Long-term loans	3,740,551
4. Derivative financial liabilities and other financial liabilities held for trading	113,448
5. Debt securities issued	3,302,014
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	3,302,014
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,785,213
9. CAPITAL	6,021,383
TOTAL LIABILITIES AND CAPITAL	63,408,878

Attachment I

Bank name and headquarter		Peer group number			
		Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005
1.	Banka Brod d.d., Slavonski Brod	IV	IV	IV	IV
2.	Banka Kovanica d.d., Varaždin	IV	IV	III	III
3.	Banka Sonic d.d., Zagreb	IV	IV	III	III
4.	Banka splitsko-dalmatinska d.d., Split	IV	IV	IV	IV
	Bayerische Hypo- und Vereinsbank AG, Glavna podružnica Zagreb ¹	-	-	-	-
	Cassa di Risparmio di Trieste - Banca d.d., Zagreb ²	IV	-	-	-
5.	Centar banka d.d., Zagreb	IV	III	III	III
	Convest banka d.d., Zagreb ³	IV	-	-	-
6.	Credo banka d.d., Split	IV	III	III	II
7.	Croatia banka d.d., Zagreb	II	II	II	II
	Dalmatinska banka d.d., Zadar ⁴	-	-	-	-
	Dresdner Bank Croatia d.d., Zagreb ⁵	II	III	IV	-
	Dubrovačka banka d.d., Dubrovnik ⁶	II	II	-	-
8.	Erste & Steiermärkische Bank d.d., Rijeka	I	I	I	I
9.	Gospodarsko-kreditna banka d.d., Zagreb	IV	IV	IV	IV
10.	Hrvatska poštanska banka d.d., Zagreb	I	I	I	I
	HVB Bank Croatia d.d., Zagreb ⁷	II	-	-	-
11.	HVB Splitska banka d.d., Split ⁸	I	I	I	I
12.	Hypo Alpe-Adria-Bank d.d., Zagreb	I	I	I	I
13.	Imex banka d.d., Split	IV	IV	III	III
	Istarska banka d.d., Pula ⁴	-	-	-	-
14.	Istarska kreditna banka Umag d.d., Umag	II	II	II	II
15.	Jadranska banka d.d., Šibenik	II	II	II	II
16.	Karlovačka banka d.d., Karlovac	III	II	II	II
17.	Kreditna banka Zagreb d.d., Zagreb	III	III	III	III
	Križevačka banka d.d., Križevci ⁹	IV	IV	IV	-
18.	Kvarner banka d.d., Rijeka	IV	IV	IV	IV
19.	Međimurska banka d.d., Čakovec	II	II	II	II
20.	Nava banka d.d., Zagreb	IV	IV	IV	IV
21.	OTP banka Hrvatska d.d., Zagreb ¹⁰	I	I	I	I
22.	Partner banka d.d., Zagreb	III	III	III	II
23.	Podravska banka d.d., Koprivnica	II	II	II	II
24.	Požeška banka d.d., Požega	III	IV	IV	IV
25.	Primorska banka d.d., Rijeka	IV	IV	IV	IV
	Primus banka d.d., Zagreb ¹¹	IV	IV	-	-
	Privredna banka – Laguna banka d.d., Poreč ¹²	III	III	III	-
26.	Privredna banka Zagreb d.d., Zagreb	I	I	I	I
27.	Raiffeisenbank Austria d.d., Zagreb	I	I	I	I
	Riadria banka d.d., Rijeka ¹³	II	II	-	-
	Riječka banka d.d., Rijeka ¹⁴	I	-	-	-
28.	Samoborska banka d.d., Samobor	IV	IV	IV	IV
	Sisačka banka d.d., Sisak ⁴	-	-	-	-
29.	Slatinska banka d.d., Slatina	III	III	III	III
30.	Slavonska banka d.d., Osijek	II	II	I	I
31.	Štedbanka d.d., Zagreb	III	III	III	III
32.	Vaba d.d. banka Varaždin, Varaždin ¹⁵	IV	IV	IV	IV
	Varaždinska banka d.d., Varaždin ¹⁵	II	II	-	-
33.	Volksbank d.d., Zagreb	II	II	II	II
	Zagorska banka d.d., Krapina ¹⁷	IV	-	-	-
34.	Zagrebačka banka d.d., Zagreb	I	I	I	I

¹ Bayerische Hypo- und Vereinsbank AG, Glavna podružnica Zagreb transferred its operations to HVB Bank Croatia d.d., Zagreb. ² Cassa di Risparmio di Trieste – Banca d.d., Zagreb transferred its operations to Zagrebačka banka d.d., Zagreb. ³ Convest banka d.d., Zagreb initiated winding-up proceedings. ⁴ Istarska banka d.d., Pula and Sisačka banka d.d., Sisak merged with Dalmatinska banka d.d., Zadar, that has since operated under a new name of Nova banka d.d., Zadar. ⁵ Dresdner Bank Croatia d.d., Zagreb merged with Zagrebačka banka d.d., Zagreb. ⁶ Dubrovačka banka d.d., Dubrovnik merged with Nova banka d.d. Zadar. ⁷ HVB Bank Croatia d.d., Zagreb merged with Splitska banka d.d., Split. ⁸ Splitska banka d.d., Split operates now under a new name of HVB Splitska banka d.d., Split. ⁹ Križevačka banka d.d., Križevci initiated winding-up proceedings. ¹⁰ Nova banka d.d., Zagreb changed its name into OTP banka Hrvatska d.d., Zadar on 1 September 2005. ¹¹ Its operating license was revoked on 22 December 2004. The bank was created through the merger of Prva obrtnička banka d.d., Zagreb and Hypobanka d.d., Zagreb in July 2002. As of this date, it operated under the name of Primus banka d.d., Zagreb. ¹² Privredna banka – Laguna banka d.d., Poreč merged with Privredna banka Zagreb d.d., Zagreb. ¹³ Riadria banka d.d., Rijeka merged with Privredna banka Zagreb d.d., Zagreb. ¹⁴ Erste & Steiermärkische Bank d.d., Zagreb merged with Riječka banka d.d., Rijeka, that has since operated under a new name of Erste & Steiermärkische Bank d.d., Rijeka. ¹⁵ Brodsko-posavska banka d.d., Slavonski Brod changed its name into Vaba d.d. banka Varaždin, Varaždin on 27 December 2004. ¹⁶ Varaždinska banka d.d., Varaždin merged with Zagrebačka banka d.d., Zagreb. ¹⁷ Zagorska banka d.d., Krapina merged with Samoborska banka d.d., Samobor.

Attachment II

Banking Groups, as at 31 December 2005		
Banking group	Superordinate institution	Banking group members
1. CENTAR BANKA	Centar banka d.d., Zagreb	Ceba Invest d.o.o. za upravljanje investicijskim fondovima, Zagreb Centar leasing d.o.o., Zagreb
2. HYPO ALPE-ADRIA-BANK	Hypo Alpe-Adria-Bank d.d., Zagreb	Alpe Adria Centar d.o.o., Zagreb Hypo Alpe-Adria-Invest d.d., Zagreb Hypo Alpe-Adria-Nekretnine d.o.o., Zagreb (real estate) Hypo Alpe-Adria-Vrijednosnice d.o.o., Zagreb Magnus d.o.o., Zagreb
3. PODRAVSKA BANKA	Podravska banka d.d., Koprivnica	Požeška banka d.d., Požega
4. PRIVREDNA BANKA ZAGREB	Privredna banka Zagreb d.d., Zagreb	Centurion d.o.o., Sarajevo Invest Holding Karlovac d.o.o., Karlovac Međimurska banka d.d., Čakovec PBZ American Express d.o.o., Skoplje PBZ American Express d.o.o., Zagreb PBZ Croatia osiguranje d.d., Zagreb (mandatory pension fund) PBZ Invest d.o.o., Zagreb PBZ Kapital d.o.o., Zagreb PBZ Leasing d.o.o., Zagreb PBZ Nekretnine d.o.o., Zagreb (real estate) PBZ Stambena štedionica d.d., Zagreb
5. RAIFFEISENBANK AUSTRIA	Raiffeisenbank Austria d.d., Zagreb	Raiffeisen consulting d.o.o., Zagreb Raiffeisen Invest d.o.o., Zagreb Raiffeisen leasing d.o.o., Zagreb Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom d.o.o., Zagreb (voluntary pension fund) Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb (mandatory pension fund) Raiffeisen poslovni prostori d.o.o., Zagreb (business premises) Raiffeisen stambena štedionica d.d., Zagreb Raiffeisen upravljanje nekretninama d.o.o., Zagreb (real estate)
6. ZAGREBAČKA BANKA	Zagrebačka banka d.d., Zagreb	Allianz ZB društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o., Zagreb (voluntary pension fund) Allianz ZB mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb (mandatory pension fund) Pominvest d.d., Split Prva stambena štedionica d.d., Zagreb UniCredit Zagrebačka banka d.d., Mostar ZANE BiH, Sarajevo Zagreb nekretnine d.o.o., Zagreb (real estate) ZB Invest d.o.o., Zagreb

