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1 Comments on the New National Payment System Law

Until April 1, 2002, the organization and method of performance of the national payment system will be regulated in its entirety for juridical and natural persons and all forms of ownership by the current National Payment System Law (official gazette *Narodne novine*, Nos. 27/93 and 97/2000). On that date, the new National Payment System Law will apply, which was enacted by the Croatian Parliament on December 14, 2001 and entered into force on January 1, 2002 (official gazette *Narodne novine*, No. 117/2001).

Introduction

Until April 1, 2002, the national payment system operations will be performed by the organizations authorized for conducting such operations: the Croatian National Bank, the Institute for Payment Transactions, banks, savings banks, savings and loans co-operatives and the Croatian Post. The Law regulates operations, i.e. the authority of every authorized organization within the payment system.

Although certain operations have been exempt from the authority of the Institute for Payment Transactions over the past two years (managing banks' and savings banks' accounts and conducting payment transactions across these accounts), the Institute still has the leading role in the domestic payment system. It is exclusively authorized to manage the accounts of local and district (regional) self-government units, accounts for the collection of public revenues and other government accounts, as well as the accounts of state-owned or majority state-owned juridical persons, and to perform payment transactions across these accounts. Furthermore, the Institute manages the accounts of other juridical persons and partly of natural persons and performs payment transactions across these accounts, settles payments between the depositors of different depository institutions, and puts currency into circulation and withdraws currency from circulation for the account of the Croatian National Bank. It also regulates the performance of payment transactions across the accounts held with the Institute.

Banks, savings banks and savings and loans co-operatives manage the accounts of natural persons and perform payment transactions across these accounts, but savings and loans co-operatives conduct these transactions only for their members.

Banks are allowed (Article 5 of the Law) to manage the accounts of juridical persons in private or majority private ownership with the approval of the Croatian National Bank. The prerequisite for obtaining CNB approval to manage juridical persons' accounts was to build the infrastructure for interbank payments, which was completed following the establishment of the Croatian Large Value Payment System (CLVPS) in April 1999 and the National Clearing System (NCS) in February 2001.

26 banks have so far obtained CNB approval for managing juridical persons' accounts.

The Croatian Post does not manage the accounts of the payment system participants but conducts cash transactions across the accounts managed by other authorized organizations.

The Croatian National Bank has a regulatory and supervisory function, and since 1999 it has also been engaged in operational activities: managing the accounts of banks and savings banks, conducting payment transactions across these accounts and managing the Croatian Large Value Payment System.

At present, the national payment transactions are conducted by depository and non-depository institutions, with the leading role of the Institute for Payment Transactions, as mentioned above, which also has a monopoly on certain operations. This organization of the payment system separates the accounts from deposits in an unnatural way: the accounts of the payment system participants are held with the Institute for Payment Transactions while the funds in these accounts are maintained as deposits with banks, which impedes liquidity management for the banks as well as their monitoring of the cash flow and liquidity of their depositors. Furthermore, banks are denied their right to conduct payment operations, which is exclusively a banking operation. Such a payment system is only characteristic of some of the countries that gained their independence after the break-up of the former Yugoslavia and in which reform is still under way.

The new National Payment System Law was enacted with the purpose of establishing a new national payment system that complies with the needs of a developed market economy, is compatible with the systems of developed countries and is based on EMU recommendations.

The basic assumptions of the new national payment system are the following:

- The payment system is within the exclusive authority of depository institutions. The Croatian National Bank manages the accounts of the banks and the accounts of the Republic of Croatia, whereas banks manage the accounts of business entities and households and conduct payment transactions across these accounts.
- Interbank payment transactions are conducted through interbank systems.
- Non-depository institutions may perform payment operations only in the name and for the account of depository institutions.

1.1 Issues Regulated by the New Law and the Effects Produced by the Enactment of the Law

1.1.1 Payment Transaction Agents

The Croatian National Bank and banks are payment transaction agents. Only these institutions may perform the payment operations that are defined by the new Law. In the new Law, in contrast to the existing Law that is applicable until April 1, 2002, non-depository institutions may only operate as service institutions. Based on a contractual relationship, they may perform payment operations in the name and for the account of the Croatian National

Bank and banks that are in that case held accountable and will assume the risk for operations entrusted to another institution.

It is common international practice to utilize services provided by other institutions, particularly regarding cash processing and the transfer and processing of payment transaction data.

Payment transaction accounts are transaction accounts recording money receipts, outlays and balances. The accounts of all juridical and natural persons are opened and managed by banks, whereas the accounts of the Republic of Croatia and banks are opened and managed by the Croatian National Bank.

The types of accounts are standardized. The Law regulates which accounts a bank may open for a participant.

A participant must keep at least one account for regular operations and is obliged to maintain funds in the account and make payments against the account. A participant is allowed to keep only one account for regular operations with a single bank.

In order to ensure financial discipline, the Law provides that participants may open a foreign currency account or place time deposits only with the bank in which they hold their kuna account for regular operations.

The bank establishes and keeps the register of the accounts opened with it, whereas the Unified Register of Business Entities' Accounts is kept at the national level by the Croatian National Bank. This is an indispensable infrastructure when business entities' accounts are managed by several banks. The identification number is an identifier by which all the accounts of a business entity opened with any bank in the country can be identified within the Unified Register of Business Entities' Accounts. This ensures the collection of public revenues and enables the forced collection from a debtor of funds held by the debtor in any bank in the country.

All payment forms are encompassed: cashless and cash payment and clearing, but the focus is on cashless payment as the most rational form. Clearing is regulated somewhat more rigidly compared to the existing payment system. A participant with registered arrears in the account cannot make payments by offsetting claims against liabilities.

In general, a payer initiates payments from the account. However, an order to make payments from the payer's account may be issued by a payee, authorized bodies and organizations, as well as the bank managing the account, pursuant to legal and contracted authorization.

The following covers for payment are a precondition for executing a payment order:

- for intrabank payments, i.e. for payments across the accounts in the same bank, cover for payment in the payer's account alone is required;

1.1.2 Payment Transaction Accounts

1.1.3 Payment Methods and Forms

1.1.4 Cover for Payment as a Precondition for Executing a Payment Order

- for interbank payments, i.e. for payments across the accounts managed by different banks, cover for payment in both the payer's account and in the account of the bank managing the payer's account is required.

The cover for payment in the account consists not only of the balance from the previous day but also of the inflow of funds during the day and borrowed funds based on the current account contract (overdrafts).

Payment orders are executed by debiting the account specified in the payment order. Exceptionally, payment orders for legal obligations and public revenues, payment orders for securities and instruments of collateral, and orders based on court rulings and other seizure documents will be executed from the payer's funds that are held in his kuna and foreign currency accounts. This not only protects creditors but also strengthens public confidence in securities and instruments of collateral, which should effect their trading. The implementation of the aforementioned provisions is regulated in the following manner:

- a participant with more than one account for regular operations determines the account for the execution of payment orders on the basis of the above provisions, and order issuers are obliged to issue payment orders debiting this account,
- banks, through their mutual co-operation, assure the blocking of all the accounts of a payer,
- the payer determines the payment queue for executing payment orders.

Orders with no cover for payment are recorded in the payer's account and executed after the cover for payment has been assured, according to the prescribed payment queue, and, if it has not been prescribed, according to the time the bank received the order. All accounts of a payer will be blocked until these orders are executed. This prevents the blocking of an account in one bank and the simultaneous payment through an account with another bank, when accounts are managed by several banks.

For the same reason, a bank and a participant with registered arrears in his account at the expiry date of a time deposit contract may not extend that contract. In this case, at the expiry date of the time deposit contract, the bank is obliged to credit these funds to the participant's account for regular operations.

A sanction against illiquid participants is provided. If a participant's account is in arrears for 60 consecutive days, the bank must notify the Ministry of Finance – Tax Administration and the competent commercial court. Within the following 30 days, the Ministry of Finance will propose the initiation of bankruptcy proceedings against the illiquid participant. This provision of the Law aims to resolve the illiquidity issue promptly, at its very onset, preventing account blockings that can last for years.

1.1.5 Execution of Payments

Terms and methods of payments are regulated, as well as settlement in the accounts and finality of payments.

If a payment is across accounts managed by the same bank, the bank is obliged to execute payment at the value date. Settlement is carried out only in

accounts held with the bank and payment is considered final following its settlement in both the payer's account and payee's account.

Payments across accounts managed by different banks are executed through the interbank settlement systems, and the bank managing the payer's account is obliged to send the payment message to the interbank system no later than at the value date.

Two interbank systems have been established, based on the experience, solutions and requirements of the systems operating at the European Union level:

- the Croatian Large Value Payment System, for executing interbank payments and recording in bank accounts in real time on a gross basis, and
- the National Clearing System, for executing small, i.e. mass, payments and clearing on a net multilateral basis.

These interbank systems eliminate the systemic risk of executing payments, since payment is executed only if the payer bank has the cover for payment in its account.

Interbank payment is considered final following the settlement in both the payer bank account and the payee bank account with the Croatian National Bank.

The regulation and supervision of the national payment system is within the authority of the Croatian National Bank. The Law regulates only the basic issues concerning the functioning of the national payment system, whereas subordinate legislation enacted by the Croatian National Bank regulates their implementation.

1.1.6 Special Authorities in the Payment System

The National Payment System Law (official gazette *Narodne novine*, Nos. 27/93 and 97/2000) names the Institute for Payment Transactions as the fundamental agent of the national payment system and regulates its establishment and organization. When this Law ceases to be valid, the current Institute for Payment Transactions will cease to exist as an institution. In this regard, parallel to the enactment of the new National Payment System Law, the Financial Agency Law was also enacted (official gazette *Narodne novine*, No. 117/2001) which regulates the future institutional and operational status of the Institute for Payment Transactions.

1.1.7 Effects of the Enactment of the Law

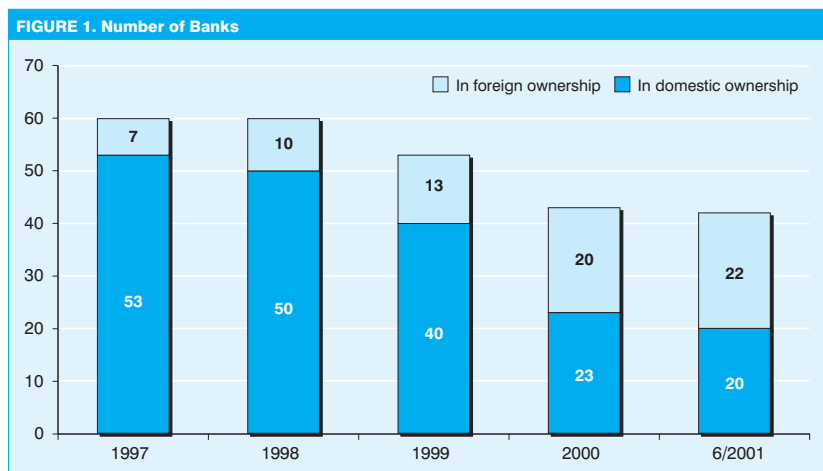
The status of the Croatian Post within the payment system will also alter. The Croatian Post will not be entitled to conduct payment operations based on legal authority but on a contractual relationship with a bank.

It can be concluded that the enactment of the new National Payment System Law has a significant effect on the manner of functioning of the overall financial system in the country, and this requires certain preparations and adjustments. In this regard, particular responsibility lies with the banks as the fundamental agents of the payment system in the future.

2 Indicators of Banking Institution Operations

In mid-2001, 42 commercial banks were operating in the Republic of Croatia, one less¹ than at the end of 2000².

In the first half of 2001, the number of banks in majority foreign ownership increased from 20 to 22. Their share in the total assets of the system grew from 84.1 percent at the end of 2000 to 88.2 percent in mid-2001.



Analysis of the asset growth of groups of banks by ownership structure in the first half of 2001 shows that the average asset growth of banks in majority foreign ownership was 7.1 percent, that of banks in majority domestic state ownership was 5.3 percent and that of banks in majority domestic private ownership was 1.1 percent.

For the purpose of simplified comparison, the banks are classified into four groups in the text below. The classification criterion was the amount of assets. 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 finally Group IV of banks with assets less than 500 million kuna.

TABLE 1. Peer Groups of Banks, end of period, in thousand kuna

Group	Classification criterion	Dec. 1998	Dec. 1999	Dec. 2000	Jun. 2001
I	Assets (A) > 5 000 000	4	4	5	5
II	1 000 000 < A < 5 000 000	19	15	13	14
III	500 000 < A < 1 000 000	9	5	8	7
IV	A < 500 000	28	29	17	16

2.1 Banks

2.1.1 Banking Sector Structure of the Republic of Croatia

¹ Operating license was revoked for Kaptol banka d.d., Zagreb on March 7, 2001.

² Since October 2001, along with banks and savings banks under bankruptcy proceedings, institutions from which the CNB Council revoked their operating licenses have also been excluded from the statistical processing by the Bank Supervision Area. The data series for the previous period has been corrected in accordance with that change.

⇒ 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 juridical and natural persons or as a foreign bank if it is in majority foreign ownership. The total number of banks is the sum of the banks in domestic and foreign ownership. The Croatian National Bank statistics is the source of data on the number of banks.

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

The reports submitted by banks in Schedule BS (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) are the source of data on the size (amount) of assets.

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

In the first half of 2001, one bank shifted from Group III to Group II due to its asset growth of 27.5 percent. Such a strong asset growth has already been recorded in larger banks in majority foreign ownership, primarily related to an increase in foreign exchange deposits and a considerable growth in supplementary capital.

The operating network is analyzed here at the county level, on the basis of changes in the number of branches, sub-branches and ATMs. At the level of the banking system, the number of branches and sub-branches increased in mid-2001 by 30 operating units (0.4 percent) compared to the end of 2000. In this period, 47 new operating units were established and 9 were closed down; as a result of the license withdrawal from Kaptol banka, its 8 operating units are no longer included in the statistics. In the first half of 2001, the largest number of operating units was established in the County of Split-Dalmatia (6), followed by the County of Dubrovnik and Neretva and the County of Zadar with 5 newly established operating units in each county. At the same time, the number of operating units was reduced in the County of Varaždin (2) and Međimurje (1) as a result of rationalization of the two largest banking groups' operating networks following the takeover of the largest banks in these counties.

The greatest change in the operating network has been in the County of Zagreb and the City of Zagreb. In the first half of 2001, 8 banks established 12 operating units, whereas 6 banks closed down 8 operating units. One bank established as many as 5 operating units, which accounts for 8.5 percent of its operating network in these counties.

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

Counties	Dec. 1998	Dec. 1999	Dec. 2000	Jun. 2001
County of Zagreb and City of Zagreb	159	157	140	144
County of Krapina-Zagorje	18	18	18	20
County of Sisak-Moslavina	30	27	24	24
County of Karlovac	19	20	18	18
County of Varaždin	24	26	23	21
County of Koprivnica-Križevci	25	24	23	24
County of Bjelovar-Bilogora	25	22	20	22
County of Primorje and Gorski Kotar	46	55	57	61
County of Lika-Senj	9	8	8	8
County of Virovitica-Podravina	18	18	14	15
County of Požega-Slavonija	16	15	16	16
County of Slavonski Brod-Posavina	12	12	13	14
County of Zadar	40	39	32	37
County of Osijek-Baranya	59	59	47	49
County of Šibenik-Knin	30	28	28	28
County of Vukovar-Srijem	19	22	15	15
County of Split-Dalmatia	104	106	100	106
County of Istria	83	86	85	85
County of Dubrovnik and Neretva	54	55	49	54
County of Međimurje	23	25	26	25
Total	813	822	756	786

As regards the ATM network, high growth rates continued. In the first half of 2001, the number of installed ATMs increased by 127 units or 17.3 percent. The number of installed ATMs increased in all counties. A significant growth in the number of installed ATMs, as in 2000, was recorded in the County of

Split-Dalmatia (25 ATMs) and the County of Primorje and Gorski Kotar (14 ATMs). In the County of Split-Dalmatia, one bank alone installed 14 new ATMs in the first half of 2001. In the same period, this bank increased its ATM network in Croatia by 51 ATMs or 39.8 percent.

In the County of Zagreb and the City of Zagreb, the growth in the number ATMs decelerated considerably compared to 2000. The number of installed ATMs increased by 56 units in 2000, while it grew by 4 units in the first half of 2001. There was also noticeable restructuring of the ATM network. While 8 banks installed 13 ATMs, 6 banks removed 9 ATMs. Such movements in the number of installed ATMs indicate that the County of Zagreb and the City of Zagreb are relatively well covered by the ATM network.

TABLE 3. Territorial Distribution of ATMs, end of period

Counties	Dec. 1998	Dec. 1999	Dec. 2000	Jun. 2001
County of Zagreb and City of Zagreb	89	181	237	241
County of Krapina-Zagorje	3	6	14	17
County of Sisak-Moslavina	2	6	14	18
County of Karlovac	7	12	21	22
County of Varaždin	12	16	23	26
County of Koprivnica-Križevci	10	12	14	16
County of Bjelovar-Bilogora	7	9	18	19
County of Primorje and Gorski Kotar	35	68	95	109
County of Lika-Senj	2	6	7	11
County of Virovitica-Podravina	3	7	8	9
County of Požega-Slavonija	3	4	6	9
County of Slavonski Brod-Posavina	2	4	10	12
County of Zadar	12	17	26	34
County of Osijek-Baranya	12	19	27	42
County of Šibenik-Knin	2	8	13	15
County of Vukovar-Srijem	3	4	5	10
County of Split-Dalmatia	14	31	63	88
County of Istria	48	80	84	96
County of Dubrovnik and Neretva	7	15	32	41
County of Međimurje	12	18	19	28
Total	285	523	736	863

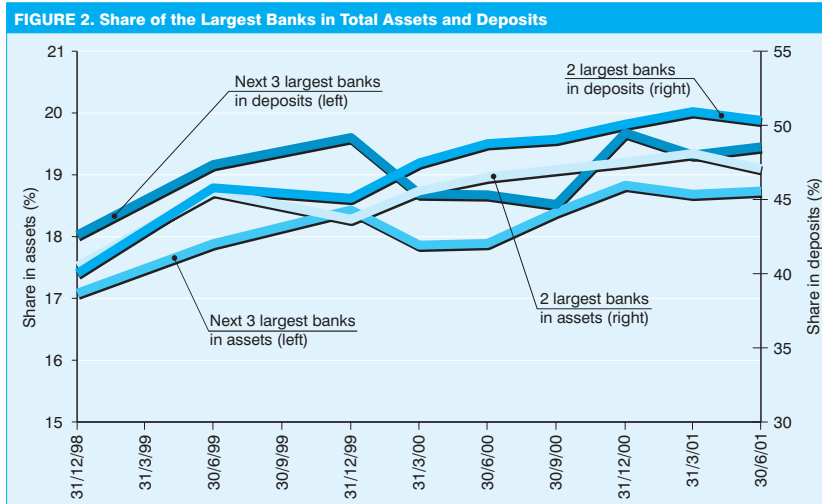
⇨ The total number of installed ATMs of all banks in the Republic of Croatia is classified by counties. Data on the City of Zagreb are included in the data on the County of Zagreb. Banks are the source of data.

In the first half of 2001, the share of the two largest banks in the total deposits of the system was on a mild increase, whereas their share in assets mildly decreased. In mid-2001, the share of these banks in the total assets of the system reached 47.1 percent and their share in total deposits neared 50.3 percent. In the period from end-2000 to mid-2001, the average growth rates of assets and deposits of the two largest banks were 5.5 and 9 percent, respectively. At the same time, the average growth rates of assets and deposits at the system level were 6.5 percent and 8.4 percent, respectively.

In the first half of 2001, the share of the next three largest banks³ in the total assets and deposits of the system was mildly reduced. In mid-2001, the share of these banks in the total assets of the system reached 18.7 percent and their share in total assets neared 19.4 percent. In the period from end-2000 to mid-2001, the next three largest banks recorded average growth rates of assets and deposits of 5.9 percent and 7.2 percent, respectively.

³ The next three largest banks include the third, fourth and fifth banks according to the stated criteria.

⇒ 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 two largest banks (the next three banks) in 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 these banks in the total deposits of the banking system is calculated in the same manner. The reports submitted by banks in Schedule BS (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) are the source of data on the amount of assets, while Schedule BS/DEP (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) is the source of data on total deposits.

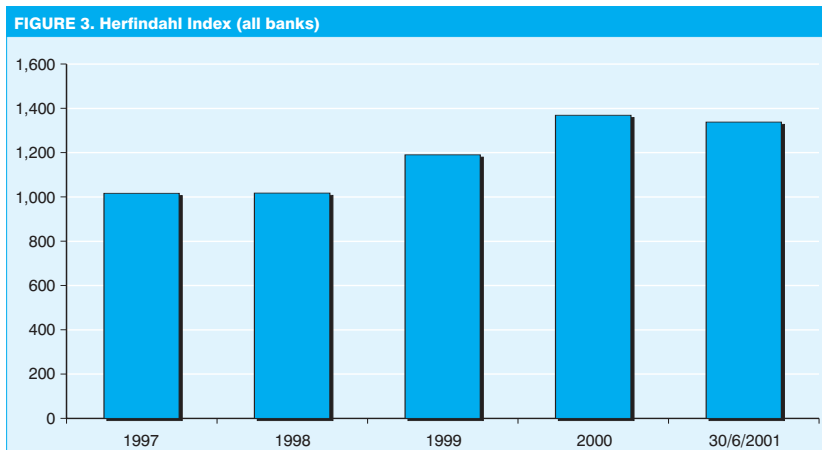


These movements in the shares of the five largest banks in the total assets and deposits of the system result from strong growth in several banks with assets exceeding 2 billion kuna and which are not included in the group of the five largest banks. In the first half of 2001, these banks recorded an average asset growth of 22.5 percent and an average deposit growth of 26.3 percent.

⇒ This index 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 reports submitted by banks in Schedule BS (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) are the source of data on the amount of assets.



4 The index is calculated as the sum of squared market shares for all banks in the system; in the hypothetical example where one bank is the market's sole supplier the index would amount to the maximum of 10,000. It should be noted here that the index does not increase linearly and that, for example, the index of 2,000 does not mean that the concentration in the system amounts to 20 percent.

The changes in the Herfindahl index⁴ confirm the described concentration of the banking system. In mid-2001, this index stood at 1,338 points, a 30 point decrease compared to end-2000.

2.1.3 Banks' Balance Sheet

As at June 30, 2001, total bank assets were 119.1 billion kuna, an increase of 7.3 billion kuna or 6.5 percent compared to the end of 2000, and an increase of 19.9 billion kuna or 20 percent compared to the balance on June 30, 2000. According to data as at June 30, 2001, total loans accounted for 48.6 percent of the asset structure. Deposits with banking institutions had the second-largest share in total assets, 13.2 percent, followed by investment portfolio of securities with 11 percent.

TABLE 4. Structure of Bank Assets, end of period, in million kuna and %

	Dec. 1998		Dec. 1999			Dec. 2000			Jun. 2001		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	6,412.5	6.6	9,733.5	10.4	51.8	11,489.3	10.3	18.0	12,722.7	10.7	10.7
1.1. Money assets	815.2	0.8	1,245.9	1.3	52.8	1,506.3	1.3	20.9	1,468.1	1.2	-2.5
1.2. Deposits	5,597.3	5.8	8,487.6	9.1	51.6	9,983.1	8.9	17.6	11,254.6	9.5	12.7
2. Deposits with banking institutions	11,459.9	11.8	10,312.5	11.0	-10.0	17,695.3	15.8	71.6	15,702.9	13.2	-11.3
3. Treasury bills and CNB bills	1,070.8	1.1	3,139.5	3.4	193.2	6,059.0	5.4	93.0	8,259.5	6.9	36.3
4. Trading portfolio of securities	288.5	0.3	1,067.8	1.1	270.1	2,462.4	2.2	130.6	2,538.2	2.1	3.1
5. Loans to financial institutions	854.8	0.9	1,246.2	1.3	45.8	1,085.6	1.0	-12.9	1,134.0	1.0	4.5
6. Loans to other clients	49,591.8	51.2	45,391.5	48.5	-8.5	50,130.7	44.8	10.4	56,661.4	47.6	13.0
7. Investment portfolio of securities	17,747.1	18.3	15,477.1	16.5	-12.8	14,167.5	12.7	-8.5	13,100.4	11.0	-7.5
8. Investments in subsidiaries and associates	2,788.5	2.9	1,768.6	1.9	-36.6	2,411.0	2.2	36.3	2,313.5	1.9	-4.0
9. Foreclosed and repossessed assets	340.6	0.4	447.2	0.5	31.3	614.5	0.5	37.4	616.7	0.5	0.4
10. Tangible assets and software (net of depreciation)	3,168.7	3.3	3,164.6	3.4	-0.1	3,252.5	2.9	2.8	3,354.4	2.8	3.1
11. Interest, fees and other assets	3,745.3	3.9	2,518.1	2.7	-32.8	3,169.2	2.8	25.9	3,428.2	2.9	8.2
12. Net of: Specific reserves for unidentified losses	691.3	0.7	743.6	0.8	7.6	699.4	0.6	-6.0	759.5	0.6	8.6
Total	96,777.0	100.0	93,522.9	100.0	-3.4	111,837.7	100.0	19.6	119,072.3	100.0	6.5

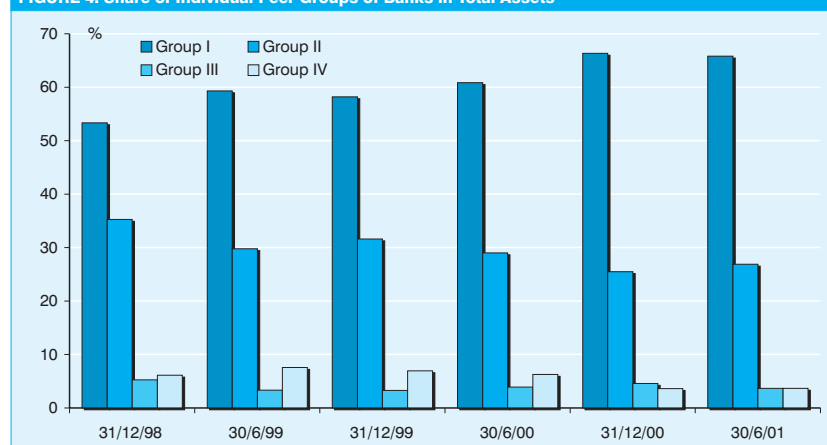
In the first half of 2001, a significant increase was recorded compared to end-2000 in loans to other clients, placements in Ministry of Finance treasury bills and CNB bills, and deposits with the CNB. As regards loan growth, household loans increased and corporate loans also resumed their growth, following a stagnation period of almost two years. The increase in deposits with the CNB was influenced mostly by the increase in deposits with banks. The considerable deposit growth resulted in a 0.5 billion kuna increase in the total amount of allocated reserve requirements.

In this period, the largest fall in nominal and real terms was recorded for deposits with banking institutions, investment portfolio of securities, and investments in subsidiaries and associates.

Following continuous growth, the share of Group I banks in the total assets of the system was mildly reduced in the first half of 2001. By mid-2001, their share amounted to 65.8 percent, or 0.5 percentage points less than at the end of 2000. In the first half of 2001, the average asset growth of banks in Group I was 5.6 percent.

↑ The share of each balance sheet item of assets in total bank assets is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 57/99 and 3/2001 – Schedule BS) and the derived aggregated 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.

FIGURE 4. Share of Individual Peer Groups of Banks in Total Assets



↔ The share of assets of each stated bank group in total bank assets is calculated in the following manner. First, the total assets of all the banks in the bank group are added up. Second, the sum thus calculated is divided by total bank assets. Shares are stated in percent.

The reports submitted by banks in Schedule BS (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) are the source of data on the amount of assets.

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

	Dec. 1998		Dec. 1999			Dec. 2000			Jun. 2001		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1 Loans from financial institutions	4,761.3	4.9	5,282.3	5.6	10.9	3,510.9	3.1	-33.5	3,753.0	3.2	6.9
1.1 Short-term loans	2,142.7	2.2	2,088.7	2.2	-2.5	1,130.8	1.0	-45.9	946.4	0.8	-16.3
1.2 Long-term loans	2,618.5	2.7	3,193.7	3.4	22.0	2,380.1	2.1	-25.5	2,806.5	2.4	17.9
2 Deposits	58,584.6	60.5	56,997.0	60.9	-2.7	72,683.4	65.0	27.5	78,817.5	66.2	8.4
2.1 Giro account and current account deposits	9,117.0	9.4	9,216.9	9.9	1.1	12,619.0	11.3	36.9	13,008.2	10.9	3.1
2.2 Savings deposits	13,564.2	14.0	13,678.0	14.6	0.8	17,689.3	15.8	29.3	17,544.8	14.7	-0.8
2.3 Time deposits	35,903.4	37.1	34,102.1	36.5	-5.0	42,375.1	37.9	24.3	48,264.5	40.5	13.9
3 Other loans	17,028.9	17.6	15,007.5	16.0	-11.9	16,329.0	14.6	8.8	16,404.2	13.8	0.5
3.1 Short-term loans	1,435.1	1.5	1,652.8	1.8	15.2	503.3	0.4	-69.6	670.6	0.6	33.2
3.2 Long-term loans	15,593.7	16.1	13,354.7	14.3	-14.4	15,825.7	14.2	18.5	15,733.6	13.2	-0.6
4 Debt securities issued	1.1	0.0	0.0	0.0	-95.9	0.0	0.0	-	19.3	0.0	-
4.1 Short-term debt securities issued	0.9	0.0	0.0	0.0	-94.8	0.0	0.0	-	0.0	0.0	-
4.2 Long-term debt securities issued	0.2	0.0	0.0	0.0	-100.0	0.0	0.0	-	19.3	0.0	-
5 Supplementary capital	492.8	0.5	343.1	0.4	-30.4	520.3	0.5	51.7	500.2	0.4	-3.9
5.1 Subordinated instruments issued	-	-	105.5	0.1	-	282.9	0.3	168.1	254.0	0.2	-10.2
5.2 Hybrid instruments issued	-	-	237.5	0.3	-	237.4	0.2	0.0	246.2	0.2	3.7
6 Interest, fees and other liabilities	6,553.3	6.8	4,849.2	5.2	-26.0	5,475.5	4.9	12.9	5,670.2	4.8	3.6
7 Profit/loss for the current year	-1,671.6	-1.7	466.4	0.5	-	1,123.2	1.0	140.8	1,087.6	0.9	-3.2
8 Capital	11,026.7	11.4	10,577.3	11.3	-4.1	12,195.5	10.9	15.3	12,820.3	10.8	5.1
Total	96,777.0	100.0	93,522.9	100.0	-3.4	111,837.7	100.0	19.6	119,072.3	100.0	6.5

† Bank liabilities are calculated in the same manner as bank assets in Table 4, i.e. the share of each balance sheet item of liabilities in total bank liabilities is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 57/99 and 3/2001 – Schedule BS) and the derived aggregated 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.

The share of Group II banks in total assets went up in the same period from 25.5 percent to 26.9 percent. Of this increase, 0.9 percentage points can be accounted for by a bank which shifted from Group III to Group II in the second quarter. The remaining 0.5 percentage point growth can be accounted for by the increased share in assets of the banks that were classified into Group II over the entire period. The banks in this Group recorded an average asset growth rate of 8.3 percent in the first half of 2001.

The fall in the share of Group III banks from 4.6 percent to 3.7 percent in the same period can be fully accounted for by the previously mentioned shift of one bank to Group II. The increase in the share of Group IV banks is a result of the somewhat stronger average asset growth of these banks: 8.6 percent in the first half of 2001.

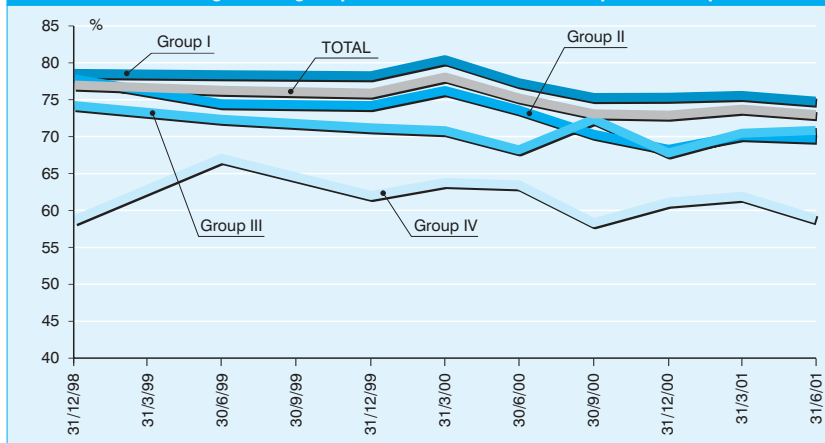
According to the data for mid-2000, deposits accounted for the largest share in the structure of bank liabilities (66.2 percent). They were followed by other loans with 13.8 percent and capital with 10.8 percent.

In the first half of 2001, total deposits recorded the largest absolute growth of 6.1 billion kuna and the largest share growth in total liabilities of 1.2 percentage points. The growth in time deposits accounts for almost the entire growth in total deposits. 27.8 percent of the growth in time deposits is related to the increase in time foreign exchange household deposits with maturity of 3 months to one year, and 21.6 percent is related to the increase in time foreign exchange household deposits with maturity of one to three years.

In mid-2001, foreign exchange liabilities accounted for 64.9 percent of total liabilities at the system level, an increase of 0.8 percentage points compared to end-2000 and of 0.3 percentage points compared to mid-2000.

The share of foreign exchange deposits in total deposits at the system level stood at 73 percent in mid-2001, which is identical to the share at the end of 2000.

FIGURE 5. Share of Foreign Exchange Deposits with Individual Bank Groups in Total Deposits



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

The reports submitted by banks in Schedule BS/DEP (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) are the source of data on foreign exchange deposits and total deposits.

Bank capital in the first half of 2001 continued its growth from 2000. It increased by 5.1 percent compared with end-2000 and 12.3 percent compared with mid-2000. As regards capital structure, legal reserves, reserves provided for by the articles of association and capital reserves continued to grow in the first half of 2001.

2.1.4 Bank Capital

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

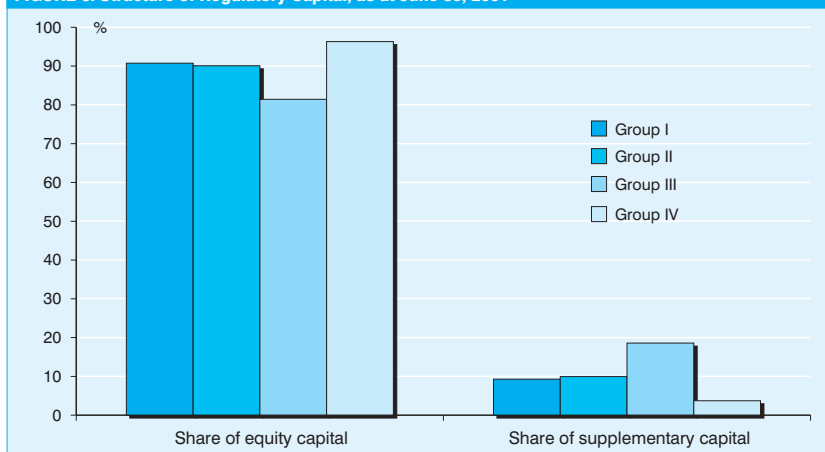
	Dec. 1998		Dec. 1999			Dec. 2000			Jun. 2001		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	8,944.7	81.1	8,219.7	77.7	-8.1	8,549.9	70.1	4.0	8,698.1	67.8	1.7
2. Retained income/loss brought forward	16.7	0.2	73.7	0.7	341.0	326.2	2.7	342.7	85.6	0.7	-73.8
3. Legal reserves	1,165.5	10.6	1,540.2	14.6	32.2	2,098.8	17.2	36.3	2,457.2	19.2	17.1
4. Reserves provided for by the articles of association and other capital reserves	899.8	8.2	743.8	7.0	-17.3	1,220.5	10.0	64.1	1,579.5	12.3	29.4
Total	11,026.7	100.0	10,577.3	100.0	-4.1	12,195.5	100.0	15.3	12,820.3	100.0	5.1

In mid-2001, share capital accounted for 67.8 percent of the capital structure. It was followed by legal reserves with 19.2 percent, reserves provided for by the articles of association and other reserves with 12.3 percent, and retained income with 0.7 percent.

Compared to the end of 2000, the share of share capital in total capital fell from 70.1 percent to 67.8 percent, continuing a slightly downward trend. On the other hand, the share of legal reserves, reserves provided for by the articles of association and other capital reserves in total capital increased, reaching 19.2 and 12.3 percent of total capital, respectively, in mid-2001.

↪ The capital as one of the items on the liabilities side of the aggregate balance sheet of all banks (Table 5) is presented in detail. The share of each stated item in total bank capital is calculated as a ratio between each item and total bank capital. The sums thus calculated are 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.

FIGURE 6. Structure of Regulatory Capital, as at June 30, 2001



↪ The structure of regulatory capital is calculated as a ratio between the sum of the amounts of equity capital of all the banks in an individual bank group and the sum of the amounts of regulatory capital of the same group of banks. The amount thus calculated is multiplied by 100. The share of the supplementary capital of individual bank group in its regulatory capital is calculated in the same manner.

The reports submitted by banks are the source of data on equity, supplementary and regulatory capital, and the schedule for submitting these reports (Schedule CAP, i.e. CAP1) forms an integral part of the Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 36/99 and 123/2000)

At the system level, regulatory capital was reduced by 5.1 percent in the first half of 2001, following a 16 percent increase in 2000. Its structure also changed to a certain extent. In mid-2001, equity capital accounted for 90.5 percent of regulatory capital, 0.4 percentage points less than at the end of 2000 and 0.8 percentage points less than at the end of 1999.

⇒ The calculation of regulatory capital is regulated by the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000) and the pertaining instruction for its implementation (Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital – *Narodne novine*, Nos. 36/99 and 123/2000). The reports submitted by banks are the source of data on regulatory capital, and the schedule for submitting these reports forms an integral part of the stated regulation (Schedule CAP, i.e. CAP1).

	Dec. 1998		Dec. 1999			Dec. 2000			Jun. 2001		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Group I	3,800.8	35.8	5,089.8	45.7	33.9	7,631.2	59.1	49.9	7,192.9	56.2	-5.7
Group II	4,001.4	37.7	3,834.5	34.5	-4.2	3,144.6	24.4	-18.0	3,607.9	28.2	14.7
Group III	1,021.0	9.6	492.6	4.4	-51.8	924.5	7.2	87.7	813.1	6.4	-12.1
Group IV	1,796.5	16.9	1,711.9	15.4	-4.7	1,211.5	9.4	-29.2	1,175.5	9.2	-3.0
Total	10,619.7	100.0	11,128.8	100.0	4.8	12,911.9	100.0	16.0	12,789.4	100.0	-0.9

The changes in regulatory capital are shown in Table 7. In the first half of 2001, the regulatory capital of the banks in Groups I, III, and IV was reduced both in nominal and real terms, whereas the banks in Group II recorded growth. The fall in regulatory capital was due to the fact that the end-of-year data do not include profit for the current year, except in exceptional cases. Additionally, several banks reported minor losses in the first half of the year, which immediately reduces regulatory capital.

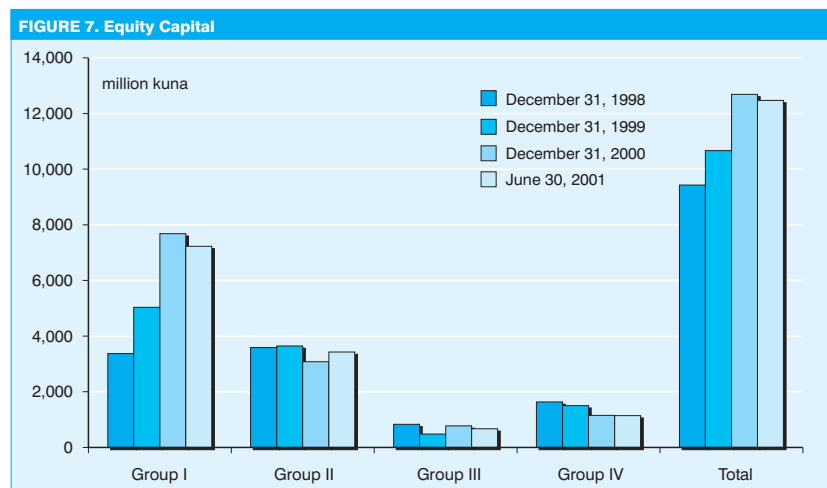
At the system level, equity capital recorded a mild fall in the first half of 2001, following continuous growth over the entire reporting period. Equity capital⁵ decreased slightly in Groups I, III, and IV but increased in Group II. The greatest cause of the total decrease in equity capital was the reduction in equity capital of some banks in Group I: a redemption of own shares by two banks and a reduction in retained income in one bank. The increase in equity capital in Group II banks was caused by the reported recapitalization of one bank.

5 On January 1, 2001, the amended Instruction on the Methodology for Calculating Bank's Capital (*Narodne novine*, No. 123/2000) entered into force. As a result, the regulatory capital structure changed to a certain extent: certain positions are now included in supplementary, rather than equity capital.

These developments resulted in the following changes of the share of individual groups of banks in equity capital:

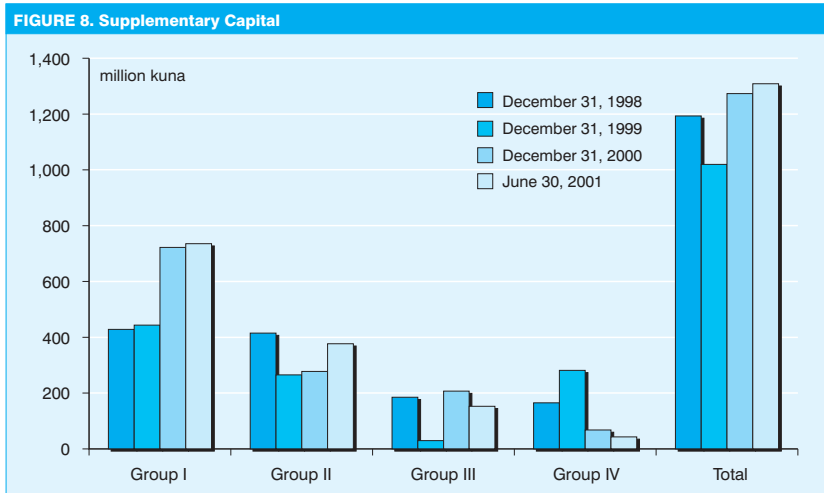
- at the end of 1999, Group I accounted for 47.2 percent of equity capital, Group II for 34.2 percent, Group III for 4.5 percent, and Group IV for 14.1 percent;

⇒ The calculation of equity capital is regulated by the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000) and the pertaining instruction for its implementation (Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital – *Narodne novine*, Nos. 36/99 and 123/2000). This figure shows the changes in equity capital in the observed period. The equity capital of an individual bank group represents the sum of the amounts of equity capital of all the banks in the group. The reports submitted by banks are the source of data. The schedule for submitting these reports forms an integral part of the stated regulation (Schedule CAP, i.e. CAP1).



- in mid-2000, Group I accounted for 52.9 percent of equity capital, Group II for 28.9 percent, Group III for 4.4 percent, and Group IV for 13.8 percent;
- at the end of 2000, Group I accounted for 60.5 percent of equity capital, Group II for 24.2 percent, Group III for 6.1 percent, and Group IV for 9.1 percent;
- in mid-2001, Group I accounted for 58 percent of equity capital, Group II for 27.5 percent, Group III for 5.4 percent and Group IV for 9.1 percent.

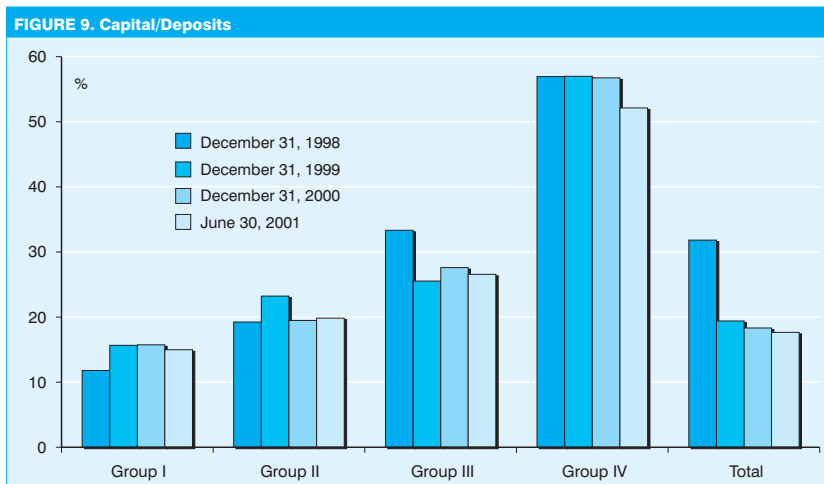
At the system level, supplementary capital rose by 35.1 million kuna, or 2.8 percent, in the first half of 2001.



⇨ The calculation of supplementary capital is regulated by the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000) and the pertaining instruction for its implementation (Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital – *Narodne novine*, Nos. 36/99 and 123/2000). This figure shows the changes in supplementary capital in the observed period. The supplementary capital of an individual bank group represents the sum of the amounts of supplementary capital of all the banks in the group. The reports submitted by banks are the source of data. The schedule for submitting these reports forms an integral part of the stated regulation (Schedule CAP, i.e. CAP1).

The share of individual groups of banks in supplementary capital changed as follows:

- at the end of 1999, Group I accounted for 43.5 percent of supplementary capital, Group II for 26 percent, Group III for 2.9 percent, and Group IV for 27.6 percent;
- in mid-2000, Group I accounted for 44.1 percent of supplementary capital, Group II for 25.6 percent, Group III for 4.9 percent and Group IV for 25.4 percent;
- at the end of 2000, Group I accounted for 56.7 percent, Group II for 21.8 percent, Group III for 16.2 percent and Group IV for 5.3 percent.
- in mid-2001, Group I accounted for 56.2 percent, Group II for 28.8 percent, Group III for 11.7 percent and Group IV for 3.3 percent.



⇨ Each bank group ratio between capital and deposits is calculated in the following manner. First, the amounts of capital of all the banks in the bank group are added up. Second, all deposits of the banks in the group are added up. The sum of capital thus calculated is divided by the sum of deposits and multiplied by 100. The reports submitted by banks in Schedule BS (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) are the source of data on the amount of capital. The deposits used in this calculation are giro and current account deposits, savings deposits and time deposits. The reports submitted by banks in Schedule BS/DEP (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) are the source of data.

The moderate increase in supplementary capital in Group I banks in the first half of 2001 was primarily due to increased provisions for unidentified losses, whereas in Group II the increase was mostly due to an increase in hybrid instruments in one bank. The fall in the same position resulted in the fall in supplementary capital in Group IV banks.

The capital to deposit ratio (Figure 9) shows that, in contrast to smaller banks, the capital of larger banks participated significantly less in the sources of financing. In mid-2001, this ratio amounted to 15 percent in Group I, whereas it was 52.1 percent in Group IV.

In the first half of 2001, the capital/deposit ratio rose in Group II due to an increase in both capital and deposits but a larger increase in capital. The fall in the capital/deposit ratio in Group I, on the other hand, was due to an increase in both capital and deposits but a larger increase in deposits. The fall in the ratio in Group III was due to a decrease in both capital and deposits but a larger decrease in capital. The fall in the ratio in Group IV was due to a reduction in capital and an increase in deposits.

In mid-2001, the capital adequacy ratios were as follows: 16.6 percent in Group I, 18.9 percent in Group II, 29.5 percent in Group III and 40.9 percent in Group IV. At the same time, the capital adequacy ratio of the banking system was 18.8 percent. At the system level, the ratio decreased by 2.5 percentage points compared to the end of 2000.

In the first half of 2001, the capital adequacy ratio fell in Groups I and IV due to a reduction in regulatory capital and an increase in risk-weighted assets, remained unchanged in Group II and increased in Group III. In the same period, regulatory capital and risk-weighted assets increased in Group II and fell in Group III. The moderate increase in risk-weighted assets may have been caused by the amendments to the regulation on the methodology for calculating capital adequacy and risk-weighted assets⁶.

6 *Narodne novine*, No. 123/2000.

⇒ The capital adequacy ratio is calculated as a ratio between the regulatory capital and the risk-weighted assets. In this figure, the capital adequacy ratio for each bank group is calculated in the following manner. First, the amounts of regulatory capital of all the banks in the bank group are added up. Second, the amounts of total risk-weighted assets of all the banks in the group are added up. The calculated sum of regulatory capital is divided by the sum of total risk-weighted assets and multiplied by 100.

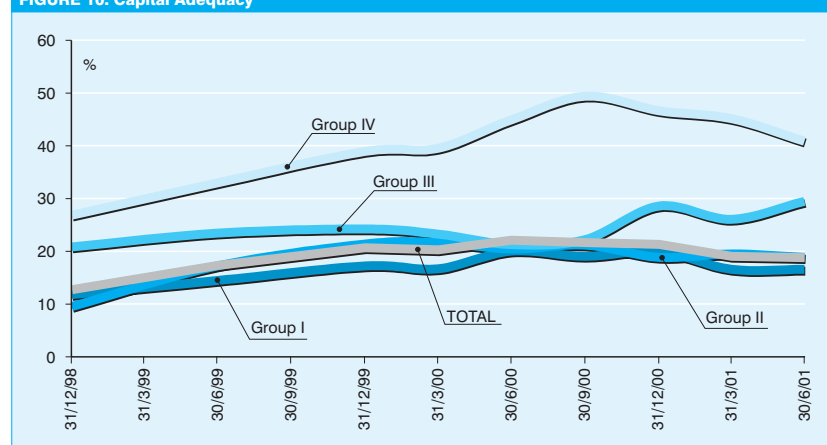
The calculation of regulatory capital is regulated by the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000) and the pertaining instruction for its implementation (*Narodne novine*, Nos. 36/99 and 123/2000).

The reports submitted by banks in Schedule CAP, i.e. CAP1 are the source of data on regulatory capital and this schedule forms an integral part of the stated instruction.

The calculation of total risk-weighted assets is regulated by the Decision on the Methodology for Calculating Capital Adequacy and Risk-Weighted Assets of Banks (*Narodne novine*, Nos. 32/99 and 101/2000) and the pertaining instruction for its implementation (*Narodne novine*, Nos. 36/99 and 123/2000).

The reports submitted by banks in Schedule RWA, i.e. RWA1 are the source of data on the risk-weighted assets and this schedule forms an integral part of the stated instruction.

FIGURE 10. Capital Adequacy



2.1.5 Income Statement

In the first half of 2001, banks earned a total of 1.1 billion kuna after-tax profit at the level of the entire banking system, which is an increase of 0.3 billion kuna, or 41.2 percent, compared with the first half of 2000. This profit growth was primarily the result of increased net interest income and reduced loan loss provision expenses.

TABLE 8. Income Statement, in million kuna

	Group I		Group II		Group III		Group IV		Total	
	1-6/00	1-6/01	1-6/00	1-6/01	1-6/00	1-6/01	1-6/00	1-6/01	1-6/00	1-6/01
1. Net interest income	1,176.9	1,411.9	681.2	644.5	111.8	96.2	164.4	100.5	2,134.4	2,253.2
1.1 Interest income	2,286.9	2,727.9	1,323.1	1,242.5	186.1	169.0	290.3	173.7	4,086.4	4,313.1
1.2 Interest expenses	1,110.0	1,315.9	641.8	598.0	74.2	72.8	126.0	73.2	1,952.0	2,059.9
2. Net non-interest income	866.1	715.6	114.3	104.1	46.3	47.7	78.3	56.8	1,105.1	924.2
2.1 Non-interest income	1,050.1	893.1	278.6	297.4	59.4	62.8	104.2	71.9	1,492.4	1,325.2
2.2 Non-interest expenses	184.0	177.4	164.3	193.4	13.1	15.1	25.9	15.1	387.3	401.0
3. General administrative expenses and depreciation	871.7	1,153.4	497.8	511.7	92.8	94.1	170.0	112.1	1,632.2	1,871.4
4. Net operating income before provisions	1,171.4	974.1	297.8	236.9	65.4	49.8	72.7	45.2	1,607.3	1,306.1
5. Loan loss provision expenses	432.9	121.8	329.6	34.4	20.9	25.2	43.2	13.2	826.6	194.6
6. Pre-tax profit/loss	738.5	852.4	-31.8	202.5	44.5	24.7	29.5	32.0	780.7	1,111.5
7. Income tax	0.0	10.5	8.6	12.7	2.0	3.5	1.8	0.1	12.3	26.7
8. After-tax profit/loss	738.5	841.9	-40.5	189.8	42.5	21.2	27.7	31.9	768.3	1,084.8

Total operating income was calculated on the net principle (as a sum of net interest income and net non-interest income net of general administrative expenses and depreciation). The total operating income of the banking system decreased by 0.3 billion kuna, or 18.7 percent, in the first half of 2001 compared with the same period in the previous year. In the same period, total operating income fell by 0.2 billion kuna or by 16.8 percent in Group I, by 60.9 million kuna or 20.4 percent in Group II, by 15.6 million kuna or 23.8 percent in Group III, and by 27.5 million kuna or 37.8 percent in Group IV.

↑ In the observed periods, each item from the reports is stated cumulatively for all banks and for an individual bank group on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 57/99 and 3/2001 – Schedule IS). The total amount for each item is the sum of the same items stated in the reports. Total amounts are calculated both at the level of all banks and at the level of an individual bank group.

The share of interest income in the income structure of the banking system grew in the first half of 2001 compared with the same period in the previous year and with the whole of 2000. This growth amounted to 3.3 percentage points in the first half of 2001 compared with the first half of 2000, while it amounted to 2 percentage points compared to the whole of 2000. Group I banks recorded an increase in the share of interest income in total income, whereas Groups II, III, and IV recorded a decrease.

In mid-2001, interest expenses predominated in the structure of expenses at the system level, with a share of 45.5 percent. They were followed by general administrative expenses and depreciation at 41.3 percent, non-interest expenses at 8.9 percent, and loan loss provision expenses at 4.3 percent.

In the first half of 2001, the share of general administrative expenses and depreciation in total expenses grew most, by 7.3 percentage points, in comparison with the same period in the previous year. It increased most in nominal terms as well. This growth was mostly the result of an increase in the share of expenses for employees of 3.9 percentage points, an increase in other expenses of 1.9 percentage points, and depreciation of 1.4 percentage points.

On the other hand, the share of loan loss provision expenses recorded a fall in total expenses of 12.9 percentage points. This fall was mostly the result of a decrease of 0.6 billion kuna in provision expenses for identified losses compared to the first half of 2000 and a decrease of about 40 million kuna in provision expenses for unidentified losses.

⇒ The share of each item of income in the total income of an individual bank group is calculated as a ratio between the sum of the amounts of the same items from the reports of the banks in the group (Bank Statistical Report – Schedule IS, *Narodne novine*, Nos. 57/99 and 3/2001) and the total income earned by the group. The sum thus calculated is 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 items from the reports of all banks are added up and expressed as the ratio between the sum thus calculated and the total income earned by all banks in the observed period. The sum thus calculated is multiplied by 100.

TABLE 9. Structure of Income, in %

	Group I		Group II		Group III		Group IV		Total	
	1-6/00	1-6/01	1-6/00	1-6/01	1-6/00	1-6/01	1-6/00	1-6/01	1-6/00	1-6/01
1. Interest income	68.5	75.3	82.6	80.7	75.8	72.9	73.6	70.7	73.2	76.5
1.1 Interest income from loans	43.4	49.8	64.7	64.8	55.4	56.1	60.6	58.6	51.2	54.5
1.2 Interest income from deposits	9.7	11.4	6.7	8.0	7.2	9.2	6.2	7.0	8.5	10.2
1.3 Interest income from debt securities	11.4	12.7	4.2	5.9	7.1	7.1	3.2	5.3	8.6	10.3
1.4 Income from shares and other equity participations	0.8	0.6	2.6	0.1	0.3	0.4	0.0	0.0	1.2	0.5
1.5 Net balances on exchange rate fluctuations related to interest income	0.0	-0.2	1.3	-0.2	0.0	0.0	0.2	-1.5	0.4	-0.2
1.6 Interest income from previous years	1.7	0.5	0.4	0.4	0.2	0.1	0.2	0.0	1.2	0.4
1.7 Other interest income	1.5	0.5	2.8	1.7	5.5	0.0	3.0	1.3	2.1	0.8
2. Non-interest income	31.5	24.7	17.4	19.3	24.2	27.1	26.4	29.3	26.8	23.5
2.1 Non-interest income from commissions or fees	12.9	14.6	11.4	13.8	12.3	13.3	13.6	14.0	12.5	14.3
2.2 Net balance on exchange rate fluctuations related to non-interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3 Income/loss from calculated exchange rate fluctuations	-0.3	-4.0	-3.4	-5.5	0.5	0.8	-0.5	2.8	-1.2	-3.9
2.4 Income/loss from purchase/sale of foreign exchange	6.3	7.0	6.0	6.1	8.6	8.6	8.5	9.5	6.4	6.9
2.5 Income/loss from purchase/sale of securities	8.7	3.6	0.0	0.3	0.0	0.6	0.0	0.3	5.2	2.4
2.6 Other income	3.9	3.3	3.2	1.7	2.7	2.9	4.6	2.6	3.7	2.8
2.7 Extraordinary income	0.1	0.1	0.2	2.9	0.2	0.8	0.2	0.1	0.1	0.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

⇒ The structure of expenses is calculated in the same manner as the structure of income in Table 9, i.e. the share of each item of expenses in the Income Statement of an individual bank group in total expenses of the group is calculated as the ratio between the sum of these items from the report of each bank in the group and total expenses incurred by the group. The sum thus calculated is multiplied by 100. The same principle applies to the calculation made for the banking system as a whole, i.e. the amounts of each item of expenses from the reports of all banks are added up and expressed as the ratio between the sum thus calculated and total expenses incurred by the banking system in the observed period. The sum thus calculated is also multiplied by 100.

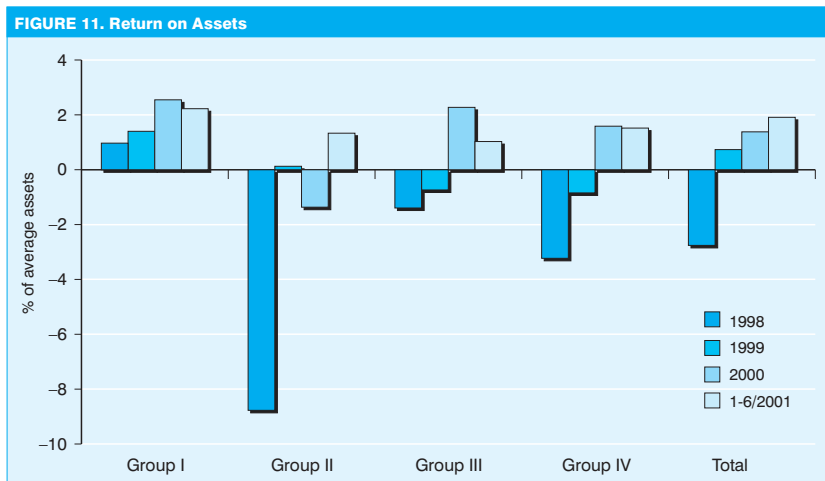
The reports submitted by banks in Schedule IS (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) are the source of data on expenses.

TABLE 10. Structure of Expenses, in %

	Group I		Group II		Group III		Group IV		Total	
	1-6/00	1-6/01	1-6/00	1-6/01	1-6/00	1-6/01	1-6/00	1-6/01	1-6/00	1-6/01
1. Interest expenses	42.7	47.5	39.3	44.7	36.9	35.1	34.5	34.3	40.7	45.5
1.1 Interest expenses on loans	10.8	11.5	13.6	16.4	11.2	5.8	8.9	6.7	11.6	12.5
1.2 Interest expenses on deposits	29.1	32.5	22.5	25.7	23.5	27.6	23.0	22.7	26.2	29.8
1.3 Interest expenses on debt securities	0.0	0.0	0.1	0.1	0.2	0.0	0.7	0.3	0.1	0.1
1.4 Premiums for the insurance of savings deposits	2.5	3.1	1.3	2.3	1.7	1.9	0.9	1.2	1.9	2.7
1.5 Net balances on exchange rate fluctuations related to interest expenses	0.1	-0.1	0.9	-0.4	0.0	-0.2	0.7	1.6	0.4	-0.1
1.6 Interest expenses from previous years	0.2	0.5	0.3	0.5	0.0	0.1	0.3	1.6	0.2	0.5
1.7 Other interest expenses	0.0	0.0	0.5	0.0	0.4	0.0	0.1	0.1	0.2	0.0
2. Non-interest expenses	7.1	6.4	10.1	14.5	6.5	7.3	7.1	7.1	8.1	8.9
2.1 Non-interest expenses for commissions and fees	2.7	3.1	6.0	7.5	3.2	3.7	3.1	3.4	3.9	4.4
2.2 Net balances on exchange rate fluctuations related to non-interest expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3 Other expenses	4.4	3.3	3.5	6.4	3.2	3.0	3.8	3.6	4.0	4.2
2.4 Extraordinary expenses	0.0	0.0	0.5	0.6	0.1	0.5	0.2	0.1	0.2	0.2
3. General administrative expenses and depreciation	33.5	41.7	30.5	38.3	46.1	45.4	46.6	52.5	34.0	41.3
3.1 Expenses for employees	20.4	25.1	16.0	19.0	24.6	23.0	23.8	28.9	19.4	23.3
3.2 Depreciation	3.2	5.0	4.2	5.6	5.8	5.6	6.4	7.3	3.9	5.3
3.3 Other expenses	9.9	11.6	10.3	13.7	15.7	16.8	16.3	16.2	10.8	12.7
4. Loan loss provision expenses	16.7	4.4	20.2	2.6	10.4	12.2	11.8	6.2	17.2	4.3
4.1 Provision expenses for identified losses	12.1	3.3	22.2	0.1	5.0	8.5	11.6	3.8	15.2	2.6
4.2 Value adjustment of investments in subsidiaries and associates	0.1	0.2	-2.0	0.0	0.2	0.7	0.0	0.0	-0.6	0.2
4.3 Value adjustment of investments in shares and equity participations in investment portfolio	-0.1	-1.1	0.4	0.6	1.2	2.0	-1.1	0.3	0.1	-0.4
4.4 Provision expenses for unidentified losses	4.6	2.0	-0.4	1.8	4.0	0.9	1.3	2.1	2.6	1.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

2.1.6 Return Indicators

In the first half of 2001, the average return on assets of the entire banking system amounted to 1.9 percent, an increase of 0.3 percentage points compared to the first half of 2000 and of 0.5 percentage points compared to the whole of 2000. At the same time, the average return on equity was 15.9 percent, an increase compared to the first half of 2000 and the whole of 2000 of 2.7 and 5.2 percentage points, respectively.



Each bank group ratio between pre-tax profit and average assets is calculated in the following manner. First, the pre-tax profit generated in the relevant period by all the banks in the bank group is added up. Second, the amounts of average assets are added up. The sum of pre-tax profit thus calculated is divided by the sum of average assets and multiplied by 100. Average assets are calculated as the arithmetic mean of the balance in assets at the beginning and at the end of period for which the average is calculated. Schedule IS (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) is the source of data on pre-tax profit, while Schedule BS (Bank Statistical Report) is the source of data on assets.

In comparison with the first half of 2000, both return on assets and return on equity increased in Group II, due to a recovery of losses and a generation of profit amounting to 189.8 million kuna, and in Group IV, due to a profit growth of 4.2 million kuna or 15.3 percent. Both indicators decreased in Group I, as a result of larger growth in average capital and average assets than in profit, and in Group III, as a result of a fall in profit along with an increase in average assets and average capital. Positive returns were reported in the first half of 2001 for all groups: 2.2 percent on assets and 20.8 on equity in Group I, 1.3 percent on assets and 10.9 percent on equity in Group II, 1 percent on assets and 5.3 percent on equity in Group III, and 1.5 percent on assets and 5.2 percent on equity in Group IV.

The main reason for these developments in the stated indicators in the first half of 2001, as in 2000, was a reduction in provisions for losses. One of the main causes of the provision reduction was improved liquidity in the real sector.

At the system level, both interest income and income expenses were slightly lower in the first half of 2001 in comparison with average net assets. In the first half of 2001, interest income fell by 0.7 percentage points compared to 2000, and interest expenses fell by 0.4 percentage points. In comparison with the first half of 2000, interest income fell by 1 percentage point and interest expenses by 0.5 percentage points.

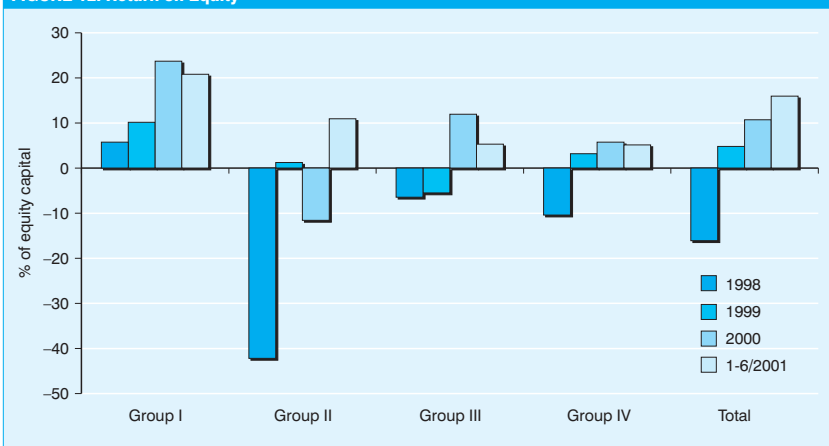
A reduction in interest income and interest expenses was recorded in three bank groups in the first half of 2001 compared with 2000. In Group I, interest income decreased by 0.8 percentage points and interest expenses by 0.4 percentage points. In Group II, interest income decreased by 0.3 percentage

⇒ Each bank group ratio between after-tax profit and average share capital is calculated in the following manner. First, the after-tax profit generated in the relevant period by all the banks in the bank group is added up. Second, the amounts of average share capital are added up. The sum of after-tax profit thus calculated is divided by the sum of average share capital and multiplied by 100.

Average share capital is calculated as the arithmetic mean of the balance in share capital at the beginning and at the end of the period for which the average is calculated.

Schedule IS (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) is the source of data on after-tax profit, while Schedule CAP, i.e. CAP1, which forms an integral part of the Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 36/99 and 123/2000), passed on the basis of the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000), is the source of data on share capital.

FIGURE 12. Return on Equity



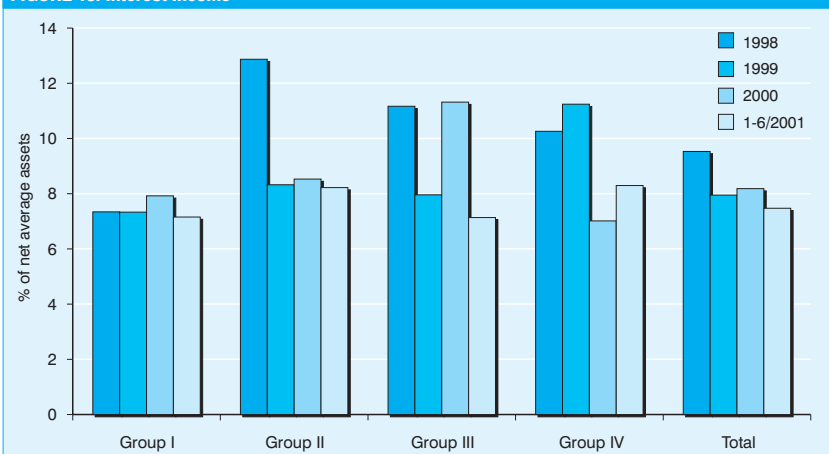
points and interest expenses by 0.4 percentage points. Group III recorded a decrease of 4.2 percentage points in interest income and 1.9 percentage points in interest expenses. Group IV, in contrast, recorded an increase of 1.3 percentage points in interest income and 1 percentage point in interest expenses. Positive movements of these indicators were recorded in Group II (a fall in interest income smaller than the fall in interest expenses) and in Group IV (an increase in interest income larger than the increase in interest expenses). Negative movements were recorded in Groups I and III (a fall in interest income larger than the fall in interest expenses).

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

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

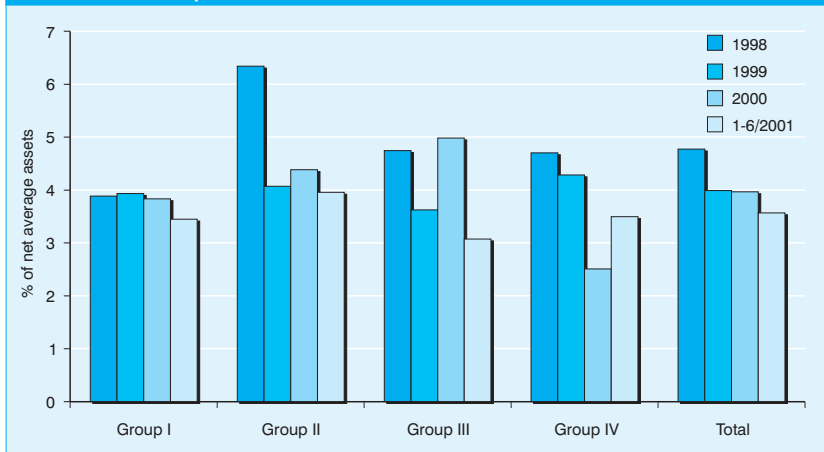
Schedule IS is the source of data on interest income, while Schedule BS is the source of data on the amount of assets (both Schedules form an integral part of the Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

FIGURE 13. Interest Income



In the first half of 2001, a slow downward trend in both lending and deposit interest rates continued. The occasional fluctuations of interest rates recorded in the first half of 2001, which are even more pronounced in monthly series, result from a relatively high sensitivity of weighted interest rates to the amounts of loans granted with the respective interest rate. In the first half of 2001, corporate and household lending grew further, and loans with maturity of up to one year predominated in the newly-extended loans. Since interest rates on short-term loans are lower than interest rates on long-term loans, there was a moderate fall in the average interest rate with and without a foreign currency clause.

FIGURE 14. Interest Expenses



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

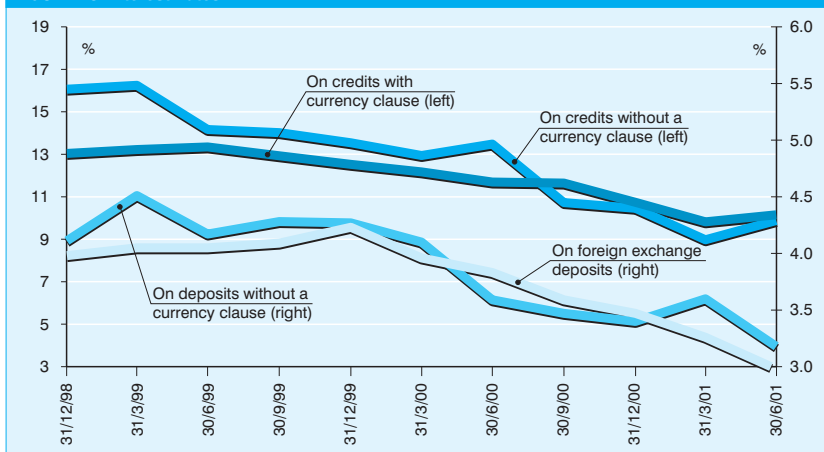
Average assets are calculated as the arithmetic mean of the balance in assets at the beginning and at the end of period for which the average is calculated.

Schedule IS is the source of data on interest expenses, while Schedule BS is the source of data on the amount of assets (both Schedules form an integral part of the Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

In the first quarter of 2001, interest rates on deposits without a foreign currency clause rose above interest rates on foreign exchange deposits, primarily as a result of increased kuna demand by the banks in order to maintain their currency position.

By mid-2001, average interest rates in the banking system stood at 9.9 percent on loans without a currency clause, 10.2 percent on loans with a currency clause, 3.2 percent on deposits without a currency clause and 3 percent on foreign exchange deposits. In comparison with the end of 2000, average interest rates fell by 0.6 percentage points on loans without a currency clause, 0.5 percentage points on loans with a currency clause, 0.2 percentage points on deposits without a currency clause, and 0.5 percentage points on foreign exchange deposits. The average interest rate on loans with a foreign currency clause was somewhat above that on loans without a currency clause, primarily because loans without a currency clause predominate in the newly-granted loans. Short-term corporate loans, on which interest rates are somewhat lower, predominate in the structure of newly-granted loans without a currency clause. On the other hand, approximately half of the newly-granted loans with a currency clause are long-term loans, with long-term household loans, on which interest rates are somewhat higher, predominating.

FIGURE 15. Interest Rates



The basis for calculating the weighted averages is the amount of loans extended 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 exchange deposits are reported as weighted averages of monthly interest rates. The basis for calculating the weighted averages is the balance in deposits at the end of the reporting month. The exceptions are kuna savings 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 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.

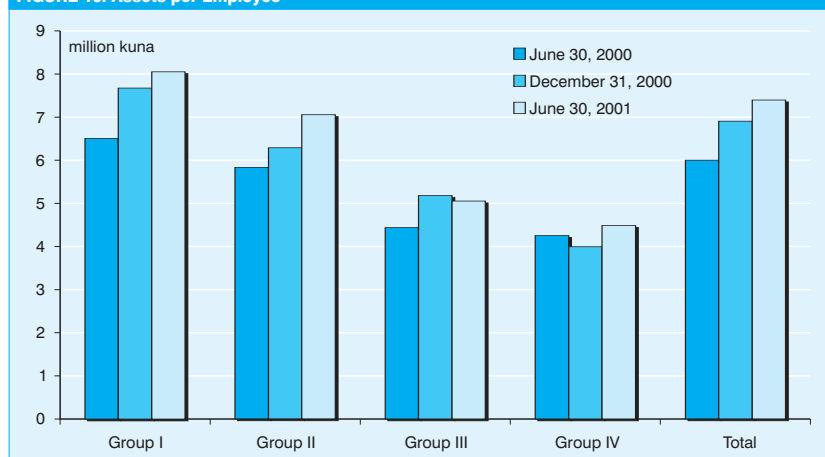
The CNB statistics is the source of data.

⇒ The average assets of all the banks in an individual bank group are added up and then expressed as the ratio between the amount thus calculated and 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.

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

Schedule BS is the source of data on the amount of assets (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001), while the audited reports of banks are the source of data on the number of persons employed.

FIGURE 16. Assets per Employee



In mid-2001, the banking system employed 16,099 persons, a decrease of 94 employees (0.6 percent) compared to the end of 2000, and a decrease of 435 employees (2.6 percent) compared to mid-2000. This continued the downward trend in the number of employees in the banking system that has been recorded since mid-1999. Measured at the level of the banking system, there were 7.4 million kuna in assets per employee. This ratio was, on average, higher for larger banks, so that Group I recorded 8.1 million kuna in assets per employee, Group II 7.1 million kuna, Group III 5.1 million kuna, and Group IV 4.5 million kuna. In the first half of 2001, Group II banks recorded the highest nominal growth in this indicator, amounting to 0.8 million kuna per employee, or 12.2 percent, whereas Group III recorded a fall in this indicator of 0.1 million kuna per employee, or 2.4 percent.

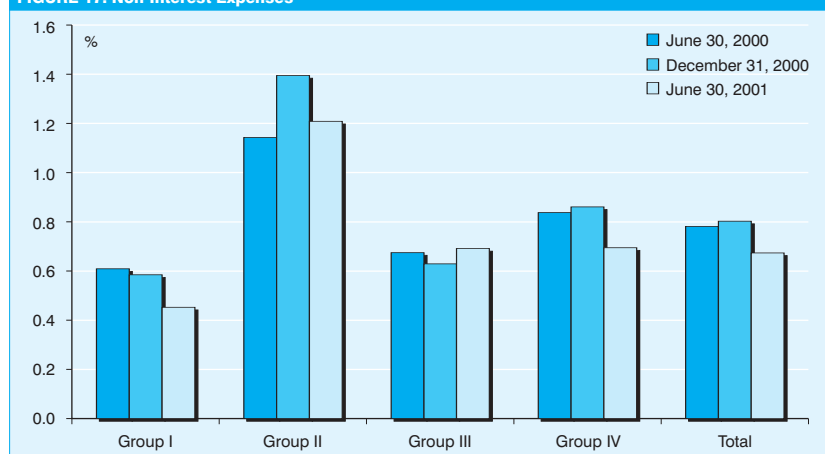
In the first half of 2001, the share of non-interest expenses in the assets of the banking system also indicates the improved operation of banks, standing at 0.7 percent, an increase of 0.1 percentage point compared to 2000. According to this indicator, Group I was the most successful (0.5 percent) in the first half of 2001, whereas the largest increase compared to 2000 was recorded in Group II (0.2 percentage points). At the same time, Group III recorded a slight deterioration.

⇒ Each bank group ratio between non-interest expenses and average assets is calculated in the following manner. First, the non-interest expenses incurred in the relevant period by all the banks in the bank group are added up. Second, the amounts of average assets of each bank group are added up. The sum of non-interest expenses thus calculated is divided by the sum of average assets and multiplied by 100. The same procedure is applied to the calculation of this indicator for all banks.

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

Schedule IS is the source of data on non-interest expenses, while Schedule BS is the source of data on the amount of assets (both Schedules form an integral part of the Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

FIGURE 17. Non-Interest Expenses



2.1.7 Credit Activity

In mid-2001, total placements of the banking system amounted to 133 billion kuna. In comparison with the end of 2000, this is an increase of 9.1 billion kuna, or 7.3 percent. Compared to mid-2000, placements grew by 21.4 billion kuna, or 19.2 percent.

The upward trend in the share of performing assets in total assets that started in the second half of 2000 continued in the first half of 2001. This share amounted to 91.5 percent in mid-2001, a 0.9 percentage point increase compared to the end of 2000.

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

Placements	Dec. 1998		Dec. 1999		Dec. 2000		Jun. 2001	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
A	97,227.9	85.1	92,061.5	85.5	108,489.8	87.5	117,561.5	88.4
B	6,377.8	5.6	4,507.0	4.2	3,708.5	3.0	4,084.4	3.1
C	5,574.8	4.9	3,749.9	3.5	3,090.3	2.5	2,856.7	2.1
D	2,718.1	2.4	3,393.6	3.2	3,832.8	3.1	3,823.1	2.9
E	2,359.6	2.1	3,903.3	3.6	4,803.1	3.9	4,653.7	3.5
Total	114,258.2	100.0	107,615.4	100.0	123,924.5	100.0	132,979.4	100.0

Table 11. contains the amounts of placements classified by risk categories, as well as their shares in total placements that are classified. The reports submitted by banks in Schedule C, which forms an integral part of the Instruction for Uniform Implementation of the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (*Narodne novine*, Nos. 36/99 and 123/2000), are the source of data.

In the first half of 2001, the upward trend of the share of placements classified into highest-risk categories (D and E) was reversed. Following a continuous share growth from 2.6 percent at the end of 1997 to 7 percent at the end of 2000, this share fell to 6.4 percent in the first half of 2001. Movements in these two indicators point to a moderate improvement in bank portfolio quality in the first half of 2001, which can also be illustrated by the ratio between provisions and placements. Since the trend reversal in mid-2000, this ratio has constantly been improving (decreasing), reaching 7.5 percent in the middle of 2001.

TABLE 12. Ratio between Provisions and Placements (A, B, C, D, and E), end of period, in million kuna and %

	Dec. 1998	Dec. 1999	Dec. 2000	Jun. 2001
1. Total provisions for identified and unidentified losses	7,645.6	9,476.2	10,176.6	9,983.9
1.1 Provisions for identified losses	6,951.6	8,673.6	9,355.4	9,076.3
1.2 Provisions for unidentified losses	694.0	802.6	821.2	907.6
2. Total gross placements (A, B, C, D and E)	114,258.2	107,165.1	123,924.5	132,979.4
3. The relative ratio between total provisions and total gross placements	6.7%	8.8%	8.2%	7.5%

The ratio between total provisions and total placements that are classified in risk categories is calculated in the following manner. The specific reserves for identified and unidentified losses are added up and the sum thus calculated is divided by the amount of total placements and multiplied by 100.

The reports submitted by banks in Schedule SR, i.e. SR1, which forms an integral part of the Instruction for the Uniform Implementation of the Decision on the Amount and the Method of Forming Specific Reserves to Ensure Against Potential Losses of Banks (*Narodne novine*, Nos. 36/99 and 123/2000), passed on the basis of the Decision on the Amount and the Method of Forming Specific Reserves to Ensure Against Potential Losses of Banks (*Narodne novine*, No. 32/99), are the source of data on the amounts of specific reserves for identified and unidentified losses.

The reports submitted by banks in Schedule C, which forms an integral part of the Instruction for Uniform Implementation of the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (*Narodne novine*, Nos. 36/99 and 123/2000), are the source of data on total placements.

The improved liquidity of the economy had the greatest influence on the improvement in these indicators, i.e. credit risk reduction.

In mid-2001, there were 57.8 billion kuna placed in loans granted at the level of the banking system, of which 25.4 billion kuna, or 44 percent, were placed with other enterprises. Household loans had the second largest share at 24.5 billion kuna (42.4 percent), followed by loans to government units at 3.6 billion kuna (6.2 percent). In comparison with the end of 2000, household loans grew most, by 3.7 billion kuna or 17.9 percent. They were followed by loans to other enterprises with a growth of 3.1 billion kuna or 13.8 percent, and loans to public enterprises with a growth of 0.4 billion kuna or 16.9 percent.

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

	Group I		Group II		Group III		Group IV		Total	
	Dec. 2000	Jun. 2001	Dec. 2000.	Jun. 2001	Dec. 2000.	Jun. 2001	Dec. 2000.	Jun. 2001	Dec. 2000.	Jun. 2001
1. Government units	3,608.6	3,172.2	360.4	332.7	96.9	58.1	36.9	44.5	4,102.8	3,607.4
2. Financial institutions	568.8	700.4	429.5	302.8	58.8	73.3	28.5	57.4	1,085.6	1,134.0
3. Public enterprises	1,767.2	1,998.2	391.8	626.8	44.7	16.0	152.1	113.0	2,355.8	2,754.0
4. Other enterprises	11,230.0	12,730.0	8,637.5	10,067.4	1,213.6	1,127.6	1,241.4	1,484.2	22,322.6	25,409.2
5. Non-profit institutions	227.4	80.3	54.2	56.2	7.8	6.8	1.5	0.9	290.9	144.2
6. Households	13,938.6	16,584.2	5,012.8	6,466.1	1,170.3	727.2	658.1	725.8	20,779.8	24,503.2
7. Nonresidents	74.1	116.2	181.1	118.1	7.3	1.5	16.3	7.6	278.9	243.5
Total	31,414.7	35,381.4	15,067.2	17,970.2	2,599.5	2,010.5	2,134.8	2,433.3	51,216.3	57,795.4

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

The reports submitted by banks in Schedule BS/LOA (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) are the source of data.

At the level of individual bank groups, Group I granted the largest share of loans to government units, public enterprises and households, Group III granted the largest share of loans to financial institutions, and Group IV granted the largest share of loans to other enterprises.

2.1.8 Liquidity Ratios

In the first half of 2001, the liquidity of the banking system improved. This resulted in increased bank placements in highly liquid instruments of the Croatian National Bank and Ministry of Finance, as well as in the reduction of lending and deposit interest rates.

In mid-2001, the amount of CNB and central government bills purchased at the level of the banking system stood at 8.4 billion kuna, which represents 7.1 percent of the total assets of the system. This is a growth of 2.4 billion kuna, or 40 percent, compared to the end of 2000, and a 1.8 percentage point increase in the asset share. Treasury bills of the Ministry of Finance had the largest growth, amounting to 2.5 billion kuna or 132.2 percent, whereas the purchased amount of foreign currency denominated CNB bills fell by 0.7 billion kuna or 38.4 percent.

⇒ The stock of CNB bills 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 Croatian National Bank.

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

TABLE 14. Purchased CNB and Central Government Bills, in million kuna, on stock on June 30, 2001

	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	2,176.2	35.4	663.0	40.3	48.0	11.9	56.5	23.1	2,943.7	34.87
2. CNB bills denominated in foreign currency	227.5	3.7	591.6	36.0	189.6	47.1	86.8	35.6	1,095.5	12.98
3. Ministry of Finance treasury bills	3,743.2	60.9	382.5	23.3	165.0	41.0	100.8	41.3	4,391.5	52.02
4. Money market instruments of the central government	3.8	0.1	7.0	0.4	0.0	0.0	0.0	0.0	10.8	0.13
Total	6,150.7	100.0	1,644.1	100.0	402.6	100.0	244.1	100.0	8,441.5	100.00

The increased purchase of Ministry of Finance treasury bills changed the structure of purchased CNB and central government bills. In mid-2001, Ministry of Finance treasury bills accounted for 4.4 billion kuna or 52 percent of the total amount of purchased securities. They were followed by kuna denominated CNB bills (2.9 billion kuna or 34.9 percent), foreign currency denominated CNB bills (1.1 billion kuna or 13 percent), and other money market instruments of the central government (0.01 billion kuna or 0.1 percent).

If we compare the bank groups' shares of the total placements in the above-stated securities, Group II made the largest relative placement⁷ in kuna denominated CNB bills (40.3 percent) and in money market instruments of the central government (0.4 percent). Group III made the largest relative placement in foreign currency denominated CNB bills (47.1 percent).

⁷ The largest relative placement is considered here to be the share of investment of an individual bank group in a certain type of security that is the largest compared to the shares of the other bank groups.

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

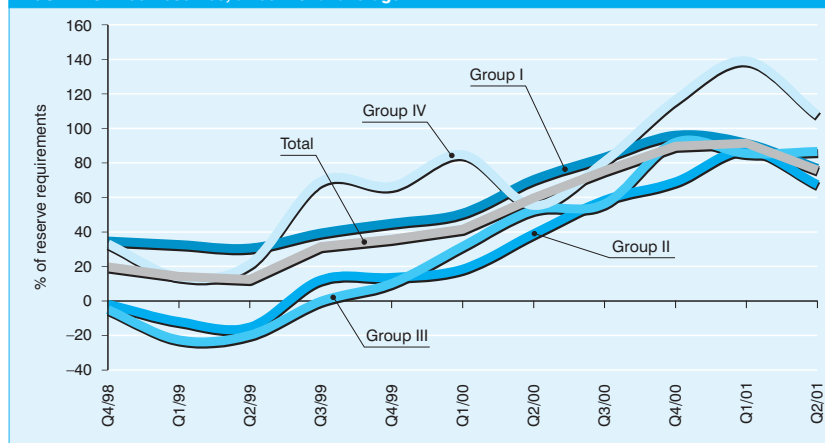
	Group I		Group II		Group III		Group IV		Total	
	2000	1-6/2001	2000	1-6/2001	2000	1-6/2001	2000	1-6/2001	2000	1-6/2001
1. Lombard loans	51.8	153.7	5.2	29.8	0.9	19.7	1.4	16.9	59.3	220.1
2. Intervention loans	0.0	0.0	3.3	0.0	0.0	0.0	5.1	5.5	8.4	5.5
3. Liquidity loans	0.0	0.0	274.9	0.0	20.5	0.0	56.1	0.0	351.4	0.0
4. Repo CNB bills	12.9	279.2	3.9	68.6	0.5	16.0	0.1	9.1	17.3	372.9
Total	64.8	432.9	287.3	98.4	21.8	35.7	62.6	31.5	436.5	598.4

Group I made the largest relative placement in Ministry of Finance treasury bills (60.9 percent).

In the first half of 2001, the total borrowing of all banks from the CNB amounted to 0.6 billion kuna, 37.1 percent more than the average in 2000 and 44 million kuna less than in the first half of 2000. Interest rates on Lombard loans fell to 9.5 percent in March, so banks more often used this instrument to maintain their daily liquidity.

An upward trend in free reserves was recorded from mid-1999 to the end of 2000, both at the system level and at the level of individual bank groups. In the reporting period, Groups I and III had the maximum amount of free reserves in the fourth quarter of 2000, whereas Groups II and IV had the maximum amount in the first quarter of 2001. A fall in this indicator was recorded in Groups I and III in the first quarter of 2001 and in all four Groups in the second quarter. In the first quarter, the amount of purchased CNB and central government bills decreased considerably and the utilization of Lombard loans moderately increased due to a need for additional liquidity. In the second quarter, however, the amount of purchased CNB and central government bills increased above the previous year's level, and the use of secondary sources of liquidity decreased.

FIGURE 18. Free Reserves, three-month average



Since banks will be able to plan their liquidity with less difficulty after taking over the performance of payment transactions, a further moderate reduction in free reserves is to be expected in the forthcoming period.

In the first half of 2001, the loans to deposits ratio increased in Groups I, II and IV due to greater loan growth than deposit growth, whereas it decreased

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

↻ Each bank group ratio between free reserves and reserve requirements is calculated in the following manner. First, the free reserves allocated in a certain quarter by the banks in the bank group are added up and then the amounts of reserve requirements of each bank group are added up. The sum of free reserves thus calculated is divided by the sum of reserve requirements and multiplied by 100.

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

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

actual kuna reserves = balance in giro accounts + balance in the vault + allocated reserves
 actual foreign currency reserves = liquid foreign currency claims (including CNB bills in foreign currency) + allocated reserves
 additional reserves = CNB bills in domestic currency + treasury bills of the MoF of the Republic of Croatia + promissory notes of the MoF of the Republic of Croatia + short-term placements in the money market
 borrowed reserves = Lombard loan + repurchased CNB bills + intervention loan + special loans + pre-rehabilitation loan + overnight loan + other loans with maturity up to 7 days

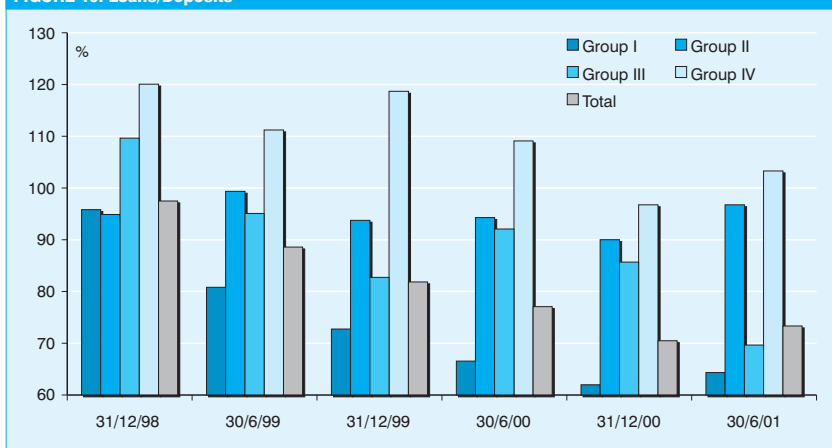
The Croatian National Bank statistics is the source of data.

⇒ Each bank group ratio between total loans granted and total deposits received is calculated in the following manner. First, the total loans granted by all the banks in the bank group at a certain date are added up. Second, the amounts of total deposits received by each bank group are also added up. The sum of granted loans thus calculated is divided by the sum of received deposits 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 are not included since are considered liabilities based on loans.

The reports submitted by banks in Schedule BS/LOA (Bank Statistical Reports – *Narodne novine*, Nos. 57/99 and 3/2001) are the source of data on loans, while the reports submitted by banks in Schedule BS/DEP (Bank Statistical Report) are the source of data on deposits.

FIGURE 19. Loans/Deposits



in Group III due to a greater decrease in total loans than in total deposits. This ratio had continuously fallen from the end of 1998 to the end of 2000 both at the system level and at the level of Group I banks, but it slightly increased in the first half of 2001, that is, there was a slight decrease in the coverage of loans by deposits.

In mid-2001, the loan/deposit ratio stood at 73.3 percent in the banking system, 64.3 percent in Group I, 96.8 percent in Group II, 69.7 percent in Group III and 103.3 percent in Group IV.

The movements in the ratio between short-term assets and short-term liabilities also indicate an improvement in bank liquidity in the first half of 2001. In mid-2001, the ratio in the banking system was 107.5 percent, which is a 16 percentage point rise compared to the end of 2000.

At the level of individual bank groups, this ratio increased in the first half of 2001 by 15.6 percentage points in Group I, 17.2 percentage points in Group II, 20.8 percentage points in Group III and 4.1 percentage point in Group IV.

⇒ Each bank group ratio between short-term assets and short-term liabilities is calculated in the following manner. First, the short-term assets of all the banks in the bank group in a certain quarter are added up. Second, the short-term liabilities are added up in the same manner. The sum of short-term assets thus calculated is divided by the sum of short-term liabilities and multiplied by 100.

The reports submitted by banks in Schedule BS and Schedule BS/CM (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001) are the source of data on short-term assets. The reports submitted by banks in Schedule BS and Schedule BS/DM (Bank Statistical Report) are the source of data on short-term liabilities.

FIGURE 20. Short-Term Assets/Short-Term Liabilities

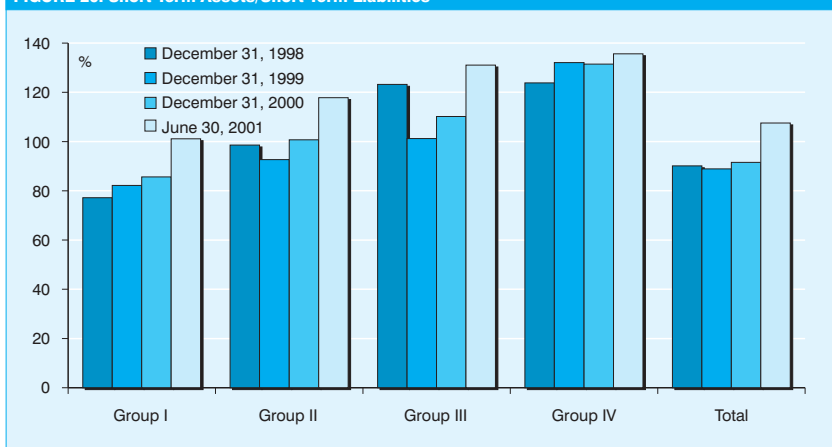


FIGURE 21. Long Foreign Exchange Position

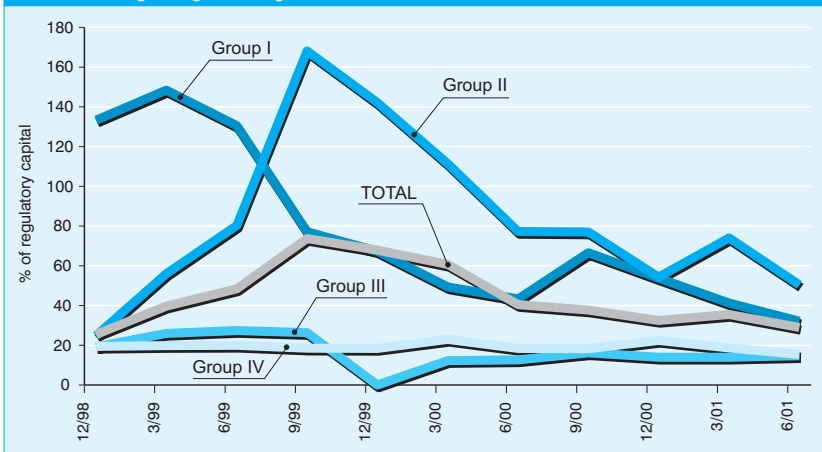
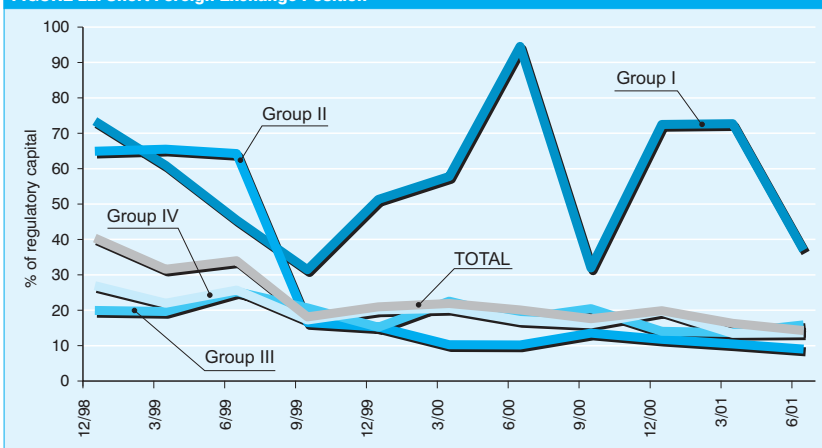


FIGURE 22. Short Foreign Exchange Position



Commercial banks adjust their foreign exchange position daily, and the currency risk exposure must not exceed 25% of a bank's regulatory capital⁸.

The movements in the long and short foreign exchange positions in the first half of 2001 show that the expected trend of a further reduction in the average currency risk exposure continued at the banking system level.

A moderate increase in the exposure of Group II banks occurred in the first quarter of 2001 as a result of a reduction in the number of banks in the Group that reported a long foreign exchange position. However, the arithmetic mean of the exposure of all the banks within a group is taken into account when calculating the group's average. In the case of Group II, the number of banks in the stated period was reduced, which caused an increase in the group's average although, in real terms, there was no increase in the exposure of the banks in this Group.

Additionally, it should be noted that certain difficulties and non-compliance still exist regarding currency risk exposure in particular banks in Groups I and II. This refers only to individual banks within these two groups, and mainly to those that underwent rehabilitation and generally reported a short foreign exchange position prior to rehabilitation and a long position after rehabilitation.

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 long foreign exchange positions reported in a certain quarter by all the banks in the bank group are added up. Second, the amounts of regulatory capital are added up in the same manner. The sums thus calculated are mutually divided and the amount thus obtained is multiplied by 100.

The reports submitted by banks on the basis of the Decision on the Prevention of Authorized Banks' and Savings Banks' Foreign Exchange Position Exposure to Currency Risk (*Narodne novine*, Nos. 134/97 and 94/2000) are the source of data.

The calculation of regulatory capital is regulated by the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000) and the pertaining instruction for its implementation (Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital – *Narodne novine*, Nos. 36/99 and 123/2000).

The reports submitted by banks are the source of data on regulatory capital, and the schedule for submitting these reports forms an integral part of the stated regulation (Schedule CAP, i.e. CAP1).

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 short foreign exchange positions reported in a certain quarter by all the banks in the bank group are added up. Second, the amounts of regulatory capital are added up in the same manner. The sums thus calculated are mutually divided and the amount thus obtained is multiplied by 100.

The reports submitted by banks on the basis of the Decision on the Prevention of Authorized Banks' and Savings Banks' Foreign Exchange Position Exposure to Currency Risk (*Narodne novine*, Nos. 134/97 and 94/2000) are the source of data.

The calculation of regulatory capital is regulated by the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000) and the pertaining instruction for its implementation (Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital – *Narodne novine*, Nos. 36/99 and 123/2000).

The reports submitted by banks are the source of data on regulatory capital, and the schedule for submitting these reports forms an integral part of the stated regulation (Schedule CAP, i.e. CAP1).

2.1.9 Currency Adjustment of Assets and Liabilities

⁸ Decision on the Prevention of Authorized Banks' and Savings Banks' Foreign Exchange Position Exposure to Currency Risk (*Narodne novine*, Nos. 134/97 and 94/2000), which has been applied since December 1, 2000.

2.2 Savings Banks

⁹ The operating licenses of the two savings banks against which bankruptcy proceedings were initiated in 2001 were revoked back in 2000, since when these banks have not been included in the statistics.

2.2.1 Balance Sheet Structure

24 savings banks, of which 4 were housing savings banks, were in operation in mid-2001. In the first half of 2001, operating licenses were revoked for 2 savings banks and bankruptcy proceedings were initiated against 2 savings banks⁹.

On June 30, 2001, savings bank assets amounted to 1.9 billion kuna, a 17.5 percent increase compared to the total assets of savings banks at the end of 2000, or a 40.6 percent increase compared to total assets in mid-2000. Housing savings banks accounted for 41.7 percent of the total assets of savings banks in mid-2001, which is a 5.1 percentage point increase compared to the end of 2000. This was mostly due to further strong growth in the assets of housing savings banks of 195.3 million kuna, or 33.8 percent.

As at June 30, 2001, loans to other clients prevailed in the savings banks asset structure, amounting to 37.4 percent. They were followed by Ministry of Finance treasury bills and CNB bills with 18.8 percent and investment portfolio of securities with 12.8 percent. In the first half of 2001, the largest growth in asset share (of 3.7 percentage points) was recorded in Ministry of Finance treasury bills and CNB bills, whereas the largest fall (of 2.3 percentage points) was recorded in loans to other clients.

According to the data for mid-2001, deposits had the largest share in the structure of savings bank liabilities – 77.3 percent. Capital had the second-largest share at 17.9 percent, followed by supplementary capital at 1.7 percent. The increase in the housing savings banks' assets caused changes in the asset structure – deposits rose from 75.9 percent in end-2000 to 77.3 percent in mid-2001.

Housing savings banks had a different asset structure from other savings banks. In mid-2001, 91.9 percent of total assets were placed in securities, which is a share decrease of 0.3 percentage points in comparison with end-2000. In the forthcoming period, the asset structure of housing savings banks will change more rapidly in favor of loans to other clients.

⇒ The share of each balance sheet item of assets in total bank assets is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 57/99 and 3/2001 – Schedule BS) and the derived aggregated 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.

	Dec. 1999		Dec. 2000			Jun. 2001		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	89.8	7.0	91.6	5.8	2.1	88.1	4.8	-3.9
1.1 Money assets	24.3	1.9	34.5	2.2	42.1	37.7	2.0	9.2
1.2 Deposits	65.5	5.1	57.1	3.6	-12.8	50.4	2.7	-11.8
2. Deposits with banking institutions	93.1	7.2	99.0	6.3	6.3	120.3	6.5	21.5
3. Treasury bills and CNB bills	126.4	9.8	237.3	15.0	87.7	348.0	18.8	46.6
4. Trading portfolio of securities	3.1	0.2	144.4	9.2	4,605.6	183.7	9.9	27.3
5. Loans to financial institutions	50.5	3.9	10.8	0.7	-78.7	12.2	0.7	13.1
6. Loans to other clients	662.3	51.5	625.7	39.7	-5.5	692.8	37.4	10.7
7. Investment portfolio of securities	32.4	2.5	190.9	12.1	488.4	236.5	12.8	23.9
8. Investments in subsidiaries and associates	1.4	0.1	1.4	0.1	2.6	1.2	0.1	-11.2
9. Foreclosed and repossessed assets	25.8	2.0	17.7	1.1	-31.3	13.7	0.7	-22.6
10. Tangible assets and software (net of depreciation)	66.5	5.2	57.2	3.6	-14.0	61.4	3.3	7.3
11. Interests, fees and other assets	142.5	11.1	109.6	6.9	-23.1	105.1	5.7	-4.1
12. Net of: Specific reserves for unidentified losses	7.6	0.6	7.9	0.5	4.6	9.1	0.5	15.4
Total	1,286.2	100.0	1,577.6	100.0	22.7	1,853.8	100.0	17.5

TABLE 17. Structure of Savings Bank Liabilities, end of period, in million kuna and %

	Dec. 1999		Dec. 2000			Jun. 2001		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	28.8	2.2	13.6	0.9	-52.8	20.5	1.1	50.9
1.1 Short-term loans	24.8	1.9	12.4	0.8	-50.1	19.4	1.0	56.8
1.2 Long-term loans	4.1	0.3	1.2	0.1	-69.9	1.1	0.1	-9.7
2. Deposits	826.3	64.2	1,197.0	75.9	44.9	1,432.7	77.3	19.7
2.1 Giro account and current account deposits	6.6	0.5	7.0	0.4	5.5	8.7	0.5	24.8
2.2 Savings deposits	38.6	3.0	46.9	3.0	21.4	39.9	2.2	-14.9
2.3 Time deposits	781.1	60.7	1,143.2	72.5	46.4	1,384.1	74.7	21.1
3. Other loans	8.4	0.7	4.4	0.3	-48.0	1.5	0.1	-65.8
3.1 Short-term loans	7.8	0.6	3.8	0.2	-51.2	1.0	0.1	-75.1
3.2 Long-term loans	0.6	0.0	0.6	0.0	-5.5	0.5	0.0	-3.4
4. Debt securities issued	0.0	0.0	0.0	0.0	-	0.0	0.0	-
4.1 Short-term debt securities issued	0.0	0.0	0.0	0.0	-	0.0	0.0	-
4.2 Long-term debt securities issued	0.0	0.0	0.0	0.0	-	0.0	0.0	-
5. Supplementary capital	52.0	4.0	52.5	3.3	1.1	32.0	1.7	-39.1
5.1 Subordinated instruments issued	12.8	1.0	7.9	0.5	-38.4	6.4	0.3	-18.9
5.2 Hybrid instruments issued	39.2	3.0	44.7	2.8	14.0	25.6	1.4	-42.6
6. Interest, fees and other liabilities	53.0	4.1	64.5	4.1	21.7	55.2	3.0	-14.5
7. Profit/loss for the current year	-41.4	-3.2	-66.1	-4.2	59.6	-19.0	-1.0	-71.3
8. Capital	359.1	27.9	311.6	19.8	-13.2	331.0	17.9	6.2
Total	1,286.2	100.0	1,577.6	100.0	22.7	1,853.8	100.0	17.5

↔ These are calculated in the same manner as in Table 16, i.e. the share of each balance sheet item of liabilities in total bank liabilities is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 57/99 and 3/2001 – Schedule BS) and the derived aggregated 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.

The total capital of savings banks grew by 19.4 million kuna or 6.2 percent in the first half of 2001 compared with end-2000, primarily as a result of the re-capitalization of several savings banks and a reduction in reserves provided for by the articles of association and other capital reserves.

TABLE 18. Structure of Savings Bank Capital, end of period, in million kuna and %

	Dec. 1999		Dec. 2000			Jun. 2001		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
1. Share capital	369.4	102.9	339.5	109.0	-8.1	385.6	116.5	13.6
2. Retained income/loss brought forward	-46.1	-12.8	-52.9	-17.0	14.7	-74.9	-22.6	41.6
3. Legal reserves	13.6	3.8	4.0	1.3	-71.0	4.1	1.2	3.9
4. Reserves provided for by the articles of association and other capital reserves	22.2	6.2	21.0	6.7	-5.3	16.1	4.9	-23.2
Total	359.1	100.0	311.6	100.0	-13.2	331.0	100.0	6.2

↔ The capital as one of the items stated on the liabilities side of the aggregated balance sheet of all savings banks (Table 17) is presented in detail. The share of each stated item in the total capital of savings banks in the observed periods is calculated as a ratio between each item and the total capital of savings banks. The sums thus calculated are multiplied by 100. The change in the balance is the percentage change in comparison with the previous period.

The capital adequacy ratio of savings banks stood at 39.3 percent in mid-2001, which is a 5.8 percentage point rise compared to end-2000. This capital adequacy ratio increase resulted from a larger growth in regulatory capital, along with a smaller growth in risk-weighted assets. However, several savings banks recorded regulatory capital growth and risk-weighted asset fall at the same time.

In the first half of 2001, savings banks incurred total losses of 19.8 million kuna, which represents a reduction in losses of 2 million kuna or 9.2 percent compared with the first half of 2000. The reduction of losses relative to the first half of 2000 was caused mostly by the rise in net non-interest income and fall in loan loss provision expenses.

Total operating losses incurred and determined on the net basis (as a sum of net interest and net non-interest income net of general administrative expenses and depreciation) in the first half of 2001 decreased by 1.1 million

2.2.2 Income Statement

kuna, or 13.4 percent, compared to the same period in the previous year. The largest part of the reported loss was incurred by a single savings bank. The reported loss was also due to the operating losses of housing savings banks whose losses were caused by the fact that they have only recently been established.

⇒ In the observed periods, each item from the reports is stated cumulatively for all savings banks on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 57/99 and 3/2001 – Schedule IS). The total amount for each item is the sum of the same items stated in the reports. Total amounts are calculated at the level of all savings banks.

	1-6/2000	1-6/2001
1. Net interest income	46.8	44.1
1.1 Interest income	106.2	110.3
1.2 Interest expenses	59.5	66.1
2. Net non-interest income	11.8	23.0
2.1 Non-interest income	27.4	48.0
2.2 Non-interest expenses	15.6	25.1
3. General administrative expenses and depreciation	66.8	74.1
4. Net operating income before provisions	-8.2	-7.1
5. Loan loss provision expenses	12.9	11.9
6. Pre-tax profit/loss	-21.1	-19.0
7. Income tax	0.8	0.8
8. After-tax profit/loss	-21.8	-19.8

2.2.3 Credit Activity

In mid-2001, total placements of all savings banks amounted to 1.6 billion kuna, which is an increase of 0.2 billion kuna or 16.4 percent compared to end-2000. As the amount of total placements changed, their structure by individual risk categories changed as well. The share of performing assets in total assets increased from 90.5 percent at the end of 2000 to 91.9 percent in mid-2001, whereas the share of placements classified into highest-risk categories decreased. The share of placements rated D and E thus fell from 5.8 percent in end-2000 to 4.8 percent in mid-2001.

⇒ Table 20 contains the amounts of placements classified by risk categories, as well as their shares in the total placements that are classified. The reports submitted by savings banks in Schedule C, which forms an integral part of the Instruction for Uniform Implementation of the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (*Narodne novine*, Nos. 36/99 and 123/2000), are the source of data.

Placements	Dec. 1999		Dec. 2000		Jun. 2001	
	Amount	Share	Amount	Share	Amount	Share
A	925.4	75.9	1,177.7	86.0	1,395.9	87.6
B	92.7	7.6	61.4	4.5	68.8	4.3
C	110.3	9.0	50.7	3.7	52.7	3.3
D	46.0	3.8	36.1	2.6	37.1	2.3
E	44.6	3.7	43.8	3.2	39.7	2.5
Total	1,218.9	100.0	1,369.6	100.0	1,594.2	100.0

The movements in the ratio between total provisions and total gross placements also indicate an improvement in asset quality. This ratio decreased (improved) from 6.9 percent at end-2000 to 6.3 percent in mid-2001.

TABLE 21. Ratio between Savings Banks' Provisions and Placements (A, B, C, D and E), end of period, in million kuna and %

	Dec. 1999	Dec. 2000	Jun. 2001
1. Total provisions for identified and unidentified losses	129.2	94.9	100.9
1.1 Provisions for identified losses	121.6	87.2	91.9
1.2 Provisions for unidentified losses	7.6	7.7	9.0
2. Total gross placements (A, B, C, D and E)	1,218.9	1,369.6	1,594.2
3. The relative ratio between total provisions and total gross placements	10.6%	6.9%	6.3%

⇨ The ratio between savings banks' total provisions and total placements that are classified in risk categories is calculated in the following manner. The specific reserves for savings banks' identified and unidentified losses are added up and the sum thus calculated is divided by the amount of savings banks' total placements classified in risk categories and multiplied by 100.

The reports submitted by savings banks in Schedule SR, i.e. SR1, which forms an integral part of the Instruction for the Uniform Implementation of the Decision on the Amount and the Method of Forming Specific Reserves to Ensure Against Potential Losses of Banks (*Narodne novine*, Nos. 36/99 and 123/2000), passed on the basis of the Decision on the Amount and the Method of Forming Specific Reserves to Ensure Against Potential Losses of Banks (*Narodne novine*, No. 32/99), are the source of data on amounts of specific reserves for identified and unidentified losses.

The reports submitted by savings banks in Schedule C, which forms an integral part of the Instruction for Uniform Implementation of the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (*Narodne novine*, Nos. 36/99 and 123/2000), are the source of data on total placements.

3 List of Banks

Data on individual banks' addresses, telephone numbers, fax numbers, members of management and supervisory boards, shareholders who hold 3 percent or more of share in the bank's equity capital, and on bank auditors for 2000.

Data on members of management and supervisory boards and shareholders who hold 3 percent or more of share in the bank's equity capital are as at June 30, 2001.

Management Board

Gabrijel Sentić – chairman, Vesna Senjak, Anka Olić

Supervisory Board

Ivan Baković – chairman, Bartol Jerković, Vlatko Blekić, Mika Mimica, Marko Babić, Ante Čilić, Antun Milović, Josip Galić, Marijan Mandić

Shareholders

Share in equity capital (%)

1. Jurves d.o.o.	7.99
2. Nova Immobilia d.o.o.	7.95
3. Nadvoj graditeljstvo d.o.o.	7.73
4. Mikser beton d.o.o.	7.35
5. Kaptol banka d.d.	7.22
6. Đuro Đaković – Poljoprivredni strojevi i uređaji d.d.	6.76
7. Telecomp d.o.o.	4.26
8. Slavonska štedionica d.d.	4.16
9. Šoštarčić d.o.o.	4.07
10. Đuro Đaković holding d.d.	3.35
11. Croatia osiguranje d.d.	3.07
12. Đuro Đaković – Termoelektrična postrojenja d.d.	3.07

Audit firm for 2000: Revicon d.d., Zagreb

BRODSKO-POSAVSKA BANKA d.d.

Trg pobjede 29, 35000 Slavonski Brod
Phone: +385 35 445-800
Fax: +385 35 445-900
BAN¹ 2489004

¹ Bank account number.

Management Board

Adriano Carisi – chairman, Jasna Mamić

Supervisory Board

Giovanni Battista Ravida – chairman, Giorgio Cerutti, Giorgio Covacich, Tito Favaretto, Luca Savino, Milan Travan

Shareholders

Share in equity capital (%)

1. Cassa di Risparmio di Trieste – Banca S.p.A.	72.06
2. International Finance Corporation	14.00
3. Finest S.p.A.	7.50
4. Simest-Societa Italiana Per Le Imprese Miste All'Estero-Simest S.p.A.	4.40

Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

CASSA DI RISPARMIO DI TRIESTE – BANCA d.d.

Smičiklasova 23, 10000 Zagreb
Phone: +385 1 4614-346
Fax: +385 1 4614-347
BAN 2499000

Management Board

Gordana Zrinščak – chairman, Ljiljana Podhraški, Ružica Vadić

Supervisory Board

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

CENTAR BANKA d.d.

Jurišićeva 3, 10000 Zagreb
Phone: +385 1 4803-444
Fax: +385 1 4803-441
BAN 2382001

CONVEST BANKA d.d.

Gajeva 33, 10000 Zagreb
 Phone: +385 1 4922-333
 Fax: +385 1 4819-153
 BAN 2496001

Shareholders

	Share in equity capital (%)
1. Heruc d.d.	54.82
2. Heruc-izrada odjeće d.o.o.	6.02
3. Lipa Mill d.d.	6.02
4. Heruc Zug AG	4.22
5. Diners Club Adriatic d.d.	4.13

Audit firm for 2000: Deloitte&Touche d.o.o., Zagreb

Management Board

Ivan Maljevac – chairman, Drago Jakovčević

Supervisory Board

Janos Müller – chairman, Imre Balogh, Ferenc Müller

Shareholders

	Share in equity capital (%)
1. Magyar Külkereskedelmi Bank R.t.	100.00

Audit firm for 2000: KPMG Croatia d.o.o., Zagreb

CREDO BANKA d.d.

Zrinsko-Frankopanska 58, 21000 Split
 Phone: +385 21 380-655
 Fax: +385 21 380-685
 BAN 2491005

Management Board

Šime Luketin – chairman, Mato Mišić

Supervisory Board

Mirko Vuković – chairman, Boris Barač, Dražen Bilić

Shareholders

	Share in equity capital (%)
1. Ferocommerce d.o.o.	9.98
2. Darko Gaurina	9.98
3. Plastal d.o.o.	9.97
4. Uvel d.o.o.	9.52
5. Prima-auto d.o.o.	8.94
6. Berman d.o.o.	7.47
7. Arca Merkatus d.o.o.	6.98
8. Credo banka d.d.	6.03

Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

CROATIA BANKA d.d.

Kvaternikov trg 9, 10000 Zagreb
 Phone: +385 1 2391-111
 Fax: +385 1 2391-470
 BAN 2485003

Management Board

Vedran Kuiš – chairman, Nataša Marendić, Nikola Samaržija

Supervisory Board

Niko Šeremet – chairman, Ivan Tomljenović, Jure Šimović, Maja Petvajdić, Joško Miliša

Shareholders

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

Audit firm for 2000: Deloitte&Touche d.o.o., Zagreb

DALMATINSKA BANKA d.d.

Marka Oreškovića 3, 23000 Zadar
 Phone: +385 23 201-500
 Fax: +385 23 201-774
 BAN 2407000

Management Board

Zdravko Bubalo – chairman, Darinko Pupovac

Supervisory Board

Stjepan Meštrović – chairman, Margot Jacobs, Veljko Mašina, David Curl, David McMahon

Shareholders

	Share in equity capital (%)
1. Reginter d.o.o.	61.25
2. Stephanie Ann Becerra	6.93
3. Nick Bubalo	6.93
4. Steve i Louise Bubalo	6.93
5. SWR Investment Limited	6.87

Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

Management Board

Hans-Joachim Gersmann – chairman, Mato Karačić

Supervisory Board

Erich Brogl – chairman, Gisbert Jockenhöfer, Martin Kolbe

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

1. Dresdner Bank AG	100.00
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Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

DRESDNER BANK (CROATIA) d.d.Gajeva 1, 10000 Zagreb
Phone: +385 1 4866-777
Fax: +385 1 4866-779
BAN 2504000**Management Board**

Vlaho Sutić – chairman, Krunoslav Brkljačić, Krešimir Krile

Supervisory Board

Marijan Marinko Filipović – chairman, Pave Rusković-Župan, Ivan Šprlje, Vido Bogdanović, Tomislav Vuličević

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

1. State Agency for Bank Rehabilitation and Deposit Insurance	100.00
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Audit firm for 2000: Deloitte&Touche d.o.o., Zagreb

DUBROVAČKA BANKA d.d.Put Republike 9, 20000 Dubrovnik
Phone: +385 20 356-333
Fax: +385 20 356-778
BAN 2401003**Management Board**

Petar Radaković – chairman, Tomislav Vuić, Nenad Jeđud, Borislav Centner

Supervisory Board

Reinhard Ortner – chairman, August Jost, Gerhard Fabisch, Josef Kassler, Otto Ilchmann, Herbert Martinetz, Reinhold Schuster, Franz Mally, Ivan Ljubanović, Vladimir Jurašić, Robert Tkalčec

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

1. Erste Bank der österreichischen Sparkassen AG	40.98
2. Steiermärkische Bank und Sparkassen AG	40.74

Audit firm for 2000: Ernst & Young Audit d.o.o., Zagreb

ERSTE & STEIERMÄRKISCHE BANK d.d.Varšavska 3-5, 10000 Zagreb
Phone: +385 1 4561-999
Fax: +385 1 4561-900
BAN 2402006**Management Board**

Izidor Sučić – chairman, Jasna Fumagalli

Supervisory Board

Branko Josipović – chairman, Lovre Božina, Zdenko Prohaska

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

1. Kristina Sučić	9.22
2. Josip Bašić	7.43
3. Željko Krznarić	7.43
4. Veritas d.o.o.	7.40
5. Kata Šparica	7.38
6. Darko Gojčić	7.33
7. Faktor banka d.d.	7.28
8. Vesna Mijović	6.75
9. Cobalt Investments International	6.23
10. Milan Zec	5.95
11. Gospodarsko kreditna banka d.d.	4.07
12. Branko Josipović	3.67

Audit firm for 2000: Reviz-biro d.o.o., Split

GOSPODARSKO KREDITNA BANKA d.d.Draškovićeve 58, 10000 Zagreb
Phone: +385 1 4802-666
Fax: +385 1 4802-571
BAN 2381009

HRVATSKA POŠTANSKA BANKA d.d.

Jurišićeva 4, 10000 Zagreb
 Phone: +385 1 4804-513
 Fax: +385 1 4810-791
 BAN 2390001

Management Board

Josip Slade – chairman, Slavko Durmiš

Supervisory Board

Ivan Videka – chairman, Božidar Sever, Jarmila Bašić, Bosiljka Oman-Tintor, Petar Kriste, Emilija Vadjla

Shareholders	Share in equity capital (%)
1. Croatian Privatization Fund	37.00
2. Hrvatska pošta d.d.	33.56
3. Croatian Pension Insurance Institute	28.01

Audit firm for 2000: KPMG Croatia d.o.o., Zagreb

HVB BANK CROATIA d.d.

Jurišićeva 2, 10000 Zagreb
 Phone: +385 1 4800-777
 Fax: +385 1 4800-891
 BAN 2502004

Management Board

Goran Gazivoda – chairman, Ivo Bilić

Supervisory Board

Karl Samstag – chairman, Anton Knett, Wolfgang Helpa, Günther Ettenauer, Heinz Meidlinger, Alistair Bruce Turnbull, Günther Wabnig, Friederike Kotz, Martin Gruell

Shareholders	Share in equity capital (%)
1. Bank Austria Creditanstalt International AG	80.02
2. European Bank for Reconstruction and Development	19.98

Audit firm for 2000: Ernst & Young Audit d.o.o., Zagreb

HYPO ALPE-ADRIA-BANK d.d.

Koturaška 47, 10000 Zagreb
 Phone: +385 1 6103-666
 Fax: +385 1 6103-555
 BAN 2500009

Management Board

Günther Striedinger – chairman, Heinz Truskaller, Igor Kodžoman

Supervisory Board

Wolfgang Kulterer – chairman, Jörg Schuster, Othmar Ederer, Roberto Marzanati, Gerd Pekner

Shareholders	Share in equity capital (%)
1. Hypo Alpe-Adria-Bank AG	91.73
2. European Bank for Reconstruction and Development	8.27

Audit firm for 2000: Ernst & Young Audit d.o.o., Zagreb

HYPOBANKA d.d.

Vodovodna 20a, 10000 Zagreb
 Phone: +385 1 3643-710
 Fax: +385 1 3643-687
 BAN 2426005

Management Board

Antun Sermek – chairman, Mira Ausmann

Supervisory Board

Katarina Hodko – chairman, Petar Žaja, Damir Horvat

Shareholders	Share in equity capital (%)
1. Zagrebšped d.o.o.	43.42
2. Rijekašped d.o.o.	9.69
3. Slavonijašped d.o.o.	9.66
4. Hypocentar d.o.o.	7.34
5. Intermerc d.o.o.	5.64
6. Servistransport d.d.	5.07
7. Agroznanje d.o.o.	4.60
8. Rudina d.o.o.	3.27

Audit firm for 2000: Revicon d.d., Zagreb

Management Board

Branko Buljan – chairman, Milivoj Delač, Ivka Mijić, Ružica Šarić

Supervisory Board

Marita Urlić-Radić – chairman, Mara Delale, Ante Čulić, Jure Svetić, Nevenka Buljan

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

1. Imex trgovina d.o.o.	49.84
2. Branko Buljan	21.99
3. Trajektna luka d.d.	18.92
4. Imex banka d.d.	4.73

Audit firm for 2000: Maran d.o.o., Split

IMEX BANKA d.d.

Tolstojeva 6, 21000 Split
Phone: +385 21 357-015
Fax: +385 21 583-849
BAN 2492008

Management Board

Milenko Vidulin – chairman, Merima Ibrahimović

Supervisory Board

Anton Brajković – chairman, David Curl, Silvana Kostešić, David McMahon, Margot Jacobs

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

1. Dalmatinska banka d.d.	87.16
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Audit firm for 2000: KPMG Croatia d.o.o., Zagreb

ISTARSKA BANKA d.d.

Dalmatinova 4, 52100 Pula
Phone: +385 52 527-101
Fax: +385 52 527-400
BAN 2416000

Management Board

Miro Dodić – chairman, Anton Belušić

Supervisory Board

Milan Travan – chairman, Edo Ivančić, Marijan Kovačić, Marko Martinčić, Klaudio Belušić, Đenio Radić, Vlado Kraljević

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

1. Intercommerce d.o.o.	16.86
2. Tvornica cementa d.d.	15.04
3. Hempel d.d.	15.00
4. Montpellier finance S.A.	10.00
5. Medias S.p.A.	7.63
6. Plava laguna d.d.	3.56

Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

**ISTARSKA KREDITNA BANKA
UMAG d.d.**

Ernesta Miloša 1, 52470 Umag
Phone: +385 52 702-300
Fax: +385 52 741-275
BAN 2380006

Management Board

Ivo Šinko – chairman, Željko Kardum, Ankica Bandalović

Supervisory Board

Željko Deković – chairman, Mirjana Škugor, Josip Huljev, Miro Petric, Josip Stojanović, Branko Malenica, Roko Gracin

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

1. Jadranska banka d.d.	9.98
2. Alfa d.d.	7.89
3. TLM TPP d.o.o.	5.00
4. TLM d.d.	4.84
5. Tiskara Kačić d.d.	4.23
6. Vodovod i odvodnja d.o.o.	4.20

Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

JADRANSKA BANKA d.d.

Ante Starčevića 4, 22000 Šibenik
Phone: +385 22 242-242
Fax: +385 22 335-881
BAN 2411006

KARLOVAČKA BANKA d.d.

I. G. Kovačića 1, 47000 Karlovac
 Phone: +385 47 611-540
 Fax: +385 47 614-206
 BAN 2400008

Management Board

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

Supervisory Board

Želimir Feitl – chairman, Suzana Brenko, Ivan Podvorac, Helena Lenac, Terezija Barbarić

Shareholders	Share in equity capital (%)
1. Karlovačka banka d.d.	14.73
2. Croatian Privatization Fund	7.19
3. Lanzville Investments	5.37
4. Karlovačka pivovara d.d.	4.47
5. Hamowa d.o.o.	3.78

Audit firm for 2000: KPMG Croatia d.o.o., Zagreb

KREDITNA BANKA d.d.

Ul. grada Vukovara 74, 10000 Zagreb
 Phone: +385 1 6167-333
 Fax: +385 1 6116-466
 BAN 2481000

Management Board

Ante Todorčić – chairman, Željko Jakuš

Supervisory Board

Rudo Mikulić – chairman, Ivica Sertić, Tomislav Lucić

Shareholders	Share in equity capital (%)
1. Agrokor d.d.	15.88
2. Crodel d.o.o.	9.60
3. Investco vrijednosnice d.o.o.	8.94
4. Ledo d.d.	7.20
5. Jamnica d.d.	7.12
6. Konzum d.d.	5.98
7. Litograf d.o.o.	4.93
8. Zvijezda d.d.	4.78
9. Solana Pag d.d.	4.73
10. Ivalim	4.73
11. Ceufin Brokers d.d.	4.30

Audit firm for 2000: Deloitte&Touche d.o.o., Zagreb

KVARNER BANKA d.d.

Jadranski trg 4/I, 51000 Rijeka
 Phone: +385 51 353-555
 Fax: +385 51 353-566
 BAN 2488001

Management Board

Goran Rameša – chairman, Milivoj Debelić

Supervisory Board

Nikola Pavletić – chairman, Mirjana Petković, Ivan Prpić, Marijan Ključariček, Vito Svetina

Shareholders	Share in equity capital (%)
1. Adria Consulting S.R.L.	50.00
2. Riječka banka d.d.	31.85
3. Transadria d.d.	14.77

Audit firm for 2000: Iris nova d.o.o., Rijeka

MEDIJURSKA BANKA d.d.

V. Morandinija 37, 40000 Čakovec
 Phone: +385 40 370-500
 Fax: +385 40 370-623
 BAN 2392007

Management Board

Mladenka Gombar – chairman, Marija Ribić, Zdravko Babić, Gordan Miler

Supervisory Board

Mislav Blažić – chairman, Tomislav Lazarić, Davorin Rimac, Stjepan Varga, Dragutin Lončarić

Shareholders	Share in equity capital (%)
1. Privredna banka Zagreb d.d.	87.42
2. Čakovečki mlinovi d.d.	5.95

Audit firm for 2000: KPMG Croatia d.o.o., Zagreb

Management Board

Stipan Pamuković – chairman, Željko Škalec

Supervisory Board

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

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

1. Kemika d.d.	21.65
2. GIP Pionir d.d.	8.86
3. Stipan Pamuković	5.85
4. Željko Škalec	5.85
5. Aling J.T.D.	4.92
6. Ivan Gudelj	4.33
7. Ivan Leko	3.14
8. Ante Pamuković	3.14
9. Ante Samodol	3.14

Audit firm for 2000: Rudan d.o.o., Zagreb

NAVA BANKA d.d.

Tratinska 27, 10000 Zagreb

Phone: +385 1 3656-777

Fax: +385 1 3656-700

BAN 2495009

Management Board

Marija Šola – chairman, Branka Oštrić

Supervisory Board

Božo Čulo – chairman, Igor Oppenheim, Ivan Ćurković

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

1. Metroholding d.d.	75.90
2. Andrija Matić	9.62
3. INGRA d.d.	5.94
4. Josip Kovač	4.07

Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

PARTNER BANKA d.d.

Vončinina 2, 10000 Zagreb

Phone: +385 1 4602-222

Fax: +385 1 4602-289

BAN 2408002

Management Board

Julio Kuruc – chairman, Drago Galović, Božica Širić

Supervisory Board

Ivan Pavliček – chairman, Ivan Henezi, Nevenka Cerovsky, Jurica (Đuro) Predović, Miljan Todorović, Sigilfredo Montinari, Dario Montinari

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

1. Eumetra AG	9.36
2. Cerere S.R.L.	9.35
3. Antonia Gorgoni	7.12
4. Lorenzo Gorgoni	7.11
5. Jurica (Đuro) Predović	4.82
6. Giovanni Semerano	4.11
7. Andrea Montinari	3.36
8. Dario Montinari	3.36
9. Piero Montinari	3.36
10. Sigilfredo Montinari	3.36

Audit firm for 2000: Revidicon d.o.o., Zagreb and Deloitte & Touche d.o.o., Zagreb

PODRAVSKA BANKA d.d.

Opatička 1a, 48300 Koprivnica

Phone: +385 48 65-50

Fax: +385 48 622-542

BAN 2386002

Management Board

Vinko Matijejić – chairman, Mihovil Petrović, Goran Matanović

Supervisory Board

Vlado Zec – chairman, Željko Glavić, Luka Balenović, Đurđa Babić, Vlado Krauthaker

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

1. Požeška banka d.d.	28.25
2. TIM 2000 d.o.o.	4.65
3. JP Hrvatske šume p.o.	3.71

Audit firm for 2000: Deloitte&Touche d.o.o., Zagreb

POŽEŠKA BANKA d.d.

Republike Hrvatske 1b, 34000 Požega

Phone: +385 34 254-200

Fax: +385 34 254-258

BAN 2405004

**PRIVREDNA BANKA – LAGUNA
BANKA d.d.**

Prvomajska 4a, 52440 Poreč
Phone: +385 52 416-777
Fax: +385 52 416-770
BAN 2497004

Management Board

Zdravka Cukon – chairman, Roberto Drandić

Supervisory Board

Tomislav Lazarić – chairman, Ljiljana Horvat, Danijel Stepinac

Shareholders

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

Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

PRIVREDNA BANKA ZAGREB d.d.

Račkoga 6, 10000 Zagreb
Phone: +385 1 4723-344
Fax: +385 1 4723-131
BAN 2340009

Management Board

Božo Prka – chairman, Franjo Filipović, Davor Holjevac, Ivan Gerovac, Ivan Krolo, Zvonko Agičić, Nediljko Matić

Supervisory Board

Enrico Meucci – chairman, Adriano Bisogni, Gianfranco Mandelli, Adriano Arietti, Marijan-Marinko Filipović

Shareholders

	Share in equity capital (%)
1. Comit Holding International S.A.	66.30
2. State Agency for Bank Rehabilitation and Deposit Insurance	25.00

Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

RAIFFEISENBANK AUSTRIA d.d.

Petrinjska 59, 10000 Zagreb
Phone: +385 1 4566-466
Fax: +385 1 4811-624
BAN 2484008

Management Board

Zdenko Adrović – chairman, Lovorka Penavić, Michael Müller, Velimir Šonje

Supervisory Board

Herbert Stepic – chairman, Renate Kattinger, Andreas Zakostelsky

Shareholders

	Share in equity capital (%)
1. Raiffeisen Zentralbank Österreich AG	62.71
2. Raiffeisenbank-Zagreb-Beteiligungsgesellschaft mbH	32.81
3. Raiffeisenlandesbank Kärnten reg. Ges. mbH	4.48

Audit firm for 2000: KPMG Croatia d.o.o., Zagreb

RIADRIA BANKA d.d.

Đure Šporera 3, 51000 Rijeka
Phone: +385 51 339-111
Fax: +385 51 211-093
BAN 2325004

Management Board

Vesna Badurina – chairman, Branka Juričev

Supervisory Board

Tomislav Lazarić – chairman, Hrvoje Matezović, Mislav Blažić, Snježana Kaponja, Marinko Dumanic

Shareholders

	Share in equity capital (%)
1. Privredna banka Zagreb d.d.	77.98
2. Riadria banka d.d.	7.96

Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

RIJEČKA BANKA d.d.

Jadranski trg 3a, 51000 Rijeka
Phone: +385 51 208-211
Fax: +385 51 330-525
BAN 2300007

Management Board

Ivan Štokić – chairman, Borislav Perožić

Supervisory Board

Dietrich Wolf – chairman, Marinko Učur, Jochen Bottermann, Klaus Rauscher, Vojko Obersnel

Shareholders

	Share in equity capital (%)
1. Bayerische Landesbank Girocentrale	59.90
2. State Agency for Bank Rehabilitation and Deposit Insurance	25.12

Audit firm for 2000: KPMG Croatia d.o.o., Zagreb

Management Board

Marijan Trusk – chairman, Verica Lindić, Višnja Jednačak

Supervisory Board

Želimir Kodrić – chairman, Džemal Mešinović, Ante Tustonjić, Zvonko Palameta, Antun Štimac, Milan Penava, Ignacije Mardetko, Vladimir Mučnjak, Anica Vrbančić

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

1. Samoborka d.d.	9.35
2. JP Hrvatske šume p.o.	6.86
3. V.H. Trade d.o.o.	5.84
4. Sant d.o.o.	4.96
5. Tigra d.o.o.	4.96
6. Chromos d.d.	4.92
7. Vajda elvit d.o.o.	4.34
8. Ozas	4.04
9. Končar d.d.	3.46

Audit firm for 2000: M.Z. Auditors d.o.o., Zagreb

SAMOBORSKA BANKA d.d.

Trg kralja Tomislava 8, 10430 Samobor
Phone: +385 1 3362-530
Fax: +385 1 3361-523
BAN 2403009

Management Board

Davorka Jakir – chairman, Mirjana Vipotnik, Andrea Zemljić-Modronja

Supervisory Board

Dinko Pintarić – chairman, Zoran Gobac, Miroslav Matić

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

1. Prvipromet d.o.o.	8.78
2. Madison d.o.o.	8.64
3. Blok usluge d.o.o.	8.59
4. Skok promet d.o.o.	8.54
5. Sisačka banka d.d.	7.49
6. State Agency for Bank Rehabilitation and Deposit Insurance	4.70
7. Croatian Pension Insurance Institute	3.84
8. GE-ZE d.o.o.	3.64

Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

SISAČKA BANKA d.d.

Trg Lj. Posavskoga 1, 44000 Sisak
Phone: +385 44 549-100
Fax: +385 44 549-101
BAN 2419008

Management Board

Vera Radaš – chairman, Angelina Horvat

Supervisory Board

Ante Šimara – chairman, Josip Koleno, Marija Maleković, Ljiljana Katavić, Ružica Šimara

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

1. Lustrin d.o.o.	16.63
2. Slatinska banka d. d.	7.67
3. State Agency for Bank Rehabilitation and Deposit Insurance	7.33
4. Ante Šimara	6.85
5. Pronekinvest d.d.	6.56
6. Ljiljana Katavić	5.35

Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

SLATINSKA BANKA d.d.

Vladimira Nazora 2, 33520 Slatina
Phone: +385 33 551-526
Fax: +385 33 551-566
BAN 2412009

Management Board

Ivan Mihaljević – chairman

Supervisory Board

Marija Crnjac – chairman, Wolfgang Kulterer, Roberto Marzanati, Branka Štinc*, Ernst Fanzott

SLAVONSKA BANKA d.d.

Kapucinska 29, 31000 Osijek
Phone: +385 31 231-231
Fax: +385 31 201-039
BAN 2393000

* Since July 1, 2001, the membership in the Supervisory Board has been temporarily suspended in accordance with Article 261, paragraph 2 of the Croatian Company Law, due to her appointment to the Management Board.

SPLITSKA BANKA d.d.

R. Boškovića 16, 21000 Split
 Phone: +385 21 312-777
 Fax: +385 21 312-586
 BAN 2330003

Shareholders

1. Hypo Alpe-Adria-Bank d.d./ Hypo Alpe-Adria-Bank AG
2. European Bank for Reconstruction and Development
3. Slavenska banka d.d.

Share in equity capital (%)

45.14
 26.98
 6.63

Audit firm for 2000: Ernst & Young Audit d.o.o., Zagreb

Management Board

Tomo Bolotin – chairman, Stjepan Kolovrat, Darko Medak

Supervisory Board

Fausto Petteni – chairman, Giovanni Battista Ravidà, Roberto Nicastro, Alessandro Maria Decio, Mate Kosović

Shareholders

1. UniCredito Italiano S.p.A.
2. State Agency for Bank Rehabilitation and Deposit Insurance

Share in equity capital (%)

62.59
 25.00

Audit firm for 2000: PricewaterhouseCoopers d.o.o., Zagreb

ŠTEDBANKA d.d.

Slavonska avenija 3, 10000 Zagreb
 Phone: +385 1 6306-666
 Fax: +385 1 6187-015
 BAN 2483005

Management Board

Željko Udovičić – chairman, Ante Babić, Josip Ševerdija

Supervisory Board

Ivo Andrižanić – chairman, Đuro Benček, Franjo Škoda

Shareholders

1. Šted – Invest d.d.
2. Finer & Kolenc d.o.o.
3. Redip d.o.o.

Share in equity capital (%)

89.71
 4.16
 4.05

Audit firm for 2000: Revizija d.o.o., Zagreb

VARAŽDINSKA BANKA d.d.

Kapucinski trg 5, 42000 Varaždin
 Phone: +385 42 400-000
 Fax: +385 42 400-112
 BAN 2391004

Management Board

Mato Lukinić – chairman, Borna Zane, Pavao Parat

Supervisory Board

Tea Martinčić – chairman, Renata Babić, Ines Dabić, Dragutin Drk, Duilio Belić

Shareholders

1. Zagrebačka banka d.d.
2. Varaždinska banka d.d.

Share in equity capital (%)

84.43
 9.99

Audit firm for 2000: KPMG Croatia d.o.o., Zagreb

VOLKSBANK d.d.

Varšavska 9, 10000 Zagreb
 Phone: +385 1 4801-300
 Fax: +385 1 4801-365
 BAN 2503007

Management Board

Heinrich Angelides – chairman, Julio Krevelj

Supervisory Board

Klaus Thalhammer – chairman, Hans Janeschitz, Ralf Weingartner, Gerhard Wöber, Fausto Maritan, Ekkhard Fügler, Pierre-Yves Tarneaud

Shareholders

1. VBB International holding AG
2. Banque Federale des Banques Populaires
3. GZ-Bank AG
4. WGZ-Bank AG

Share in equity capital (%)

70.00
 10.00
 6.66
 3.33

Audit firm for 2000: KPMG Croatia d.o.o., Zagreb

Management Board

Franjo Luković – chairman, Milivoj Goldštajn, Zvonimir Jurjević, Nikola Kalinić, Sanja Rendulić, Damir Odak, Tomica Pustišek

Supervisory Board

Petar Đukan – chairman, Jakša Barbić, Milan Artuković, Vladimir Bogatec, Klaus Junker, Charles McVeigh III, Friedrich von Schwarzenberg, Miljenko Živaljić, Ante Vlahović

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

1. Bankers Trust Company	39.03
2. UniCredito Italiano S.p.A.	9.95
3. Allianz AG	9.93
4. Caisse Nationale du Credit Agricole	4.30

Audit firm for 2000: KPMG Croatia d.o.o., Zagreb

ZAGREBAČKA BANKA d.d.

Paromlinska 2, 10000 Zagreb

Phone: +385 1 6104-000

Fax: +385 1 6110-555

BAN 2360000

Management Board

Andelka Čavlek – representative, Vesna Garapić – representative

Supervisory Board**Shareholders****Share in equity capital (%)**

1. Bayerische Hypo- und Vereinsbank AG	100.00
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Audit firm for 2000: KPMG Croatia d.o.o., Zagreb

**BAYERISCHE HYPO- UND
VEREINSBANK AG, Glavna
podružnica Zagreb**

Ul. Alexandera von Humboldta 4,
10000 Zagreb

Phone: +385 1 6159-206

Fax: +385 1 6159-197

BAN 8801006

Attachment

Bank name and headquarter	Peer group number				
	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Jun. 2001
AGROOBRTNIČKA BANKA d.d., Zagreb ¹	III	IV	IV	–	–
ALPE JADRAN BANKA d.d., Split	IV	IV	IV	–	–
HVB BANK CROATIA d.d., Zagreb	IV	II	II	II	II
BAYERISCHE HYPO- UND VEREINSBANK AG, Glavna podružnica Zagreb	–	–	–	IV	IV
BJELOVARSKA BANKA d.d., Bjelovar ⁵	III	II	II	–	–
DRESDNER BANK CROATIA d.d., Zagreb	IV	IV	IV	III	III
BRODSKO-POSAVSKA BANKA d.d., Slavonski Brod	IV	IV	IV	IV	IV
CASSA DI RISPARMIO DI TRIESTE – BANCA d.d., Zagreb	IV	IV	IV	IV	IV
CENTAR BANKA d.d., Zagreb	IV	IV	IV	IV	IV
CIBALAE BANKA d.d., Vinkovci ¹	III	III	IV	–	–
CONVEST BANKA d.d., Zagreb	IV	IV	IV	IV	IV
CREDO BANKA d.d., Split	IV	IV	IV	IV	IV
CROATIA BANKA d.d., Zagreb	II	II	II	II	II
ČAKOVEČKA BANKA d.d., Čakovec ⁵	IV	IV	IV	–	–
DALMATINSKA BANKA d.d., Zadar	II	II	II	II	II
DUBROVAČKA BANKA d.d., Dubrovnik	II	II	II	II	II
ERSTE & STEIERMÄRKISCHE BANK d.d., Zagreb	–	–	–	II	II
GLUMINA BANKA d.d., Zagreb ¹	II	II	–	–	–
GOSPODARSKO KREDITNA BANKA d.d., Zagreb	IV	IV	IV	IV	IV
GRADSKA BANKA d.d., Osijek ¹	II	II	–	–	–
HRVATSKA GOSPODARSKA BANKA d.d., Zagreb ¹	III	III	IV	–	–
HRVATSKA POŠTANSKA BANKA d.d., Zagreb	II	II	II	II	II
HYPOBANKA d.d., Zagreb	IV	IV	IV	IV	IV
HYPO ALPE-ADRIA-BANK d.d., Zagreb	IV	II	II	II	II
ILIRIJA BANKA d.d., Zagreb ¹	IV	IV	–	–	–
IMEX BANKA d.d., Split	IV	IV	IV	IV	IV
ISTARSKA BANKA d.d., Pula	II	II	II	II	II
ISTARSKA KREDITNA BANKA UMAG d.d., Umag	III	III	III	III	III
JADRANSKA BANKA d.d., Šibenik	II	II	II	II	II
KAPTOL BANKA d.d., Zagreb	IV	IV	IV	IV	–
KARLOVAČKA BANKA d.d., Karlovac	II	II	III	III	III
KOMERCIJALNA BANKA d.d., Zagreb ¹	IV	IV	–	–	–
KRAPINSKO ZAGORSKA BANKA d.d., Krapina ³	IV	IV	IV	–	–
KREDITNA BANKA ZAGREB d.d., Zagreb	III	III	III	III	III
KVARNER BANKA d.d., Rijeka	IV	IV	IV	IV	IV
MEDIMURSKA BANKA d.d., Čakovec	III	II	II	II	II
NAVA BANKA d.d., Zagreb	IV	IV	IV	IV	IV
NERETVANSKO GOSPODARSKA BANKA d.d., Ploče ¹	IV	IV	–	–	–
PARTNER BANKA d.d., Zagreb	IV	IV	IV	IV	IV
PODRAVSKA BANKA d.d., Koprivnica	IV	III	IV	IV	III
POŽEŠKA BANKA d.d., Požega	IV	III	IV	IV	IV
PRIVREDNA BANKA – LAGUNA BANKA d.d., Poreč	IV	IV	IV	IV	IV
PRIVREDNA BANKA ZAGREB d.d., Zagreb	I	I	I	I	I
PROMDEI BANKA d.d., Zagreb ¹	IV	IV	–	–	–
RAIFFEISENBANK AUSTRIA d.d., Zagreb	II	II	II	I	I
RAZVOJNA BANKA "DALMACIJA" d.o.o., Split ²	IV	IV	IV	–	–
RIADRIA BANKA d.d., Rijeka	II	II	II	II	II
RIJEČKA BANKA d.d., Rijeka	I	I	I	I	I
SAMOBORSKA BANKA d.d., Samobor	IV	IV	IV	IV	IV
SISAČKA BANKA d.d., Sisak	III	III	III	III	IV
SLATINSKA BANKA d.d., Slatina	III	III	III	III	III
SLAVONSKA BANKA d.d., Osijek	II	II	II	II	II
Podružnica SOCIETE GENERALE d.d. PARIS, Zagreb ⁶	IV	IV	IV	–	–
SPLITSKA BANKA d.d., Split	I	I	I	I	I
ŠTEDBANKA d.d., Zagreb	IV	III	IV	III	III
TRGOVAČKA BANKA d.d., Zagreb ⁵	IV	IV	IV	–	–
TRGOVAČKO-TURISTIČKA BANKA d.d., Split ¹	IV	IV	IV	–	–
VARAŽDINSKA BANKA d.d., Varaždin	II	II	II	II	II
VOLKSBANK d.d., Zagreb	IV	IV	IV	III	II
ZAGREBAČKA BANKA d.d., Zagreb	I	I	I	I	I
ZAGREBAČKA BANKA – POMORSKA BANKA SPLIT d.d., Split ⁴	II	II	II	–	–
ŽUPANJSKA BANKA d.d., Županja ¹	II	II	–	–	–

1 Banks in bankruptcy proceedings.

2 Operating license was not renewed for the bank, in accordance with Articles 35, 36, and 37 of the Banking Law.

3 Merged with Privredna banka Zagreb d.d., Zagreb.

4 Merged with Zagrebačka banka d.d., Zagreb.

5 Trgovačka banka d.d., Zagreb and Čakovečka banka d.d., Čakovec merged with Bjelovarska banka d.d., Bjelovar, and have been operating as Erste & Steiermärkische Bank d.d., Zagreb since then.

6 It was sold, and its operations were taken over by Bayerische Hypo- und Vereinsbank AG, Glavna podružnica Zagreb.

