

CROATIAN NATIONAL BANK

2001

ANNUAL REPORT



Financial  
Statements of the  
Croatian National  
Bank



Pursuant to the provision referred to in Article 56 of the Law on the Croatian National Bank and in accordance with the accounting regulations and International Accounting Standards, the Croatian National Bank compiles financial statements for each financial year. The financial statements of the Croatian National Bank for 2001 are the following:

- income statement,
- balance sheet,
- statement of changes in capital,
- cash flow statement,
- notes to the financial statements and an overview of major accounting policies.

These statements show the difference between income and expenditures, the balance and sources of funds, changes in capital and the structure of cash inflows and outflows.

The financial statements are audited by independent external auditors, in compliance with the auditing regulations and International Auditing Standards.

## 7.1 Income Statement

Table 7.1 Income Statement  
in HRK

Item	2001	2000
I Net operating income	792,383,740.21	449,818,412.83
II Net gain or loss from balance sheet items value adjustment with changes in the exchange rate and market prices	-244,372,968.40	288,416,323.90
III Net administrative expenses and depreciation	-180,670,833.85	-163,005,867.99
IV Special reserves	59,539,918.37	69,400,464.06
Surplus of income over expenditures (I+II+III+IV)	426,879,856.33	644,629,332.80

### 7.1.1 Income and Expenditures

#### Interest Income

##### a) Interest Income from Foreign Currency Denominated Financial Assets

Interest accrued from foreign currency denominated financial assets is accounted for as income of the Croatian National Bank in kuna equivalent. In 2001, this was the most

important item in the total income of the Croatian National Bank, standing at HRK 1,524.7m and accounting for 85.78% of total income.

Interest income from securities rose in 2001 due to increased investments in government bonds, while other income decreased owing to lowered financial market interest rates.

**Table 7.2 Interest Income from Foreign Currency Denominated Financial Assets**  
in HRK

Item	2001	2000
Interest on foreign exchange deposits	912,035,427.20	1,014,403,274.15
Interest on securities	566,049,414.44	230,768,120.78
Interest on IMF SDRs	46,689,200.04	61,509,846.99
Total	1,524,774,041.68	1,306,681,241.92

#### b) Interest Income from Kuna Financial Assets

In 2001, interest income from kuna financial assets fell substantially compared with the previous year, accounting for 23.58% of income generated in 2000 and 1.02% of total income. This was the result of a low bank demand for secondary liquidity sources due to the high liquidity of the banking system in 2001, and a parallel reduction in interest rates. In addition, certain types of loans, e.g. short-term loans to the government and intervention loans, were no longer extended in 2001, in line with the ban imposed on them by the new regulations.

The largest shares in the HRK 15.8m interest income from loans to financial institutions were accounted for by interest on Lombard loans amounting to HRK 6.3m and interest on liquidity loans amounting to HRK 5.7m.

**Table 7.3 Interest Income from Kuna Financial Assets**  
in HRK

Item	2001	2000
Interest on loans to the Republic of Croatia	0.00	4,577,118.59
Interest on loans to financial institutions	15,884,683.12	57,515,423.39
Other interest income	2,284,244.53	15,249,918.66
Total	18,168,927.65	77,342,460.64

Other interest income, amounting to HRK 2.2m, comprised the following: penalty interest on unpaid interest on liquidity and intervention loans, remuneration on unallocated and unmaintained kuna reserve requirements and penalty interest on overdue remuneration on unallocated and unmaintained reserve requirements.

## Other Net Operating Income

Income from dividend amounted to HRK 3.9bn, while net income from trading in securities amounted to HRK 16.3m. Income derived from succession to part of the assets of the former SFRY, amounting to HRK 18.8m, significantly increased other income.

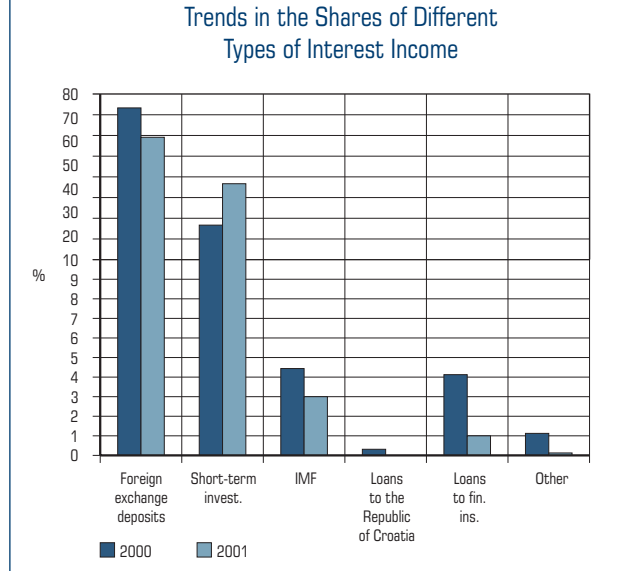
## Interest Expense

### a) Interest Expense for Foreign Currency Denominated Financial Liabilities

The growth of interest expense for issued foreign exchange CNB bills was the result of the increased purchase of CNB bills in late 2001 related to improved foreign exchange liquidity.

The reduction in the reserve requirement rate, from 23.5% to 22% and subsequently to 19%, and the fall in the money market interest rates, resulted in reduced expenses for interest paid on foreign exchange reserve requirements. In addition, as from September 2001, 20% (25% from November) of the foreign exchange portion of reserve requirements has been included in the kuna reserve requirements and effected in kuna.

Figure 7.1



**Table 7.4 Interest Expense for Foreign Currency Denominated Financial Liabilities in HRK**

Item	2001	2000
Interest expense for issued foreign exchange CNB bills	92,780,733.45	80,842,283.02
Interest expense for banks and savings banks' foreign exchange reserve requirements	249,884,762.75	297,600,197.93
Interest on financial arrangements with the IMF	67,667,781.45	76,514,711.10
Interest on foreign exchange repo deposits	17,406,510.85	26,508,798.51
Total	427,739,788.50	481,465,990.56

### b) Interest Expense for Kuna Financial Liabilities

In 2001, the Croatian National Bank incurred expenses of HRK 201.6m for interest paid on issued kuna CNB bills, 11.32% over 2000. This was due to a higher average balance of purchased CNB bills and slightly lowered interest rates.

In 2001, the Croatian National Bank interest expense for remuneration paid on kuna reserve requirements was HRK 167.1m, 70.7% of this expense in 2000. This was primarily due to the reduced remuneration rate rather than the lowered reserve requirement rate.

Table 7.5 Interest Expense for Kuna Financial Liabilities  
in HRK

Item	2001	2000
Interest expense for issued kuna CNB bills	201,646,318.69	181,140,530.76
Interest expense for banks and savings banks' kuna reserve requirements	167,054,850.97	236,268,385.44
Total	368,701,169.66	417,408,916.20

## Operating Expenses

Operating expenses contain employee and administrative expenses, depreciation expenses for the fixed assets of the Croatian National Bank and doubtful debt value adjustments.

Table 7.6 Operating Expenses  
in HRK

Item	2001	2000
Employee expenses	117,390,865.24	111,617,626.08
Administrative expenses	49,182,566.43	48,244,741.29
Depreciation	22,994,662.94	15,878,093.18
Total	189,568,094.61	175,740,460.55

### a) Employee Expenses

Employee expenses in 2001 stood at HRK 117.4m. This included gross salaries, gross compensation and contributions on salaries. Salaries were paid in accordance with the Statute of the Croatian National Bank and the Rulebook on Salaries and other Employee Income in the Croatian National Bank. The Rulebook provides for the level of salaries and adjustments in salaries to be determined by the Council of the Croatian National Bank.

Employee expenses accounted for 8.69% of the total expenditures of the Croatian National Bank.

Table 7.7 Employee Expenses  
in HRK

Item	2001	2000
Employee net salaries	50,700,337.47	45,435,246.71
Contributions on salaries	16,933,905.38	15,801,079.62
Tax and surtax	15,457,876.81	15,796,492.72
Total gross salaries	83,092,119.66	77,032,819.05
Gross employee compensation	18,154,467.07	18,144,701.52
Contributions on salaries and compensation	16,129,218.89	16,440,105.51
Other contributions	15,059.62	–
Total	117,390,865.24	111,617,626.08

## b) Administrative Expenses

In 2001, administrative expenses stood at HRK 49.1m. The largest item in these expenses comprised other services provided by outside sources, i.e. security services, amounting to HRK 3.8m, in addition to expenses for insurance services (HRK 1.4m), re-search and payment system, as well as renting and other occupancy expenses.

Amounting to HRK 10.1m, repairs and maintenance expenses included expenses for regular and investment maintenance of premises, office and information equipment, plants, vehicles and other tangible assets.

Expenses for professional services amounted to HRK 6.2m. This comprised expenses for Reuters and Bloomberg information services, software for international financial operations of the Croatian National Bank and SWIFT, HRK 3.0m expenses for using SWIFT for the operations conducted by the Croatian National Bank as the central bank in the Croatian Large Value Payment System, as well as expenses for consultancy services and lawyers.

**Table 7.8 Administrative Expenses**  
in HRK

Item	2001	2000
Stationery and office supplies	2,259,745.51	1,876,936.99
Telecommunications and postal services	3,496,240.47	3,218,185.67
Training, seminars, conferences, education and research	1,320,118.32	1,340,804.74
Professional service fees	6,237,138.69	4,978,378.21
Other services provided by outside sources	14,870,520.51	14,350,886.46
Transport	1,635,335.82	1,461,900.19
Publications and subscriptions expenses	2,322,453.32	2,562,463.17
Repairs and maintenance	10,149,956.19	10,368,457.45
Expenses from write-off and sale of fixed assets	82,007.94	138,627.33
Other employee related expenses	525,283.32	470,224.33
Other expenses	6,283,766.34	7,477,876.75
Total	49,182,566.43	48,244,741.29

## c) Depreciation

In 2001, expenses for the depreciation of the Croatian National Bank fixed assets, calculated using the linear method, were HRK 22.9m.

In 2000, in accordance with International Accounting Standard 16, HRK 5.9m of depreciation expenses for the revaluation of premises was debited to revaluation reserves and the remaining amount to current year expenses.

The expenses for printing notes and minting coins are accounted in the Croatian National Bank balance sheet as fixed assets. On the income statement, total expenses are not debited annually but depreciated, expenses for minting coins over five years and expenses for printing banknotes over two years, and transferred to expenditures in

monthly statements. In accordance with Article 51 of the Rulebook on Classifying Fixed and Intangible Assets, Liabilities and Claims, Calculating Depreciation and Writing-Off Small Inventory of the Croatian National Bank, the annual rates of coins and banknotes' depreciation are 20% and 50% respectively.

## Value Adjustments

Pursuant to the Governor's Decision on the Provisioning Policy of the Croatian National Bank for Loans Extended to Banks, of 30 July 1999, banks faced with financial difficulties which can negatively affect timely interest payments and principal repayments of loans granted by the Croatian National Bank, which are not covered by first-rate instruments of collateral, must set aside special reserves for identified losses.

Accordingly, in 2001 these provisions, i.e. value adjustments made for bad loans and interest, amounted to HRK 5.1m, accounting for 0.38% of total expenditures.

Value adjustments made for bad and doubtful loans and interest in the current year were debited directly to the Croatian National Bank expenditures, while the collected amount of HRK 66.8m was credited to the CNB income.

Table 7.9 Value Adjustment Expenses for Doubtful Debts  
in HRK

Item	2001	2000
Loans		
New value adjustments	4,056,472.04	5,608,990.61
Collected amount	-64,391,689.08	-44,822,611.75
Accrued interest		
New value adjustments	1,015,343.31	1,888,085.06
Collected amount	-2,469,161.60	-32,074,927.98
Written-off amount	11,668.73	-
Provisions for litigation costs	2,237,448.23	0.00
Total	-59,539,918.37	-69,400,464.06

## 7.1.2 Allocation of Surplus of Income over Expenditures

The Croatian National Bank generates income from its operations, incurs expenditures and determines a surplus of income over expenditures or shortfall between income and expenditures.

Total income in 2001 was HRK 1,777.6m, while expenditures were HRK 1,350.7m. The surplus of income over expenditures was thus HRK 426.9m. This surplus level was primarily generated by income from interest on funds deposited abroad, amounting to HRK 1,524.8m, whose share in total income was 85.78%.

Table 7.10 Allocation of Surplus of Income over Expenditures  
in HRK

Item	2001	2000
Surplus of income over expenditures	426,879,856.33	644,629,332.80
Shortfall between income and expenditures	–	–
Surplus allocated to general reserves	85,375,971.27	288,416,323.90
Shortfall covered from general reserves	–	–
Surplus allocated to the government budget	341,503,885.06	356,213,008.90
Shortfall covered from the government budget	–	–

Pursuant to Article 53 of the Law on the Croatian National Bank, the surplus of income over expenditures is allocated to general reserves, in the amount determined by the Council of the Croatian National Bank. This amount should neither exceed 20% of the surplus of income over expenditures nor fall below net profit from value adjustment of balance sheet items to changes in the exchange rate and market prices. The remaining surplus of income over expenditures, after the allocation to general reserves, is extraordinary revenue to the government budget.

The Croatian National Bank covers any shortfall between income and expenditures from general reserves. Should these reserves prove insufficient, the shortfall is covered from the government budget.

Consequently, 20% of the 2001 surplus of income over expenditures, amounting to HRK 85.4m, was transferred to general reserves, and the remaining HRK 341.5m to the government budget.

## 7.2 Balance Sheet

### 7.2.1 Assets

#### Cash and Deposits with Other Banks

These assets of the Croatian National Bank comprise cash in the cashier's office, foreign currency cash in vault, foreign exchange deposits with central and commercial non-resident correspondent banks, and SDR holdings with the IMF available for daily operations of the Croatian National Bank (their balance on 31 December 2001 was HRK 902.4m).

Table 7.11 Balance Sheet of the Croatian National Bank on 31 December 2001/2000  
in HRK

Item	2001	2000
<b>Assets</b>		
Cash and deposits with other banks	11,919,326,939.80	2,720,735,608.95
Receivables from other banks	25,522,156,956.39	21,002,123,964.26
Short-term investments	12,829,300,398.16	6,545,691,350.23
Loans	34,687,212.56	348,271,862.80
Long-term investments	3,861,933,123.29	3,888,610,144.44
Accrued interest and other assets	94,530,080.66	109,421,528.33
Fixed assets	350,701,329.95	333,786,905.95
IPT – issued banknotes and coins	8,092,691,996.96	6,429,462,655.38
<b>Total assets</b>	<b>62,705,328,037.77</b>	<b>41,378,104,020.34</b>
<b>Liabilities</b>		
Banknotes and coins outside the CNB vault	9,046,164,284.87	7,168,994,943.29
CNB bills	6,377,295,063.88	4,356,127,821.32
Liabilities to domestic banks	14,674,327,249.89	10,203,204,939.03
Liabilities to the government and government agencies	1,854,704,744.96	1,158,020,653.75
Liabilities to foreign entities	5,415,164,447.97	5,508,596,010.41
Accrued interest and other liabilities	19,525,932,948.56	8,331,314,654.28
<b>Total liabilities</b>	<b>56,893,588,740.13</b>	<b>36,726,259,022.08</b>
<b>Capital</b>		
Paid-in capital	2,500,000,000.00	0.00
Reserves	3,311,739,297.64	4,651,844,998.26
<b>Total capital</b>	<b>5,811,739,297.64</b>	<b>4,651,844,998.26</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>62,705,328,037.77</b>	<b>41,378,104,020.34</b>

Note: There is a HRK 22.7bn difference between the Croatian National Bank balance sheet as it stood on 31 December 2001 (trial balance sheet) and that compiled for the purposes of monetary statistics (monetary authorities accounts). In the monetary authorities accounts, accounts are classified to show the inflows of the reserve money on the asset side, and its sectoral distribution and outflows, i.e. sterilization, on the liabilities side. Certain active items from the trial balance sheet are transferred to the liabilities of the monetary authorities accounts and vice versa, which affects the total balance sheet sum. The most different are CNB's transit and settlement accounts recording all transactions in banks and government institutions' accounts held with the CNB, as well as cash transactions. These are accounts comprised by sub-account 298 (totaling HRK 19bn) on the trial balance sheet asset side and by sub-account 482 on its liabilities side (a total of about HRK 19bn). Their net amount is shown in the monetary authorities accounts within the remaining liabilities.

## Receivables from Other Banks

Time foreign exchange deposits with foreign correspondent banks (central and commercial) account for the largest share in the investment structure of total international reserves of the Republic of Croatia, managed by the Croatian National Bank and recorded in the CNB balance sheet.

Table 7.12 Receivables from Other Banks  
in HRK

Item	2001	2000
Placements to foreign central banks	1,407,993,238.82	989,243,200.21
Placements to foreign commercial banks	24,097,589,615.08	19,997,695,474.20
Placements to domestic commercial banks	16,574,102.49	15,185,289.85
<b>Total</b>	<b>25,522,156,956.39</b>	<b>21,002,123,964.26</b>

Time deposits held with commercial banks having a minimum AA– rating amount to HRK 24,097.5m in kuna equivalent. Although this amount rose in absolute terms compared with the previous year, the share of these deposits in total reserves decreased, in contrast with the enlarged share of government securities (in comparison with the previous year, investments in government securities went up by 8.25%). This resulted in the improved liquidity of reserves and mitigated credit risk.

The share of reverse repo agreements in international reserves was 4.54% larger than in the previous year. By means of these high-quality instruments, CNB deposits with commercial banks are collateralized by first-class government bonds, which results in a strengthened security of placement of total international reserves.

## Short-Term Investments

Increased investments in bonds and certificates of deposits in 2001 compared with 2000 resulted from the changed structure of international reserves. This included investing a part of the foreign exchange reserve requirements in bonds, which was not done in 2000.

The securities' portfolio largely comprises government bonds of the Federal Republic of Germany and the United States. The remaining bonds are issued by renowned European financial and government institutions, as well as by international financial institutions – the World Bank and the International Bank for Reconstruction and Development.

**Table 7.13 Short-Term Investments**  
in HRK

Item	2001	2000
EUR-denominated securities	7,540,669,145.65	3,929,277,299.07
USD-denominated securities	4,437,945,273.63	2,389,477,115.44
Certificates of deposits	850,685,978.88	226,936,935.72
Total	12,829,300,398.16	6,545,691,350.23

## Loans

On 31 December 2001, the balance of loans granted to banks and savings banks stood at HRK 228.3m, accounting for only 37.91% of their balance on 31 December 2000. There was less use of secondary liquidity sources due to the pronounced liquidity that characterized the banking system through most of 2001.

**Table 7.14 Loan Balance**  
in HRK

Item	2001	2000
Loans granted to domestic banks		
Lombard loans	0.00	0.00
Repo loans	0.00	299,629,365.00
Intervention loans	111,713,693.97	142,645,974.77
Liquidity loans	34,500,000.00	34,500,000.00
Bridging loans	82,083,074.46	125,436,294.62
Total balance of loans granted to banks and savings banks	228,296,768.43	602,211,634.39
Other loans and receivables from loans to employees	864,440.76	869,442.08
Gross loan amount	229,161,209.19	603,081,076.47
(minus) special value adjustments	-194,473,996.63	-254,809,213.67
Total	34,687,212.56	348,271,862.80
Changes in value adjustments		
Balance on 1 January	254,809,213.67	294,022,834.81
New value adjustments	4,056,472.04	5,608,990.61
Collected amount	-64,391,689.08	-44,822,611.75
Balance on 31 December	194,473,996.63	254,809,213.67

## Long-Term Investments

Long-term investments comprised the subscription to the International Monetary Fund, amounting to HRK 3,830.6m, and subscriptions to international financial and other institutions (shares of the Bank for International Settlements in Basle and SWIFT shares, totaling HRK 23.1m), while the remaining HRK 8.1m constitutes the initial capital of the Croatian National Bank in the Croatian Monetary Institute.

Table 7.15 Long-Term Investments  
in HRK

Item	2001	2000
IMF subscription	3,830,754,942.91	3,879,547,187.36
Subscriptions to other international financial institutions	23,123,883.58	1,008,660.28
Investments in domestic companies	8,054,296.80	8,054,296.80
Total	3,861,933,123.29	3,888,610,144.44

## Accrued Interest and Other Assets

The most important items in accrued interest, totaling HRK 151.5m, were the following: interest on foreign exchange deposits with non-resident correspondent banks, amounting to HRK 60.3m; interest on loans granted to banks and savings banks, amounting to HRK 20.6m; kuna remuneration for unallocated foreign exchange reserve requirements, amounting to HRK 20.4m; and kuna remuneration for unmaintained foreign exchange reserve requirements, amounting to HRK 45.8m.

Table 7.16 Accrued Interest and Other Assets  
in HRK

Item	2001	2000
Accrued interest	151,506,245.01	167,312,114.89
Gold and other precious metals	1,475,658.85	1,269,619.62
Numismatics	12,274,437.81	13,895,617.67
Other assets	4,554,940.72	3,679,196.17
Gross accrued interest and other assets	169,811,282.39	186,156,548.35
(minus) interest value adjustment	-75,281,201.73	-76,735,020.02
Total	94,530,080.66	109,421,528.33

Changes in value adjustments	2001	2000
Balance on 1 January	76,735,020.02	106,921,862.94
New value adjustments	1,015,343.31	1,888,085.06
Collected amounts	-2,469,161.60	-32,074,927.98
Balance on 31 December	75,281,201.73	76,735,020.02

## Fixed Tangible and Intangible Assets

On 31 December 2001, the tangible and intangible assets of the Croatian National Bank stood at HRK 350.7m, an increase of 5.06% in comparison with 2000. Land and premises was the most important item, accounting for 73.1% of these assets, followed

by banknotes and coins, whose share was 15.1%. Other assets, e.g. computers, furniture, equipment, motor vehicles, construction in progress and software for information systems and subsystems, accounted for the remaining 11.9% share.

The fixed assets of the Croatian National Bank are neither subject to a mortgage nor to a fiduciary relationship.

## 7.2.2 Liabilities

### Banknotes and Coins

As shown by accounting records, on 31 December 2001, the total balance of banknotes and coins outside the CNB vault was HRK 9,046.1m. This included HRK 8,092.6m put into circulation through the Institute for Payment Transactions, HRK 414.7m put into circulation directly by selling domestic cash to non-resident correspondent banks and HRK 538.8m kept at the vaults of banks.

### CNB Bills

Table 7.17 CNB Bills  
in HRK

Item	2001	2000
Nominal value of kuna CNB bills	3,485,800,000.00	2,586,900,000.00
Discount (in kuna)	(21,904,925.31)	(43,509,580.00)
Nominal value of foreign exchange CNB bills	2,921,321,119.45	1,831,879,710.60
Discount (in foreign currency)	(7,921,130.26)	(19,142,309.28)
Total	6,377,295,063.88	4,356,127,821.32

Kuna CNB bills were considerably modified in 2001. At the beginning of the year, their maturity terms were 35, 91 and 182 days, but from February they were 35, 70 and 105 days. In addition, auctions were held with lower frequency, with a view to stimulating the development of the secondary market. Standing at HRK 2.9bn, the average monthly balance of CNB bills rose by 38% compared with HRK 2.1bn in 2000. This resulted from growing sterilization needs, accounted for by the improved liquidity of the banking system.

### Liabilities to Domestic Banks

Allocated reserve requirements of banks and other financial institutions are accounted for as Croatian National Bank liabilities to commercial banks and other financial institutions. Kuna reserve requirements rose in 2001, due to the increased calculation base of reserve requirements and the fact that, from September 2001 on, foreign exchange reserve requirements were partially allocated in kuna.

Table 7.18 Liabilities to Domestic Banks  
in HRK

Item	2001	2000
Kuna reserve requirements	6,289,510,636.53	4,080,073,860.81
Foreign exchange reserve requirements	5,696,517,850.26	5,490,533,353.40
Deposits of banks in bankruptcy and liquidation	127,340,258.21	164,964,394.76
Other deposits of banks and savings banks	2,560,958,504.89	467,633,330.06
Total	14,674,327,249.89	10,203,204,939.03

The conversion of 12 currencies of EMU member states into the euro brought about an increase in foreign exchange household deposits. The calculation base of reserve requirements was therefore increased, which led to a growth in the foreign exchange reserve requirements. Other deposits, amounting to HRK 2,560.9m, comprised commercial banks and savings banks' funds in the Croatian Large Value Payment System, i.e. in settlement accounts.

### Liabilities to the Government and Government Agencies

The deposits of the Republic of Croatia and its agencies were accounted on the liability side of the Croatian National Bank balance sheet, in the total amount of HRK 1,854.7m. The deposits of the Republic of Croatia, standing at HRK 1,376.6m, accounted for 74.2% of these funds. The remaining HRK 478.0m were deposits of the Croatian Pension Insurance Institute, deposits of other government agencies as well as court-mandated deposits and those made pursuant to legal provisions.

### Liabilities to Foreign Entities

Kuna promissory notes are related to the Republic of Croatia's membership in the International Monetary Fund. Their value equals that of the long-term investments in the subscription to the International Monetary Fund. Issued by the Ministry of Finance on the basis of approved financial arrangements with the International Monetary Fund, they are repaid in special drawing rights according to the repayment schedule of the International Monetary Fund.

Table 7.19 Liabilities to Foreign Entities  
in HRK

Item	2001	2000
International Monetary Fund:		
– kuna promissory notes	3,819,391,798.13	3,868,039,310.44
– kuna promissory notes payable in foreign exchange	1,020,156,929.25	1,290,273,908.30
– other accounts	9,599,595.27	9,721,865.11
Foreign banks and other financial institutions	566,016,125.32	340,560,926.56
Total	5,415,164,447.97	5,508,596,010.41

## Accrued Interest and Other Liabilities

Interest payable amounted to HRK 25.5m. The most important items are: interest on resident banks' foreign exchange deposits, amounting to HRK 8.6m; interest based on the financial arrangements concluded between the International Monetary Fund and the Republic of Croatia, amounting to HRK 5.3m; and interest on banks and savings banks' kuna deposits, amounting to HRK 10.6m.

**Table 7.20 Accrued Interest and Other Liabilities**  
in HRK

Item	2001	2000
Interest payable	25,485,443.60	30,731,994.12
Liabilities to employees	4,626,623.83	4,436,165.36
Taxes and contributions	4,267,969.27	4,004,710.25
Liabilities arising from the surplus of income over expenditures	341,503,885.06	233,226,254.62
Liabilities to the Ministry of Finance	7,580,750.02	8,152,941.56
Liabilities to suppliers	2,901,274.81	2,573,613.97
Other liabilities	3,152,632.63	1,946,701.36
Liabilities to the IPT and CLVPS	19,136,414,369.34	8,046,242,273.04
Total	19,525,932,948.56	8,331,314,654.28

Provisions for litigation costs, amounting to HRK 2.2m, constituted the most important item in other liabilities.

Liabilities to the Institute for Payment Transactions and the Croatian Large Value Payment System comprise two settlement accounts recording all primary issue transactions of the Croatian National Bank conducted through the domestic payment system.

## 7.3 Changes in Capital

The total capital of the Croatian National Bank amounts to HRK 5,811.7m. This comprises paid-in capital amounting to HRK 2,500.0m and general reserves amounting to HRK 3,311.7m. The new Law on the Croatian National Bank, which came into effect in April 2001, stipulated the capital of the Croatian National Bank at HRK 2.5bn. HRK 2,500m was transferred to paid-in capital from the existent reserves of the Croatian National Bank. This capital can be neither transferred nor used as collateral.

The residual reserves at the disposal the Croatian National Bank on the day the new Law came into effect were allocated to general reserves. The HRK 1.08bn increase in general reserves over the year derived from the division of assets held in the name of the former SFRY in the books of the Bank for International Settlements in Basle. Based on this division, the Croatian National Bank was allocated a part of monetary gold, international reserves and shares.

On 31 December 2001, the Croatian National Bank fixed asset revaluation reserves stood at HRK 232.7m.

Of the 2001 surplus of income over expenditures, HRK 85.4m was allocated to general reserves, pursuant to the provision of Article 53 of the Law on the Croatian National Bank.

## 7.4 Cash Flow

In 2001, the Croatian National Bank started compiling a cash flow statement in accordance with International Accounting Standards 1 and 7 and by means of the direct method. By providing data on changes in the financial position, the cash flow statement exemplifies changes in the structure of the assets, liabilities and capital of the Croatian National Bank. The 2001 cash flow statement shows cash inflows and outflows in the period from 1 January to 31 December 2001, as well as the cash balance at the beginning and end of the period.

**Table 7.21 Cash Flow in the Period from 1 January to 31 December 2001**  
in HRK

1.	CASH FLOW FROM OPERATING ACTIVITIES	
I.	Net cash flow from operating activities	543,156,246.03
2.	CASH FLOW FROM INVESTMENT ACTIVITIES	
II.	Net cash flow from investment activities	-9,916,748,266.54
3.	CASH FLOW FROM FINANCIAL ACTIVITIES	
III.	Net cash flow from financial activities	9,126,550,915.44
IV.	Exchange rate effect	32,557,218.62
	NET CASH FLOW FROM OVERALL ACTIVITIES	-214,483,886.45
A	Cash balance at the beginning of the year (1 January 2001)	1,102,673,215.99
B	Cash balance at the end of the year (31 December 2001)	888,189,329.54
	NET REDUCTION IN CASH	-214,483,886.45

The Croatian National Bank cash flows are classified according to the following types of activities:

1. operational activities – comprising inflows (outflows) from kuna and foreign exchange interest and other inflows (outflows) from regular operational activities;
2. investment activities – comprising inflows (outflows) from foreign exchange deposits, investments and receivables, kuna loans to financial institutions and the purchase of tangible assets;
3. financial activities – comprising inflows and outflows of currency in circulation, inflows (outflows) from CNB bills, kuna and foreign exchange liabilities, kuna deposits of the government and financial institutions and the stipulated allocation of the surplus of income over expenditures to the government budget.

## 7.5 Treasury Inventory System and Off-Balance Sheet Statement

### 7.5.1 Treasury Inventory System

The treasury inventory system consists of bookkeeping records that the Croatian National Bank has kept since 1999 following the example of other central banks. Its chief aim is to provide comprehensive accounting records of cash outside circulation, held in the Croatian National Bank vault and with the Institute for Payment Transactions.

Table 7.22 Treasury Inventory System  
in HRK

Item	2001	2000
Cash (kuna and HRD/Croatian dinars):		
– non-issued banknotes and coins in the Croatian National Bank vault (kuna)	61.552.723.737,00	63.476.982.955,00
– banknotes and coins (Croatian dinars)	1.769.814.011,23	1.788.464.553,23
– receivables from the IPT for given cash (kuna)	16.765.806.472,33	15.876.565.057,06
– cash (kuna) issued directly by the Croatian National Bank	953.472.287,91	739.532.287,91
– damaged and worn-out cash (kuna) in the Croatian National Bank vault	1.825.604.137,03	1.672.633.559,30
Custody securities accounts	641.774.822,84	403.032.442,08
Records on transactions related to former Yugoslavia	579.917.773,82	587.168.868,90
Post-bankruptcy interest calculation	726.999.541,13	583.327.402,30
Other records	119.514.089,94	118.096.363,00
Total	84.935.626.873,23	85.245.803.488,78

### 7.5.2 Off-Balance Sheet Statement

Off-balance sheet records comprise commitments of the Croatian National Bank related to repo agreements and received collaterals. Foreign exchange debt securities are used as collateral in repo agreements concluded with non-resident correspondent banks. Collaterals received from resident banks are classified by their type (CNB bills, treasury bills, promissory notes of the Republic of Croatia, foreign currency denominated collaterals and other receivables received as collateral) and by the banks that concluded a repo agreement with the CNB.

Table 7.23 Off-Balance Sheet Statement  
in HRK

Item	2001	2000
Commitments arising from reverse repo agreements	9,282,965,528.79	5,591,536,824.72
Commitments arising from repo agreements	-515,902,100.00	-326,213,760.00
CNB bills received as collateral	1,843,346.25	0.00
Other collaterals received from resident banks	552,347,445.34	1,041,871,509.74
Total	9,321,254,220.38	6,307,194,574.46