

CROATIAN NATIONAL BANK

2002

ANNUAL REPORT



Financial
Statements of the
Croatian National
Bank

General Information

The Croatian National Bank is the central bank of the Republic of Croatia. It is fully owned by the Republic of Croatia, which guarantees its obligations.

The Croatian National Bank enjoys operational autonomy and independence; it is responsible to the Croatian Parliament, and represented by the Governor of the Croatian National Bank.

The primary objective of the Croatian National Bank is to achieve and maintain price stability, support the economic policy of the Republic of Croatia, and thereby act in accordance with the principles of the open market economy and free competition.

The tasks that the Croatian National Bank performs within the framework of the Constitution and law are:

- establishing and implementing the monetary and foreign exchange policies;
- holding and managing the international reserves of the Republic of Croatia;
- issuing banknotes and coins;
- issuing and revoking licenses for banks and bank supervision;
- maintaining the accounts of banks, executing payment transactions across these accounts, granting loans to banks and receiving deposits from banks;
- regulating, improving and supervising the payment system;
- opening and maintaining the accounts of the Republic of Croatia;
- performing other operations on behalf of the Republic of Croatia, as provided by law;
- enacting subordinate legislation on operations within its fields of competence; and
- performing other operations, as provided by law.

In accordance with the provision referred to in Article 56 of the Croatian National Bank Act, the Croatian National Bank prepares financial statements for each financial year in accordance with the accounting regulations and International Accounting Standards (that have been incorporated into International Financial Reporting Standards). Hence, the financial statements of the Croatian National Bank for 2002 are the following:

- income statement,
- balance sheet,
- statement of changes in equity,
- cash flow statement,
- notes to the financial statements and a summary of significant accounting policies.

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



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Report of the auditors

to the Governor and Council of the Croatian National Bank, Zagreb

We have audited the accompanying balance sheet of the Croatian National Bank, Zagreb ("the Bank") as of 31 December 2002 and the related statements of income, changes in owner's equity and cash flows for the year then ended. These financial statements set out on pages 5 to 36 are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. This report, including the opinion, has been prepared for and only for the Governor and Council of the Croatian National Bank and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our consent in writing.

In our opinion, the financial statements present fairly in all material respects the financial position of the Bank as of 31 December 2002, and of the result of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
 London, 5 May 2003

PricewaterhouseCoopers d.o.o.
 Zagreb, 5 May 2003

Income Statement of the Croatian National Bank

Income Statement of the Croatian National Bank
for the year ended 31 December 2002, in thousand HRK

	Note	2002	2001
Interest and similar income	3	1,279,297	1,543,058
Interest expense and similar charges	4	(588,426)	(796,441)
Net interest income		690,871	746,617
Fee and commission income		3,192	2,721
Fee and commission expense		(2,971)	(2,586)
Net fee and commission income		221	135
Dividend income		4,330	3,951
Net trading income	5	44,774	(55,191)
Net foreign exchange losses	6	(1,240,948)	(261,309)
Other income	7	7,843	33,654
Operating (expenditure)/ income		(492,909)	467,857
Operating expenses	8	(215,660)	(194,867)
Decrease in provisions	10	111,299	59,540
Operating (deficit)/ surplus		(597,270)	332,530
Adjustment arising on adoption of IAS 39 to comply with the Croatian National Bank Act		–	88,678
Adjustment of surplus/(deficit) to comply with the Croatian National Bank Act		–	(286)
Transfer from revaluation reserves		–	5,958
Transfer to general reserves		–	(85,376)
Operating surplus appropriated for transfer to the Budget of the Republic of Croatia		–	(341,504)
Operating deficit covered from general reserves		597,270	–
Operating surplus retained /(operating deficit uncovered)		0	0

The accompanying notes form an integral part of these financial statements.

Balance Sheet of the Croatian National Bank

Balance Sheet of the Croatian National Bank
as at 31 December 2002, in thousand HRK

Item	Note	2002	2001
Assets			
Cash and current accounts with other banks	11	7,729	6,081
Due from other banks	12	28,142,782	25,522,157
Trading securities	13	13,850,038	12,829,300
Loans	14	34,667	34,687
Placements with the International Monetary Fund	15	3,562,714	4,733,142
Equity investments	16	27,830	31,178
Accrued interest and other assets	17	114,429	94,531
Tangible and intangible assets	18	385,973	350,701
Total assets		46,126,162	43,601,777
Liabilities			
Banknotes and coins in circulation		10,895,792	9,046,164
Croatian National Bank bills	19	6,392,307	6,377,295
Due to banks and other financial institutions	20	19,395,535	15,240,344
Due to the State and State institutions	21	599,308	1,854,768
Due to the International Monetary Fund	22	3,545,340	4,849,148
Accrued interest and other liabilities	23	51,204	422,319
Total liabilities		40,879,486	37,790,038
Capital			
Capital	24	2,500,000	2,500,000
Reserves	24	2,746,676	3,311,739
Total equity		5,246,676	5,811,739
Total equity and liabilities		46,126,162	43,601,777

The financial statements set out on pages 129 to 157 were approved on 5 May 2003 by:

Director of Accounting Department:
Ivan Branimir Jurković



Governor:
Dr. Željko Rohatinski



The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity of the Croatian National Bank

Statement of Changes in Equity of the Croatian National Bank
for the year ended 31 December 2002, in thousand HRK

	Capital	General reserves	Statutory reserves	Revaluation reserves	Foreign exchange gains (losses)	Operating surplus (deficit)	Total equity
Balance at 1 January 2001	–	1,525	156,317	238,525	4,255,478	88,678	4,740,523
Transfer to capital	2,500,000	(1,525)	(156,317)	–	(2,342,158)	–	–
Transfer to general reserves	–	1,913,320	–	–	(1,913,320)	–	–
Increase in general reserves due to succession	–	1,080,189	–	–	–	–	1,080,189
Operating surplus available for appropriation	–	–	–	–	–	332,531	332,531
Surplus transfer	–	81	–	206	–	(287)	–
Depreciation transfer	–	–	–	(5,958)	–	5,958	–
Transfer to general reserves	–	85,376	–	–	–	(85,376)	–
Transfer to the State budget	–	–	–	–	–	(341,504)	(341,504)
Balance at 31 December 2001	2,500,000	3,078,966	–	232,773	–	–	5,811,739
Operating deficit	–	–	–	–	–	(597,270)	(597,270)
Coverage of deficit from general reserves	–	(597,270)	–	–	–	597,270	–
Real estate revaluation	–	–	–	32,207	–	–	32,207
Transfer to general reserves	–	5,121	–	(5,121)	–	–	–
Balance at 31 December 2002	2,500,000	2,486,817	–	259,859	–	–	5,246,676

Revaluation reserves were decreased by depreciation charges for the revalued tangible fixed assets (buildings), amounting to HRK 4,915 thousand, and by the effect of gold revaluation in 2001, amounting to HRK 206 thousand, which were transferred to general reserves.

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

Cash Flow Statement
for the year ended 31 December 2002, in thousand HRK

	Note	2002	2001
Cash flows from operating activities			
Interest received		1,279,826	1,431,132
Interest paid		(602,629)	(789,731)
Commissions received		3,161	2,466
Commissions paid		(2,053)	(3,392)
Dividends received		4,330	3,950
Other income received		5,232	27,881
Expenses paid		(170,227)	(195,835)
		517,640	476,471
(Increase)/ decrease in operating assets/liabilities			
Increase in deposits with other banks		(2,661,598)	(4,803,800)
Decrease in loans		92,618	373,759
Increase in trading securities		(964,876)	(6,410,655)
Net increase/(decrease) in other assets/liabilities		(377,223)	643,940
Decrease in due to the IMF		(1,010,512)	(256,520)
Increase in currency in circulation		1,849,627	1,877,169
Increase in due to banks and other financial institutions		4,167,249	4,306,808
(Decrease)/ increase in due to the State		(931,068)	655,077
Net cash from operating activities		681,857	(3,137,751)
Cash flows from investing activities			
Purchase of property and equipment		(46,284)	(21,590)
Proceeds from sales of gold		–	1,011,189
Acquisitions of equity investments		–	1,035
Net cash from investing activities		(46,284)	990,634
Cash flows from financing activities			
Net issue of CNB bills		87,433	2,044,517
Paid to the Republic of Croatia		(341,504)	(233,226)
Net cash from financing activities		(254,071)	1,811,291
Exchange rate effect		(1,266,495)	32,557
Net decrease in cash and cash equivalents		(884,993)	(303,269)
Cash and cash equivalents at the beginning of the year	26	908,468	1,211,737
Cash and cash equivalents at the end of the year	26	23,475	908,468

The accompanying notes form an integral part of these financial statements.

Notes

Note 1 – Accounting Standards and Conventions

These financial statements are prepared under the historical cost convention as modified for revaluation of certain assets and liabilities to fair value in accordance with International Financial Reporting Standards.

The amounts in the financial statements are denominated in Croatian kuna (HRK).

The preparation of financial reports in accordance with generally accepted accounting standards requires the use of estimates and judgements that influence the amounts of assets and liabilities at the reporting date and the amounts of income and expenditures for the reporting period. Although the estimates are based on the management's best estimate of current events and operations, they may differ from the actual results.

Note 2 – Summary of Significant Accounting Policies

(2.1) Interest income and expense

Interest income and expense are recognized in the income statement for interest bearing instruments on an accrual basis using the effective yield method on the actual purchase price. Interest income includes coupons earned on fixed income trading securities and accrued discount and premium on CNB bills and other discounted instruments.

When loans become doubtful at collection, they are written down to their recoverable amounts and interest income is thereafter recognized based on the rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Accrued interest on foreign currency receivables and liabilities is translated on a daily basis to Croatian kuna at the midpoint exchange rate of the Croatian National Bank and included in interest income or interest expense.

(2.2) Fee and commission income

Fee and commission income arises on financial services provided by the Bank and is recognized when the corresponding service is provided.

(2.3) Net trading income

Net trading income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading.

(2.4) Foreign currencies

Foreign exchange gains (losses) arising from changes in exchange rates are recorded in the income statement as unrealized gains or losses.

Foreign exchange gains (losses) arising from trading in foreign currencies are included in realized income or expenditure.

Income and expenditure denominated in foreign currencies are translated to Croatian kuna at the midpoint exchange rate of the Croatian National bank ruling at the transaction date.

Assets and liabilities denominated in foreign currencies are translated on a daily basis to Croatian kuna at the midpoint exchange rate of the CNB ruling at the last day of the accounting period except for Special Drawing Rights (SDR), which are translated to Croatian kuna at the exchange rate provided by the International Monetary Fund.

The exchange rates of major foreign currencies at 31 December 2002 were:

USD 1 = HRK 7.146 (2001: HRK 8.356)

EUR 1 = HRK 7.442 (2001: HRK 7.370)

XDR 1 = HRK 9.715 (2001: HRK 10.492).

(2.5) Financial instruments

2.5.1 Classification

Financial assets of the Croatian National Bank are classified into the following categories:

- a) *Financial assets held for trading*
This category comprises marketable securities in which the Croatian National Bank invests international reserve funds it manages on behalf of the Republic of Croatia, for the purpose of short-term profit taking.
- b) *Loans and receivables originated by the Croatian National Bank*
This category comprises loans created by the Croatian National Bank providing money to banks and savings banks other than those created with the intention of short-term profit taking.
- c) *Available-for-sale financial assets*
This category comprises the Croatian National Bank's investments in equity securities.

2.5.2 Recognition

The Croatian National Bank recognizes financial assets on settlement date. Any gains and losses arising from changes in fair value of the assets are recognized from that date.

2.5.3 Measurement

Financial instruments are measured initially at cost, including transaction costs.

- Subsequent to initial recognition, trading securities are measured at fair value, which corresponds to the quoted market price in an active financial market. Instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost, including transaction costs, less impairment losses.
- All non-trading financial liabilities, and originated loans and receivables which are held to maturity are measured at amortized cost less impairment losses. Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

2.5.4 Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

2.5.5 Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of trading instruments are recognized in the income statement.

(2.6) Repurchase and reverse repurchase agreements

The Bank enters into a securities purchase/sale agreement by contracting to resell/repurchase the same instrument on a specific future date at a fixed price. Securities purchased under reverse repurchase agreements are not recognized in the balance sheet. Outflows arising from these agreements are recognized as due from banks or other financial institutions. It is also recorded that purchased receivables are collateralized by appropriate securities pledged under the repurchase agreement. Securities sold under repurchase agreements are still recognized in the balance sheet and reported in accordance with the accounting policy for such financial assets. Inflows from sales of securities are recognized as due to banks or other financial institutions. The difference between sale and repurchase price is treated as interest income or expense and accrued over the life of the agreement.

(2.7) Equity investments

Equity instruments whose fair value cannot be reliably measured because they are not used in financial transactions in active securities markets are measured at cost. Dividend income is recognized in the year when it is earned.

(2.8) Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts and other derivatives (if any), which are initially recognized in the balance sheet at cost, are subsequently measured at fair value.

(2.9) Provisions for impairment

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, the asset's recoverable amount is estimated.

(2.10) Gold and other precious metals

Gold and other precious metals are held at the market value. Gains and losses arising from a change in the fair value are recognized in the income statement.

(2.11) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated in the balance sheet at cost or revalued amount less accumulated depreciation. Depreciation is provided on the straight line basis at prescribed rates designed to write off the cost or valuation of assets over their estimated useful lives.

The following annual rates are used, in %:

	2002	2001
Buildings	2.50	3.03
Furniture	20.0	10.0
Computers	25.0	20.0
Software	25.0	20.0
Motor vehicles	25.0	25.0
Equipment and other assets	5.0 to 25.0	10.0 to 20.0
Banknotes and coins	50.0 and 20.0	50.0 and 20.0

Effects of changes in the depreciation rates are stated in Note 8.

Land is not depreciated. Assets in the course of construction are not depreciated until they are brought into use.

Maintenance and repairs are charged to the income statement when incurred and improvements are capitalized.

Land and buildings are revalued when their fair value materially differs from the book amount. The fair value of land and buildings equals their market value, which is based on the appraisal of qualified valuers.

(2.12) Balances with the International Monetary Fund (IMF)

Balances with the International Monetary Fund are denominated in Special Drawing Rights and any unrealized exchange gains or losses are accounted for in accordance with Note 2.4.

(2.13) Banknotes and coins in circulation

The legal tender in the Republic of Croatia is the kuna. Banknotes and coins are carried at face value.

(2.14) Croatian National Bank bills

Croatian National Bank bills include kuna CNB bills and CNB bills denominated in EUR and USD and are recognized at amortized cost.

(2.15) Taxation

The Croatian National Bank is not subject to Croatian profit tax.

(2.16) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances of cash, and current accounts with foreign banks and the International Monetary Fund.

By means of the direct method, the cash flow statement provides data on cash inflows and outflows in the reporting period, classified into operating, investing and financing activities.

(2.17) Appropriations

In accordance with Article 53 of the Croatian National Bank Act, the surplus of income over expenditures is transferred 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 transfer to general reserves, is extraordinary revenue to the State 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 State budget.

(2.18) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Note 3 – Interest and Similar Income

in thousand HRK

Item	2002	2001
Deposits	777,122	912,035
Trading securities	468,827	566,049
International Monetary Fund	16,890	46,689
Loans to banks	9,098	15,885
Other interest income	7,360	2,400
Total	1,279,297	1,543,058

Interest income from foreign currency denominated financial assets

Realized interest income on deposits, reverse repurchase agreements and bonds was lower than in 2001 owing to a decrease in the FED and ECB interest rates. The benchmark FED rate on overnight loans fell from 1.75% to 1.25%, whereas the ECB rate on two-week loans fell from 3.25% to 2.75%.

Interest income from kuna denominated financial assets

In 2002, in the conditions of surplus liquidity in the banking system and the decline in interest rates, interest income recorded a decline. Realized interest income was mostly the result of unplanned interventions aimed at solving liquidity problems of Riječka banka, which included early redemption of CNB bills and Ministry of Finance treasury bills held by Riječka banka.

The largest share in interest income on loans refers to interest on liquidity loans, amounting to HRK 10,849 thousand, whereas HRK 662 thousand refers to interest on Lombard loans. The interest rate on Lombard loans was lowered at end-April 2002 from 10% to 9.5%. All loans granted in 2002 were repaid in full.

Within other interest income, the most significant is that arising from early redemption of CNB bills held by Riječka banka, amounting to HRK 2,800 thousand.

The purchase of Ministry of Finance treasury bills held by Riječka banka, amounting nominally to HRK 494,000 thousand, resulted in an income of HRK 1,498 thousand, which is the second significant item within other interest income.

Note 4 – Interest Expense and Similar Charges

in thousand HRK

Item	2002	2001
Kuna reserve requirements	185,206	167,055
Foreign currency reserve requirements	167,052	249,885
Kuna CNB bills	130,990	201,646
Foreign currency CNB bills	51,773	92,781
International Monetary Fund arrangements	24,926	67,668
Repurchase arrangements	25,929	17,406
Other interest expense	2,550	–
Total	588,426	796,441

Interest expense for foreign currency denominated financial liabilities

The decline in interest expense for issued foreign currency CNB bills was the result of the net reduction in subscriptions for these bills in 2002. Reduced expenses for interest paid on foreign currency reserve requirements was the result of the fall in the money market interest rates. Interest on IMF arrangements also recorded a downturn, primarily because the basis for calculating interest was changed upon the principal payments on the Extended Fund Facility (EFF) and Systemic Transformation Facility (STF) arrangements. Expenses for unused funds under the stand-by arrangement (approved in March 2001) stood at HRK 878 thousand in 2002.

Interest expense for kuna financial liabilities

Despite a 30.2% increase in kuna reserve requirements in 2002, interest expense for remuneration paid on kuna reserve requirements was 10.9% higher in 2002 than in 2001. This was the result of the April cut in the remuneration rate from 2.00% to 1.75%.

Although subscriptions for CNB bills grew in 2002, expenses arising from CNB bills (discount) fell by 35% in comparison with 2001. This was the result of the reduced interest rates and shortened maturity of CNB bills. For example, the interest rate on 35-day CNB bills fell from 3.72% in January to 2.00% in September, and remained at this level until the year-end.

Other interest expense refer to the expense arising from the sale of Ministry of Finance treasury bills purchased from Riječka banka before maturity, amounting to HRK 1,294 thousand (the income on the purchase of these bills from Riječka banka was HRK 1,498 thousand, which resulted in the net income of HRK 204 thousand).

Interest expense paid on deposits of the State amounted to HRK 1,256 thousand.

Note 5 – Net Trading Income

in thousand HRK

Item	2002	2001
Gains on sale and changes in fair value of trading securities	219,681	19,133
Gains arising from value adjustment of gold and precious metals to changes in market prices	20	–
Losses on sale and changes in fair value of trading securities	(174,541)	(74,324)
Losses arising from value adjustment of gold and precious metals to changes in market prices	(386)	–
Total	44,774	(55,191)

The positive result of net trading in securities in 2002 was the consequence of the increase in prices of bonds, which was induced by the decline in interest rates in global financial markets.

Note 6 – Net Foreign Exchange Losses

Considerable cross-currency changes that marked the developments in global foreign exchange markets over 2002 had a strong impact on the Croatian National Bank's operating result. International reserves account for over 99% of the CNB's total assets.

Reserves in US dollars accounted for 28.42% of total international reserves of the Croatian National Bank as at 31 December 2002. As the exchange rate of the US dollar against the kuna fell by about 15% during 2002, the CNB incurred an unrealized foreign exchange loss, which is recorded as expenditure in accordance with the Croatian National Bank Act and IAS 21. This resulted in an unrealized operating deficit recorded in the income statement.

The currency structure of international reserves of the Croatian National Bank is adjusted to the currency structure of the external debt of the Republic of Croatia for the year ahead, and to the currency structure of imports of goods and services in the previous year. This currency structure safeguards the external obligations of the Republic of Croatia against cross-currency changes, i.e. preserves the purchasing power of the reserves. However, this also results in substantial fluctuations in the income statement (kuna). In the income statement, the component of currency risk is more important than interest rate risk.

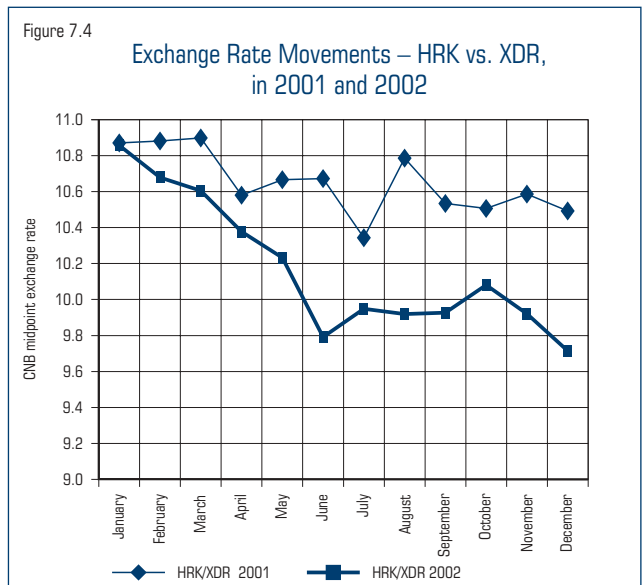
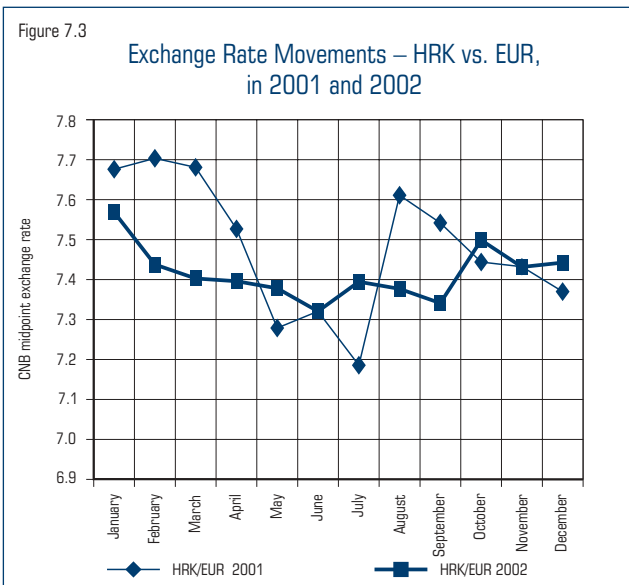
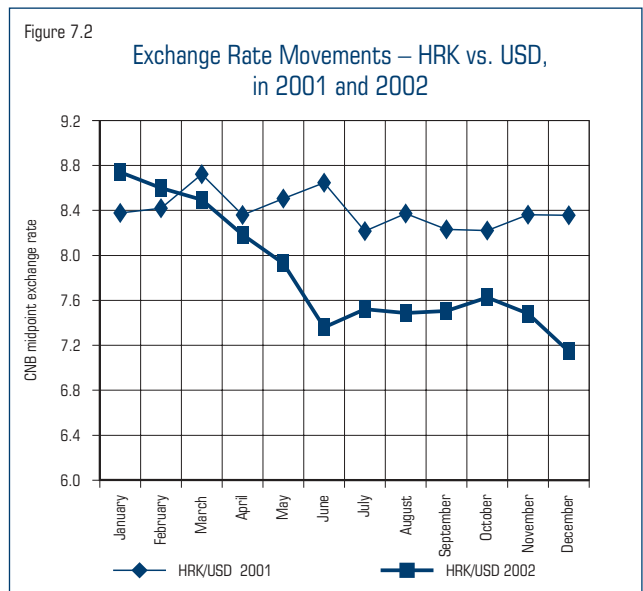
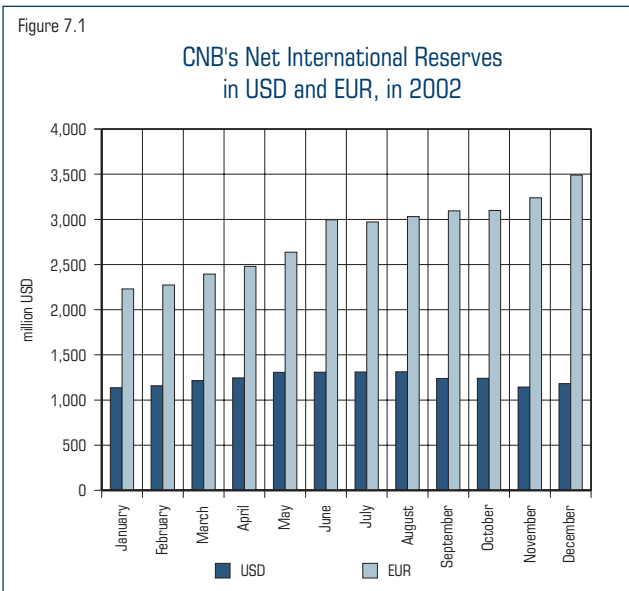
One should also bear in mind that in international reserves management safety and liquidity of invested funds always take precedence over speculative investments aimed at earning higher yields.

The overall net foreign exchange loss arising from changes in exchange rates stood at HRK 1,240,948 thousand in 2002.

Net reserves in USD and EUR (reported in USD) in 2002 are shown in Figure 7.1.

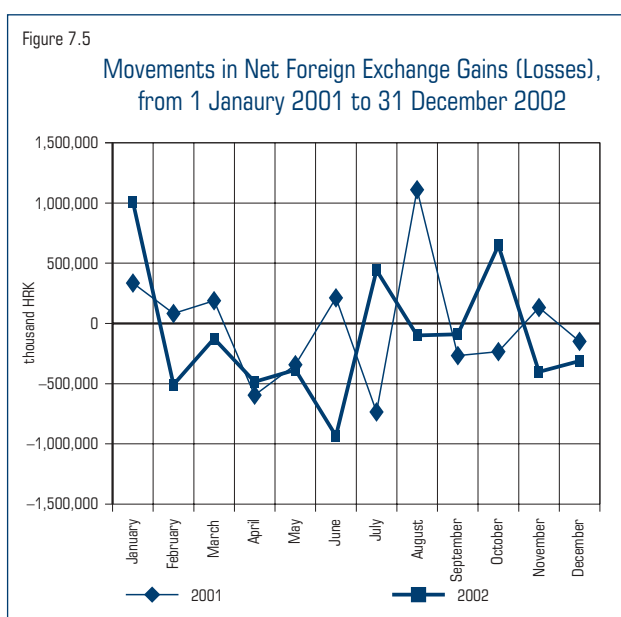
Figures 7.2, 7.3 and 7.4 show movements in the exchange rate of major currencies in the currency structure (USD, EUR and XDR) against HRK in 2001 and 2002. They clearly show a significant growth in the value of the kuna against these three currencies, which was especially pronounced in 2002.

The table and Figure 7.5 show that in 2001 and 2002, net foreign exchange losses were registered almost throughout 2002, except in July and October, which saw a slight increase in net foreign exchange gains. As a result, a loss was registered in the income statement for 2002. The main reason behind this loss was the substantial fall in the value of the US dollar against the kuna during 2002.



Net foreign exchange gains (losses) in 2001 and 2002
in thousand HRK

2002		2001	
Month	Net foreign exchange gains (losses)	Month	Net foreign exchange gains (losses)
January	1,009,743	January	335,294
February	(508,623)	February	82,910
March	(126,096)	March	189,106
April	(485,395)	April	(596,254)
May	(385,473)	May	(342,727)
June	(932,071)	June	211,545
July	441,531	July	(733,773)
August	(99,002)	August	1,110,980
September	(89,643)	September	(267,704)
October	647,241	October	(233,098)
November	(401,967)	November	132,404
December	(311,193)	December	(149,992)
Total	(1,240,948)	Total	(261,309)



Movements in net gains (losses) arising from value adjustment of balance sheet items to changes in the exchange rate in the past five years:

in thousand HRK

Year	Gains	Losses
1998	497,826	—
1999	1,278,344	—
2000	288,416	—
2001	—	261,309
2002	—	1,240,948

Note 7 – Other Income

in thousand HRK

Item	2002	2001
Gain on sales of gold	–	18,835
Other income	6,857	13,532
Gain on sales of numismatics	986	1,287
Total	7,843	33,654

In addition to the gain on sale of silver and gold coins (numismatics of the Croatian National Bank), other income from foreign exchange operations, amounting to HRK 1,826 thousand, accounted for the largest share in other income.

Note 8 – Operating Expenses

in thousand HRK

Item	2002	2001
Staff costs (Note 9)	120,624	117,391
Materials, services and administrative expenses	51,943	48,523
Depreciation	43,093	28,953
Total	215,660	194,867

The largest item within expenses for materials, services and administrative expenses were repairs and maintenance, amounting to HRK 9,112 thousand. This mostly comprised expenses for software maintenance (HRK 3,032 thousand), expenses for regular and investment maintenance of premises (HRK 2,892 thousand), and expenses for plant and other equipment maintenance (HRK 1,414 thousand), whereas a minor portion were expenses for maintenance of vehicles and other fixed assets.

The second largest item within expenses for materials, services and administrative expenses were services provided by outside sources, amounting to HRK 8,901 thousand. This mostly comprised security services (HRK 3,866 thousand), followed by expenses for staff insurance (HRK 1,228 thousand), expenses for utility services (HRK 1,667 thousand) and energy products (HRK 1,068 thousand). The remaining amount refers to rental expenses, expenses for services provided by the student employment agency, advertising expenses and expenses for security services in cash transport.

Other administrative expenses amounted to HRK 6,942 thousand. Expenses for professional services, amounting to HRK 7,926 thousand, refer mostly to expenses for Reuters and Bloomberg information services.

Telecommunication expenses, amounting to HRK 3,189 thousand, accounted for a major share in the remaining amount of expenses for materials, services and administrative expenses.

On 1 January 2002, the Bank changed the depreciation rates (Note 2.11). If the same rates had been applied in 2001, depreciation expense for 2001 would have been HRK 4,933 thousand higher.

Note 9 – Staff Costs

in thousand HRK

Item	2002	2001
Salaries	51,125	50,700
Contributions from and on salaries	31,371	30,556
Taxes and local taxes	15,801	15,458
Other staff costs	22,327	20,677
Total	120,624	117,391

The average number of employees during the year was 581 (2001: 582).

Staff costs stood at HRK 120,624 thousand in 2002. This included gross salaries, gross compensations 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.

Note 10 – Decrease in Provisions

in thousand HRK

Item	2002	2001
Loans		
New impairment provision made	–	4,057
Amounts collected	(92,603)	(64,392)
Accrued interest		
New impairment provision made	17	1,019
Amounts collected	(18,723)	(2,461)
Total loans and interest	(111,309)	(61,777)
Provisions for risks and charges		
New provisions made	680	2,237
Provisions released	(670)	–
Total	(111,299)	(59,540)

The 2002 income from doubtful loans collected from the banks and savings banks in bankruptcy, amounting to HRK 111,326 thousand, refers to collected principal and interest payments on loans, and penalties for unmaintained and unallocated kuna and foreign currency reserve requirements.

Note 11 – Cash and Current Accounts with Other Banks

in thousand HRK

Item	2002	2001
Cash on hand	5,692	4,812
Current accounts with foreign banks	2,037	1,269
Total	7,729	6,081

Note 12 – Due from Other Banks

in thousand HRK

Item	2002	2001
Foreign central banks	628,111	1,407,993
Foreign commercial banks	27,497,538	24,097,590
Domestic commercial banks	17,133	16,574
Total	28,142,782	25,522,157

Time deposits with correspondent foreign central and commercial banks account for the major share in investments of total international reserves of the Republic of Croatia that are managed by the Croatian National Bank.

Note 13 – Trading Securities

in thousand HRK

Item	2002	2001
Bonds denominated in EUR	7,890,787	7,540,669
Bonds denominated in USD	4,396,141	4,437,945
Certificates of Deposit	1,563,110	850,686
Total	13,850,038	12,829,300

The bond portfolio mainly comprises government bonds of the Federal Republic of Germany, the United States of America, France, the United Kingdom, the Netherlands, Austria, Denmark and Belgium. The remaining bonds are issued by reputable European financial and government institutions, the World Bank and the International Bank for Reconstruction and Development (IBRD). In accordance with the CNB Rulebook on Risk Management, the average maturity of bonds and receivables from other banks should not be longer than five months for placements denominated in EUR, and four months for placements denominated in USD (temporarily allowed departures range from -2 to + 1 month). The longest maturity of an individual bond may not exceed three years.

Note 14 – Loans

a) type of loan

in thousand HRK

Item	2002	2001
Loans to domestic banks		
– Intervention	75,194	111,714
– Liquidity	34,500	34,500
– Loans for overcoming liquidity problems	–	82,083
Other loans	844	864
Gross loans and advances	110,538	229,161
Less provision for impairment of loans	(75,871)	(194,474)
Total	34,667	34,687

b) movements in allowances for impairment of loans

Item	2002	2001
Balance at 1 January	194,474	254,809
New impairment allowances made	–	4,056
Amounts collected	(92,603)	(64,391)
Write-offs	(26,000)	–
Balance at 31 December	75,871	194,474

There was less use of secondary liquidity sources due to the higher liquidity that characterized the banking system in 2002.

In contrast to 2001, when nine repo auctions were held, no repo auction was held in 2002.

Only Riječka banka used short-term liquidity loans on two separate occasions. These loans were utilized at end-March and in early April, for a period of 14 days.

The short-term liquidity loan was HRK 34,500 thousand as at 31 December 2002 and related to the loan granted to Cibale banka.

As at 31 December 2002, the aggregate amount of loans in arrears against which provisions were made was HRK 75,871 thousand (2001: HRK 194,474 thousand).

Note 15 – Placements with the International Monetary Fund

in thousand HRK

Item	2002	2001
Membership quota	3,546,968	3,830,755
Special Drawing Rights and deposits	15,746	902,387
Total	3,562,714	4,733,142

Placements with the IMF include the membership quota of the Republic of Croatia with the IMF and Special Drawing Rights, which relate to the amounts with the IMF and are available for day-to-day operations of the Bank. The IMF pays an interest rate on SDR funds at an approximate rate of 1.98% per annum (2001: 2.2%).

Note 16 – Equity Investments

in thousand HRK

Item	2002	2001
Membership in other international institutions	19,776	23,124
Domestic enterprises	8,054	8,054
Total	27,830	31,178

The membership in other international institutions relates to the shares of the Bank for International Settlements, Basle, and the shares of SWIFT (Society for Worldwide Interbank Financial Telecommunication). The change of HRK 3,348 thousand in the amount of investments is the result of changes in exchange rates. There were no purchases and sales of investments during the year.

The Bank is the co-founder of the Croatian Monetary Institute (CMI) (a contract of 26 April 1993) and holds 42.6% of its equity. The Bank's stake in the CMI is recorded at cost, which amounts to HRK 8,054 thousand, as the fair value of the investment cannot be reliably measured.

The Bank does not have sufficient influence over the investee to constitute "significant influence" as defined by IAS 28 - Accounting for Investments in Associates.

Note 17 – Accrued Interest and Other Assets

in thousand HRK

Item	2002	2001
Accrued interest	108,522	151,506
Numismatics	11,854	12,275
Gold and other precious metals	1,579	1,476
Other assets	21,173	4,555
Total	143,128	169,812
Less provisions for impairment	(28,699)	(75,281)
Total	114,429	94,531

Item	2002	2001
Movements in provisions		
Balance at 1 January	75,281	76,735
New provisions made	17	1,015
Amounts collected	(18,723)	(2,469)
Write-offs	(27,876)	–
Balance at 31 December	28,699	75,281

The most important item in accrued interest, amounting to HRK 108,522 thousand, was interest on foreign exchange deposits with non-resident correspondent banks, amounting to HRK 57,569 thousand.

The most important item in total interest receivables in kuna, totaling HRK 48,815 thousand, was interest on the liquidity loan (Cibala banka), amounting to HRK 20,116 thousand. Interest receivables of HRK 28,699 thousand relate to interest on intervention loans and penalties for unmaintained and unallocated kuna and foreign currency reserve requirements. In 2002, interest of HRK 18,723 thousand was collected from banks and savings banks in bankruptcy.

Note 18 – Tangible and Intangible Assets

in thousand HRK

	Land and buildings	Computers	Furniture and equipment	Motor vehicles	Other assets	Banknotes and coins	Investment in the course of construction	Software and licenses	Total
Balance at 31 December 2001									
Cost or revaluation	268,449	34,919	23,718	6,195	2,523	69,934	13,971	2,998	422,706
Accumulated depreciation	(12,117)	(19,442)	(16,342)	(5,806)	–	(17,005)	–	(1,294)	(72,005)
Net book amount	256,332	15,477	7,376	389	2,523	52,929	13,971	1,704	350,701
Year ended 31 December 2002									
Opening net book amount	256,332	15,477	7,376	389	2,523	52,929	13,971	1,704	350,701
Additions	–	–	–	–	–	37,580	8,650	–	46,230
Assets brought into use	134	752	891	563	195	7,204	(10,882)	1,143	–
Revaluation	32,207	–	–	–	–	–	–	–	32,207
Net write-offs	–	(10)	(49)	–	–	–	–	(13)	(72)
Depreciation charge	(5,663)	(8,019)	(3,424)	(217)	–	(25,025)	–	(745)	(43,093)
Closing net book amount	283,010	8,200	4,794	735	2,718	72,688	11,739	2,089	385,973
Balance at 31 December 2002									
Cost or revaluation	301,087	34,945	24,175	6,485	2,718	114,718	11,739	3,946	499,813
Accumulated depreciation	(18,077)	(26,745)	(19,381)	(5,750)	–	(42,030)	–	(1,857)	(113,840)
Net book amount	283,010	8,200	4,794	735	2,718	72,688	11,739	2,089	385,973

The tangible and intangible assets of the Bank were HRK 385,973 thousand as at 31 December 2002, an increase of 9.13% in comparison with 2001. Land and buildings was the most important item, accounting for 73.32% of these assets in 2002.

As at 31 December 2002, the Bank revalued land and buildings in Jurišićeva 17 to HRK 32,207 thousand based on the appraisal of qualified independent valuers.

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

Note 19 – Croatian National Bank Bills

in thousand HRK

Item	2002	2001
Foreign currency CNB bills	1,226,289	2,913,400
Kuna CNB bills	5,166,018	3,463,895
Total	6,392,307	6,377,295

Foreign currency CNB bills are denominated in EUR and USD and have a maturity of up to 364 days.

In the first half of 2002, kuna CNB bills maturing in 35, 70 and 105 days were issued at regular auctions held by the Croatian National Bank every five weeks. There were also four extraordinary auctions held in the same period.

From 26 June 2002 onwards, auctions are held once a week and CNB bills mature in 35 days. The average stock of kuna CNB bills subscribed was HRK 4,400,000 thousand in 2002.

Note 20 – Due to Banks and Other Financial Institutions

in thousand HRK

Item	2002	2001
Kuna reserve requirements	8,187,046	6,289,511
Foreign currency reserve requirements	7,033,545	5,696,518
Other deposits of domestic banks	3,981,249	2,654,302
Foreign banks and other financial institutions	172,654	566,016
Court-mandated deposits	21,041	33,997
Total	19,395,535	15,240,344

Allocated reserve requirements of banks are accounted for as the Bank's liabilities to commercial banks. Foreign currency reserve requirements are denominated in EUR and USD. Deposits received on the basis of repurchase agreements accounted for HRK 160,069 thousand of liabilities to foreign banks.

Allocated kuna reserve requirements of banks rose in 2002 on account of an increase in kuna deposits with commercial banks. Kuna reserve requirements, allocated into the account with the Bank, rose by 30.2% in comparison with 2001.

Note 21 – Due to the State and State Institutions

in thousand HRK

Item	2002	2001
Due to the State and State institutions	599,308	1,854,768
Total	599,308	1,854,768

The deposits of the Republic of Croatia are recorded as a liability in the Bank's balance sheet, in the total amount of HRK 599,308 thousand. The deposit accounts of the Republic of Croatia held with the Bank relate to the account of the State budget of the Republic of Croatia, accounts of joint revenues, special purpose accounts that form a part of the State budget and court-mandated deposits.

Since October 2002, the Bank has paid interest on deposits of the Republic of Croatia. The interest rate is determined in accordance with market conditions, and depends on the movements in interest rates that banks in the Republic of Croatia pay on kuna deposits in giro accounts of companies, which is in compliance with Article 32 of the Croatian National Bank Act.

Note 22 – Due to the International Monetary Fund

in thousand HRK

Item	2002	2001
Bills of exchange denominated in HRK	3,536,451	3,819,392
Bills of exchange denominated in SDR	–	1,020,157
IMF's accounts	8,889	9,599
Total	3,545,340	4,849,148

The bills of exchange in HRK are related to the membership of the Republic of Croatia in the International Monetary Fund. The bills of exchange in SDR are issued as security for repayment of approved and drawn financial arrangements from the IMF. In December 2002, the total principal on Extended Fund Facility and Systemic Transformation Facility arrangements was paid prior to maturity.

Note 23 – Accrued Interest and Other Liabilities

in thousand HRK

Item	2002	2001
Accrued interest	27,610	25,485
Due to employees	4,690	4,627
Tax and contributions	4,159	4,268
Net operating surplus transferred to the State budget	–	341,504
Due to the Ministry of Finance	7,395	7,581
Amounts due to suppliers	3,415	2,901
Other liabilities	3,935	3,090
Amounts on clearing accounts:		
Liabilities clearing accounts with the FINA	20,156,435	19,136,414
Banknotes and coins issued through the FINA	(9,086,206)	(8,092,692)
Assets with the FINA	(11,070,229)	(11,010,859)
Total	51,204	422,319

Out of total interest payables, HRK 15,581 thousand relates to remuneration on allocated kuna reserve requirements, which was calculated in December 2002 and was due in January 2003.

Provisions for potential losses on litigation outstanding against the Bank, totaling HRK 2,247 thousand, are reported within other liabilities (2001: HRK 2,237 thousand).

Note 24 – Capital and Reserves

The Croatian National Bank Act determined the Bank's capital to be HRK 2,500,000 thousand. The Bank's capital is held by the Republic of Croatia. The capital is non-transferable and cannot be encumbered by any guarantees.

The HRK 32,207 thousand increase in the Bank's reserves resulted from the increase in revaluation reserves based on the revaluation of tangible fixed assets. The HRK 597,270 thousand decrease in the Bank's reserves was the result of the coverage of the shortfall between income and expenditures of the Bank in 2002.

Before coverage for losses, general reserves were HRK 3,084,088 thousand. After being debited for the loss of HRK 597,270 thousand, general reserves amounted to HRK 2,486,817 thousand as at 31 December 2002.

Note 25 – Contingencies and Commitments and Treasury Inventory System

Legal claims: As at 31 December 2002, there was litigation outstanding against the Bank. In the opinion of the Bank's management and internal legal advisors, there is a possibility that the Bank will lose certain cases, and consequently provisions for potential losses on such cases have been made by the Bank as at 31 December 2002, amounting to HRK 2,247 thousand (2001: HRK 2,237 thousand).

Capital commitments: As at 31 December 2002, the Bank had no capital commitments (2001: nil).

Credit related commitments: As at 31 December 2002, the Bank had no credit related commitments (2001: nil).

Treasury inventory system: As at the balance sheet date, the Bank had the following balances in the Treasury inventory system:

in thousand HRK

Item	2002	2001
Non-issued banknotes and coins	87,061,744	81,097,607
Stamp duty and bills of exchange	149,158	154,898
Total	87,210,902	81,252,505

Note 26 – Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

in thousand HRK

Item	2002	2001
Cash on hand	5,692	4,812
Current accounts with foreign banks	2,037	1,269
Special Drawing Rights and deposits with the IMF	15,746	902,387
Total	23,475	908,468

Note 27 – Appropriations

In accordance with Article 53 of the Croatian National Bank Act, the surplus of income over expenditures is transferred 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 transfer to general reserves, is extraordinary revenue to the State 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 State budget.

in thousand HRK

Item	2002	2001
Surplus of income over expenditures	–	426,880
Shortfall between income and expenditures	(597,270)	–
Transfer of surplus to general reserves	–	(85,376)
Coverage of shortfall from general reserves	597,270	–
Transfer of surplus to the State budget	–	(341,504)

Note 28 – Related Party Transactions

Under International Accounting Standards, entities under majority state control are not required to disclose their related party transactions. As related party transactions are based on the state control of the Bank and entities under majority state control, these financial statements do not include information on transactions between the Bank and such entities.

Note 29 – Risk Management Disclosure

The Bank maintains active trading positions in money market and capital market instruments that are appropriate for central banks. Investments are exclusively made in fixed income instruments, while investments in equity securities and derivative financial instruments are not allowed. The Bank pays special attention to the monitoring of credit, foreign exchange and interest rate risk, as well as other types of risks. The Bank's investment gain corresponds to assumed risks and reflects its basic investment principles – safety and liquidity.

Note 30 – Credit Risk

The Bank is subject to credit risk that may arise as a result of counterparties' default on their obligations to the Bank. The risk that counterparties might default on their obligations is monitored on an ongoing basis.

The Croatian National Bank has three levels of protection against credit risk:

- 1) it only deals with counterparties of the highest credit standing. Its assessment of counterparties' creditworthiness is closely based on ratings of internationally recognized rating agencies;
- 2) deals with an individual counterparty or country are subject to limits, which diversifies credit risk;
- 3) a large portion of deals is subject to collateral, which means that the Bank's placements with an individual financial institution are backed by government bonds whose value equals or exceeds the market value of its placements.

Geographical concentration of assets and liabilities:

in thousand HRK

Balance at 31 December 2002	Total assets	Total liabilities
Croatia	526,460	37,158,260
OECD countries	39,651,362	160,481
USA	5,948,330	3,560,745
Other countries	10	–
Total	46,126,162	40,879,486

in thousand HRK

Balance at 31 December 2001	Total assets	Total liabilities
Croatia	445,457	32,368,505
OECD countries	35,811,997	554,866
USA	7,344,323	4,866,667
Total	43,601,777	37,790,038

Note 31 – Foreign Exchange Risk

The majority of the Bank's assets is held in foreign currencies (international reserves), while its liabilities are predominantly held in kuna. As a result, the Bank's exposure to foreign exchange risk is large. At end-2002, the US dollar accounted for 25% and the euro accounted for 75% of the Bank's net international reserves. Due to substantial exchange rate fluctuations, primarily of the US dollar against the kuna, the Bank has been recording large realized and unrealized gains (losses) on its currency positions for a number of years. Gains (losses) arising from currency positions are recognized in the income statement.

The Bank had the following significant currency positions:

in thousand HRK

	EUR	USD	XDR	Other foreign currencies	HRK	Total
Balance at 31 December 2002						
Assets						
Cash and current accounts with other banks	4,066	3,075	–	561	27	7,729
Deposits with other banks	20,619,018	7,506,630	–	–	17,134	28,142,782
Trading securities	9,453,897	4,396,141	–	–	–	13,850,038
Loans	–	–	–	–	34,667	34,667
Placements with the IMF	–	–	3,562,714	–	–	3,562,714
Equity investments	6	19,770	–	–	8,054	27,830
Accrued interest and other assets	49,466	8,103	1,695	–	55,165	114,429
Tangible and intangible assets	–	–	–	–	385,973	385,973
Total assets	30,126,453	11,933,719	3,564,409	561	501,020	46,126,162
Liabilities						
Banknotes and coins in circulation	–	–	–	–	10,895,792	10,895,792
CNB bills	1,008,615	217,674	–	–	5,166,018	6,392,307
Due to banks and other financial institutions	3,963,608	3,240,090	–	–	12,191,837	19,395,535
Due to the State and State institutions	–	–	–	–	599,308	599,308
Due to the IMF	–	–	3,545,340	–	–	3,545,340
Accrued interest and other liabilities	6,501	2,449	–	223	42,031	51,204
Total liabilities	4,978,724	3,460,213	3,545,340	223	28,894,986	40,879,486
Net balance sheet position	25,147,729	8,473,506	19,069	338	(28,393,966)	5,246,676
Balance at 31 December 2001						
Total assets	25,605,761	12,834,891	4,736,597	336	424,192	43,601,777
Total liabilities	6,155,482	3,028,577	4,854,462	48	23,751,469	37,790,038
Net balance sheet positions	19,450,279	9,806,314	(117,865)	288	(23,327,277)	5,811,739

Note 32 – Interest Rate Risk

The Bank has an exposure to market interest rates on its financial position and cash flow. Interest margin may increase as a result of such changes but they may also reduce. As a result of the application of clearly set guidelines, the Bank's exposure to interest rate risk is low and in compliance with its basic principle of international reserves investment - safety and liquidity.

in thousand HRK

	Up to 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	Non-interest bearing	Total
Balance at 31 December 2002						
Assets						
Cash and current accounts with other banks	–	–	–	–	7,729	7,729
Deposits with other banks	22,340,033	5,774,268	11,348	–	17,133	28,142,782
Trading securities	13,850,038	–	–	–	–	13,850,038
Loans	34,667	–	–	–	–	34,667
Placements with the IMF	10,702	–	–	–	3,552,012	3,562,714
Equity investments	–	–	–	–	27,830	27,830
Accrued interest and other assets	–	–	–	–	114,429	114,429
Tangible and intangible assets	–	–	–	–	385,973	385,973
Total assets	36,235,440	5,774,268	11,348	–	4,105,106	46,126,162
Liabilities						
Banknotes and coins in circulation	–	–	–	–	10,895,792	10,895,792
CNB bills	6,183,798	196,522	11,987	–	–	6,392,307
Due to banks and other financial institutions	15,380,660	–	–	–	4,014,875	19,395,535
Due to the State and State institutions	147,444	–	–	–	451,864	599,308
Due to the IMF	–	–	–	–	3,545,340	3,545,340
Accrued interest and other liabilities	–	–	–	–	51,204	51,204
Total liabilities	21,711,902	196,522	11,987	–	18,959,075	40,879,486
Net balance sheet position	14,523,538	5,577,746	(639)	–	(14,853,969)	5,246,676
Balance at 31 December 2001						
Total assets	33,238,943	6,033,004	–	89	4,329,741	43,601,777
Total liabilities	15,916,195	2,384,109	1,636,968	–	17,852,766	37,790,038
Net balance sheet position	17,322,748	3,648,895	(1,636,968)	89	(13,523,025)	5,811,739

The targeted average duration of the Bank's portfolios of the international reserves is shorter than 1 year.

The table below summarizes the average interest rate by major currencies for monetary financial instruments:

in %

Balance at 31 December 2002	EUR	USD	XDR	HRK
Assets				
Current accounts with other banks	2.25	1.09	–	–
Special Drawing Rights	–	–	1.98	–
Deposits with other banks	3.32	1.76	–	–
Trading securities	2.69	1.34	–	–
Loans	–	–	–	9.5
Liabilities				
CNB bills	3.21	1.71	–	2.05
Due to domestic banks	3.23	1.66	–	1.75
Due to the IMF	–	–	2.62	–
Due to foreign banks	3.11	1.57	–	–

in %

Balance at 31 December 2001	EUR	USD	XDR	HRK
Assets				
Current accounts with other banks	2.25	1.58	–	–
Special Drawing Rights	–	–	2.23	–
Deposits with other banks	3.43	1.84	–	–
Trading securities	3.46	2.41	–	–
Loans	–	–	–	10.0
Liabilities				
CNB bills	2.84	2.84	–	4.10
Due to banks	4.75	1.82	–	2.00
Due to the IMF	–	–	2.75	–

Note 33 – Liquidity Risk

Liquidity risk arises in the general funding of the Bank's activities and its management of positions. It includes both the risk of being unable to fund the assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining period to repayment.

in thousand HRK

	Up to 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Total
Balance at 31 December 2002						
Assets						
Cash and current accounts with other banks	7,729	–	–	–	–	7,729
Deposits with other banks	22,340,032	5,774,268	11,348	–	17,134	28,142,782
Trading securities	13,850,038	–	–	–	–	13,850,038
Loans	34,504	–	–	–	163	34,667
Placements with the IMF	10,702	–	–	–	3,552,012	3,562,714
Equity investments	–	–	–	–	27,830	27,830
Accrued interest and other assets	65,284	14,258	281	–	34,606	114,429
Tangible and intangible assets	–	–	–	–	385,973	385,973
Total assets	36,308,289	5,788,526	11,629	–	4,017,718	46,126,162
Liabilities						
Banknotes and coins in circulation	–	–	–	–	10,895,792	10,895,792
CNB bills	6,183,798	196,522	11,987	–	–	6,392,307
Due to banks and other financial institutions	19,382,950	–	–	–	12,585	19,395,535
Due to the State and State institutions	599,308	–	–	–	–	599,308
Due to the IMF	–	–	–	–	3,545,340	3,545,340
Accrued interest and other liabilities	48,383	2,821	–	–	–	51,204
Total liabilities	26,214,439	199,343	11,987	–	14,453,717	40,879,486
Net liquidity gap	10,093,850	5,589,183	(358)	–	(10,435,999)	5,246,676
Balance at 31 December 2001						
Total assets	33,317,712	6,047,383	3	89	4,236,590	43,601,777
Total liabilities	19,868,807	2,409,272	1,890,857	715,940	12,905,162	37,790,038
Net liquidity gap	13,448,905	3,638,111	(1,890,854)	(715,851)	(8,668,572)	5,811,739