

Annual Report

2004

CROATIAN NATIONAL BANK

**Financial
Statements of the
Croatian National
Bank**

8



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Report of the independent Auditors

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

We have audited the accompanying balance sheet at the Croatian National Bank, Zagreb ("Bank") as of 31 December 2004 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements 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. Those standards require that we plan and perform an 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2004, and of the result of its operations, changes in shareholders equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche
Deloitte & Touche
Prague, March 15, 2005

Deloitte & Touche
Deloitte & Touche
Zagreb, March 15, 2005

Audit • Tax • Consulting • Financial Advisory.

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Deloitte Touche Tohmatsu

Income Statement

Income Statement of the Croatian National Bank
for the year ended 31 December 2004, in thousand HRK

| | Notes | For the year ended 31 December 2004 | For the year ended 31 December 2003 |
|---|-------|--|--|
| Interest and similar income | 4 | 931,944 | 1,104,593 |
| Interest expense and similar charges | 5 | (397,608) | (462,649) |
| Net interest income | | 534,336 | 641,944 |
| Fee and commission income | | 4,796 | 3,196 |
| Fee and commission expense | | (3,124) | (2,850) |
| Net fee and commission income | | 1,672 | 346 |
| Dividend income | | 4,549 | 4,420 |
| Net trading result | 6 | 141,604 | (66,189) |
| Net result of revaluation of precious metals | 6 | (104) | 87 |
| | | 141,500 | (66,102) |
| Net foreign exchange losses | 7 | (385,705) | (609,737) |
| Other income | 8 | 7,814 | 13,891 |
| Operating income/(expenditure) | | 304,166 | (15,238) |
| Operating expenses | 9 | (246,634) | (250,641) |
| (Increase) in provisions | 10 | (1,043) | (76,624) |
| Operating surplus/(deficit) | | 56,489 | (342,503) |
| Operating surplus allocated to general reserves | | (56,489) | – |
| Operating deficit covered from general reserves | | – | 342,503 |

Balance Sheet

Balance Sheet of the Croatian National Bank
as at 31 December 2004, in thousand HRK

| | Notes | As at 31 December 2004 | As at 31 December 2003 |
|---|-------|------------------------|------------------------|
| Assets | | | |
| Cash and current accounts with other banks | 11 | 7,063 | 6,944 |
| Due from other banks | 12 | 24,319,677 | 25,566,504 |
| Trading securities | 13 | 25,023,661 | 24,525,534 |
| Loans | 14 | 394,134 | 954,594 |
| Placements with the International Monetary Fund | 15 | 3,200,964 | 3,324,568 |
| Equity investments | 16 | 33,085 | 34,047 |
| Accrued interest and other assets | 17 | 134,953 | 131,079 |
| Tangible and intangible assets | 18 | 361,388 | 320,020 |
| Total assets | | 53,474,925 | 54,863,290 |
| Liabilities | | | |
| Banknotes and coins in circulation | | 12,826,645 | 12,256,309 |
| Croatian National Bank bills | 19 | – | 4,920,178 |
| Due to banks and other financial institutions | 20 | 31,862,457 | 27,859,248 |
| Due to the State and State institutions | 21 | 284,120 | 1,506,921 |
| Due to the International Monetary Fund | 22 | 3,194,754 | 3,318,027 |
| Accrued interest and other liabilities | 23 | 343,421 | 95,568 |
| Total liabilities | | 48,511,397 | 49,956,251 |
| Equity | | | |
| Capital | 24 | 2,500,000 | 2,500,000 |
| Reserves | 24 | 2,463,528 | 2,407,039 |
| Total equity | | 4,963,528 | 4,907,039 |
| Total equity and liabilities | | 53,474,925 | 54,863,290 |

The financial statements set out on pages 160 to 186 were approved on 15 March 2005 by:

Director of Accounting Department:

Ivan Branimir Jurković



Governor:

Dr Željko Rohatinski



Statement of Changes in Equity

Statement of Changes in Equity of the Croatian National Bank
for the year ended 31 December 2004, in thousand HRK

| | Capital | General reserves | Revaluation reserves | Operating surplus/ (deficit) | Total equity |
|---|------------------|------------------|----------------------|---------------------------------|------------------|
| Balance at 1 January 2003 | 2,500,000 | 2,486,817 | 259,859 | – | 5,246,676 |
| Real estate revaluation | – | – | 29,630 | – | 29,630 |
| Disposal of real estate | – | – | (26,764) | – | (26,764) |
| Transfer to general reserves | – | 5,060 | (5,060) | – | – |
| Operating deficit | – | – | – | (342,503) | (342,503) |
| Coverage of deficit from general reserves | – | (342,503) | – | 342,503 | – |
| Balance at 31 December 2003 | 2,500,000 | 2,149,374 | 257,665 | – | 4,907,039 |
| Transfer to general reserves | – | 5,588 | (5,588) | – | – |
| Operating surplus | – | – | – | 56,489 | 56,489 |
| Allocation of operating surplus to general reserves | – | 56,489 | – | (56,489) | – |
| Balance at 31 December 2004 | 2,500,000 | 2,211,451 | 252,077 | – | 4,963,528 |

Cash Flow Statement

Cash Flow Statement

for the year ended 31 December 2004, in thousand HRK

| | 2004 | 2003 |
|---|--------------------|--------------------|
| Cash flows from operating activities | | |
| Interest received | 896,181 | 996,635 |
| Interest paid | (403,857) | (446,958) |
| Commissions received | 4,062 | 3,060 |
| Commissions paid | (2,970) | (2,487) |
| Dividends received | 4,549 | 4,420 |
| Other income received | 11,335 | 5,323 |
| Expenses paid | (192,833) | (196,478) |
| | 316,467 | 363,515 |
| Increase/decrease in operating assets/liabilities | | |
| Decrease/(increase) in deposits with other banks | 630,885 | 2,566,553 |
| (Increase)/decrease in loans | 571,142 | (937,467) |
| Purchase of trading securities | (594,692) | (10,683,281) |
| Net increase/(decrease) in other assets/liabilities | 214,154 | (18,928) |
| Decrease in amounts due to the IMF | (2,525) | – |
| Increase in currency in circulation | 570,248 | 1,360,518 |
| Increase in amounts due to banks and other financial institutions | 4,620,383 | 8,391,557 |
| Increase/(decrease) in amounts due to the State | (1,150,445) | 924,767 |
| | 4,859,150 | 1,603,719 |
| Net cash from operating activities | 5,175,617 | 1,967,234 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (64,525) | (56,004) |
| Acquisitions of equity investments | – | (74) |
| Net cash from investing activities | (64,525) | (56,078) |
| Cash flows from financing activities | | |
| Net issue of CNB bills | (5,036,313) | (1,312,146) |
| Net cash from financing activities | (5,036,313) | (1,312,146) |
| Realized exchange rate gains and losses effect, net | (74,841) | (610,523) |
| Net decrease in cash and cash equivalents | (62) | (11,513) |
| Cash and cash equivalents at beginning of year | 11,962 | 23,475 |
| Cash and cash equivalents at end of year (Note 26) | 11,900 | 11,962 |

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

Accounting Policies and Notes to the Financial Statements

Note 1 – General Information and Accounting Standards

(1.1) General information

The Croatian National Bank is the central bank of the Republic of Croatia, whose status has been defined by law. The owner of the Croatian National Bank is the Republic of Croatia, which guarantees for its obligations. The Croatian National Bank is headquartered in Zagreb. The primary objective of the Croatian National Bank, within the powers granted, is to achieve and maintain price stability. The Croatian National Bank enjoys operational autonomy and is responsible to the Croatian Parliament, which has approved its Statute. The Croatian National Bank is represented by the Governor of the Croatian National Bank.

The tasks performed by the Croatian National Bank as provided by the Constitution and law include the following:

- 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 supervising the operations of banks;
- 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;
- performing operations on behalf of the Republic of Croatia, as provided by law;
- enacting subordinate legislation on operations within its field 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 its 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). Thus, the financial statements of the Croatian National Bank for the year ended 31 December 2004 comprise the following:

- Income Statement
- Balance Sheet
- Statement of Changes in Equity
- Cash Flow Statement
- Accounting Policies and Notes to the Financial Statements.

(1.2) Accounting standards and conventions

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

The amounts in the financial statements are presented in thousands of Croatian kuna (HRK).

The preparation of financial reports in accordance with generally accepted accounting standards requires the use of estimates and judgments 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 on an accrual basis.

Interest income and expense are calculated in accordance with applicable laws and subordinate legislation. Penalty interest is charged for all overdue placements and receivables, at rates specified in applicable laws and subordinate legislation.

Interest income includes interest earned on coupons for fixed-yield securities that are held for trading, as well as accrued discount on purchased securities. A value adjustment is made for all banks with delayed settlement of interest payable. Such interest income is suspended (excluded) and subsequently recognized in the income statement in the period in which it is collected.

Accrued discount on issued CNB bills is treated as interest expense.

Any premium on purchased securities is also treated as interest expense.

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 is included in interest income or interest expense.

(2.2) Fee and commission income and expense

Fee and commission income earned on financial services provided by the Croatian National Bank is recognized when the corresponding service is provided. A value adjustment is made for all outstanding fees and commissions due.

Fee and commission expense is included in the income statement for the period in which it occurs.

(2.3) Dividend income

Dividend income on equity investments is recognized in the income statement when the right to receive dividends is established.

(2.4) Foreign exchange gains and losses

Transactions in foreign currencies are translated into HRK at the rate of exchange ruling at the date of the transaction. All monetary assets, liabilities and off-balance sheet items denominated in, or linked to a foreign currency, are translated at the end of each month (day) to reflect any fluctuations in the underlying exchange rate. They are translated at the midpoint exchange rate of the Croatian National Bank, except for Special Drawing Rights (XDRs), which are translated to Croatian kuna at the exchange rate provided by the International Monetary Fund.

Foreign exchange gains and losses arising from fluctuations in exchange rates are recorded in the income statement as unrealized gains or losses in the period in which they occur.

Gains and losses arising from trading in foreign currencies are included in realized income or expenditure for the period in which they occur.

The exchange rates of major foreign currencies at 31 December 2004 were as follows:

USD 1 = HRK 5.636883 (2003: HRK 6.118506)
 EUR 1 = HRK 7.671234 (2003: HRK 7.646909)
 XDR 1 = HRK 8.754136 (2003: HRK 9.091916).

(2.5) Gains and losses on trading securities

Gains and losses realized on securities trading are reported in the income statement for the period in which they occur.

At the end of each accounting period, securities classified in the trading portfolio are remeasured to their fair value. The effects of the remeasurement are reported in the income statement as unrealized gains and losses for the reporting period in which they occur.

(2.6) Provisions

Expense arising from provisions for identified losses is recognized in the income statement at the end of the accounting period to which it relates. Subsequent collections are recorded as a decrease in provisions and credited to income for the

reporting period in which they are collected. No provisions are recorded for financial assets carried at fair value.

Provisions are also recognized as contingent liabilities. The Croatian National Bank recognizes a provision when it has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the obligation can be made. If all these conditions are not met, no provision is recognized.

(2.7) Financial instruments

2.7.1 Classification

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

- a) Financial assets held for trading
This category comprises marketable debt securities in which the Croatian National Bank invests international reserve funds for the purpose of short-term profit taking on the basis of interest income or changes in the fair value of the underlying instrument.
- b) Loans and receivables originated by the Croatian National Bank
This category comprises loans approved by the Croatian National Bank without 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.

2.7.2 Recognition

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

2.7.3 Measurement

Financial instruments are measured initially at cost, which includes 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. Financial instruments that do not have a quoted market price and have a fixed maturity are stated at amortized cost, by applying the effective interest rate method. Those that do not have a fixed maturity and a quoted market price, and whose fair value cannot be reliably measured, are measured at cost, less any impairment loss.

2.7.4 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 for the reporting period in which they occur.

(2.8) 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, less any impairment in value.

(2.9) Derivative financial instruments

Derivative financial instruments (if any), which are initially recognized in the balance sheet at cost, are subsequently measured at fair value. Derivative financial instruments are always held for trading, except for those derivatives for which hedging instruments are formed (hedge accounting).

(2.10) Repurchase and reverse repurchase agreements

The Croatian National 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.

(2.11) Due from other banks

Amounts due from domestic and foreign banks include funds in accounts that do not have the feature of transaction money.

(2.12) Croatian National Bank bills

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

(2.13) Placements with the International Monetary Fund

Placements with the International Monetary Fund are denominated in Special Drawing Rights (XDR).

(2.14) Impairment of financial assets

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, and an allowance is made to reduce the asset to its recoverable amount.

(2.15) 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 for the reporting period in which they occur.

(2.16) Banknotes and coins in circulation

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

(2.17) Cash and cash equivalents

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.

(2.18) Taxation

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

(2.19) Tangible and intangible assets

Tangible and intangible assets are stated in the balance sheet at cost or revalued amount less accumulated depreciation or amortization. Depreciation and amortization are provided on a straight line basis. Useful lives of individual types of assets are estimated by competent expert staff.

Assets are revalued by reference to their market values. Any gains on revaluation are included in revaluation reserves as a separate component of equity. Losses on revaluation are recorded against revaluation reserves to the extent of previously recognized gains. Losses in excess of previously recorded gains are recognized as an impairment charge in the income statement for the reporting period.

The following annual rates are used:

in %

| Item | 2004 | 2003 |
|----------------------------|--------------|-------------|
| Buildings | 2.5 | 2.5 |
| Furniture | 20.0 | 20.0 |
| Computers | 25.0 | 25.0 |
| Software | 25.0 | 25.0 |
| Motor vehicles | 25.0 | 25.0 |
| Equipment and other assets | 5.0 to 33.33 | 5.0 to 25.0 |

(2.20) 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.

Note 3 – Changes in Presentation

For the purpose of true and fair presentation of the assets, liabilities and operating results, Notes 9, 18 and 19 have been modified. Costs of printing kuna banknotes and minting kuna and lipa coins are deferred over a period exceeding one year (two years for banknotes, and five years for coins). Until 2003, they were included in non-current assets and amortization charges, and since 2004 they are included in the balance sheet as prepaid expenses and in the income statement as costs of banknotes and coins among operating expenses. This change in classification had no effect on the equity and operating surplus as at and for the year ended 31 December 2004.

Note 4 – Interest and Similar Income

in thousand HRK

| Item | 2004 | 2003 |
|---|----------------|------------------|
| Deposits | 428,133 | 447,477 |
| Trading securities | 492,103 | 568,016 |
| International Monetary Fund | 21 | 61 |
| Loans to banks | 5,903 | 11,109 |
| Other interest income | 1,890 | 5,051 |
| Net foreign exchange gains/(losses) on foreign currency interest income | 3,894 | 72,879 |
| Total | 931,944 | 1,104,593 |

The most important part of income of the Croatian National Bank is interest income on placing international reserves as deposits with foreign central and first-class banks, and in debt securities.

Interest income in domestic currency is mostly related to Lombard loans, and to a lesser extent to repo loans and penalties for a failure to maintain and allocate reserve requirements.

Note 5 – Interest Expense and Similar Charges

in thousand HRK

| Item | 2004 | 2003 |
|--|----------------|----------------|
| Kuna reserve requirements | 234,897 | 192,969 |
| Foreign currency reserve requirements | 118,938 | 124,361 |
| Kuna CNB bills | 254 | 52,015 |
| Mandatory kuna CNB bills | 128 | 258 |
| Foreign currency CNB bills | 9,488 | 42,475 |
| International Monetary Fund arrangements | 2,533 | 2,395 |
| Repurchase arrangements | 32,229 | 28,683 |
| Other interest expense | 1,797 | 23,277 |
| Net foreign exchange (gains)/losses on foreign currency interest expense | (2,656) | (3,784) |
| Total | 397,608 | 462,649 |

Interest expense relates mostly to interest expense and similar charges based on deposit accounts with the Croatian National Bank (reserve requirement funds from banks, funds under repo arrangements and CNB bills). The changes in the monetary regulations have resulted in an increase of interest expense and similar charges related to reserve requirements in kuna due to an increase in the calculation base and a higher share of foreign currency reserve requirements allocated in kuna. On the other hand, interest expense and similar charges on foreign currency reserve requirements have decreased. In 2004, a decrease in the expense on issued CNB bills was recorded, primarily in respect of foreign currency CNB bills whose issuance discontinued at the beginning of the year.

Note 6 – Net Result of Trading and Revaluation of Precious Metals

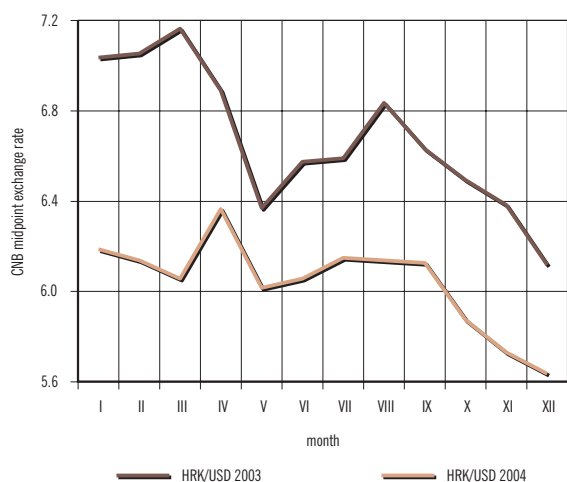
in thousand HRK

| Item | 2004 | 2003 |
|--|----------------|-----------------|
| Net result on sale and changes in fair value of trading securities | 141,604 | (66,189) |
| Net result of revaluation of precious metals | (104) | 87 |
| Total | 141,500 | (66,102) |

Note 7 – Net Foreign Exchange Losses

8.1

Exchange Rate Movements – HRK vs. USD

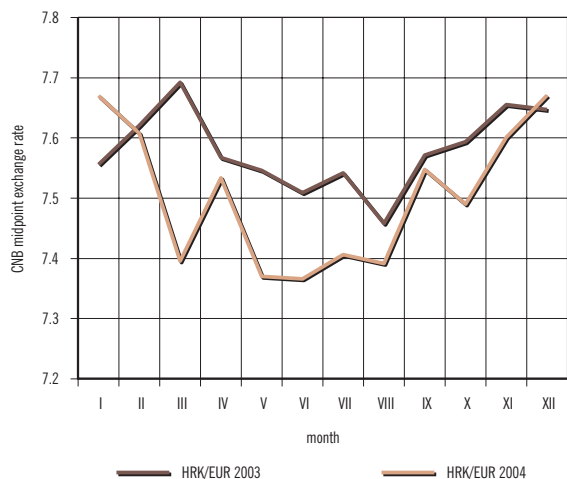


Since the international reserves of the Republic of Croatia account for over 90% of the balance sheet of the Croatian National Bank, any changes in foreign exchange rates have significant effect both on the balance sheet and the income statement. Under the Croatian National Bank Act and International Financial Reporting Standards, exchange rate differences are reported in the income statement of the Croatian National Bank in the period in which they occur. Loss arising from adjustment of balance sheet items to reflect the changes in exchange rates affected the financial result of the Croatian National Bank.

The three figures show movements in the exchange rate of major currencies in the currency structure of international reserves (USD, EUR, XDR) against the kuna in 2004 and 2003.

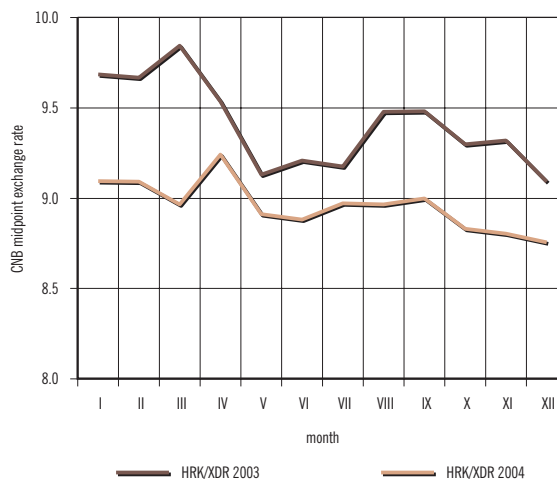
8.2

Exchange Rate Movements – HRK vs. EUR

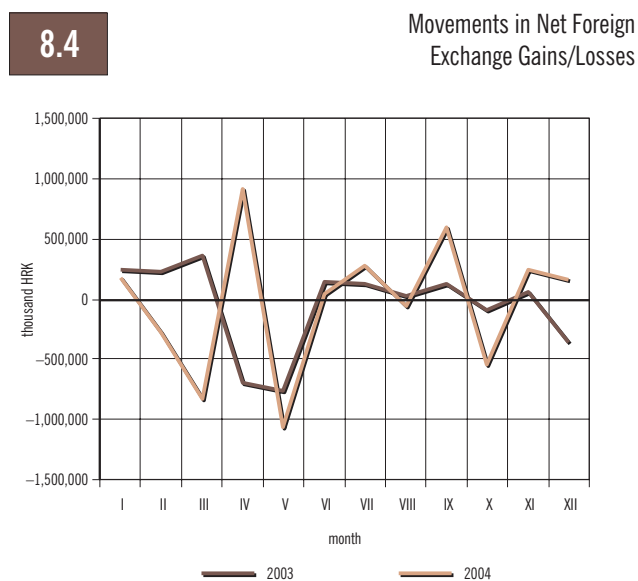


8.3

Exchange Rate Movements – HRK vs. XDR



The figure below illustrates movements in net foreign exchange gains/losses during 2004 and 2003.



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

| Year | Gains | Losses |
|------|---------|-----------|
| 2000 | 288,416 | — |
| 2001 | — | 261,309 |
| 2002 | — | 1,240,948 |
| 2003 | — | 609,737 |
| 2004 | — | 385,705 |

Note 8 – Other Income

in thousand HRK

| Item | 2004 | 2003 |
|-------------------------------|--------------|---------------|
| Gains on sales of numismatics | 1,337 | 1,253 |
| Other income | 6,477 | 12,638 |
| Total | 7,814 | 13,891 |

Note 9 – Operating Expenses

in thousand HRK

| Item | 2004 | 2003 |
|---|----------------|----------------|
| Staff costs (Note 9.1) | 127,409 | 145,727 |
| Materials, services and administrative expenses | 66,625 | 52,249 |
| Costs of printing banknotes and minting coins | 34,795 | 36,112 |
| Depreciation and amortization | 17,805 | 16,553 |
| Total | 246,634 | 250,641 |

The largest item within materials, services and administrative expenses were costs of fixed assets repair and maintenance in the amount of HRK 18,300 thousand, of which HRK 11,886 thousand are in respect of maintenance of office buildings. The second most significant item in the total materials, services and administrative expenses are external services in the amount of HRK 17,047 thousand.

The costs of printing banknotes and minting coins in the domestic currency for the year 2004 were HRK 34,795 thousand, which is a decrease of HRK 1,317 thousand in relation to 2003.

Depreciation and amortization charge for 2004 amounted to HRK 17,805, which is an increase of HRK 1,252 thousand in relation to 2003.

Note 9.1 – Staff Costs

in thousand HRK

| Item | 2004 | 2003 |
|------------------------------------|----------------|----------------|
| Net salaries | 53,714 | 52,705 |
| Contributions from and on salaries | 32,224 | 31,338 |
| Taxes and local taxes | 16,515 | 15,334 |
| Other staff costs | 24,956 | 46,350 |
| Total | 127,409 | 145,727 |

The average number of employees during the year was 541 (2003: 571).

Note 10 – Increase/Decrease in Provisions

in thousand HRK

| Item | 2004 | 2003 |
|---|-----------------|---------------|
| Loans | | |
| New allowances made | 4 | 27,322 |
| Amounts collected | (10,688) | (9,777) |
| Accrued interest | | |
| Amounts collected | (385) | (2,028) |
| Total loans and interest | (11,069) | 15,517 |
| Allowances for receivables – FINA | – | 51,402 |
| Allowances for impairment | (11,069) | 66,919 |
| Provisions for risks and charges | | |
| New allowances made | 16,123 | 9,705 |
| Provisions released | (4,011) | – |
| Total | 1,043 | 76,624 |

The 2004 income from doubtful loans collected from banks and savings banks in bankruptcy amounts to HRK 11,073 thousand and consists of collected principal and interest payments on loans, and penalties for a failure to maintain and allocate kuna reserve funds as prescribed by regulations.

Note 11 – Cash and Current Accounts With Other Banks

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|-------------------------------------|--------------|--------------|
| Cash on hand | 5,529 | 5,443 |
| Current accounts with foreign banks | 1,534 | 1,501 |
| Total | 7,063 | 6,944 |

Note 12 – Due From Other Banks

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|---------------------------|-------------------|-------------------|
| Foreign central banks | 564,816 | 368,946 |
| Foreign commercial banks | 23,740,579 | 25,183,667 |
| Domestic commercial banks | 14,282 | 13,891 |
| Total | 24,319,677 | 25,566,504 |

The Croatian National Bank manages international reserve funds by investing them into type of assets specified in the Croatian National Bank Act by applying the principles of liquidity and safety. As a result, investments in deposits with foreign central and first-class commercial banks represent a significant share of assets with foreign banks.

Note 13 – Trading Securities

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|--------------------------|-------------------|-------------------|
| Bonds denominated in EUR | 19,754,380 | 16,995,979 |
| Bonds denominated in USD | 4,961,664 | 7,262,573 |
| Certificates of deposit | 307,617 | 266,982 |
| Total | 25,023,661 | 24,525,534 |

Most of international reserve funds are invested in debt securities payable in a convertible currency of the debtor, and primarily in government bonds, since they carry the lowest credit risk. The securities are denominated in USD and EUR.

Note 14 – Loans

a) Type of loan

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|--------------------------------------|----------------|------------------|
| Loans to domestic banks | | |
| – Lombard | – | 954,431 |
| – Repo | 393,985 | – |
| – Intervention | 63,228 | 65,417 |
| – Liquidity | 18,823 | 27,322 |
| Other loans | 830 | 840 |
| Gross loans and advances | 476,866 | 1,048,010 |
| Less: allowances for loan impairment | (82,732) | (93,416) |
| Total | 394,134 | 954,594 |

b) Movements in allowances for impairment of loans

in thousand HRK

| Item | 2004 | 2003 |
|-------------------------------|---------------|---------------|
| Balance at 1 January | 93,416 | 75,871 |
| New allowances made | 4 | 27,322 |
| Amounts collected | (10,688) | (9,777) |
| Balance at 31 December | 82,732 | 93,416 |

Total Lombard loans placed in 2004 amount to HRK 6,981,835 thousand. In late 2004, two repo loans were extended in the total amount of HRK 787,730 thousand.

The loan impairment allowance refers to previous loans approved to banks and savings banks in bankruptcy or liquidation.

At 31 December 2004, the aggregate amount of loans in arrears against which provisions were made was HRK 82,732 thousand (2003: HRK 93,416 thousand).

Note 15 – Placements with the International Monetary Fund

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|---|------------------|------------------|
| Membership quota | 3,196,128 | 3,319,550 |
| Special Drawing Rights (XDR) and deposits | 4,836 | 5,018 |
| Total | 3,200,964 | 3,324,568 |

Placements with the International Monetary Fund (IMF) include the membership quota of the Republic of Croatia with the IMF and Special Drawing Rights (XDR) which relate to the amounts with the IMF that are available for day-to-day operations of the Croatian National Bank. The International Monetary Fund pays

an interest rate on XDR funds, which stood at 2.22% on 31 December 2004 (2003: 1.57%).

Note 16 – Equity Investments

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|--|---------------|---------------|
| Membership in other international institutions | 25,031 | 25,993 |
| Domestic enterprises | 8,054 | 8,054 |
| Total | 33,085 | 34,047 |

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 Croatian National 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 equity investment in the CMI amounts to HRK 8,054 thousand.

Note 17 – Accrued Interest and Other Assets

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|-------------------------------------|----------------|----------------|
| Accrued interest | 59,732 | 59,260 |
| Prepaid expenses | 62,893 | 63,219 |
| Numismatics | 10,666 | 11,273 |
| Gold and other precious metals | 1,948 | 1,753 |
| Other assets | 77,329 | 73,574 |
| Total | 212,568 | 209,079 |
| Less: – allowances for interest | (26,213) | (26,598) |
| – allowances for receivables – FINA | (51,402) | (51,402) |
| Total | 134,953 | 131,079 |

| Item | 2004 | 2003 |
|--------------------------------|---------------|---------------|
| Movements in allowances | | |
| Balance at 1 January | 26,598 | 28,699 |
| New allowances made | – | – |
| Amounts collected | (385) | (2,028) |
| Write-offs | – | (73) |
| Balance at 31 December | 26,213 | 26,598 |

Most significant items among accrued interest comprise interest on foreign exchange deposits with foreign banks and outstanding interest due from banks and savings banks in bankruptcy or liquidation.

Prepaid expenses relate to costs of printing kuna banknotes and minting kuna and lipa coins.

Major items among other assets comprise receivables of the Croatian National Bank in respect of payment transactions until 31 March 2002 and plates on stock for minting kuna and lipa coins.

The activities related to entering the receivables for sold flats in the Croatian National Bank's accounts are in progress. Those amounts will be recorded following the reconciliation of data between commercial banks and PBZ - leasing d.o.o., Zagreb, the company entrusted by the Croatian National Bank with the sale and purchase of flats.

Note 18 – Tangible and Intangible Assets

in thousand HRK

| | Land and buildings | Computers | Furniture and equipment | Motor vehicles | Other assets | Investments in course of construction | Software and licenses | Total |
|------------------------------------|--------------------|---------------|-------------------------|----------------|--------------|---------------------------------------|-----------------------|----------------|
| Balance at 31 December 2003 | | | | | | | | |
| Cost or revaluation | 303,388 | 41,799 | 24,906 | 6,196 | 2,840 | 14,714 | 4,728 | 398,571 |
| Accumulated depreciation | (18,300) | (31,920) | (20,386) | (5,237) | – | – | (2,708) | (78,551) |
| Net book amount | 285,088 | 9,879 | 4,520 | 959 | 2,840 | 14,714 | 2,020 | 320,020 |
| Year ended 31 December 2004 | | | | | | | | |
| Opening net book amount | 285,088 | 9,879 | 4,520 | 959 | 2,840 | 14,714 | 2,020 | 320,020 |
| Additions | – | – | – | – | 204 | 59,975 | – | 60,179 |
| Assets brought into use | 3,417 | 16,355 | 7,476 | 1,528 | 327 | (30,390) | 1,288 | – |
| Revaluation | – | – | – | – | – | – | – | – |
| Net write-offs | (706) | (30) | (24) | – | (247) | – | – | (1,007) |
| Depreciation charge | (5,880) | (7,962) | (2,387) | (597) | – | – | (979) | (17,804) |
| Closing net book amount | 281,919 | 18,242 | 9,585 | 1,890 | 3,124 | 44,299 | 2,329 | 361,388 |
| Balance at 31 December 2004 | | | | | | | | |
| Cost or revaluation | 306,052 | 53,845 | 30,525 | 6,922 | 3,124 | 44,299 | 6,015 | 450,782 |
| Accumulated depreciation | (24,133) | (35,603) | (20,940) | (5,032) | – | – | (3,686) | (89,394) |
| Net book amount | 281,919 | 18,242 | 9,585 | 1,890 | 3,124 | 44,299 | 2,329 | 361,388 |

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 | 31/12/2004 | 31/12/2003 |
|----------------------------|------------|------------------|
| Foreign currency CNB bills | – | 4,920,178 |
| Kuna CNB bills | – | – |
| Total | – | 4,920,178 |

By issuing CNB bills, the Croatian National Bank affects the liquidity of the banking system. In April 2004, the Bank held two auctions of kuna CNB bills with a maturity of 35 days and a nominal value of HRK 106,000 thousand. The new monetary measures that entered into force during 2004 discontinued the issuance of foreign currency CNB bills.

Note 20 – Due to Banks and Other Financial Institutions

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|--|-------------------|-------------------|
| Kuna reserve requirements | 14,674,409 | 12,600,722 |
| Foreign currency reserve requirements | 10,755,318 | 6,680,221 |
| Other deposits of domestic banks | 6,409,404 | 5,667,711 |
| Foreign banks and other financial institutions | 18,071 | 2,796,266 |
| Court-mandated deposits | 5,255 | 4,906 |
| Mandatory kuna CNB bills | – | 109,422 |
| Total | 31,862,457 | 27,859,248 |

Reserve requirements of banks allocated in the accounts with the Croatian National Bank are accounted for as the Bank's liabilities to banks. Foreign currency reserve requirements rose significantly, partly due to a decision of the Croatian National Bank to increase the minimum percentage of the foreign currency component of reserve requirements that is allocated in special accounts with the Bank, and partly because of the marginal reserve requirement, a new monetary policy instrument introduced in August 2004.

There was a decrease in amounts due to foreign banks since all deposits received under repurchase arrangements matured in late 2004.

Allocated kuna reserve requirements rose compared to 2003 because of the increased minimum percentage to be allocated in the accounts with the Croatian National Bank and the increase in the portion of foreign currency reserves that is allocated in kuna. Other deposits of domestic banks refer to settlement accounts, cash and limit accounts in the National Clearing System.

Note 21 – Due to the State and State Institutions

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|--|----------------|------------------|
| Due to the State and State institutions | 248,923 | 556,650 |
| Foreign currency account balances of the Republic of Croatia | 35,197 | 950,271 |
| Total | 284,120 | 1,506,921 |

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.

The foreign currency account of the Ministry of Finance of the Republic of Croatia was opened in 2003 as a foreign currency transaction account used by the Croatian National Bank for foreign currency payment transactions on behalf of the Ministry of Finance.

Note 22 – Due to the International Monetary Fund

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|--------------------------------------|------------------|------------------|
| Bills of exchange denominated in HRK | 3,186,744 | 3,309,708 |
| Other IMF's accounts | 8,010 | 8,319 |
| Total | 3,194,754 | 3,318,027 |

The bills of exchange denominated in HRK relate to the membership of the Republic of Croatia in the International Monetary Fund.

Note 23 – Accrued Interest and Other Liabilities

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|---|----------------|---------------|
| Accrued interest | 29,166 | 25,937 |
| Due to employees | 4,886 | 4,475 |
| Taxes and contributions | 4,343 | 4,048 |
| Due to the Ministry of Finance | 6,356 | 6,624 |
| Amounts due to suppliers | 10,440 | 3,447 |
| Other liabilities | 288,230 | 51,037 |
| Amounts on clearing accounts: | | |
| Liabilities to the FINA | 20,156,435 | 20,156,435 |
| Banknotes and coins issued through the FINA | (9,086,206) | (9,086,206) |
| Assets with the FINA | (11,070,229) | (11,070,229) |
| Total | 343,421 | 95,568 |

Out of the total interest payable in kuna, the most significant item of HRK 19,580 thousand relates to remuneration on allocated kuna reserve requirements, which was calculated in December 2004 and was due in January 2005.

The most significant item among other liabilities in the amount of HRK 225,243 thousand, relates to foreign currency deposits under repo arrangements that were due at the end of 2004 and were recorded at the Federal Reserve Bank as at 3 January 2005.

Other liabilities include long-term provisions for risks and charges, out of which HRK 12,747 thousand refers to litigation provisions (2003: HRK 2,447 thousand) and HRK 11,317 thousand refers to provisions for employee benefits (2003: HRK 9,505 thousand).

Note 24 – Capital and Reserves

The equity of the Croatian National Bank consists of the capital and reserves. The capital in the amount of HRK 2,500,000 thousand is held by the Republic of Croatia. The capital is non-transferable and cannot be encumbered by any guarantees.

The HRK 56,489 thousand increase in the Bank's reserves resulted from the allocation of operating surplus from the income statement to general reserves. Namely, net gains arising from the adjustment of balance sheet items to changes in market prices dictate the allocation of the entire surplus to general reserves (as provided in Article 53 of the Croatian National Bank Act). At 31 December 2003, the Bank's reserves amounted to HRK 2,407,039 thousand. After the allocation of operating surplus for 2004, they increased to HRK 2,463,528 thousand at 31 December 2004.

Revaluation reserves relate to revaluation gains on buildings.

Note 25 – Contingencies and Commitments, and Treasury Inventory System

Legal claims: As at 31 December 2004, there were several pending litigations. In the opinion of the management and internal legal advisors of the Croatian National Bank, there is a possibility that the Bank will lose certain cases, and, consequently, provisions for potential losses on such cases were made by the Bank (see Note 23).

Commitments for capital investments and investment maintenance: As at 31 December 2004, the Croatian National Bank had commitments for capital investments and investment maintenance in the amount of HRK 13,219 thousand (2003: nil).

Treasury inventory system:

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|------------------------------------|-------------------|-------------------|
| Non-issued banknotes and coins | 86,339,863 | 84,540,444 |
| Stamp duties and bills of exchange | 297,619 | 166,518 |
| Total | 86,637,482 | 84,706,962 |

Note 26 – Cash and Cash Equivalents

The cash flow statement provides data on cash inflows and outflows in the reporting period, classified into operating, investing and financing activities. The cash flow statement is prepared using the direct method.

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|--|---------------|---------------|
| Cash on hand | 5,529 | 5,443 |
| Current accounts with foreign banks | 1,534 | 1,501 |
| Special Drawing Rights (XDR) and deposits with the IMF | 4,837 | 5,018 |
| Total | 11,900 | 11,962 |

Note 27 – Appropriations

in thousand HRK

| Item | 31/12/2004 | 31/12/2003 |
|---|------------|------------|
| Surplus of income over expenditures | 56,489 | – |
| Shortfall between income and expenditures | – | (342,503) |
| Transfer of surplus to general reserves | (56,489) | – |
| Coverage of shortfall from general reserves | – | 342,503 |
| Transfer of surplus to the State Budget | – | – |

Note 28 – Related Party Transactions

Under International Financial Reporting 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 Croatian National Bank maintains active trading positions in financial instruments that are appropriate for central banks. Attention is paid to the monitoring of credit, foreign exchange and interest rate risks, 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. Therefore, the risk that counterparties might default on their obligations is monitored on an ongoing basis.

The Croatian National Bank deals only with counterparties of the highest credit standing. Deals with an individual counterparty or country are subject to limits, and a portion of deals is subject to collateral (reverse repo).

Geographical concentration of assets and liabilities:

in thousand HRK

| | Total assets | Total liabilities |
|------------------------------------|-------------------|-------------------|
| Balance at 31 December 2004 | | |
| Croatia | 886,007 | 45,310,397 |
| OECD countries | 46,535,907 | 6,183 |
| USA | 6,052,979 | 3,194,817 |
| Other countries | 32 | – |
| Total | 53,474,925 | 48,511,397 |

in thousand HRK

| | Total assets | Total liabilities |
|------------------------------------|-------------------|-------------------|
| Balance at 31 December 2003 | | |
| Croatia | 4,750,529 | 43,859,644 |
| OECD countries | 47,342,899 | 2,778,518 |
| USA | 2,769,819 | 3,318,089 |
| Other countries | 43 | – |
| Total | 54,863,290 | 49,956,251 |

Note 31 – Foreign Exchange Risk

The majority of the Bank's assets is held in foreign currencies (international reserves). Therefore, the Bank's exposure to foreign exchange risk is large. As a result, there are high fluctuations in the income statement, primarily because of the effects of exchange rate differences on the financial result of the Bank for the year.

The analysis of significant items of assets and liabilities denominated in foreign currencies is provided below:

in thousand HRK

| | EUR | USD | XDR | Other foreign currencies | HRK | Total |
|---|-------------------|-------------------|------------------|--------------------------|----------------|-------------------|
| Balance at 31 December 2004 | | | | | | |
| Assets | | | | | | |
| Cash and current accounts with other banks | 4,275 | 2,029 | – | 741 | 18 | 7,063 |
| Due from other banks | 16,934,257 | 7,371,138 | – | – | 14,282 | 24,319,677 |
| Trading securities | 20,061,997 | 4,961,664 | – | – | – | 25,023,661 |
| Loans | – | – | – | – | 394,134 | 394,134 |
| Placements with the IMF | – | – | 3,200,964 | – | – | 3,200,964 |
| Equity investments | 81 | – | 24,950 | – | 8,054 | 33,085 |
| Accrued interest and other assets | 23,465 | 8,868 | 1 | – | 102,619 | 134,953 |
| Tangible and intangible assets | – | – | – | – | 361,388 | 361,388 |
| Total assets | 37,024,075 | 12,343,699 | 3,225,915 | 741 | 880,495 | 53,474,925 |
| Liabilities | | | | | | |
| Banknotes and coins in circulation | – | – | – | – | 12,826,645 | 12,826,645 |
| CNB bills | – | – | – | – | – | – |
| Due to banks and other financial institutions | 6,260,118 | 4,495,200 | – | – | 21,107,139 | 31,862,457 |
| Due to the State and State institutions | 35,093 | 30 | – | 74 | 248,923 | 284,120 |

| | | | | | | |
|--|-------------------|------------------|------------------|--------------|---------------------|-------------------|
| Due to the IMF | – | – | 3,194,754 | – | – | 3,194,754 |
| Accrued interest and other liabilities | 10,720 | 4,174 | – | 772 | 327,755 | 343,421 |
| Total liabilities | 6,305,931 | 4,499,404 | 3,194,754 | 846 | 34,510,462 | 48,511,397 |
| Net balance sheet position | 30,718,144 | 7,844,295 | 31,161 | (105) | (33,629,967) | 4,963,528 |
| Balance at 31 December 2003 | | | | | | |
| Total assets | 35,295,496 | 14,817,256 | 3,350,480 | 485 | 1,399,572 | 54,863,290 |
| Total liabilities | 8,641,010 | 6,704,378 | 3,318,027 | 53 | 31,292,783 | 49,956,251 |
| Net balance sheet position | 26,654,486 | 8,112,878 | 32,453 | 432 | (29,893,211) | 4,907,039 |

Note 32 – Interest Rate Risk

The Bank is exposed to the effects of market interest rates fluctuations on its financial position and cash flows. 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 to 3 months | 3 to 12 months | 1 to 5 years | Non-interest bearing | Total |
|---|-------------------|------------------|----------------|--------------|----------------------|-------------------|
| Balance at 31 December 2004 | | | | | | |
| Assets | | | | | | |
| Cash and current accounts with other banks | – | – | – | – | 7,063 | 7,063 |
| Due from other banks | 19,474,140 | 4,831,255 | – | – | 14,282 | 24,319,677 |
| Trading securities | 25,023,661 | – | – | – | – | 25,023,661 |
| Loans | 394,134 | – | – | – | – | 394,134 |
| Placements with the IMF | 292 | – | – | – | 3,200,672 | 3,200,964 |
| Equity investments | – | – | – | – | 33,085 | 33,085 |
| Accrued interest and other assets | – | – | – | – | 134,953 | 134,953 |
| Tangible and intangible assets | – | – | – | – | 361,388 | 361,388 |
| Total assets | 44,892,227 | 4,831,255 | – | – | 3,751,443 | 53,474,925 |
| Liabilities | | | | | | |
| Banknotes and coins in circulation | – | – | – | – | 12,826,645 | 12,826,645 |
| CNB bills | – | – | – | – | – | – |
| Due to banks and other financial institutions | 25,429,727 | – | – | – | 6,432,730 | 31,862,457 |
| Due to the State and State institutions | 1,127 | – | – | – | 282,993 | 284,120 |
| Due to the IMF | – | – | – | – | 3,194,754 | 3,194,754 |
| Accrued interest and other liabilities | – | – | – | – | 343,421 | 343,421 |
| Total liabilities | 25,430,854 | – | – | – | 23,080,543 | 48,511,397 |
| Net balance sheet position | 19,461,373 | 4,831,255 | – | – | (19,329,100) | 4,963,528 |
| Balance at 31 December 2003 | | | | | | |
| Total assets | 44,943,236 | 6,089,803 | – | – | 3,830,251 | 54,863,290 |
| Total liabilities | 25,110,834 | 2,200,591 | – | – | 22,644,826 | 49,956,251 |
| Net balance sheet position | 19,832,402 | 3,889,212 | – | – | (18,814,575) | 4,907,039 |

The table below summarizes the effective interest rate by major currencies for monetary financial instruments at 31 December 2004:

In %

| Balance at 31 December 2004 | EUR | USD | XDR | HRK |
|-----------------------------------|------|------|------|------|
| Assets | | | | |
| Current accounts with other banks | 1.00 | 1.79 | | |
| Special Drawing Rights (XDR) | | | 2.22 | |
| Due from other banks | 2.02 | 2.33 | | |
| Trading securities | 2.28 | 2.8 | | |
| Loans | | | | 9.50 |
| Liabilities | | | | |
| CNB bills | | | | 2.51 |
| Due to domestic banks | 1.5 | 1.69 | | 1.25 |
| Due to the IMF | | | | |
| Due to foreign banks | | | | |

In %

| Balance at 31 December 2003 | EUR | USD | XDR | HRK |
|-----------------------------------|-------|-------|------|------|
| Assets | | | | |
| Current accounts with other banks | 1.00 | 0.94 | | |
| Special Drawing Rights (XDR) | | | 1.57 | |
| Due from other banks | 2.053 | 0.998 | | |
| Trading securities | 2.294 | 1.358 | | |
| Loans | | | | 9.5 |
| Liabilities | | | | |
| CNB bills | 1.980 | 1.001 | | 2.55 |
| Due to domestic banks | 1.975 | 0.995 | | 1.25 |
| Due to the IMF | | | | |
| Due to foreign banks | 1.98 | 0.80 | | |

Note 33 – Liquidity Risk

Liquidity risk arises in the general funding of the activities of the Croatian National Bank 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 Croatian National Bank holds a portfolio of liquid assets as a part of its liquidity risk management strategy. The following table provides an analysis of the financial assets and liabilities of the Croatian National Bank into relevant maturity groupings based on the remaining period to repayment.

in thousand HRK

| | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
|---|-------------------|------------------|----------------|---------------|---------------------|-------------------|
| Balance at 31 December 2004 | | | | | | |
| Assets | | | | | | |
| Cash and current accounts with other banks | 7,063 | – | – | – | – | 7,063 |
| Due from other banks | 19,474,140 | 4,831,255 | – | – | 14,282 | 24,319,677 |
| Trading securities | 25,023,661 | – | – | – | – | 25,023,661 |
| Loans | 393,985 | – | – | – | 149 | 394,134 |
| Placements with the IMF | 292 | – | – | – | 3,200,672 | 3,200,964 |
| Equity investments | – | – | – | – | 33,085 | 33,085 |
| Accrued interest and other assets | 27,745 | 6,610 | 10,815 | 87,813 | 1,970 | 134,953 |
| Tangible and intangible assets | – | – | – | – | 361,388 | 361,388 |
| Total assets | 44,926,886 | 4,837,865 | 10,815 | 87,813 | 3,611,546 | 53,474,925 |
| Liabilities | | | | | | |
| Banknotes and coins in circulation | – | – | – | – | 12,826,645 | 12,826,645 |
| CNB bills | – | – | – | – | – | – |
| Due to banks and other financial institutions | 31,844,386 | – | – | – | 18,071 | 31,862,457 |
| Due to the State and State institutions | 284,120 | – | – | – | – | 284,120 |
| Due to the IMF | – | – | – | – | 3,194,754 | 3,194,754 |
| Accrued interest and other liabilities | 274,078 | – | 7,152 | 62,191 | – | 343,421 |
| Total liabilities | 32,402,584 | – | 7,152 | 62,191 | 16,039,470 | 48,511,397 |
| Net liquidity gap | 12,524,302 | 4,837,865 | 3,663 | 25,622 | (12,427,924) | 4,963,528 |
| Balance at 31 December 2003 | | | | | | |
| Total assets | 44,976,930 | 6,095,556 | – | – | 3,790,804 | 54,863,290 |
| Total liabilities | 32,111,670 | 2,203,038 | 41,321 | – | 15,600,222 | 49,956,251 |
| Net liquidity gap | 12,865,260 | 3,892,518 | (41,321) | – | (11,809,418) | 4,907,039 |