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CROATIAN NATIONAL BANK

BANKS BULLETIN

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1 Performance indicators of credit institutions

Summary

In 2013, banks continued to operate in a challenging economic environment, which limited their business operations and adversely affected their performance. Lending to the private sector was still weak, as a result of the increased bank cautiousness, but also of the suppressed demand of the private sector, especially of households. Difficulties in the collection of claims continued to grow and expenses on loss provisions in loan portfolios increased sharply and burdened performance. These expenses grew mostly due to the changes in the rules governing the classification of placements and the preparation of foreign parent banks for practising the asset quality review of European banks. Despite the noticeable fall in profit, the capital base was still strong and of good quality, and it guaranteed a good resilience to shocks, as well as a good preparedness of the domestic banking system for the application of new regulatory rules from 2014 (CRR/CRD IV).

Effects of the mentioned regulatory changes and supervisory activities were reflected at the end of 2013 in a noticeable growth in expenses on loss provisions and an increase in the coverage of partly recoverable and fully irrecoverable loans (B and C category loans) by value adjustments. The changes were primarily aimed at identifying the increased risks related to long periods and uncertainty regarding the collection, due to which banks were averse to initiating collection from collateral and increased their efforts in placement restructuring. The new rules are aimed at stimulating a more active assessment of collateral value (by introducing minimum impairment factors of the market price of collection instruments and a minimum collection period) and the gradual increase in value adjustments, depending on the time that has passed since a debtor's delinquency in repayment.

Bank assets decreased modestly for the second consecutive year, with a slight fall being observed in the share of loans granted, while liquidity reserves were maintained on a high level. The decline in assets in 2013 was the result of several factors, from the exit of one bank from the system and sale of non-performing claims to regulatory and methodological changes. If all the mentioned extraordinary effects were excluded, a slight increase in bank assets would be seen, of around 0.8%. Modest changes were partly the result of deleveraging and the decrease in assets of several leading banks. As of the end of 2012, one bank transferred a considerable amount of B and C category loans to a special purpose vehicle owned by the foreign parent bank. This foreign parent bank financed the transaction with deposits withdrawn from the bank. Other developments in sources of financing were similar to those in 2012, but at a lower intensity. Sources from majority foreign owners continued to fall and they were replaced by domestic sources, mostly household and corporate deposits. While the growth of household deposits continued to decelerate, corporate deposits increased considerably. The increase was particularly pronounced in transaction account deposits of corporates, which can be attributed to the introduction of fiscal cash registers and the strengthening of other fiscal measures. Changes in the structure of sources led to an increase in the existing mismatch of long-term assets and liabilities, i.e. there was a decline in the level of long-term sources, which is traditionally maintained with sources from majority foreign owners. Concurrently, the surplus liquidity reported

by banks in the calculation of the liquidity coefficient (for periods up to one week and one month) under stress scenarios remained considerably higher than the minimum prescribed. A good level of liquidity was supported by monetary measures; the CNB, by making changes in the reserve requirements system at the end of the year, launched a new model aimed at stimulating lending to the economy (the Programme for the Development of the Economy was completed at the end of 2013).

Following a mild decrease in 2012, bank loans granted increased slightly in 2013 (1.0% or 0.3% with the exchange rate effects excluded). If we exclude the effects of the mentioned extraordinary changes and exchange rate developments, the growth rate would stand at 1.8%. As in the last few years, credit growth was primarily directed to larger and more stable clients, especially those from the public sector. Loans to government units and public enterprises increased significantly, with the total credit risk exposure of the public sector reaching 18.0% of total placements and off-balance sheet liabilities of banks. Banks distributed considerably higher investments in MoF T-bills in the portfolio of financial assets available for sale (not classified into risk categories in accordance with the rules on the classification of placements). Developments in the fair value of this portfolio, in which almost two thirds of total securities investments are distributed, consisting mainly of securities of domestic government units (almost 60%), led to a much higher amount of unrealised gains in banks and softened unfavourable developments in the remaining capital items. Households continued to deleverage to banks for the fifth consecutive year and a mild growth within this segment was seen only in cash and general-purpose loans. This was a continuation of the trend of slight changes in the structure of loans to that sector and the strengthening of the share of loans used for servicing various other liabilities to creditors. Loans for investments continued to trend downward in the corporate sector, while a significant increase was observed only in the share of syndicated loans, particularly due to the growth in the public enterprises subsector. Reverse repo loans, loans for payments made based on guarantees and factoring loans grew in a much lower amount, but at considerable rates, thus continuing developments from previous years.

The quality of bank loans continued to deteriorate slightly faster, which was the result of the years-long adverse economic developments, which have reduced the possibility of collecting bank loans. The share of B and C risk category loans rose from 13.9% at the end of 2012 to 15.7% at the end of 2013. The growth was mitigated by the aforementioned extraordinary impacts, excluding which the growth would stand at 16.2%. The largest contribution to the fall in the quality of total loans came from corporate loans, in which the share of B and C category loans reached 28.3%. Construction and manufacturing stood out by the amount and growth rate of loans of the mentioned categories. The increase in the coverage of B and C category loans in the construction activity and in other portfolios that are well-collateralised by real estate property (such as real estate activities and home financing), led to an increase in the coverage of total B and C category loans. It stood at 46.2% at the end of 2013, as compared to 42.6% at the end of 2012. In addition to the tightened rules on the classification and additional requirements of foreign parent banks, the level of coverage was also affected by the ageing of the non-performing portfolio, present since 2011, and the exposure migration to riskier categories. The accelerated ageing of the portfolio in the household sector increased further the level of B and C category loans, especially in home loans in Swiss francs. However, the quality of the portfolio placed to households was still much better than the average and the share of B and C category loans stood at 11.1%.

The growth in expenses on loss provisions sharply reduced banks' business performance. The profit (before taxes) decreased by almost 70% and ROAA and ROAE fell to their lowest level since 1998.

They stood at 0.2% (ROAA) and 0.9% (ROAE) and almost half of banks reported losses. However, if we exclude the risk cost effect, operating profitability was still very good, even if lower than in the previous year. The weakening of net operating income (before loss provisions) was the result of the fall in banks' interest income. It was primarily due to the growth in non-performing loans (B and C risk category loans) and low risk appetite, which led to a weakening in lending activity and an increased level of low-risk and less generous loans (such as loans to the public sector and loans based on various kinds of incentives). The fall in interest income was also affected by the fall in interest rates, which was partly associated with developments in benchmark interest rates (EURIBOR, etc.). The decline in interest income was partly offset by banks' savings on expenses, primarily by deleveraging on the foreign and domestic financial market and reducing general operating expenses still further. Strong control of expenses and widening of the interest rate spread in the first years of the crisis successfully offset the growth in expenses on loss provisions. However, the absence of any stronger credit growth and narrowing of the interest rate spread increased the risk of further weakening of earnings and reduced the capacity for internal capital strengthening.

For the third consecutive year, slow business activities and a propensity for less risky operations led to an increase in banks' capital adequacy ratio, which stood at 21.1% at the end of 2013, much above the legally prescribed minimum of 12%. Own funds mostly consisted of highest-quality components, so the adequacy ratio of original own funds was also high (20.1%). However, original own funds declined in 2013, due to the rise in operating losses and the increased amount of dividends paid out. In 2013, shareholders were paid HRK 2.3bn worth of dividends or around 86% of the profit amount from 2012, and due to the burden created by losses, three banks reported a capital adequacy ratio below 12% at the end of 2013. A decline in riskiness of placements was reflected in a further decrease in average weight for credit risk, to 54%. The value of this weight was mostly determined by a high share of the central government and central bank category, whose average credit risk weight was low and whose share rose to 30.9% of the total exposure. The bulk of this exposure (around one fifth) was accounted for by the inflows created by the use of credit risk mitigation techniques, and mostly involved public sector entities whose claims were covered by guarantees of the domestic central government. It should be noted that the new capital regime will tighten the rules for risk-weighting of exposure to central governments whose credit rating is low, but with gradual and long adjustment periods.

The capital that was not used for the coverage of the first pillar risk of the capital adequacy framework was available to banks for the coverage of the second pillar risk, especially of currency-induced credit risk (CICR). Around two thirds of banks' assets and liabilities are in foreign currencies or in kuna indexed to a foreign currency, so direct exposure to currency risk is low, but indirect exposure (exposure to CICR) is high. At the end of 2013, almost three quarters of total bank loans (net) were exposed to CICR and almost 90% of that amount was unhedged against this risk, i.e. made to clients with an unmatched currency positions. The materialisation of this risk was seen in a considerably lower quality of home loans indexed to the Swiss franc, as compared to those indexed to the euro. The share of B and C category loans in home loans indexed to the Swiss franc and those indexed to the euro stood at 12.4% and 4.9%, respectively. As of January 2014, changes in regulations on consumer lending introduced restrictions on the level of interest rates on home loans indexed to the Swiss franc. Earlier changes in the mentioned regulations introduced the obligation of banks to determine the parameters of interest rate variability and replaced items agreed at administered interest rates (determined by decisions of bank management) with items agreed at variable interest rates (linked to EURIBOR and similar parameters), thus shortening the maturity of interest rate variability, which reduced the already low change in the economic value of the non-trading book and interest rate risk exposure in the non-trading book.

The exposure to interest rate risk was considerably larger in housing savings banks than in banks, due to the dominance of home loans with fixed interest rates and the lack of sources of financing with long-term period for the change of interest rate. In 2013, home loans increased significantly (11.4%), which led to a slight growth in total assets of housing savings banks, by 1.5%. Their share in total assets of all credit institutions thus went up, but it was still low (1.9%). The growth in home loans led to an increase in interest income, but losses on trading with securities of the Republic of Croatia had the key influence on developments in income statements. Housing savings banks' profit halved, and ROAA and ROAE decreased to 0.6% and 5.1% respectively. The growth in loans granted resulted in an increase in the capital requirement and reduced the capital adequacy ratio, which was still high (20.5%).

1.1 Introduction

The number of credit institutions in the Republic of Croatia decreased by one from 2012. As a result, there were 35 credit institutions or 29 banks, one savings bank and five housing savings banks operating in the country at the end of 2013.[1] Their assets stood at HRK 405.4bn; the dominant share, 98.1% of total assets of credit institutions, was still accounted for by banks (including the savings bank). Housing savings banks accounted for the remaining 1.9% of total assets.

1.2 Banks

1.2.1 Structural features

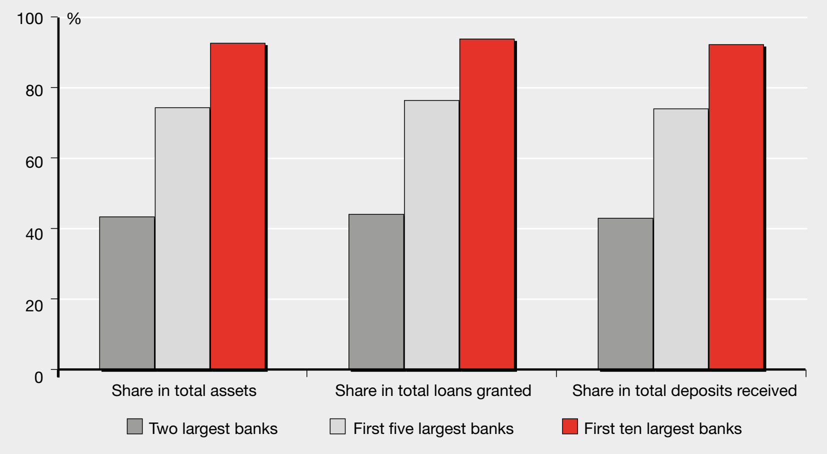
Number of banks and concentrations

A slight downward trend in the number of banks was continued for the fourth consecutive year. In September 2013, bankruptcy proceedings were opened against Centar banka d.d., so the number of banks (including the savings bank) fell to 30.[2]

Although the number of small banks has been on a continuous decline, their still relatively large number maintained moderate values of the Herfindahl-Hirschman index (HHI). HHI for assets stood at 1440 at the end of 2013, which was only 0.9% higher than at the end of 2012. HHI for loans granted (net) increased somewhat more strongly, by 1.3% to 1468, while HHI for deposits declined slightly

1 There have been no foreign bank branches operating in the Republic of Croatia since 2002.
2 See Attachment I, List of credit institutions.

FIGURE 1.1 Shares of assets, loans and deposits of the largest banks in total assets, loans and deposits, as at 31 December 2013

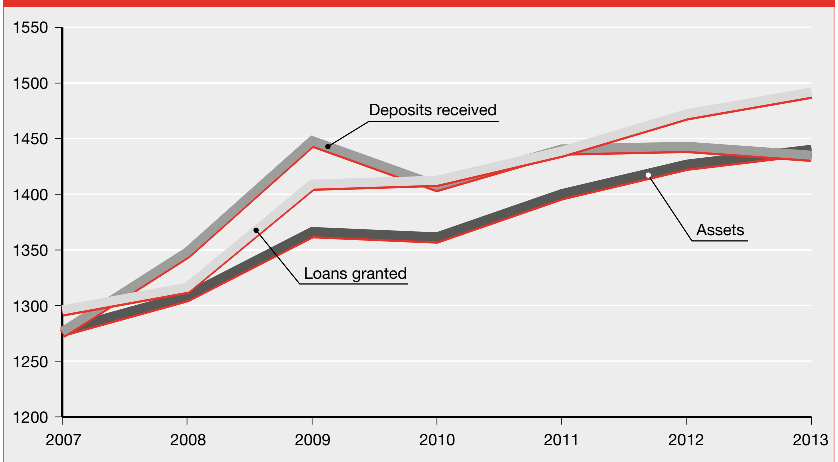


(to 1435) and was the lowest of the observed three values (Figure 1.2). The decline in HHI for deposits was the result of deleveraging and a decrease in the assets of several leading banks, which led to a mild fall in the share in total assets of the first five banks. Nevertheless, this share maintained a very high value and stood at 74.4% at the end of 2013. The shares of the remaining observed groups, the two largest and then the ten largest banks, in terms of the amount of assets, also indicated a significant concentration in the banking system (Figure 1.1).

Ownership structure

Due to the bankruptcy of one bank in domestic private ownership, the total number of banks in domestic ownership was reduced by one, to 14 (Table 1.1). The remaining 16 banks were majority owned by foreign shareholders and their share in the total assets of all banks was dominant. It stood at almost 90%, a slight decrease from the end of 2012. Assets of banks in foreign ownership fell by 1.0%, while assets of banks in domestic ownership went up considerably by 3.6%. Assets of banks

FIGURE 1.2 Herfindahl-Hirschman Index (HHI), all banks



in domestic state ownership increased by as much as 10.3%, whereas the fall in assets of banks in domestic private ownership stood at 2.5%. This fall was due exclusively to the mentioned exit of one bank from the system. Excluding this effect, assets of this group of banks rose by 5.5%.

TABLE 1.1 Ownership structure of banks and their share in total bank assets, end of period

	Dec. 2011		Dec. 2012		Dec. 2013	
	Number of banks	Share	Number of banks	Share	Number of banks	Share
Domestic ownership	15	9.4	15	9.9	14	10.3
Domestic private ownership	13	4.8	13	5.2	12	5.1
Domestic state ownership	2	4.5	2	4.8	2	5.3
Foreign ownership	17	90.6	16	90.1	16	89.7
Total	32	100.0	31	100.0	30	100.0

Among the banks in majority foreign ownership, the largest number of banks, six of them, were controlled by Austrian shareholders and the assets of these banks accounted for 60.5% of total assets of all banks. The next four banks were in Italian ownership and their total market share was 18.3%. Shareholders from France, Hungary, San Marino, Serbia, Switzerland and Turkey each had one bank in their ownership, with a total share in the assets of all banks of 10.9%.

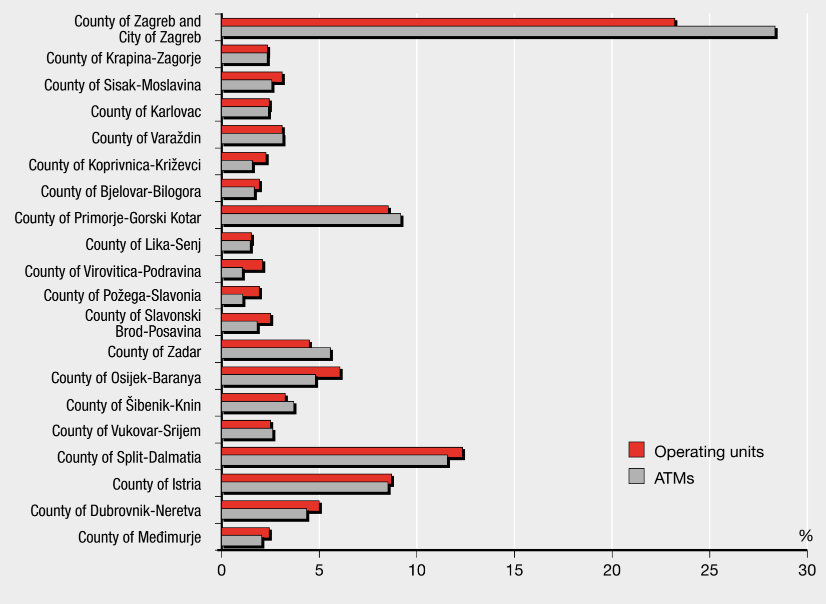
Business network

Banks continued to reduce the number of employees and operating units in 2013, in an effort to reduce general operating expenses and to offset the negative developments in their income statements. The result of this policy was reflected in the reduction of general administrative expenses, a part of which also involves expenses on employees and business infrastructure.

TABLE 1.2 Territorial distribution of operating units and ATMs by counties, end of period

	Dec. 2011		Dec. 2012		Dec. 2013	
County	Operating units	ATMs	Operating units	ATMs	Operating units	ATMs
County of Zagreb and City of Zagreb	301	1,136	297	1,158	282	1,163
County of Krapina-Zagorje	30	93	29	97	29	97
County of Sisak-Moslavina	37	111	35	109	38	107
County of Karlovac	29	89	30	93	30	100
County of Varaždin	44	133	41	132	38	130
County of Koprivnica-Križevci	33	69	33	68	28	66
County of Bjelovar-Bilogora	27	72	25	70	24	70
County of Primorje-Gorski Kotar	110	364	108	374	104	378
County of Lika-Senj	18	56	18	56	19	62
County of Virovitica Podravina	27	41	27	44	26	45
County of Požega-Slavonia	25	50	25	51	24	46
County of Slavonski Brod-Posavina	30	71	31	76	31	76
County of Zadar	58	218	58	227	55	230
County of Osijek-Baranya	85	200	78	202	74	199
County of Šibenik-Knin	42	140	43	144	40	153
County of Vukovar-Srijem	30	107	30	112	31	109
County of Split-Dalmatia	143	450	149	466	150	475
County of Istria	110	324	108	343	106	351
County of Dubrovnik-Neretva	60	169	59	175	61	180
County of Međimurje	27	82	30	86	30	86
Total	1,266	3,975	1,254	4,083	1,220	4,123

FIGURE 1.3 Concentration of bank operating units and ATMs by counties, as at 31 December 2013



At the end of 2013, banks had 20,982 employees, 657 fewer than at the end of 2012 (a decline of 3.0%). The fall in total number of employees was the result of developments in most of the banks, while a smaller number of banks, some of which recorded a stronger growth in the previous year, increased the number of employees. In the observed one-year period, total assets of banks also decreased, but due to a stronger reduction in the number of employees, the average amount of assets managed by one employee increased to almost HRK 19.0m. That amount varied across the banks; it was usually lower in banks with smaller market shares and higher in banks with larger market shares and greater business complexity. At the end of 2013, only in a few banks was the amount of assets per employee higher than the average for all banks.

At the end of 2013, banks had 1220 operating units in the Republic of Croatia, which is a decrease of 34 or 2.7% from the end of 2012. The number of operating units decreased for the fourth consecutive year and the decrease had accelerated in the previous year. Certain banks that have a larger network of operating units distributed in almost all counties in the Republic of Croatia had a particular effect on this change. The business network of each bank at the end of 2013 consisted of 41 operating units on average, while only three banks had only one operating unit. Through their operating units, four banks operated in all counties of the Republic of Croatia.

The number of bank operating units decreased in eleven counties and increased in five. The largest decline was recorded in the County of Zagreb and the City of Zagreb, by 15 operating units. Observed together, the concentration of operating units decreased in these counties, to 23.1% of the total number of operating units. Nevertheless, the mentioned two counties still had the largest share in the total number of operating units and all 30 banks still operated in their area. The next largest decrease (by 5 operating units) was recorded in the County of Koprivnica-Križevci, so they accounted for only 2.3% of the total number of operating units. Apart from in the County of Zagreb and City of Zagreb, the only considerable share in the number of operating units was seen in the County of Split-Dalmatia (12.3%).

Due to the decrease in the number of operating units, the average number of persons to one operating unit in the Republic of Croatia increased somewhat, to 3517[3]. As usual, coastal region counties, where banks have almost half of the total number of operating units, boasted a better average.

In contrast with the fall in the number of operating units, the number of ATMs[4] continued to rise, standing at 4123 by the end of 2013. This was an increase in the total number of ATMs of over 40 (1.0%) from the end of 2012. Four banks had no ATMs.

1.2.2 Bank balance sheet and off-balance sheet items

Assets

Total assets of banks stood at HRK 397.9bn at the end of 2013. This is a decrease of HRK 2.1bn or 0.5% (Table 1.3) from the end of 2012, or 1.1% if we exclude the effect of exchange rate changes of the kuna against the three most represented currencies.

In addition to the absence of stronger growth in credit, the decrease in bank assets for the second consecutive year (Figure 1.4) can primarily be attributed to one-off effects of regulatory and methodological changes in the last quarter of 2013 and changes at the level of two individual banks. The intensity of these changes, estimated to around HRK 5.3bn, exceeded mild positive developments in banks' balance sheets from mid-year. Changes in regulatory provisions regarding the credit risk assessment[5] resulted in a growth of value adjustments of loans and a consequent decrease in their net amount by around HRK 1.4bn. Methodological changes in the reporting of collected deferred interest income[6] led to a reduction of loan principal by fees collected of around HRK 1.3bn. The third impact related to the sale of claims in one bank, in the net amount of HRK 1.0bn[7]. The strongest individual impact on total assets of banks came from the exit of one bank from the system[8], which ended 2012 with assets of HRK 1.6bn. Excluding these impacts, bank assets slightly increased by around 0.8% in 2013.

Developments in total assets of banks were still determined mostly by developments in net loans, which are dominant in their structure with a share of 66.3%. At the end of 2013, these loans fell nominally by HRK 4.1bn or 1.5% from the end of 2012, which largely reflects the aforementioned changes. The negative impact of changes on net loans was even stronger than on total assets, and it stood at around HRK 7.1bn. This was due to another methodological change in the reporting of

3 The source of data on the population of the Republic of Croatia is the CBS.
4 Including ATMs provided by other companies, available for use by certain banks' clients.
5 Decision on amendments to the Decision on the classification of placements and off-balance sheet liabilities of credit institutions (OG 89/2013).
6 Changes in the methodology of reporting which align requirements for the presentation of financial instrument positions of the CNB's reporting system with the approach used in the International Financial Reporting Standards. Pre-collected interest income is no longer reported in liabilities as deferred interest income, but as credit exposure impairments.
7 This is a continuation of the project at the level of the whole foreign parent group, aimed at reducing partly recoverable and irrecoverable placements in total placements. Partly recoverable claims of a net book value of HRK 0.1bn (HRK 1.6bn in gross amount) were sold to the company indirectly owned by the foreign parent bank. The foreign parent bank financed the purchase of the loan with deposits withdrawn from the bank and a loan granted to the company.
8 Centar banka d.d. has been undergoing bankruptcy proceedings since 30 September 2013.

positions[9], which had no impact on the amount of total assets but affected the decrease in net loans by an additional HRK 2.8bn. Excluding the mentioned impacts, net loans recorded a growth of 1.1%. This small annual growth was mostly reflected in an increase in loans to government units and slightly in loans to corporates and non-residents, while other sectors deleveraged. Weak lending activity of banks was due to a reduced demand for loans and banks' aversion to new risks. This aversion was spurred by further deterioration in the quality of loans, which was brought about not only by the regulatory changes, but also by ageing of the portfolio, difficulties in the collection of loans and the efforts of banks (and their parent banks) to increase the coverage of their loans in accordance with the announced asset quality review[10]. Banks allocated HRK 6.2bn of additional value adjustments to cover the losses in 2013, thus reducing net loans and balance sheets.

In an effort to encourage lending on the part of the banks, the CNB reduced the reserve requirement rate from 13.5% to 12%[11] at the end of the year. In mid-December 2013, banks purchased compulsory CNB bills up to the amount of kuna funds released (around HRK 3.9bn)[12]. The cut in the reserve requirement rate and the previous cut in the remuneration rate on overnight deposits[13] with the central bank influenced the changes in other, more liquid forms of investments in the structure of bank assets. Deposits with financial institutions thus fell by HRK 2.4bn or 10.0% from the end of 2012, and changes could be noticed in all components within the structure of deposits with the CNB.

TABLE 1.3 Structure of bank assets, end of period, in million HRK and %

	Dec. 2011		Dec. 2012			Dec. 2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	53,054.6	13.0	51,169.4	12.8	–3.6	51,284.0	12.9	0.2
Money assets	6,194.1	1.5	6,438.9	1.6	4.0	6,369.7	1.6	–1.1
Deposits with the CNB	46,860.5	11.5	44,730.5	11.2	–4.5	44,914.3	11.3	0.4
Deposits with financial institutions	26,957.1	6.6	23,847.3	6.0	–11.5	21,464.2	5.4	–10.0
MoF treasury bills and CNB bills	11,580.0	2.8	10,701.6	2.7	–7.6	13,634.0	3.4	27.4
Securities	24,869.6	6.1	32,095.1	8.0	29.1	30,033.7	7.5	–6.4
Derivative financial assets	673.9	0.2	910.6	0.2	35.1	1,583.6	0.4	73.9
Loans[a]	276,727.5	68.0	267,965.1	67.0	–3.2	263,822.4	66.3	–1.5
Loans to financial institutions	7,140.1	1.8	10,130.1	2.5	41.9	8,912.2	2.2	–12.0
Loans to other clients	269,587.4	66.2	257,835.1	64.5	–4.4	254,910.2	64.1	–1.1
Investments in subsidiaries, associates and joint ventures	3,288.7	0.8	3,120.0	0.8	–5.1	3,185.7	0.8	2.1
Foreclosed and repossessed assets	868.4	0.2	1,268.5	0.3	46.1	1,541.2	0.4	21.5
Tangible assets (net of depreciation)	4,365.1	1.1	4,320.1	1.1	–1.0	4,253.5	1.1	–1.5
Interest, fees and other assets	7,650.6	1.9	7,411.0	1.9	–3.1	7,061.5	1.8	–4.7
Net of: Collectively assessed impairment provisions[b]	3,070.6	0.8	2,888.9	0.7	–5.9	–	–	–
TOTAL ASSETS	406,965.0	100.0	399,919.8	100.0	–1.7	397,863.7	100.0	–0.5

[a] As of October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities).
[b] As of October 2013, the amounts of financial instruments are reduced by the amount of the corresponding collectively assessed impairment provisions (for category A).

9 As of end-October 2013, risk category A placements are reduced by the corresponding collectively assessed value adjustments (these adjustments cease to be items deducted from total assets).
10 In the first half of 2014, competent supervisory authorities in the EU carry out the asset quality review based on data for the end of 2013.
11 Decision on amendments to the Decision on reserve requirements (OG 142/2013).
12 Decision on the purchase of compulsory Croatian National Bank bills (OG 142/2013). Compulsory CNB bills bear no interest and are non-transferable. They may be redeemed by the CNB in the amount of 50% of the monthly increase in certain placements to domestic non-financial corporations.
13 Pursuant to the Decision on the interest rates and remuneration of the Croatian National Bank (OG 45/2013), the remuneration rate on overnight deposits with the central bank was cut from 0.25% to 0%.

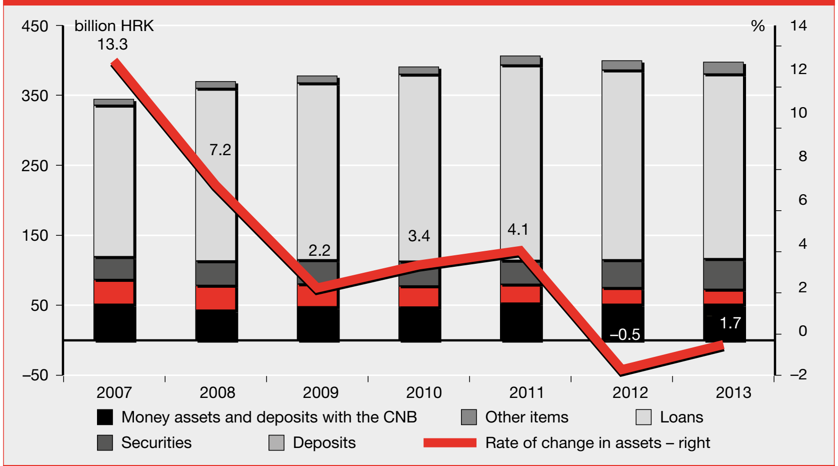
Other deposits in which compulsory CNB bills are reported increased by the amount of the decrease in the reserve requirement. At the end of the year, these bills stood at HRK 3.6bn, whereas overnight deposits with the CNB had been reported in the same amount and position at the end of the previous year. The cut in the remuneration rate reduced the appeal of that product, so banks no longer used the overnight deposit facility. That surplus was transferred to the giro account (settlement account) with the CNB which recorded an increase of 30.4% from the end of 2012.

Total bank investments in securities rose by HRK 871.0m or 2.0% in 2013 and their significance in bank assets increased to 11.0% (partly due to the fall in most of other asset items). Although much weaker than in 2012, this growth was also the result of the increase in MoF T-bills, by HRK 2.9bn or 27.4%. In addition to MoF T-bills, the only significant annual increase was recorded in money market instruments (by HRK 1.5bn or 20.0%), under the influence of the rise in commercial bills and bills of exchange. In contrast to this, banks reduced their investments in bonds (domestic and foreign) by HRK 3.3bn or 14.2%. As a result, the structure of total bank investments slightly changed in favour of instruments with shorter original maturities.

Due to the mentioned rise in investments, the share of MoF T-bills in the structure of total securities investments of banks increased by 6.2 percentage points, that is, to 31.2%, and the total amount reached HRK 13.6bn. In addition, MoF euro T-bills with the original maturity of 1.5 year were issued and reported under the bond item. The first such issue matured in August 2013 and was refinanced by the new issue, but banks purchased it in considerably smaller amounts. As a result, investments in domestic government bonds decreased. Debt securities of government units mostly involved the mentioned two categories, and their share in total bank investments rose by 3.6 percentage points, to 60.0%, from 2012. Of other types of debt securities, commercial bills and bills of exchange also grew at high rates (980.8% and 25.7%). The growth in investments in commercial bills involved the replacement of parent bank's bonds, after their maturity, with commercial bills. The rise in investments in bills of exchange, particularly pronounced in the last two years, mostly related to discounted bills of exchange of domestic corporates. Their share in total bank investments in debt securities increased to 10.6% (at the end of 2012, it stood at 5.2%).

The bulk of the securities portfolio (98.8%) was accounted for by debt securities investments, so

FIGURE 1.4 Bank assets



the increase in investments in 2013 was mostly due to the rise in debt securities investments. Three quarters of these investments related to domestic debt securities, which rose by 6.5% in 2013, as a result of the mentioned increase in investments in MoF T-bills. By contrast, in 2013 banks reduced investments in foreign debt securities by HRK 1.2bn or 10.2%, reducing equally the securities of foreign governments and securities of foreign financial institutions. Bank investments in equity securities grew at high rates (by 44.7%), which halted a downward trend present since 2007. However, their share in total securities remained low, 1.2%. Changes in two banks had the major impact on the growth of equity investments. The first change involved the increase in the fair value of existing investments, and the second one involved the acquisition of a holding in a foreign financial institution affiliated with a parent bank.

Banks distributed the lion's share of total securities investments in the portfolio of financial assets available for sale (63.7%), which increased by 7.5% from the end of 2012, mostly on account of T-bills and commercial bills. Unrealised gains on value adjustment of available-for-sale assets went up considerably, by HRK 102.6m or 30.1%, which partly offset adverse developments in capital items. The portfolio of securities held for trading recorded the highest annual growth rate (24.1%). The bulk of this nominal increase of HRK 640.4m was generated by the growth in domestic government securities, and the share of this portfolio increased to 7.5%. A strong rise in investments in bills of exchange led to an increase in the share of investments in the held-to-maturity securities portfolio (12.6%), while the securities portfolio that is not actively traded and is carried at fair value through profit and loss was reduced to 12.2%. The remaining, smaller amounts of investments related to securities in the loans and receivables portfolio (3.8%) and the portfolio of non-current assets held for sale (0.1%).

Among other, less significant asset items, assets taken in exchange for unsettled claims continued to increase, but the growth was (both in nominal and relative terms) considerably weaker than in 2012. These assets grew by HRK 272.7m or 21.5% (49.4% in 2012), standing at HRK 1.5bn at the end of 2013. Despite the accelerated growth from 2008 onwards, this category of assets still accounted for only a small share in total bank assets (0.4%). The increase in these assets in the reporting year mostly related to foreclosed and repossessed construction objects and residential buildings and flats. The amount of assets acquired more than two years ago slightly decreased (3.1%). Nevertheless, the ratio between total investments in tangible assets and own funds (due to negative developments in total own funds) slightly increased, to 9.8%, but it was still much below the allowed 40%. Bank investments in the capital of non-financial institutions (which are limited to 30% of own funds) remained at a low 1.5% of own funds, whereas investments in the capital of financial institutions stood at 5.3% of own funds[14]. The biggest change in assets relative to 2012 was recorded in derivative financial assets (73.9%). This increase in the fair value of derivatives was mostly based on cross-currency interest rate swaps. However, due to a very low share of this item in total bank assets (only 0.4%), that change had a negligible effect on developments and the structure of total assets.

14 Direct or indirect investments of credit institutions in other credit and financial institutions are not limited in terms of the percentage of own funds and are treated (if they exceed 10% of the capital of credit or financial institutions in which an investment is made) as an item which is fully deducted from own funds of a credit institution which made an investment.

Liabilities and capital

In 2013, banks maintained almost the same level of total liabilities as at the end of 2012, of HRK 342.3bn (Table 1.4). The rate of reduction was lower than 0.1% (0.4% if the exchange rate effect is excluded). Excluding the effects of one bank's exit from the system, the decline in liabilities on collected deferred interest income and the withdrawal of a parent bank's deposit for the purpose of financing the sale of placements to an affiliated enterprise, the growth in liabilities of banks stood at 1.0%.

A mild growth in domestic sources (of HRK 5.2bn or 2.0%), mainly household and corporate deposits, was sufficient to satisfy the modest credit growth and continue the deleveraging of banks. The deleveraging trend in the observed period, present since mid-2012 with minor oscillations, involved the almost equal repayment of sources provided by foreign majority owners and of those from domestic financial institutions. Sources from parent banks declined by HRK 4.3bn or 7.7% in 2013, which was considerably milder than 22.1% in 2012. Banks reduced all types of sources received from foreign owners[15], with loans received declining the most (HRK 3.8bn or 15.7%). The share of sources from majority foreign owners was thus reduced to 15.7%; a value lower than this was last recorded in 2007 (13.9%). Deleveraging in the domestic financial market (on the basis of deposits and loans received from financial institutions) stood at HRK 4.2bn or 11.4%.

Total deposits stood at HRK 282.8bn at the end of 2013, an increase of HRK 7.0bn or 2.5% (2.0% excluding the exchange rate effect). The slowdown trend of the growth of deposits, present since 2008 with the exception of 2012, when (due to strong deleveraging to parent banks) the annual fall in deposits of 2.0% was recorded. The growth rate of deposits in 2013 was the lowest in the last 16 years. It was mostly affected by the banks' deleveraging to domestic financial institutions already mentioned (especially on the basis of time deposits of credit institutions, insurance companies and pension funds) and the slowdown in the growth of household deposits.

At the end of 2013, household deposits stood at HRK 173.0bn. A steady, but slow upward trend was reflected in the lowest annual growth rate in the last four years, of 3.9%. Nevertheless, household deposits were still the most stable and the most significant source of bank financing with a share of 52.6% in total sources and of as much as 61.2% in total deposits. A continuous increase in the share of household savings in total deposits in the last few years was partly the result of the weakening of other sectors' deposits, primarily corporate deposits, followed by deposits from foreign and domestic financial institutions. The bulk of this increase occurred, as expected, in the second half of the year, which is usually connected with seasonal inflows from tourism. Almost 80% of the total amount of household deposits was accounted for by time deposits, with their largest share consisting of time deposits of more than three months to one and a half year (67.6%). Around 77.0% of the total amount of household deposits was denominated in a foreign currency, mostly in the euro (68.5%). No major changes in this prevailing currency structure were recorded in the last four years (in which such segmented data are available), except for a mild weakening of euro deposits in favour of deposits in kuna and other currencies.

Corporate deposits rose by HRK 3.2bn or 8.0% due to the positive developments in the second and

15 Sources received from majority foreign owners include: received deposits, received loans, instruments with the characteristics of equity (issued subordinate and hybrid instruments) and issued securities purchased by majority foreign owners.

TABLE 1.4 Structure of bank liabilities and capital, end of period, in million HRK and %

	Dec. 2011		Dec. 2012			Dec. 2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	17,320.7	4.3	16,802.9	4.2	–3.0	15,146.0	3.8	–9.9
Short-term loans	5,383.5	1.3	3,273.9	0.8	–39.2	2,124.8	0.5	–35.1
Long-term loans	11,937.2	2.9	13,529.0	3.4	13.3	13,021.2	3.3	–3.8
Deposits	281,286.7	69.1	275,844.0	69.0	–1.9	282,805.6	71.1	2.5
Transaction account deposits	44,901.6	11.0	47,466.3	11.9	5.7	54,245.1	13.6	14.3
Savings deposits	21,074.5	5.2	21,229.8	5.3	0.7	21,785.7	5.5	2.6
Time deposits	215,310.6	52.9	207,147.9	51.8	–3.8	206,774.8	52.0	–0.2
Other loans	31,852.3	7.8	30,599.2	7.7	–3.9	26,337.2	6.6	–13.9
Short-term loans	3,938.4	1.0	4,669.1	1.2	18.6	4,531.3	1.1	–3.0
Long-term loans	27,914.0	6.9	25,930.1	6.5	–7.1	21,805.9	5.5	–15.9
Derivative financial liabilities and other financial liabilities held for trading	1,383.7	0.3	1,752.3	0.4	26.6	1,878.1	0.5	7.2
Debt securities issued	0.0	0.0	300.0	0.1	–	299.9	0.1	0.0
Short-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt securities issued	0.0	0.0	300.0	0.1	–	299.9	0.1	0.0
Subordinated instruments issued	1,366.2	0.3	1,391.0	0.3	1.8	1,453.5	0.4	4.5
Hybrid instruments issued	3,601.1	0.9	3,243.0	0.8	–9.9	3,005.9	0.8	–7.3
Interest, fees and other liabilities[a]	14,387.4	3.5	12,611.7	3.2	–12.3	11,415.1	2.9	–9.5
TOTAL LIABILITIES	351,198.2	86.3	342,544.1	85.7	–2.5	342,341.2	86.0	–0.1
Share capital	33,805.6	8.3	34,231.0	8.6	1.3	33,964.7	8.5	–0.8
Current year profit (loss)	3,804.4	0.9	2,687.6	0.7	–29.4	508.3	0.1	–81.1
Retained earnings (loss)	13,705.2	3.4	15,706.9	3.9	14.6	16,315.3	4.1	3.9
Legal reserves	1,058.6	0.3	1,081.1	0.3	2.1	1,108.6	0.3	2.5
Reserves provided for by the articles of association and other capital reserves	3,643.6	0.9	3,292.4	0.8	–9.6	3,035.4	0.8	–7.8
Revaluation reserves	–188.0	0.0	427.0	0.1	–	610.4	0.2	42.9
Previous year profit (loss)	–62.6	0.0	–50.1	0.0	–19.8	–20.2	0.0	–59.8
TOTAL CAPITAL	55,766.8	13.7	57,375.7	14.3	2.9	55,522.5	14.0	–3.2
TOTAL LIABILITIES AND CAPITAL	406,965.0	100.0	399,919.8	100.0	–1.7	397,863.7	100.0	–0.5

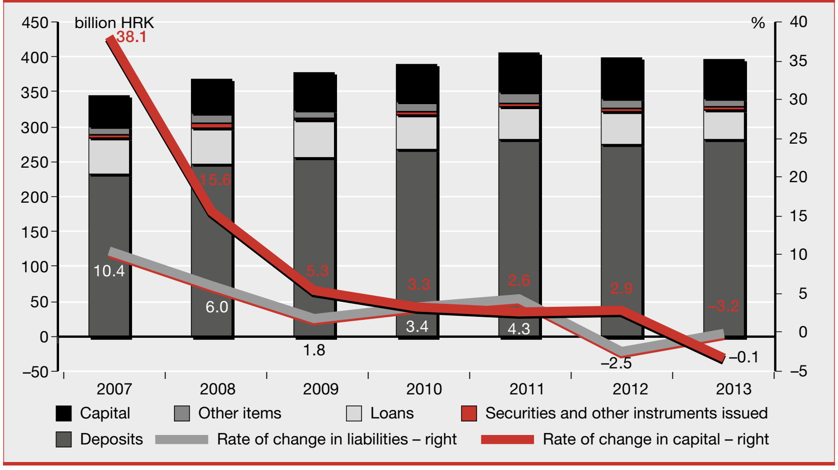
[a] As of October 2013, the amount of granted loans in assets is reduced by the amount of fees collected on loans (formerly recorded as deferred income in liabilities).

third quarter of 2013. It was the first positive change in these deposits in the last six years (except for 2010, when a mild positive change was mostly due to the movements in the kuna exchange rate). In addition to the increased revenues from tourism and the partially settled debt of the health care system, this might also have been the result of the tightened fiscal policy measures, since the bulk of the annual increase involved deposits on transaction accounts. Despite that, the share of corporate deposits in total deposits remained much below the values from pre-crisis years, i.e. at 15.2%. As for domestic deposits, only deposits of non-profit institutions recorded an increase (by 13.0%), but their share in total deposits remained relatively low (1.1%). Deposits of government units declined by 3.3% due to the fall in savings and time deposits of the central government.

At the end of 2013, the balance of loans received stood at HRK 41.5bn, a decrease of HRK 5.9bn or 12.5% from the end of 2012. It was their highest annual rate of decline in the last ten years. The change led to a fall in the share of loans received in total sources of financing, from 14.4% to 12.6%, and in total liabilities to only 10.4%. This was the result of bank deleveraging, with the repayment of loans received from majority foreign owners, which fell by 15.7%, having the largest impact. The next to follow by the amount of change were loans from domestic financial institutions (9.9%) due to the repayment of loans to other financial intermediaries and credit institutions.

In 2013, banks continued to reduce the amount of hybrid instruments issued, by 7.3%, and to increase the amount of subordinated instruments, by 4.5%. These changes had no significant influence

FIGURE 1.5 Bank liabilities and capital



on their share in total sources, and it remained relatively low, on 1.2%. Since the end of 2012, a long-term kuna corporate bond has been included in the sources of bank financing, which, due to its negligible share (0.1%), had no impact on the diversification of bank sources at the aggregate level.

In addition to loans received, the following items had the most pronounced influence on the fall in total liabilities: interest rates, fees and other liabilities, which were 9.5% lower in 2013 than at the end of 2012. These developments mostly reflected the aforementioned methodological changes in the reporting of collected deferred interest income, which, up to October 2013, increased bank liabilities in banks' financial reports.

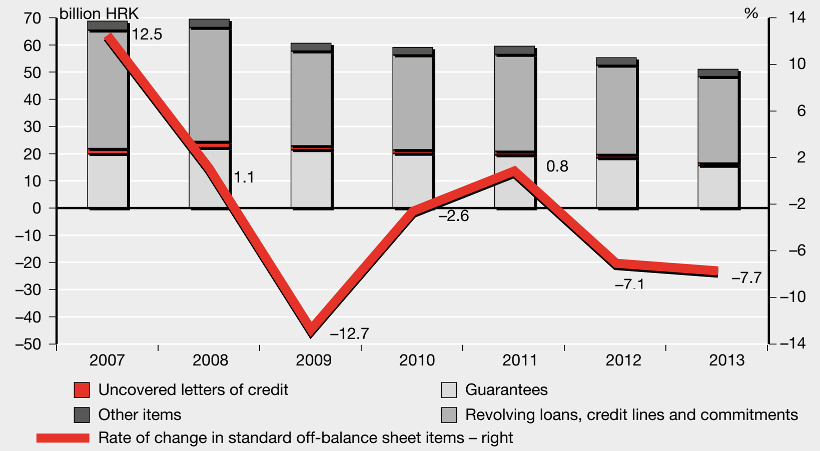
Total balance sheet capital of banks decreased in 2013 for the first time in the last 15 years, by HRK 1.9bn or 3.2%, standing at HRK 55.5bn at the end of the year. Nevertheless, the share of capital in banks' liabilities and capital remained relatively high, 14.0%. The decrease in capital was mainly affected by the current year profit, which was 81.1% lower than in 2012. An additional negative impact came from dividend payments, especially the portion paid from retained earnings from previous years, and the exit of one bank from the system. Four banks were recapitalised in 2013, but negative impacts of the simplified reduction in the share capital (aimed at covering losses from previous years) exceeded these positive developments. As a result, the share capital (even excluding the effect of the exit of one bank from the system) was ultimately slightly lower (by 0.1%) than at the end of 2012. In 2013, shareholders were paid HRK 2.3bn worth of dividends or almost 86% of the amount of retained earnings from 2012. The high percentage of dividend payments was, inter alia, the result of the use of retained earnings from previous years and capital reserves. Despite that, rising by 3.9%, retained earnings reached HRK 16.3bn, while legal reserves, reserves stipulated by the articles of association and other reserves, having declined by 1.0%, stood at HRK 4.8bn. That part of capital was still relatively unequally distributed within the system, because several banks' capital was heavily burdened by losses from previous years.

Standard off-balance sheet items

Standard off-balance sheet items continued to decline for the fifth consecutive year, excluding 2011, when a modest growth rate was recorded (Figure 1.6). At the end of 2013, standard off-balance sheet items stood at HRK 51.2bn, down HRK 4.3bn or 7.7% from the end of the previous year. The standard off-balance sheet items to assets ratio continued to decrease, standing at 12.9% at the end of 2013, which is its record low since the end of 2003. Almost all standard off-balance sheet items reported a decrease at the annual level, the strongest fall being observed in issued guarantees, by HRK 2.8bn or 15.2% and revolving loans, by HRK 1.0bn or 10.7%. The strongest fall in relative terms was recorded in uncovered letters of credit, which were approximately one quarter lower.

Credit lines and commitments additionally strengthened their share in the structure of standard off-balance sheet items, by 3.6 percentage points, reaching 45.6% of all standard off-balance sheet items at the end of the year. Concurrently, the share of guarantees declined by 2.7 percentage points, to 30.5% of standard off-balance sheet items. Revolving loans came next with the share of 16.5%, while the remaining items accounted for 7.4% of the total off-balance sheet items.

FIGURE 1.6 Bank standard off-balance sheet items

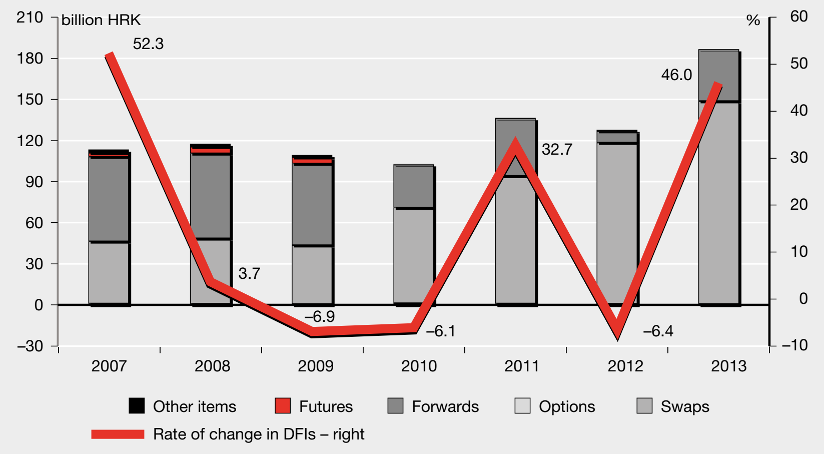


Derivative financial instruments

The notional amount of derivative financial instruments rose by HRK 58.8bn or 46.0% in 2013, thus reaching HRK 186.6bn, the highest recorded amount so far. Such a strong growth and a concurrent decrease in total bank assets resulted in an increase in their ratio, from 32.0% at end-2012 to 46.9% at end-2013. This ratio was higher than the average for the system in only four banks and most of the banks still relatively rarely used derivative financial instruments in their operations or did not use them at all. A large volume of operations with derivative financial instruments is common for banks which lead in terms of the amount of assets, with two of them having the greatest impact on total developments in 2013 as well.

The increase in agreements with foreign banks had the greatest impact on the increase in derivative financial instruments relative to 2012. The amount of instruments contracted with the central

FIGURE 1.7 Bank derivative financial instruments (notional amount)



government, domestic insurance companies and pension funds also went up considerably, as did the amount of instruments contracted with domestic banks. An almost equal part of nominal growth was attributed to forwards, which rose by 344.9%, and swaps, which rose by 26.0%. Amounts of all other derivative instruments decreased from 2012, which resulted in a further decline in their already low share in the structure of total derivative instruments.

The bulk of the increase in notional amount of derivative financial instruments involved instruments with the exchange rate as the underlying variable (60.6%). A slightly slower growth was recorded in instruments with the interest rate as the underlying variable (38.9%) and instruments with both the exchange and the interest rate as the underlying variable (28.0%).

A particularly sharp relative growth in forwards affected the rise in the share of these instruments in the structure of total derivative financial instruments, from 6.7% at the end of 2012 to 20.3% at the end of 2013. Swap agreements still accounted for the largest share (79.4%), despite a fall by 12.7 percentage points from the end of 2012, due to their relatively slow growth as compared to forwards. Options, futures and other derivatives accounted for the remaining 0.3% of derivative financial instruments at the end of 2013.

At the end of 2013, almost all derivative financial instruments were distributed in the held-for-trading portfolio (98.3%), so the bulk of the increase in derivative instruments involved instruments from this portfolio. Although banks used most of these instruments to hedge against risks, they did not report them as such, which could be attributed to the complex hedge accounting rules that would then have to be applied. This partly hampers the analysis and interpretation of banks' data on derivatives and the related financial performance. Only 1.5% of the total derivative financial instruments were reported as hedging instruments and the remaining part, 0.2%, as embedded derivatives.

In the structure of derivative financial instruments observed by the type of the underlying variable, the largest group of instruments were still those with exchange rate as the underlying variable, which accounted for 53.7% of total contracted derivative financial instruments at the end of 2013. Instruments with both exchange and interest rates as the underlying variable followed with a share of 27.9% and instruments with the interest rate as the underlying variable accounted for 18.4%.

1.2.3 Earnings

Income statement

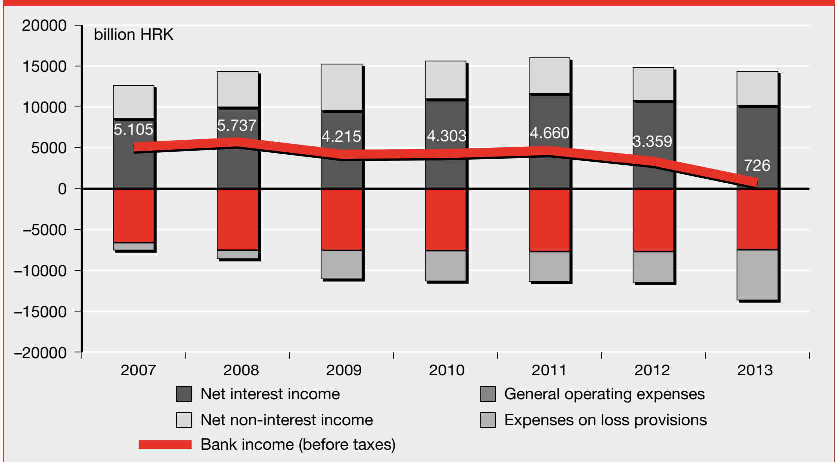
In 2013, bank profits and profitability decreased sharply, primarily under the influence of the rules on the classification of placements and the announcement of the asset quality review of European banks. Under the influence of the regulatory changes and the preparation of foreign parent banks for the mentioned practice, additional losses in loan portfolios were identified, so the expenses on loss provisions increased sharply and burdened the business performance. Indicators of return fell to their lowest level since the crisis of 1998, and a full half of banks operated with losses.

If the extraordinary effects of regulatory changes and the related increase in expenses on loss provisions are excluded, the biggest change in income statement of banks was seen in interest income. It fell considerably, primarily due to the increased difficulties in the collection of loans. The decline in interest income was partly offset by banks' savings on expenses, primarily by deleveraging on the financial markets and by reducing general operating expenses still further. Net operating income thus dropped quite mildly, and its level was still very good.

In 2013, banks reported HRK 726.1m of profit (from continuing operations, before taxes), a decrease of as much as HRK 2.6bn or 78.4% from 2012 (Table 1.5). Expenses on value adjustments and provisions were HRK 2.4bn or 62.8% higher in 2013, and almost 60% of this growth was the result of the regulatory changes from October 2013, i.e. the application of stricter rules on the classification of placements, the effect of which was estimated to almost HRK 1.4bn[16].

Changes in the rules on the classification of placements were primarily aimed at identifying the increased risks due to the long periods of collection and uncertainty regarding collection amounts. This was the result of long legal procedures and low liquidity in the real estate market and thus of banks' reluctance to take steps towards collection from collateral and increased activities in placement

FIGURE 1.8 Bank income before taxes



16 According to the quantitative impact study of the application of the Draft decision on amendments to the Decision on the classification of placements and off-balance sheet liabilities of credit institutions

TABLE 1.5 Bank income statement, in million HRK and %

	Jan. – Dec. 2012	Jan. – Dec. 2013	Change
CONTINUING OPERATIONS			
Interest income	21,419.0	19,798.0	–7.6
Interest expenses	10,689.1	9,642.5	–9.8
Net interest income	10,729.9	10,155.5	–5.4
Income from fees and commissions	4,161.1	4,274.9	2.7
Expenses on fees and commissions	1,320.3	1,321.4	0.1
Net income from fees and commissions	2,840.8	2,953.5	4.0
Income from equity investments	308.4	362.1	17.4
Gains (losses)	1,142.3	1,230.0	7.7
Other operating income	467.3	422.6	–9.6
Other operating expenses	637.8	731.9	14.8
Net other non-interest income	1,280.2	1,282.7	0.2
Total operating income	14,850.9	14,391.7	–3.1
General administrative expenses and depreciation	7,698.4	7,489.6	–2.7
Net operating income before loss provisions	7,152.5	6,902.2	–3.5
Expenses on value adjustments and provisions	3,793.9	6,176.1	62.8
Other gains (losses)	0.0	0.0	0.0
Profit (loss) from continuing operations, before taxes	3,358.5	726.1	–78.4
Income tax on continuing operations	670.6	221.2	–67.0
Profit (loss) from continuing operations, after taxes	2,687.9	504.9	–81.2
DISCONTINUED OPERATIONS			
Profit (loss) from discontinued operations, after taxes	–0.4	3.4	–
Current year profit (loss)	2,687.6	508.3	–81.1
Note: Number of banks operating with losses, before taxes	14	15	7.1

restructuring. The regulatory changes stimulated a more active assessment of collateral value (by introducing minimum impairment factors of the market price and collection period) and the gradual increase in value adjustments, depending on the time that elapsed since a debtor's delinquency in repayment. The effect of these measures was seen at the end of 2013 in a noticeable growth in the coverage of B and C category loans[17] by value adjustments.

In addition to the effects of the regulatory changes, the growth in expenses on loss provisions and the coverage of B and C category loans was also brought about by the announced asset quality review of European banks and the ageing of the non-performing portfolio. The asset quality review will be carried out in 2014, based on the data on assets as at 31 December 2013, by competent authorities of member states and according to ECB methodology and EBA recommendations. In order to ensure consistent review results, at the end of 2013 foreign owners insisted on stricter classification of assets and increased value adjustments even more than the regulations on the classification required. The upward trend in the average amount of loss, present since 2011, continued into 2013, due to the ageing of the non-performing portfolio and exposure migration to riskier categories.

In 2013, banks' operating income fell by HRK 459.2m or 3.1% due to the decline in net interest income. The remaining components of operating income, net income from fees and commissions and

17 Placements and off-balance sheet liabilities exposed to credit risk are classified into risk categories A, B and C. Fully recoverable placements and off-balance sheet liabilities are classified into risk category A, partly recoverable placements and off-balance sheet liabilities into risk category B (with subcategories B-1, B-2 and B-3) and fully irrecoverable placements and off-balance sheet liabilities into risk category C.

net other non-interest income, recorded slight positive changes, but due to their small share, their effect on the total result was weak. Although reduced, the share of net interest income in operating income maintained a high value. It stood at 70.6% (Figure 1.9) and it reflected the share of traditional banking activities, i.e. deposit and lending activities.

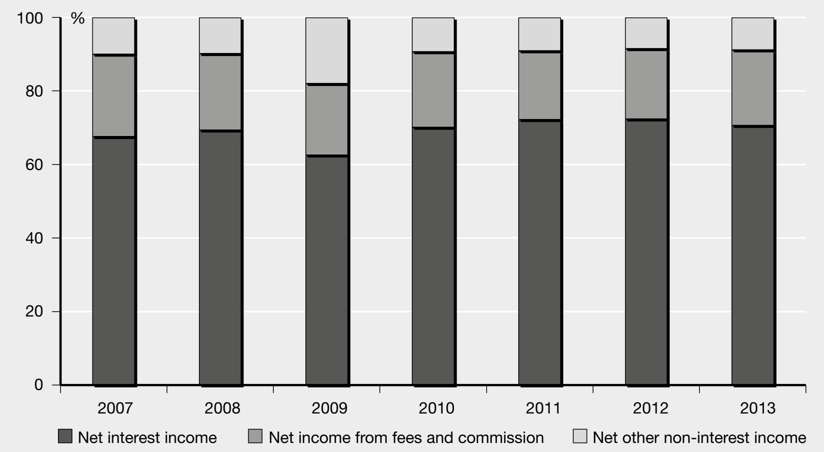
Interest income declined by HRK 1.6bn or 7.6% in 2013, as a result of the worsened recoverability of placements on the back of weak growth in credit exposure and downward trend in interest rates. Furthermore, the strengthening trend in the share of low-risk and less generous loans, such as loans to government units and major clients, continued into 2013. This was partly the result of the increased caution of banks and partly of the suppressed demand of the private sector, especially the households. As a result of savings on interest expenses, net interest income fell by HRK 574.4m or 5.4%.

With a fall of HRK 1.6bn or 9.1%, interest income from loans had the key impact on the fall in interest income. Interest income from all the remaining items together remained almost unchanged. The discounting of bills of exchange increased sharply, a crucial effect of this rise being seen in only a few clients, and interest income on this basis rose strongly. On the other hand, interest income from debt securities decreased, especially in the government units sector, where income from all forms of investments declined. The most pronounced decline was recorded in interest income from bonds, followed by interest income from T-bills, as a result of the fall in yields in 2013.

The drop in interest income from loans was recorded in all sectors but the key effect was exerted by the fall in the corporate sector (HRK 1.2bn or 19.8%). This fall was much sharper than in 2012, mainly due to pronounced dynamics of growth in loans with collection difficulties. The amount of loans bearing interest income (risk category A loans) decreased, due to the effects of reclassification into B and C risk categories (which, as a rule, bear no interest income) and weak new lending activity. Interest income from loans for working capital decreased the most, followed by interest income from loans for investments. These impacts were additionally strengthened by movements in interest rates and benchmark interest rates. In the corporate sector, slightly more than two thirds of the total amount of loans were made at variable interest rates, mostly pegged to benchmark rates such as EURIBOR, which continued to trend downward in 2013. Given the considerable growth in loans, favourable borrowing led to lower interest income from loans, both in the government units sector and the sub-sector of public enterprises. The fall was mild in government units (2.0%) and much more pronounced in public enterprises (20.8%), which was probably aided by the changes in the structure of the public enterprise credit portfolio, such as the rise in the share of syndicated loans which traditionally bear more favourable interest rates.

The decline in interest income from loans in the household sector stood at HRK 295.9m (3.1%) and was less pronounced than in the previous year, when the fall was affected both by legal restrictions on contractual interest rates (notably on current account overdraft facilities) and by home loans granted under the programme of subsidies and government guarantees for home loans (at more favourable interest rates). As in 2012, interest income from car loans decreased the most in the household sector in 2013, by as much as 32.5%, due to the continuation of the several-year strong downward trend in car loans. The second sharpest decline was recorded in interest income from home loans, which was 2.8% lower, while the impact of weak lending activity was still stronger than the impact of the growth in loans with collection difficulties. The increase in home loans of B and C risk categories was more pronounced in 2013 than in 2012, notably in euro-indexed loans, while citizens' interest in the programmes of subsidised home financing (POS +) was weak. The decline in interest income was also seen in most of the remaining types of household loans. A noticeable increase in interest income was seen only in general-purpose cash loans, which went up by 2.2% in 2013 but in real terms was also weak (0.6%).

FIGURE 1.9 Structure of bank operating income



Banks managed to compensate for the bulk of the fall in interest income by reducing the interest expenses. They fell by HRK 1.0bn or 9.8%, primarily due to deleveraging in the financial market and the decrease in interest rates on deposits. As a result of good liquidity reserves and weak lending activity, banks were able significantly to reduce sources from domestic and foreign financial institutions as well as interest rates on deposits, especially on household time deposits. Foreign sources, mainly from parent banks, were subsituted for domestic, mostly household and corporate deposits. The share of the cheapest form within the structure of deposits, transaction account deposits, recorded an increase. Interest expenses decreased the most in the non-resident sector, due to the fall in interest expenses of foreign financial institutions by HRK 719.1m or 23.7%. An almost equal rate of decline was recorded in the interest expenses of domestic financial institutions (HRK 220.1m or 22.2%), while in the household sector, the fall in interest expenses on deposits stood at HRK 163.0m or 3.3%. The effect of the decrease in interest expenses of household time deposits was dominant (3.3%), despite their increase of 2.9% in 2013.

In 2014, banks managed considerably to increase net income from fees and commissions. It went up by HRK 112.7m or 4.0%, with a key influence of the rise in income from two major components – earnings associated with payment operations and with credit cards. Income from fees and commissions for payment operations rose by 3.0%, due to the strong growth in the household and government units sectors, maintaining the highest share in the structure of total income from fees and commissions (40.2%). Income from fees and commissions associated with credit cards rose by 5.2%, reaching the share of 20.4%. Income associated with contracts concluded with insurance, factoring and leasing companies also grew at high rates, but its share in total income was still low. Income from fees and commissions for issued letters of credit and guarantees continued to trend downward (9.1%), mainly due to the decrease in the corporate sector. A decline was also observed in income from fees and commissions for keeping current and giro accounts (4.1%), a key influence coming from a fall in the household sector. After the income from payment operations and credit cards, this income was the most important component of total income from fees and commissions, with a share of 7.4%.

Net other non-interest income increased only slightly, due to the netting of effects of developments in various forms of this income. Operating expenses (such as deposit insurance premiums) went up and profit from trading, especially derivatives and currency trading, decreased. By contrast, profits from exchange differences and income from equity investments increased (due to the sale of an investment company in one bank).

Banks managed to reduce general administrative expenses and depreciation in 2013, by HRK 208.9m or 2.7%. The largest decrease was observed in other, unspecified expenses (by HRK 116.8m) and depreciation of property, plant and equipment. Employee expenses followed with a decrease of HRK 40.8m or 1.1%. In 2013, the number of employees fell by 657 or 3.0%, which was slightly more pronounced than in 2012, mainly due to changes in a few banks and the exit of one bank from the system. However, a relatively large number of banks (12) increased their staff, with the increase in two banks reflecting strategies of new owners. Similar movements were recorded in the number of operating units, which decreased by 34 or 2.7% in 2013 from 2012. The number of operating units thus declined for the fourth consecutive year and the fall in that period cumulatively stood at 77 units or 5.9%.

Better management of expenses, especially interest expenses, significantly softened the impacts of unfavourable movements in interest income, i.e. the fall in interest income from loans. Net operating income before loss provisions thus stood at HRK 6.9bn in 2013 and the rate of its decrease was relatively mild (3.5%) and considerably weaker than in 2012. While the system as a whole maintained a very good level of operating profitability, ten banks reported negative net operating income before loss provisions, i.e. their level of net income was insufficient to cover the general operating expenses. In addition, expenses on value adjustments and provisions increased sharply. Value adjustments and provisions for identified losses on exposures classified into risk categories B and C rose by HRK 1.8bn or 47.5% and other forms of value adjustments and provisions also showed negative trends (with the exception of lower expenses on value adjustments of available-for-sale assets). Income from cancelled value adjustments for risk category A, generated by the decrease in the exposure of this risk category, was lower than in the previous year, while expenses associated with various provisions increased significantly, mainly expenses on litigation provisions, followed by compensations to employees. Total expenses on loss provisions thus rose by HRK 2.3bn, reaching HRK 6.1bn. Six banks reported lower loss provisions than in 2012, but in the remaining banks they rose at high rates, reaching an average growth rate of 62.8%. Fifteen banks (half of the total number of banks) reported losses (before taxes) in the total amount of HRK 1.2bn; these banks accounted for 14.0% of total assets of all banks.

Indicators of returns

Following their two-year slight recovery, return indicators fell in 2012 and even more sharply in 2013. They dropped to their historic lows since the crisis 1998, when losses were recorded at the banking system level. The return on average assets (ROAA) thus stood at 0.2%, and the return on average equity (ROAE) stood at 0.9% (Figure 1.10). The decline in profitability in 2013 was primarily

FIGURE 1.10 Bank return on average assets (ROAA) and return on average equity (ROAE)

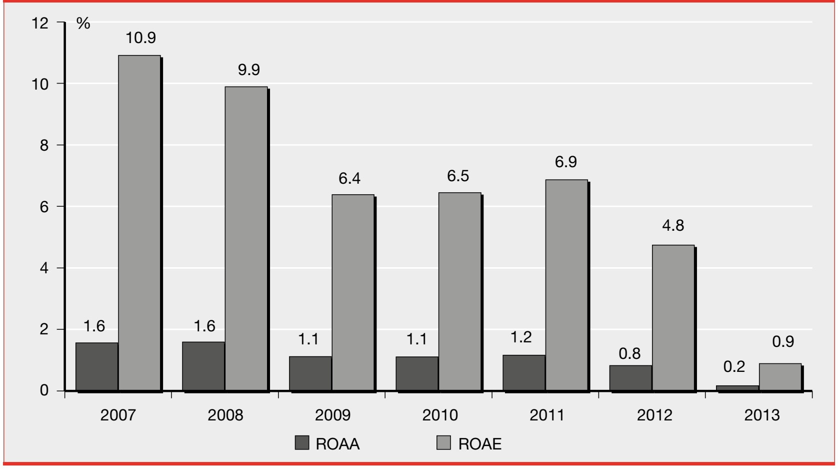
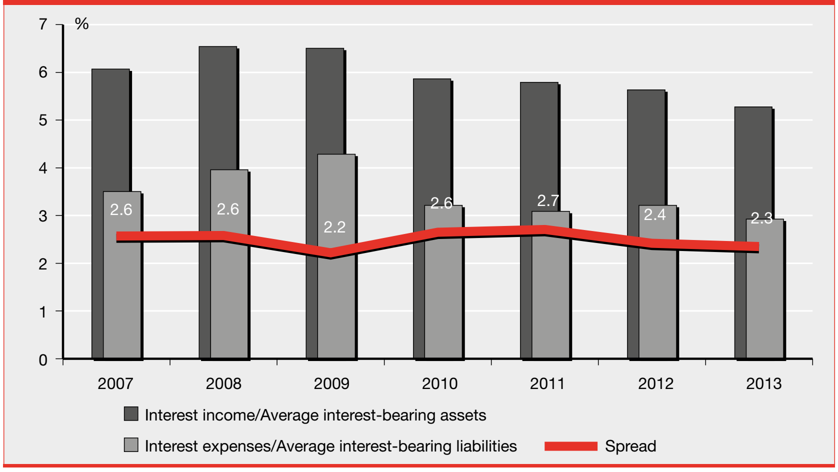


FIGURE 1.11 Income from interest-bearing assets and expenses on interest-bearing liabilities



the result of the growth in risk costs, followed by the decline in net interest margin[18], from 2.7% to 2.5%. Other margins remained unchanged, maintaining bank operating profitability at a very good level. Net operating income before loss provisions to average assets ratio stood at 1.7% (1.8% at the end of 2012) and risk costs led to ROAA falling to a mere 0.2%.

In 2010 and 2011, banks managed to offset the growth in expenses on loss provisions and increase return indicators by widening the interest spread (Figure 1.11), notably by reducing interest expenses, and through firm control of general operating expenses. However, in 2012 return indicators fell considerably, under the key influence of the fall in average interest income. The fall was due to the rise in the significance of less risky and less generous loans (affected also by various kinds of incentives) and movements in interest rates (including the cut in the highest permitted interest rates). Such developments continued into 2013 and the downward trend in average interest income was even more prominent.

18 The net interest income-to-average assets ratio.

FIGURE 1.12 Weighted averages of bank monthly interest rates, on annual basis

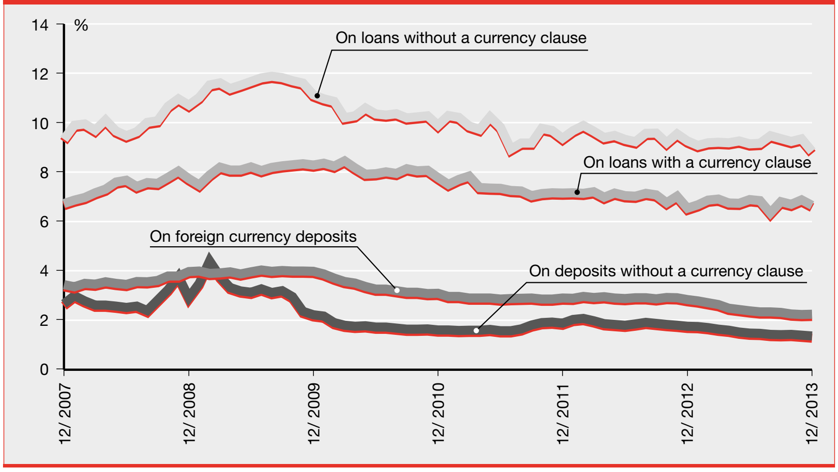
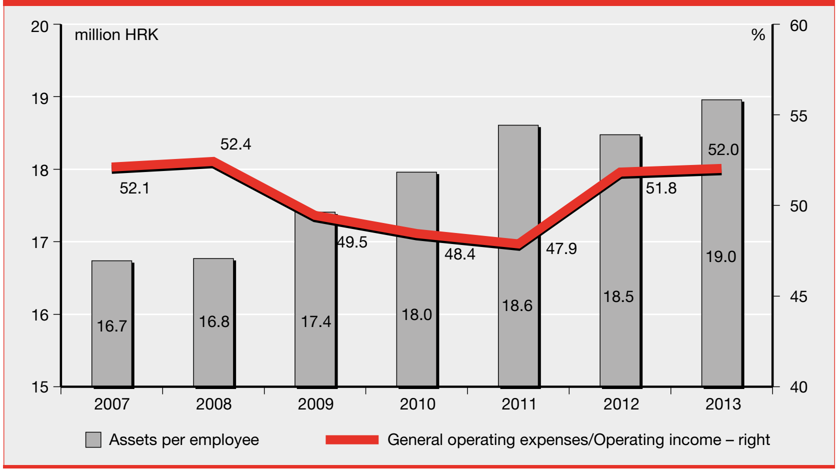


FIGURE 1.13 Bank cost efficiency



In 2013, banks failed to improve cost-to-income ratio despite their efforts to reduce general operating expenses (general administrative expenses and depreciation). This ratio slightly worsened due to the decline in operating income. The indicator rose from 51.8% in 2012 to 52.0% in 2013 (Figure 1.13), but it remained at a relatively good level. However, a large number of banks were heavily burdened by general operating expenses, especially smaller institutions.

Since 2009, net operating income has been heavily burdened by value adjustment and loss provision expenses, which have been the main cause of profitability being much lower than in the pre-crisis period. The ratio between loss provision costs and net operating income increased sharply, from 53.0% in 2012 to as much as 89.5% in 2013. Apart from the effects of new classification rules, this was also due to migration to riskier categories, or the growth of losses on exposures previously identified as partly irrecoverable. For instance, placements and off-balance sheet liabilities classified into risk sub-category B-3, where the loss or value adjustment amounted more than 70% and less than 100% of the nominal book value of exposure, rose by as much as 52.8% in 2013. Due to the ageing of the non-performing portfolio, expenses on value adjustments and loss provisions will continue to burden bank business performance heavily in the following years.

1.2.4 Credit risk

Placements and assumed off-balance sheet liabilities

The continuation of unfavourable developments in the domestic economy in 2013, sustained risk aversion and deleveraging of the leading sectors resulted in a decrease in total placements and assumed off-balance sheet liabilities exposed to credit risk[19] and subject to classification into risk categories in accordance with the rules governing classification. At the end of 2013, HRK 417.8bn worth of placements and off-balance sheet items of banks were exposed to credit risk, which was a decrease of HRK 4.1bn (1.0%) from the end of 2012. All major placement components declined, except for loans granted, growth in which was very mild and directed towards less risky sectors. Assumed off-balance sheet liabilities decreased the most in 2013, followed by deposits made and investments in securities. The only type of placements that increased relative to 2012 were financial assets held to maturity, thanks to greater bank investments in non-resident bills of exchange classified in that portfolio.

The quality of total placements and assumed off-balance sheet liabilities continued to deteriorate, as a result of the increase in partly recoverable and fully irrecoverable claims. The key influence on such developments came from a further rise in losses in banks' loan portfolios and weak growth in new loans, which led to an increase in the share of partly recoverable and fully irrecoverable placements and off-balance sheet liabilities in total, from 10.2% at the end of 2012 to 11.6% at the end of 2013. The deterioration in the exposure quality led to an increase in loan portfolio losses, and their share in total credit risk exposure (the total value adjustments and provisions to total placements and assumed off-balance sheet liabilities ratio) trended up for the fifth consecutive year, reaching 6.3% at the end of 2013.

Banks continue to be very cautious in risk assumption, which, accompanied by weak economic activity, resulted in a mild growth of loans, of only 1.0%. A greater propensity for less risky placements can be seen from the growth of placements to government units and public enterprises, particularly

TABLE 1.6 Classification of bank placements and assumed off-balance sheet liabilities by risk categories, end of period, in million HRK and %

Risk category	Dec. 2011			Dec. 2012			Dec. 2013		
	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage
A	398,369.0	3,600.3	0.9	378,979.1	3,418.1	0.9	369,289.2	3,326.4	0.9
B-1	16,731.9	2,341.9	14.0	18,812.4	2,608.7	13.9	19,330.6	3,055.0	15.8
B-2	13,909.9	6,173.1	44.4	13,703.7	6,346.6	46.3	15,913.8	7,500.3	47.1
B-3	1,854.0	1,486.9	80.2	2,839.8	2,290.3	80.6	4,339.3	3,547.4	81.8
C	6,852.2	6,852.2	100.0	7,630.9	7,629.7	100.0	8,960.7	8,941.4	99.8
Total	437,716.9	20,454.4	4.7	421,965.9	22,293.4	5.3	417,833.7	26,370.4	6.3

19 Total bank exposure to credit risk comprises placements (balance sheet items) and assumed off-balance sheet liabilities. The placements are divided into a loan and receivables portfolio and a portfolio of held-to-maturity financial assets, with the receivables on interest and fees being shown under a separate item (receivables based on income). The portfolios of financial assets comprise various instruments such as loans, deposits, bonds and T-bills, and assumed off-balance sheet liabilities comprise guarantees, credit lines, etc.

from the growth of loans to these segments. Total credit risk exposure to government units and public enterprises together reached 18.0% of total placements and off-balance sheet liabilities of banks (it stood at 17.3% at the end of 2012). Almost all other sectors deleveraged at the same time.

The total change in items exposed to credit risk relative to 2012 was largely affected by the HRK 4.3bn or 7.7%. decline in assumed off-balance sheet liabilities to clients. Observing the distribution of liabilities by sectors, as in the case of loans, it is evident that banks increased their exposure to government units, while the amount of assumed liabilities to almost all other sectors decreased. Due to the smaller amount of issued guarantees and revolving loans, the decline in assumed liabilities to corporates (HRK 4.9bn or 14.9%) had the greatest influence on the total decrease in off-balance sheet liabilities. A smaller impact on total developments in off-balance sheet liabilities came from the decrease in assumed liabilities to households (0.7%) and financial institutions (15.8%). Banks increased the exposure arising from assumed liabilities to government units by HRK 654.5m or 76.3%, mostly on the basis of credit lines and commitments. In addition, the exposure to non-residents also went up (22.6%), which had no major impact on total developments in assumed liabilities due to the small significance of that sector.

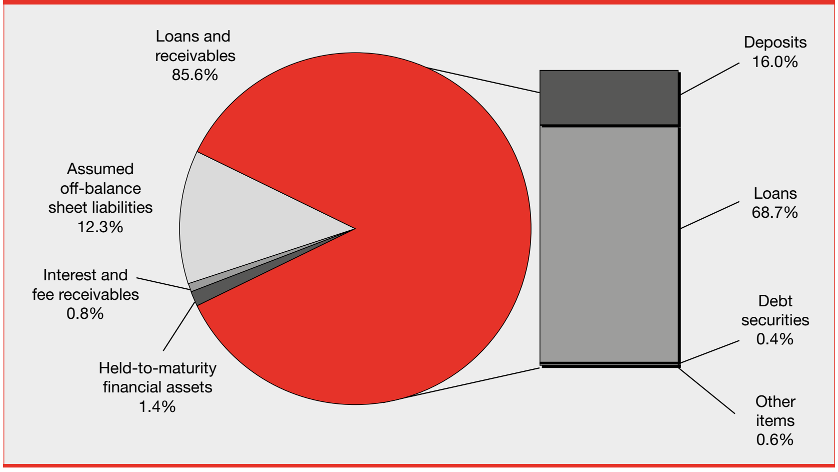
The next important impact on the change in total placements relative to the end of 2012 came from the decline in deposits made, by HRK 1.8bn or 2.6%. The bulk of the total decrease in deposits related to deposits with foreign financial institutions, mainly with foreign banks other than parent banks, and a significant decrease was also recorded in deposits with domestic credit institutions. Despite the fall in deposits abroad, banks maintained a good coverage of foreign currency liabilities by foreign currency claims (20.0%) at the end of 2013. The fall in bank debt securities distributed in the loans and receivables portfolio, by HRK 1.4bn (45.6%), also affected the movements in total placements at the end of 2013, and it involved a fall in investments in bonds held in that portfolio. The already low share of debt securities in the structure of loans and receivables portfolio thus additionally decreased, to only 0.5% of the amount of that portfolio at the end of 2013.

By contrast, securities in the portfolio of financial assets held to maturity increased from 2012, due to considerably higher investments of banks in residents' bills of exchange (HRK 810.8m or 30.7%). These investments stood at almost HRK 3.5bn at the end of 2013, and were the most important form of assets that banks intend to hold to maturity, with the share of 60.2% in the total portfolio.

Such movements in certain types of placements and assumed off-balance sheet liabilities slightly affected the changes in the structure of items exposed to credit risk. The share of the major component, loans granted, additionally rose from the end of 2012, standing at 68.7%. The second major source of credit risk for banks was still deposits made, with the share of 16.0% in total placements and assumed off-balance sheet liabilities, which was slightly less than at the end of 2012. A decline in the share of almost one percentage point was recorded in assumed off-balance sheet liabilities, which accounted for 12.3% of claims exposed to credit risk at the end of 2013.

Bank claims not fully recoverable increased from 2012 by HRK 5.6bn or 12.9%, thus reversing the slowdown trend in their growth present in the last three years. It should also be noted that the growth rate of placements and assumed off-balance sheet liabilities classified into risk categories B and C was affected by the sale of a portion of claims, excluding which their growth rate would exceed 16.0%. By contrast to the increase in non-performing claims, claims assessed by banks as those of the highest quality, i.e. risk category A claims, decreased by HRK 9.7bn or 2.0%. This decrease was due to the

FIGURE 1.14 Structure of bank placements and assumed off-balance sheet liabilities, as at 31 December 2013



fall in assumed liabilities and lower bank placements in deposits, and the concurrent deleveraging of bank clients and the ageing and deterioration of the existing loan portfolio. The described opposite trends in risk categories relative to 2012 resulted in a decrease in the share of placements and assumed off-balance sheet liabilities classified into risk category A in total placements and assumed off-balance sheet liabilities, to 88.4%. The share of partly recoverable placements and assumed off-balance sheet liabilities and fully irrecoverable placements and assumed off-balance sheet liabilities went up to 11.6% or by 1.4 percentage points. In the last five years marked by the economic crisis and low lending activity, the share of non-performing claims in total claims increased more than three times.

The total loss in portfolios exposed to credit risk reached 6.3% of placements and assumed off-balance sheet liabilities at the end of 2013. The upward trend in the ratio of total value adjustments and provisions to total placements and assumed off-balance sheet liabilities has been present for five consecutive years and it strengthened further in 2013, due to the application of tightened rules on the classification of placements and the announcement of the asset quality review of European banks. The growth in losses driven by difficulties in the collection of claims, the ageing of a portion of the portfolio and the changes in rules on the classification of placements, notably placements covered by eligible instruments of collateral with a long period of collection, resulted in a 22.1% higher amount of value adjustments of placements and off-balance sheet liabilities classified into risk categories B and C. As a result, the average loss on exposures classified into risk categories B and C trended up and the coverage of these exposures by value adjustments and provisions rose to 47.5%. Due to a decline in category A claims, value adjustments and collectively assessed provisions decreased, but the coverage of risk category A remained at the usual level of 0.9%.

Difficulties in the collection of claims were also seen in further growth in due but unpaid receivables. Those receivables rose by HRK 3.3bn (11.2%) from 2012 and deteriorated ageing structure of due receivables indicated that slow collection processes were still present. The total growth in due placements was attributed to receivables that are more than one year overdue, especially those that are three to five years overdue. Out of a total of HRK 32.4bn of due loan receivables, as much as HRK 21.8bn or 67.2% was overdue more than one year and almost one third of that amount was overdue more than three years. Loans for working capital were the greatest source of growth in due receivables in 2013.

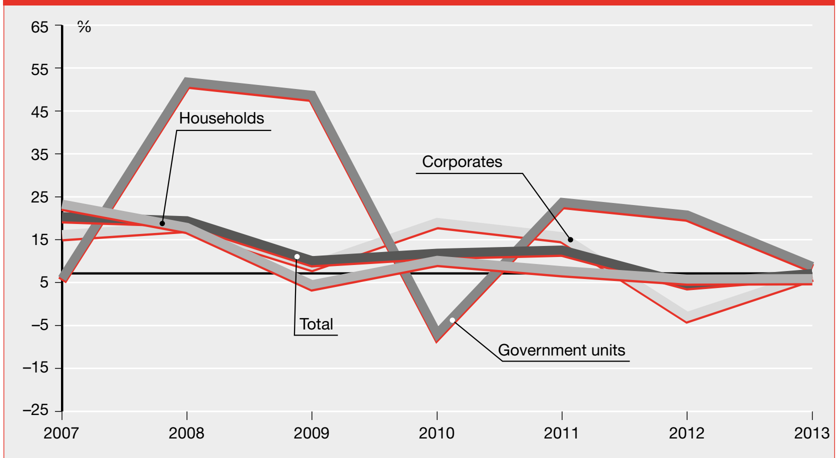
Loans

Relative to the end of 2012, banks increased the amount of loans granted (distributed in the loans and receivables portfolio, in gross amount) by HRK 3.0bn or 1.0% and they stood at HRK 286.9bn at the end of 2013. The annual growth rate was affected by the exchange rate changes, especially changes in the exchange rate of the kuna against the euro. Excluding their effect, the effective growth rate of loans stood at 0.3%.

In 2013, the loan portfolio was under the influence of extraordinary factors that strongly contributed to the changes in its amount and quality and the structure broken down by institutional sectors. The first influence involved the methodological changes in the reporting of collected deferred interest income, stemming from the adjustment of the CNB's reporting system to the approach in IAS 39. The changes resulted in the reduction of loan principal by fees collected in the amount of almost HRK 1.3bn. The second influence involved the sale of claims. As at the end of the previous year, one bank sold a portion of B and C category claims in the amount of HRK 1.7bn (gross) at end-2013, with the corporate sector accounting for the largest share of the claims sold. The third influence was associated with the exit of one bank from the system in 2013; at the end of 2012 it had slightly less than HRK 1.3bn worth of loans. All these changes reduced the amount of loans by HRK 4.2bn, and if their effect was excluded, the growth of loans granted would stand at HRK 7.1bn or 2.5% in 2013.

The mentioned changes affected movements in the amount of loans in certain institutional sectors, especially corporates and, to a lesser extent, in households. By contrast to the stagnation of gross corporate loans, excluding the mentioned effects, a slight growth in loans to that sector (by around 2.7%) could be seen in 2013. Households continued to deleverage, which was additionally spurred by the mentioned effects in 2013, excluding which the decline in loans to that sector would have been weaker and stood at around HRK 1.6bn or 1.3% relative to 2012. A relatively high rate of decline relative to 2012 was recorded in loans to financial institutions (8.3%). Loans to government units increased significantly from 2012 (HRK 5.7bn or 15.2%), which, accompanied by the rise in loans to public enterprises, indicates greater propensity for less risky placements. A relatively large increase in loans to non-residents (HRK 0.7bn or 33.3%) had no major impact on the total developments in gross loans due to the small significance of that sector in the structure of gross loans.

FIGURE 1.15 Rates of change of bank loans



Banks' prevailing focus on lending to government units in 2013 resulted in the increase in the share of that sector in the structure of loans granted, to 15.1% of loans. In the last five years marked by the economic crisis, this share was on an upward trend, rising by almost seven percentage points from 2008. The amount of loans to government units almost doubled in that period, to HRK 43.5bn at the end of 2013. In addition to increased lending, the reported increase was also affected by the changes in sectoral classification, i.e. the adoption of the European System of Accounts 1995 (ESA 95) in 2010 and the transfer of shipyards' debts to the public debt of the RC in 2012. The opposite trend was present in the share of household loans in total loans, which fell by almost seven percentage points in the same five-year period, to 43.1% of total loans at the end of 2013, due to the continuous deleveraging of that sector. The share of corporate loans did not change significantly in that period, despite the effects of the transfer of shipyards' debts and the sale of loans, and it stood at 37.6% of total loans at the end of 2013. The share of the remaining two sectors (financial institutions and non-residents) in total loans stood at 4.1% at the end of 2013.

Loan quality indicators continued to deteriorate in 2013 and the share of B and C risk category loans in total loans rose from 13.9% at the end of 2012 to 15.7% at the end of 2013. Excluding the effect of the sale of claims in 2013 and other mentioned extraordinary changes, that share would be much higher (around 16.2%). The sale of claims slowed down the growth rate of total loans classified into risk categories B and C, to 13.9%. However, if this effect were excluded, loans would grow at a rate higher than 19%.

The downward trend in the quality of loans continued, notably in the corporate and household sectors, despite the moderate developments on the basis of sold claims on loans classified into risk categories B and C. The increase in B and C category loans in the corporate sector stood at 13.3% and loans to this sector had the greatest impact on the decline in the quality of total loans. The share of corporate loans classified into risk categories B and C thus reached 28.3% at the end of 2013, which was 3.3 percentage points higher than at the end of 2012. A relatively faster decrease was observed in the quality of household loans, where B and C categories rose by 14.8%. Deterioration in the quality was seen in almost all types of household loans and total developments were caused mainly by home loans. Despite the accelerated fall in the quality of household loans, it was still somewhat better than the quality of corporate loans and due to that sector's importance in the structure of total loans, it had a positive impact on the level of indicators of total loan quality.

Upward dynamics in loans estimated by banks as partly recoverable or fully irrecoverable were followed by a considerably higher growth rate of value adjustments (23.5%), due partly to the application of stricter rules on the classification of placements and the making of value adjustments. Consequently, the coverage of total B and C category loans by value adjustments increased significantly from the end of 2012, standing at 46.2% at the end of 2013. The rise in the coverage of 3.7 percentage points from 2012 was the first significant shift in the level of that indicator in the last few years and an approximation to values from the pre-crisis period. The usual better coverage of household loans (56.7%) than of corporate loans (41.2%) still has a positive effect on the level of coverage of total B and C category loans, though the growth in total coverage in the observed period was affected by the increase in the coverage of corporate loans. The usual difference in the level of indicators of two sectors was caused, among other things, by the quality of collateral, which has an important role in credit risk assessment.

The level of corporate loans remained almost unchanged relative to 2012. In 2013, only loans to public enterprises within the corporate sector increased (2.8%), while loans to other corporates decreased (0.7%). In the structure of loans observed by purpose, the largest decrease was seen in loans for investments, construction and export financing, while a significant increase was recorded only in banks' participation in syndicated lending. The largest nominal decrease in loans to corporate sector was recorded in trading (HRK 1.0bn or 4.7%) and real estate activities (HRK 517.9m or 7.2%), whereas a marked growth in loans was recorded in professional, scientific and technical activities (11.4%), accommodation and food service activities (10.7%) and transportation and storage activi-

TABLE 1.7 Bank loans, end of period, in million HRK and %

	Dec. 2011		Dec. 2012			Dec. 2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Loans								
Government units	32,722.6	11.2	37,720.1	13.3	15.3	43,460.8	15.2	15.2
Corporates	121,716.9	41.7	107,997.5	38.0	–11.3	107,989.4	37.6	0.0
Households	128,057.8	43.9	126,198.0	44.5	–1.5	123,595.3	43.1	–2.1
Home loans	59,642.3	20.4	59,235.9	20.9	–0.7	57,629.7	20.1	–2.7
Mortgage loans	3,261.3	1.1	3,073.7	1.1	–5.8	3,007.4	1.0	–2.2
Car loans	4,539.4	1.6	3,174.9	1.1	–30.1	2,162.6	0.8	–31.9
Credit card loans	4,109.3	1.4	3,941.2	1.4	–4.1	3,834.6	1.3	–2.7
Overdraft facilities	8,196.0	2.8	8,611.7	3.0	5.1	8,353.5	2.9	–3.0
General-purpose cash loans	36,284.4	12.4	36,436.4	12.8	0.4	37,229.0	13.0	2.2
Other household loans	12,025.1	4.1	11,724.3	4.1	–2.5	11,378.5	4.0	–3.0
Other sectors	9,219.5	3.2	11,990.1	4.2	30.1	11,822.1	4.1	–1.4
Total	291,716.9	100.0	283,905.6	100.0	–2.7	286,867.6	100.0	1.0
Partly recoverable and fully irrecoverable loans								
Government units	97.4	0.3	68.2	0.2	–30.0	47.4	0.1	–30.6
Corporates	24,744.7	68.2	26,952.3	68.1	8.9	30,542.9	67.8	13.3
Households	11,020.9	30.4	11,977.6	30.3	8.7	13,755.2	30.5	14.8
Home loans	3,111.4	8.6	3,654.2	9.2	17.4	4,690.6	10.4	28.4
Mortgage loans	699.8	1.9	732.7	1.9	4.7	894.1	2.0	22.0
Car loans	181.5	0.5	157.7	0.4	–13.1	121.3	0.3	–23.1
Credit card loans	164.3	0.5	174.8	0.4	6.4	174.3	0.4	–0.3
Overdraft facilities	1,298.8	3.6	1,280.5	3.2	–1.4	1,241.9	2.8	–3.0
General-purpose cash loans	3,052.2	8.4	3,297.5	8.3	8.0	3,522.3	7.8	6.8
Other household loans	2,512.9	6.9	2,680.2	6.8	6.7	3,110.8	6.9	16.1
Other sectors	411.5	1.1	552.3	1.4	34.2	681.9	1.5	23.5
Total	36,274.5	100.0	39,550.4	100.0	9.0	45,027.3	100.0	13.8
Value adjustments of partly recoverable and fully irrecoverable loans								
Government units	19.8	0.1	25.4	0.2	28.6	10.1	0.0	–60.2
Corporates	8,687.7	57.8	9,812.1	58.3	12.9	12,596.9	60.6	28.4
Households	6,059.2	40.3	6,690.5	39.7	10.4	7,790.8	37.5	16.4
Home loans	1,040.3	6.9	1,257.3	7.5	20.9	1,848.7	8.9	47.0
Mortgage loans	185.1	1.2	213.8	1.3	15.5	338.8	1.6	58.5
Car loans	138.9	0.9	124.9	0.7	–10.1	99.2	0.5	–20.6
Credit card loans	147.9	1.0	161.2	1.0	9.0	161.3	0.8	0.0
Overdraft facilities	1,204.6	8.0	1,205.3	7.2	0.1	1,181.9	5.7	–1.9
General-purpose cash loans	2,224.7	14.8	2,455.3	14.6	10.4	2,641.2	12.7	7.6
Other household loans	1,117.7	7.4	1,272.7	7.6	13.9	1,519.7	7.3	19.4
Other sectors	262.6	1.7	305.2	1.8	16.2	390.4	1.9	27.9
Total	15,029.2	100.0	16,833.1	100.0	12.0	20,788.2	100.0	23.5

Note: As of October 2013, loan amount is reduced by the amount of collected fees.

ties (9.5%). Increased lending to corporates involved in construction, especially of roads and motorways, had the largest impact on developments in public enterprises in 2013. However, the decline in loans to other corporates involved in construction outweighed the mentioned increase, so total loans to that activity decreased by 0.3%.

Excluding loans granted to households, the construction activity was still the major source of credit risk for banks, despite the lower amount of loans granted to corporates from that sector in the last two years. At the end of 2013, loans to the construction activity accounted for 24.7% of total loans granted to corporates. This activity also has the leading role in the distribution of partly recoverable and fully irrecoverable claims on corporate loans and accounted for almost one quarter of the total amount of B and C category loans to corporates at the end of 2013. Deterioration in the quality of loans to the construction activity contributed the most to the poorer quality of total bank loans in 2013, due to the increase in non-performing claims of 18.5%. At the end of 2013, B and C category loans reached 32.0% of total loans granted to corporates from that activity. A slightly higher growth rate of B and C category loans was recorded in manufacturing (19.7%) and trade recorded the next biggest growth rate (15.2%). Banks considerably increased value adjustments of loans to these activities and the coverage of B and C category loans increased as a result, especially in the construction activity (from 35.7% at the end of 2012 to 41.6% at the end of 2013). The largest growth in the coverage of these loans was seen in the related real estate activity, from 29.4% at the end of 2012 to 44.9% at the end of 2013. In both activities, the change can be associated with the application of new rules governing the classification of placements and the treatment of real estate which serve as instruments of collateral.

At the end of 2013, 73.8% of total loans was granted in foreign currencies and kuna indexed to a foreign currency. Loans in the euro or the kuna indexed to the euro accounted for the largest share in total loans (64.2%), followed by kuna loans (26.2%) and loans in the Swiss franc or kuna indexed to the Swiss franc (8.8%). All other foreign currencies accounted for less than 0.8% of total loans. The currency structure of granted loans slightly changed from 2012, showing an increase in the share of kuna loans at the expense of a decline in foreign currency loans and kuna loans indexed to a foreign currency. These changes were due to the growth in kuna loans in all non-financial sectors, by a total of HRK 2.3bn (3.2%), with the largest impact coming from the rise in general-purpose cash loans

FIGURE 1.16 Structure of bank loans by activities, as at 31 December 2013

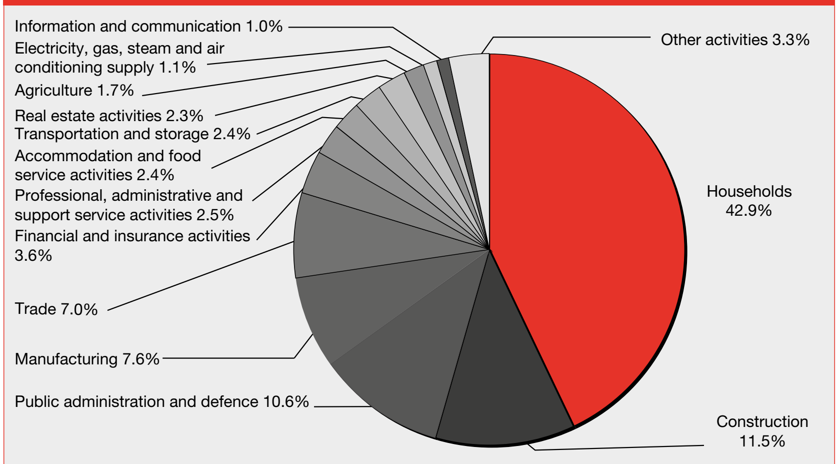
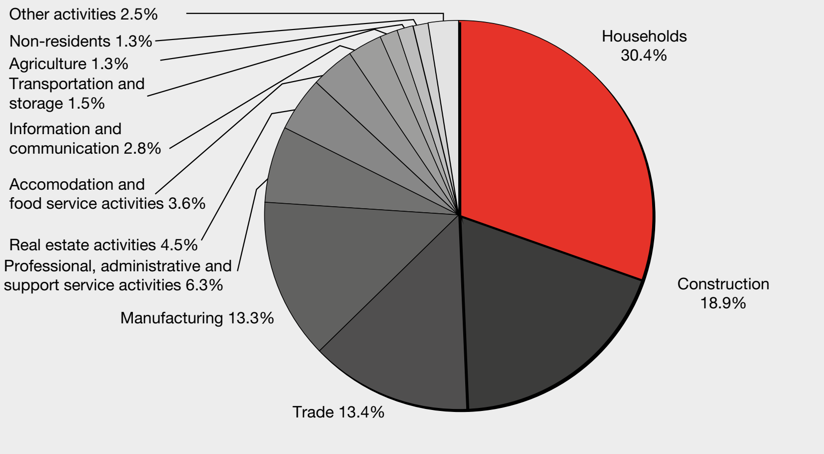


FIGURE 1.17 Structure of bank partly recoverable and fully irrecoverable loans by activities, as at 31 December 2013



to households and kuna loans to government units. A considerably weaker growth was observed in foreign currency loans, i.e. loans in foreign currencies and kuna loans indexed to a foreign currency (HRK 652.2m or 0.3%). They rose the most in government units, but the growth was softened by the decline in home loans to households indexed to the Swiss franc. Most Swiss franc loans were still accounted for by loans granted to households, which related mostly to home loans.

Due to the slower growth in foreign currency loans than in kuna loans in 2013, banks were less exposed to the currency-induced credit risk (CICR), i.e. the share of loans exposed to CICR and the share of loans unhedged against this risk in total loans decreased. At the end of 2013, somewhat less than three quarters of total bank loans (net) were exposed to CICR and a little less than 90% of that amount was unhedged against this risk, i.e. made to clients with an unmatched currency position.

The quality of kuna loans remained the poorest at the end of 2013, with the share of B and C risk category loans accounting for 17.9%. Although the largest portion of kuna loans was placed to households, the ultimate indicator value was affected by corporates, due notably to the poor quality of loans for working capital and investments. Loans in Swiss francs accounted for the next largest share of B and C category loans (16.2%), which increased by more than 3 percentage points from 2012, due to the decline in the quality of home loans indexed to that currency. Loans in euros maintained the lowest share in B and C category loans (14.5%). Although almost equal amounts of around 40% of the total euro loans were placed to corporates and households, loans to households enhanced the quality of these loans, with the share of B and C risk category loans in total loans in that currency standing at 9.1%. The share of B and C category corporate loans in total euro loans stood at 26.1%.

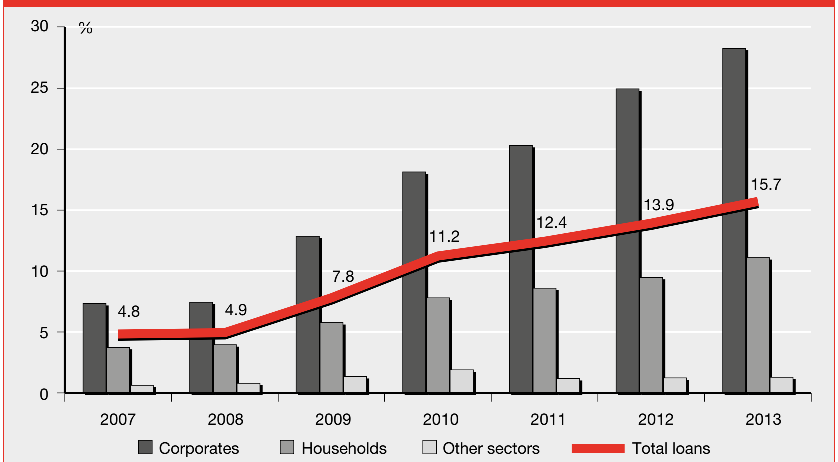
The household sector continued to deleverage for the fifth consecutive year. The decline in household loans of HRK 2.6bn or 2.1% (2.7% excluding the exchange rate effect) was the result of the fall in all major types of loans, except for cash and general-purpose loans. The decrease in home loans, by more than HRK 1.6bn or 2.7%, had the key impact on total developments in 2013, followed by a further significant fall in car purchase loans, by HRK 1.0bn or 31.9%. The decline in car purchase loans has been present since 2009, reducing to HRK 2.2bn at the end of 2013 and accounting for only 1.8% of household loans. The structure of household debt to banks changed in favour of general-purpose loans, i.e. loans used for servicing liabilities to various creditors. Hence, a noticeable increase was observed only in general-purpose cash loans (HRK 792.7m or 2.2%) and other general-purpose loans (HRK 249.0m or 6.7%). A slight increase was also seen in some loans that are less significant in the structure of loans to that sector, namely Lombard loans and education loans.

Two types of loans continued to dominate the household sector. Home loans were still the major type of loans, with the share of 46.6% in total loans to that sector. The increase in the amount of general-purpose cash loans led to the rise in the share of these loans in the structure of household loans, to 30.1%. They were followed by overdraft facilities and other general-purpose loans with much lower shares (6.8% and 3.2%).

The quality of loans to households continued to deteriorate in 2013, due to the growth of partly recoverable and fully irrecoverable claims at the rate of 14.8%. As a result, the share of B and C risk category loans in total household loans rose from 9.5% at the end of 2012 to 11.1% at the end of 2013. The deterioration in the quality of home loans had the major impact on the fall in the quality of household loans, accounting for more than half of the amount of the total growth in B and C category loans. Difficulties in the collection of home loans have been present since 2010, when home loans ceased to be the highest-quality component of household loans, due to the great impact of the materialisation of currency-induced credit risk. In 2013, home loans classified into B and C risk categories increased by HRK 1.0bn or 28.4%, reaching the share of 8.1% in total home loans. The amount and quality of home loans in 2013 were largely influenced by changes in the portfolio of home loans in Swiss francs. Almost the entire decrease in home loans from the end of 2012 was accounted for by the decrease in home loans in Swiss francs (HRK 1.6bn or 7.0%), while the decline in their quality, i.e. the growth in B and C category loans by 25.6% had the major effect on the fall in the quality of total home loans. The share of B and C category loans in home loans in Swiss francs rose from 9.2% at the end of 2012 to 12.4% at the end of 2013, accounting for the largest share among all currencies in which home loans are granted. A somewhat lower share in B and C risk categories was accounted for by home loans in kuna (11.5%) and the lowest share was still accounted for by home loans in euros (4.9%). Loans in Swiss francs accounted for 37.3% of total home loans at the end of 2012, while their share in total B and C category home loans accounted for 56.6%.

In addition to home loans, the fall in the quality of household loans was also considerably affected

FIGURE 1.18 Share of bank partly recoverable and fully irrecoverable loans



by other general-purpose loans, with B and C category loans rising by 40.7% and accounting for 41.0% of total loans at the end of 2013. This was the highest share of B and C category loans among significant types of loans to households. That share was considerably lower in general-purpose cash loans (9.5%), overdraft facilities (14.9%) and credit card loans (4.6%), which, together with home loans, belong to the most frequent types of loans to households.

Loans to sole proprietors and loans to non-profit institutions accounted for smaller shares in the total amount of loans to the household sector (3.8% and 0.4%). Loans to sole proprietors decreased by 9.1% in the observed period, and their quality, measured by the share of risk categories B and C in total loans, was considerably worse than the average for the whole sector (25.2%). Loans to non-profit institutions increased by 5.6% and the share of risk categories B and C was also above the sector average (14.1%).

1.2.5 Liquidity risk

Sources of financing

The total sources of bank financing[20] stood at HRK 329.0bn at the end of 2013, which is an increase of 0.3% from the end of 2012 (Table 1.8). This growth was entirely due to the changes in the exchange rate of the kuna, especially against the euro. Excluding these effects, total sources decreased by 0.4%. Very slight changes in total sources reflected the opposite developments in their components, with the growth in domestic sources (by HRK 5.2bn or 2.0%) being significantly offset by the decline in foreign sources (by HRK 4.3bn or 5.9%). The growth in domestic sources was based on household and corporate deposits the moderate growth in which, without there being a significant credit incentive, enabled banks to reduce their liabilities on the foreign and domestic financial market.

The bank deleveraging process in the previous year mostly involved the reduction of liabilities to majority foreign owners by 7.7% and the repayment of loans to domestic financial institutions, by 9.9%. Banks reduced all types of sources received from majority foreign owners, and loans received fell the most, by HRK 3.7bn or 15.7%. This led to a further decline in the significance of these sources in

TABLE 1.8 Structure of bank sources of financing, end of period, in %

	Dec. 2011		Dec. 2012			Dec. 2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Deposits	281,390.5	83.9	275,844.0	84.1	–2.0	282,805.6	85.9	2.5
Loans	49,173.0	14.7	47,402.1	14.4	–3.6	41,483.1	12.6	–12.5
Debt securities issued	0.0	0.0	300.0	0.1	–	299.9	0.1	0.0
Hybrid and subordinated instruments issued	4,967.4	1.5	4,634.0	1.4	–6.7	4,459.3	1.4	–3.8
TOTAL SOURCES OF FINANCING	335,530.9	100.0	328,180.1	100.0	–2.2	329,048.0	100.0	0.3
Total sources of financing from majority foreign owner	71,686.2	21.4	55,777.3	17.0	–22.2	51,514.6	15.7	–7.6

20 Sources of financing are composed of received deposits, received loans, issued debt securities and issued subordinated and hybrid instruments.

total sources of bank financing, to 15.7%, but the intensity of the changes was considerably weaker than in 2012. The use of parent banks' sources in the last ten years[21] ranged from 13.9% (2007) to 21.4% (2011). If the last two years are excluded, another decline in sources from owners in the whole observed period was recorded only in 2007, when a significant amount of sources from parent banks was used for the capital strengthening of banks. Banks also deleveraged through most of 2013 in the domestic interbank market. The deleveraging trend is confirmed by other indicators, such as the share of loans received in assets, which has been on a continuous decrease since 2006, reaching the new lowest level of 10.4% at the end of 2013 (Figure 1.21). The loan-to-deposits ratio fell further by 3.8 percentage points, to 93.3% in 2013, which is its lowest value since the end of 2007. However, it is hard to compare this indicator with earlier periods due to a considerable impact of the aforementioned regulatory and methodological changes on the numerator of the indicator.

Observed by the type of instruments, the two most significant types of sources record opposite changes; deposits rose by HRK 7.0bn or 2.5% and loans received fell by HRK 5.9bn or 12.5%. Hybrid instruments continued to decrease (7.3%), partly by conversion into share capital, while financing by subordinated instruments slightly increased (by 4.5%), mostly for the purpose of maintaining the capital adequacy. Issued debt securities accounted for only 0.1% of total sources and changed very slightly. As a result, the already dominant share of deposits in total sources continued to increase, to 85.9%, with a concurrent decrease in the share of loans received (to 12.6%) to their historic lows. The share of all other types of sources in total sources remained unchanged from the end of 2012.

The most positive contribution to developments of the major component of sources, total deposits, came from household deposits (by 3.9%), followed by corporate deposits, which increased significantly from the end of 2012, by 8.0%. A smaller nominal impact came from deposits of non-profit institutions (by 13.0%). These positive movements were significantly offset by the fall in deposits of financial institutions (by 12.7%), and to a lesser extent, by non-resident deposits (0.8%).

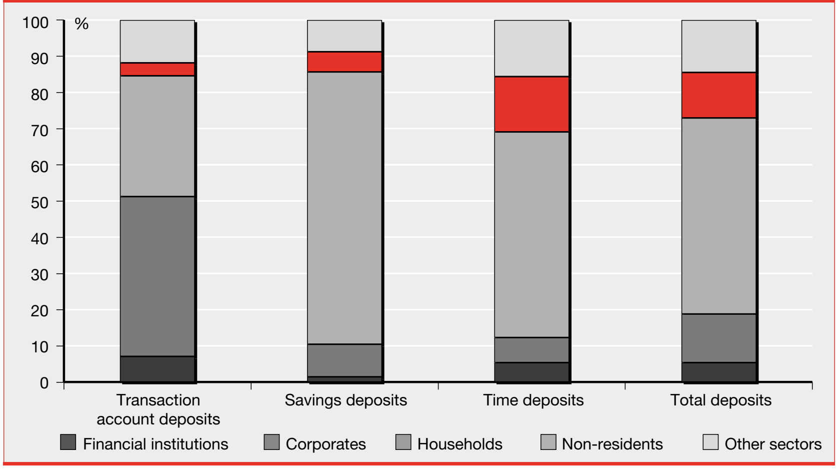
The increase in household deposits, marked by a stable, but decelerated upward trend, was most pronounced in the second half of the year, which is usually attributed to seasonal inflows from tourism. The bulk of HRK 6.5bn of the nominal increase was accounted for by time deposits (HRK 3.9bn), with foreign currency and kuna time deposits rising by almost the same amount. Banks generated the major portion of the increase in corporate deposits by the increase in deposits on transaction accounts of other corporates in the second and third quarter of 2013. Several factors had a positive

TABLE 1.9 Sectoral structure of received loans, end of period, in million HRK and %

	Dec. 2011		Dec. 2012			Dec. 2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Loans from government units	8.5	0.0	6.0	0.0	–29.2	0.0	0.0	–100.0
Loans from financial institutions	17,316.5	35.2	16,802.9	35.4	–3.0	15,146.0	36.5	–9.9
Loans from corporates	1.6	0.0	786.5	1.7	48,124.3	317.0	0.8	–59.7
Loans from foreign financial institutions	31,841.5	64.8	29,654.6	62.6	–6.9	25,714.6	62.0	–13.3
Loans from other non-residents	4.9	0.0	152.1	0.3	2,985.4	305.5	0.7	100.9
TOTAL LOANS RECEIVED	49,173.0	100.0	47,402.1	100.0	–3.6	41,483.1	100.0	–12.5
Loans from majority foreign owner	25,128.2	51.1	23,846.2	50.3	–5.1	20,113.3	48.5	–15.7

21 Since 2004, the CNB has access to data on sources received from majority foreign owners.

FIGURE 1.19 Sectoral structure of received deposits, as at 31 December 2013



impact on the highest annual growth rate of these deposits since the end of 2007, notably a partial settlement of the debt of the health care system to pharmaceutical wholesalers, sources received on the account of the increased discount of bills of exchange, inflows from tourism and tightened fiscal measures. The fall in deposits from financial institutions was mostly the result of the decrease in kuna time deposits of credit institutions and foreign currency time deposits of insurance companies and pension funds. The repayment of sources from majority foreign owners in 2013 largely involved the repayment of loans received, so changes in deposits of foreign owners were negligible (–2.0%). Finally, the annual growth rate of total deposits (of 2.5%) was the weakest so far, if we exclude 2012 and 1999 when deposits recorded a fall.

Banks reduced their debt arising from loans received from all sectors, with the largest decline being observed in loans from non-residents (by HRK 3.8bn or 12.7%) and loans received from domestic financial institutions (by HRK 1.7bn or 9.9%). Almost the entire amount of loans from non-residents was accounted for by loans received from majority foreign owners, which recorded a fall in the share in total loans received, from 50.3% to 48.5%. After the parent banks, CBRD had the highest signifi-

FIGURE 1.20 Household deposits

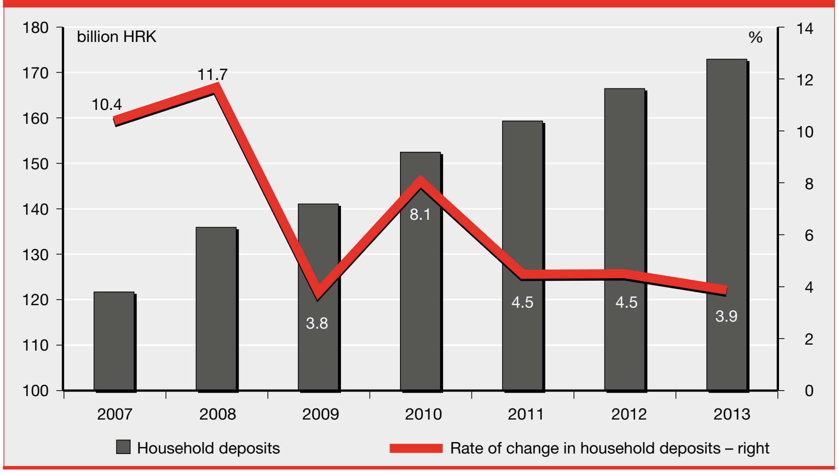
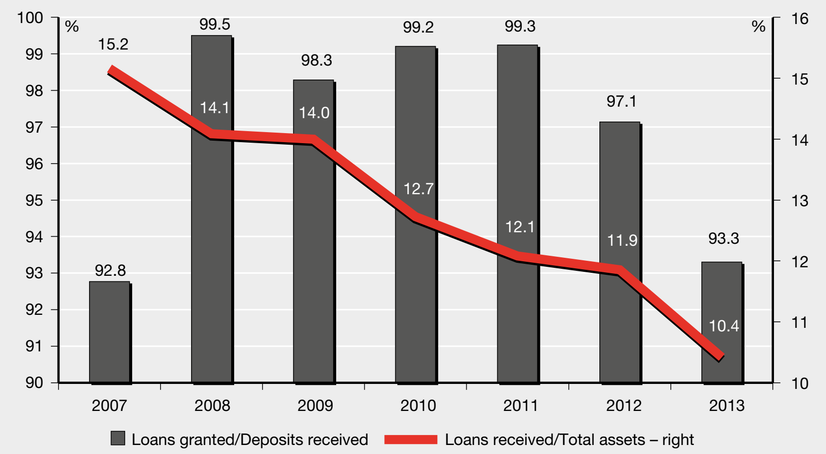


FIGURE 1.21 Bank liquidity indicators



cance among the creditors. Its share rose from 32.8% to 35.3%, due to a relatively mild decrease (6.3%) in relation the total decrease in loans received.

Changes in the currency structure of sources were moderate. Kuna sources of financing increased by HRK 5.2bn or 5.3%, while foreign currency sources decreased by HRK 4.3bn or 1.9%. The share of kuna sources in total sources thus rose from 30.3% (2012) to 31.8% at the end of 2013, while the share of foreign currency sources relatively declined, to 68.2%. The growth in kuna sources was based on the growth in kuna deposits, notably in deposits on transaction accounts, which rose by HRK 6.3bn or 16.4%. These sources increased in all sectors, with the largest increase being recorded in accounts of corporates (by HRK 3.4bn or 22.2%) and households (by HRK 1.6bn or 10.5%). The decrease in foreign currency sources was largely due to the decrease in received foreign currency loans (by HRK 6.0bn or 15.9%) and to a smaller extent, to hybrid instruments. The bulk of these changes related to foreign currency sources received from majority foreign owners, which were HRK 4.1bn or 9.6% lower. Despite that, these sources were still mostly in a foreign currency (74.1%), with a dominance of the euro and Swiss franc. Having increased by 1.6 percentage points, the share of kuna sources in total sources received from majority foreign owners exceeded one fourth at the end of 2013.

A double-digit growth rate of transaction account deposits (14.3%), accompanied by very slight changes in the remaining two types of deposits, led to the rise in their share by around 2.0 percentage points (to 19.2%). The share of time deposits in total deposits declined by the same amount, to 73.1%. As of the end of 2012, the remaining 7.7% was accounted for by savings deposits. All sectors ended 2013 with higher amounts of deposits on their transaction accounts, largely due to the increase in corporate deposits, notably deposits of other corporate (by 23.2%), and household deposits (10.6%). The most significant deposit item, time deposits, recorded a very slight decline (–0.2%). The only increase within these items was observed in household time deposits (of 2.9%), while other sectors recorded a fall, especially financial institutions (by 17.8%) due to a decline in time deposits of credit institutions, insurance companies and pension funds.

Maturity adjustment of bank assets and liabilities

Following a considerable decline in 2012, the mismatch between short-term assets and short-term liabilities of banks increased again in 2013. The short-term cumulative gap[22] of up to one year stood at HRK 73.8bn at the end of 2013, an increase of HRK 19.5bn from the previous year (Figure 1.22). This increase was primarily influenced by the aforementioned regulatory and methodological changes that reduced the amount of assets (net), while the amount of short-term liabilities increased, especially due to the growth in deposits on transaction accounts. As a result, mismatches increased further in almost all the remaining maturity categories, particularly in the shortest maturity, *up to 15 days*. The ratio of short-term assets and short-term liabilities of banks thus decreased by as much as 7 percentage points, from 79.1% to 72.1%.

The rise in the short-term mismatch was primarily the result of a considerable decrease in short-term assets, by HRK 15.2bn or 7.4% and, to a lesser extent, of an increase in short-term liabilities, by HRK 4.3bn or 1.6%. The sharpest increase in short-time mismatches related to the category with the shortest remaining maturity (*up to 15 days*) and the negative gap rose from HRK 2.1bn to HRK 11.9bn. This increase reflected the decline in loans and other items in the loan and receivables portfolio by a total of HRK 7.7bn, while liabilities and maturities, influenced by deposits on transaction accounts, went up by HRK 2.3bn or 2.4%. A considerable growth of mismatches, driven by the decline in assets and rise in liabilities, was recorded in maturity categories *from 3 to 6 months* and *from 6 to 12 months*. As a result, almost all gaps in the short-term maturity category were negative, i.e. the amount of liabilities exceeded the amount of claims expected by banks in that period. The greatest negative gap was recorded in the maturity category *from 6 to 12 months*, of HRK 24.5bn.

By contrast, banks still record a surplus of long-term assets over liabilities and these positive gaps widened further in 2013, particularly in maturity categories *from 12 to 18 months* and *from 2 to 3 years.* The growth in mid-term gap was based on the growth in debt securities (in the maturity category *from 12 to 18 months*) and loans (in the maturity category *from 2 to 3 years*), which was not followed by changes in liabilities of these maturity categories. The greatest positive gap was recorded in the category *from 60 to 120 months*, of HRK 36.9bn, stemming from a marked "lack" of long-term sources of bank funds. The most significant source of bank funds, household savings, only seldom exceeds 5 years (a mere 1.3% of total household time deposits). Banks offset the lack of long-term sources with sources from majority foreign owners, but due to the deleveraging observed in the last two years, the maturity of the remaining sources shortened significantly.

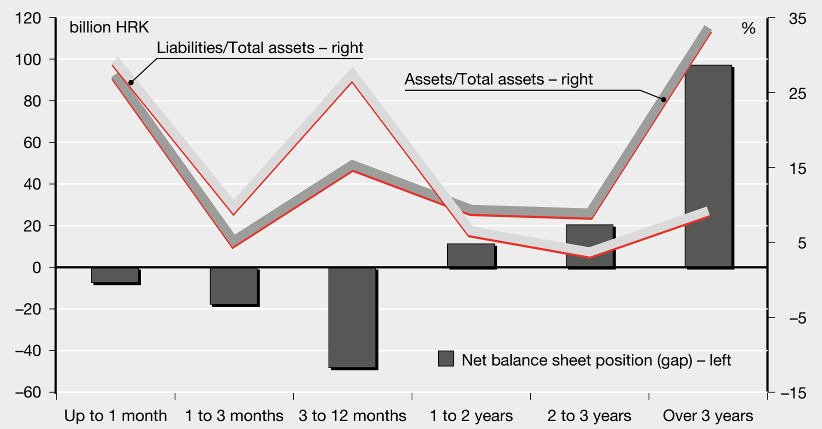
Minimum liquidity coefficient[23]

Observed at the aggregate level, banks maintained considerably higher values of minimum liquidity

22 The gap represents the difference between net assets and liabilities with the same term to maturity and includes all remaining maturity categories up to one year. A positive gap is a situation in which a bank's assets exceed its liabilities in a given period and a negative gap is a situation in which a bank's liabilities exceed its assets in a given period.

23 The obligation to calculate the minimum liquidity coefficient (MLC) was introduced in 2010. The MLC is calculated as the ratio of expected inflows (currently negotiable assets included) and the expected outflows in stressed conditions in the two given periods (up to one week and up to one month). The MLC is calculated for kuna, all convertible currencies combined and for each non-convertible currency separately (if it is significant).

FIGURE 1.22 Asset and liability maturity match or mismatch, as at 31 December 2013



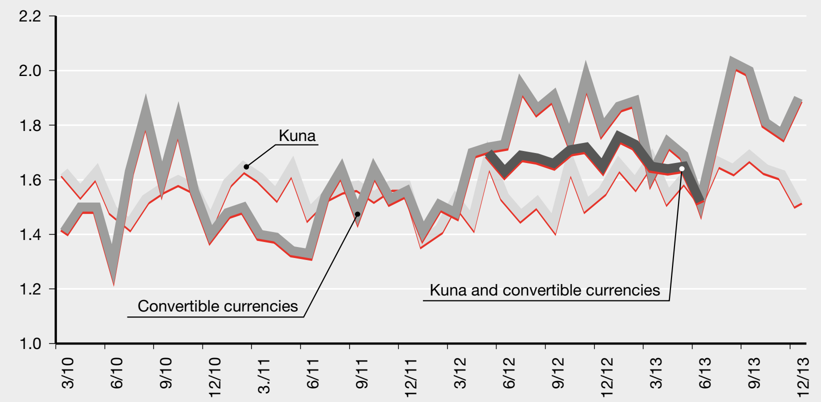
coefficients (MLC) in kuna and convertible currencies throughout 2013 in both given periods[24]. In mid-year, banks were no longer allowed to maintain the MLC on a collective basis (for kuna and foreign currency combined)[25], but lower requirements regarding the maintenance of MLC were kept[26].

At the end of the year, MLC for kuna stood at 2.1 for the period of up to one week and 1.5 for the period of up to one month, while MLC in convertible currencies stood at 3.1 and 1.9. Stronger deviations from average values of the coefficient for convertible currencies were maintained through the year, primarily due to the flows from derivative financial instruments and transactions with group members. Changes in coefficients for kuna were much milder and the most pronounced changes in expected inflows and outflows were observed in claims/liabilities arising from derivative financial instruments. However, a mild decrease in the value of the coefficient for the kuna from 2012 was affected primarily by the decline in expected inflows from loans granted to other corporates.

Readily marketable assets (RMA) of banks[27] stood at HRK 61.4bn at the end of 2013, an increase of HRK 1.6bn or 2.7% from the end of 2012. Despite the decline in total assets of banks, this increase was the result of the rise in bank investments in those items that meet the conditions for inclusion in this type of asset. These opposite movements were reflected in the rise in the share of RMA in total bank assets, from 14.9% (2012) to 15.4%. As in the previous year, the most pronounced increase was observed in MoF T-bills, followed by the rise in investments in other securities that may be turned into cash quickly and easily. Total bank investments in readily marketable securities reached 42.3% of the total RMA, with MoF T-bills being the most significant item with the share of 20.6% in RMA. Due to the fall in deposits with foreign banks and the reduction in the reserve requirement rate,

24 For the purposes of calculating the minimum liquidity coefficient, inflows and outflows are reported according to an acute short-term stress scenario specified by the CNB that is much more stringent than actual cash flows because of various requirements and haircuts. The purpose of the stress scenario is to determine whether a credit institution has sufficient liquid assets to meet its liquidity needs in stressed conditions within a given period.
25 Decision on amendments to the Decision on liquidity risk management (OG 142/2012).
26 In line with the Decision on amendments to the Decision on liquidity risk management (OG 60/2013), banks are allowed to maintain the MLC for no longer than seven calendar days during the reporting month only in one currency (in kuna or all convertible currencies combined or non-convertible currencies separately) at a level 10% below 1 (i.e. 0.9), regardless of the time zone (up to one week or up to one month).
27 Readily marketable assets (RMA) are liquid assets available to the credit institution that may be turned into cash quickly (within four working days) and easily (with no significant losses).

FIGURE 1.23 Minimum liquidity coefficient for period up to one month



Note: From 1 May 2012 until 30 June 2013. by way of exception. the credit institutions meet the minimum liquidity coefficient requirement on a collective basis, i.e. for kuna and all convertible currencies combined.

deposits/loans with credit institutions and deposits with the CNB also decreased. Having declined by 1.9 percentage points, deposits with the CNB accounted for 25.2%, while the share of deposits/loans with credit institutions fell from 26.2% to 23.4% of RMA. Securities in the portfolio of financial assets available for sale were the next to follow by size of share, with 16.0%. Money assets accounted for slightly less than 9.0% of RMA and this share remained stable.

The rise in bank investments in MoF T-bills contributed the most to the growth in kuna[28] RMA (by 7.7%), which led to an increase in the share of kuna items in total RMA by 2.7 percentage points, to 57.2%. As regards the currency structure of readily marketable assets, a simultaneous decrease was observed in the share of assets in convertible currencies, by 3.4% (due to a decline in MoF T-bills denominated in euro), and deposits/loans with credit institutions. The bulk of kuna RMA still related to deposits with the CNB (44.0%), although their share fell considerably in 2013 (by 5.6 percentage points). The decrease in these deposits resulted from the changes related to the release of reserve requirements funds and the purchase of compulsory CNB bills. Since banks may not dispose of them at their own discretion, they do not meet the conditions for inclusion in this type of asset. MoF T-bills (in kuna or kuna indexed to a foreign currency) accounted for the next 29.2% kuna components of these assets. Readily marketable assets in convertible currencies largely consists of deposits/loans to credit institutions (52.8%), and almost all the remaining share related to investments in securities classified mostly in the available-for-sale portfolio (26.2%).

1.2.6 Currency adjustment of bank assets and liabilities

Although the share of foreign currency assets (asset items in foreign currencies and items in kuna with a foreign currency clause, the so-called foreign currency indexed items) in total bank assets decreased somewhat, by 2.0 percentage points, as did the share of foreign currency liabilities in total

28 For the purposes of calculating the MLC, exposures in kuna with a currency clause are considered exposures in kuna.

liabilities, by 1.4 percentage points, these items of bank assets still accounted for around two thirds of their balance sheet amount. With the share of more than 98.5%, three currencies – the euro, the Swiss franc and the American dollar – predominated in these asset/liability items, with the euro accounting for around 85%.

The exchange rate of the euro rose by 1.2% in 2013, while the kuna slightly strengthened against the other two most represented currencies, by only 0.2% against the Swiss franc and much more, by 3.1%, against the American dollar. As a result, the real decline in total bank assets, which stood at 0.5% in nominal terms, was twice as high and stood at 1.1%.

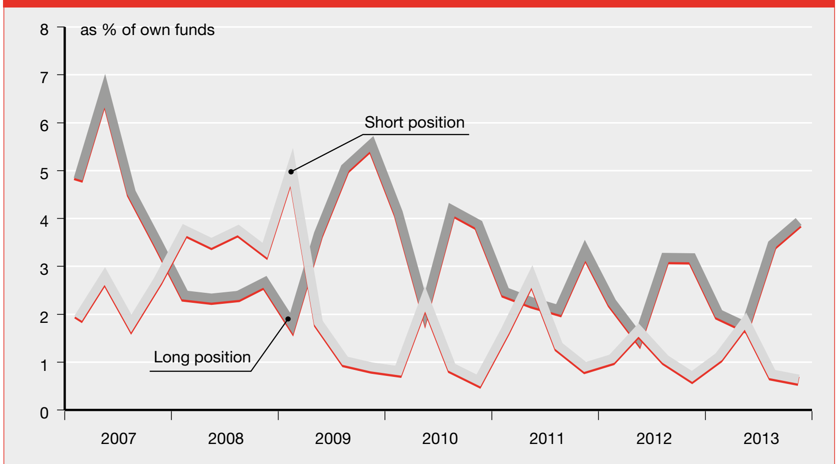
Foreign currency assets of banks in the previous year stood at HRK 249.1bn, a decrease of HRK 9.2bn or 3.6% (4.4% in real terms, if the mentioned movements in the most represented currencies are taken into account). Due to a considerable rise in kuna asset items (by 5.0% or HRK 7.1bn), changes in the structure of total assets amounted to almost 2 percentage points and resulted in a further decline in the share of foreign currency assets in total bank assets, to 62.6%.

A fall in the foreign currency component of bank liabilities was slightly slower in 2013 and stood at 2.0% (2.9% in real terms) or HRK 4.8bn and, accompanied by a slower growth in kuna items (4.3%), contributed to a minor change in the structure of liabilities in the bank balance sheet. This amounted to slightly less than 1.5 percentage points and the share of foreign currency items decreased to 67.2% at the end of the period.

The mentioned decrease in foreign currency component of bank assets was primarily due to kuna assets indexed to a foreign currency (which accounted for slightly less than two thirds of total foreign currency assets, i.e. 61.4%). These assets were 5.2% (HRK 8.3bn) lower than in 2012, almost entirely due to a decline in loans granted. Assets in foreign currencies dropped by slightly less than 1% (HRK 0.9bn), due notably to a significant decrease in the amount of the foreign currency securities portfolio, by 12.8%, and deposits with financial institutions, by 8.%, which exceeded the impact of a considerable rise in loans in foreign currencies, of almost 10.0%.

As in assets, kuna liabilities indexed to a foreign currency recorded a considerable decline, by as much

FIGURE 1.24 Foreign exchange position of banks, quarterly data



as 11.2% (HRK 1.6bn) in total foreign currency items of bank liabilities. The decrease in liabilities in the so-called pure foreign currencies was much smaller. They fell by only 1.4%, but due to their share of more than 90% in total foreign currency items, the fall was twice as big in absolute terms (HRK 3.2bn). The mentioned fall in foreign currency assets was largely due to a decline in loans received by 18.0% (long-term loans by 17.2% and short-term loans by as much as 22.2%), totalling HRK 5.1bn, which was mitigated by the rise in foreign currency deposits of HRK 2.6bn. The HRK 1.6bn decrease in kuna liabilities indexed to a foreign currency was due equally to the declines in time deposits and received long-term loans, of HRK 0.8bn each (by 15.0% and 11.2% respectively).

At the end of 2013, the average open foreign exchange position of banks was long, standing at 3.9% of the average own funds. It increased slightly from the end of 2012 (3.1% of own funds), but remained significantly below the legally prescribed limit of 30% of average own funds. This was due to the rise in the total long open foreign exchange position by 24.8% in 2013, accompanied by a smaller impact from the fall in own funds (by slightly less than 0.5%).

1.2.7 Interest rate risk in the non-trading book

Bank exposure to interest rate risk in the non-trading book additionally decreased in 2013 and stood at only 0.1% of own funds at the end of the year, compared to 1.7% in 2012.[29] The decrease was primarily due to the application of the new regulations on consumer lending, according to which the creditors are obliged to define parameters that are applied in the context of making decisions on the correction of variable interest rates, and that are clear and familiar to consumers. As a result, items negotiated at administered interest rates decreased (they change according to decisions of a credit institution's management board), while items at variable interest rates increased. As a result of the transfer of asset items to positions with a variable interest rate, the period for the change of the interest rate was shortened, since the corrections in items negotiated at benchmark rates (EURIBOR, LIBOR, etc.) are usually carried out on a quarterly basis. The shortening of the period, i.e. the transfer of items to short-term zones bearing low weights in the calculation of changes in the economic value, reduced banks' exposure to interest rate risk in the non-trading book. Net weighted position fell to less than one tenth of its previous value (a decrease of 92.0%) to HRK 77.1m. At the same time, the amount of bank own funds also decreased, by 4.3%, which prevented an even sharper fall in the indicator of exposure to interest rate risk in the non-trading book.

The largest net unmatched position, before weighting (i.e. the difference between interest rate-sensitive assets and liabilities) was that in the shortest maturity band (up to one month), but due to the extremely low weight for this band, it did not have the highest weighted position. As at the end of 2012, the total net weighted position was the highest in the maturity band from 6 to 12 months, standing

29 Interest rate risk in the non-trading book is due to maturity mismatch/revaluation of interest rates of non-trading book positions. For the purposes of measuring the effect of interest rate risk in the non-trading book, credit institutions are required to apply the standard interest rate shock, which assumes a simultaneous positive or negative shift in all interest-bearing positions of the non-trading book (regardless of the interest rate type and currency) on the reference yield curve of 200 basis points (2%). All interest rate-sensitive items of the non-trading book are distributed into 13 time zones and weighted by appropriate weights, calculated by multiplying the estimated modified duration for each time zone and assumed interest rate shock. The result is the estimated change in the economic value of the non-trading book, i.e. the estimated present value of all expected net cash flows, measured by the net weighted position, which may not exceed 20% of own funds.

at HRK 541.2m. It more than doubled in the last year (an increase of 63.1%), caused by the faster growth in liabilities sensitive to interest rate changes (by 22.2%) than in such assets (by 8.1%) (since that band's position is determined by bigger interest rate-sensitive liabilities than assets).

As at the end of 2013, banks showed the highest sensitivity to changes in interest rates for the positions in kuna, which stood at HRK 310.2m (in a decrease by almost half of its previous value). With the amount of HRK 227.7m, the net weighted position in euro was the next to follow, but it recorded the biggest change because it turned from a positive to a negative value (due to the dominance of the weighted position of maturity bands with bigger interest rate-sensitive liabilities than assets). Positions in other currencies were considerably lower (ranging from HRK 46m to 70m), negative and in a similar amount as at the end of 2012.

As for net weighted positions by types of interest rates, items with administered and variable interest rates recorded the highest and almost similar amounts, but with opposite signs. In the first case, interest rate-sensitive liabilities were higher than interest-bearing assets, and in the latter, it was the reverse. They stood at HRK 865.2m (administered interest rate, negative sign) and HRK 966.4m (variable interest rate), while the position with a fixed interest rate was the lowest, with the amount of HRK 178.3m (negative sign).

Both interest rate-sensitive assets with a variable interest rate and those with a fixed interest rate increased (by one quarter and by around 10%, respectively), raising their shares to 56.4% and 25.0%, respectively. Asset items with an administered interest rate almost halved (a decrease of 47.6%) and their share fell to 18.6%.

When interest rate-sensitive liabilities are observed, those with a fixed interest rate predominated, with the share of 51.1% and an increase of 41.2% in the last year. Items of the remaining two types of interest rates (administered and variable) recorded a fall in the last year and reduced their shares to 32.3% and 16.6% respectively.

TABLE 1.10 Interest rate risk in the non-trading book, as at 31 December 2013, in million HRK and %

Currency	Interest rate type	Net position (before weighting)	Net weighted position
HRK	Administered interest rate	–30,468.6	–660.3
	Variable interest rate	46,283.0	462.0
	Fixed interest rate	6,021.6	508.6
EUR	Administered interest rate	–6,112.8	–184.2
	Variable interest rate	92,404.1	435.8
	Fixed interest rate	–76,860.0	–479.2
CHF	Administered interest rate	6,874.6	63.8
	Variable interest rate	3,741.0	67.5
	Fixed interest rate	–5,979.6	–177.3
USD	Administered interest rate	–803.9	–24.7
	Variable interest rate	1,238.9	1.0
	Fixed interest rate	–1,883.6	–20.1
Other	Administered interest rate	–5,068.4	–59.7
	Variable interest rate	1,894.7	0.1
	Fixed interest rate	2,151.2	–10.4
Change in the economic value of the non-trading book			–77.1
Own funds			53,418.8
Change in the economic value of the non-trading book as % of own funds			0.1

Interest rate risk exposure was lower than permitted in 2013 for all banks. The largest ratio between the economic value of the non-trading book and own funds in one bank stood at slightly less than 12% and another bank approached a value of this ratio of 10% (interest rate risk could not be adequately reported in one bank, due to its negative own funds).

1.2.8 Capital adequacy

Movements in the capital adequacy ratio of banks slightly fluctuated in 2013, but at the end of the year, the ratio recorded a mild growth, reaching 21.1% as compared to 20.9% at the end of 2013. This was the continuation of its years-long upward trend, present since the beginning of the application of the Basel II reporting standards from the first quarter of 2010.

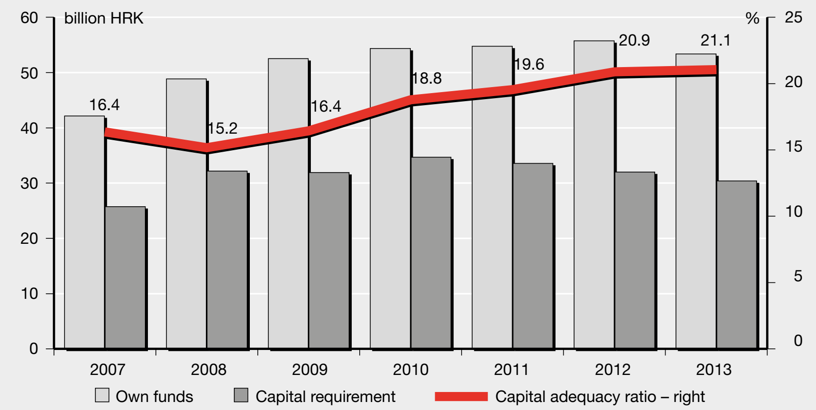
Since both components determining the required capital adequacy of banks decreased in 2013, the mentioned increase in the capital adequacy ratio was due to a decrease in banks' own funds somewhat slower than the reduction of the capital requirement for all operating risks. Banks' own funds were 4.3% lower than at the end of 2012, while total capital requirements declined by 5.0%.

At the end of 2013, three banks reported a capital adequacy ratio below the legally prescribed minimum of 12%, but two of them were recapitalised at the beginning of 2013.

Banks' own funds stood at HRK 54.8bn at the end of the previous year, and its decrease of HRK 2.4bn was caused by the decline in both original and additional own funds, accompanied by an increase in deduction items from capital. The decline was largely due to the fall in banks' additional own funds of 29.5% or HRK 1.2bn, almost entirely caused by lower amount of hybrid and subordinated instruments.

A further HRK 0.7bn decline in own funds related to original own funds (a decrease of 1.3%). This decrease was caused by an increase in losses and a decrease in the current year's profit, and the exit of one bank from the system. Finally, banks reported a growth in deduction items from original and

FIGURE 1.25 Bank capital adequacy ratio



Note: Basel II has been applied since 31 March 2010 and the minimum capital adequacy ratio is 12% (as compared to the previous 10%).

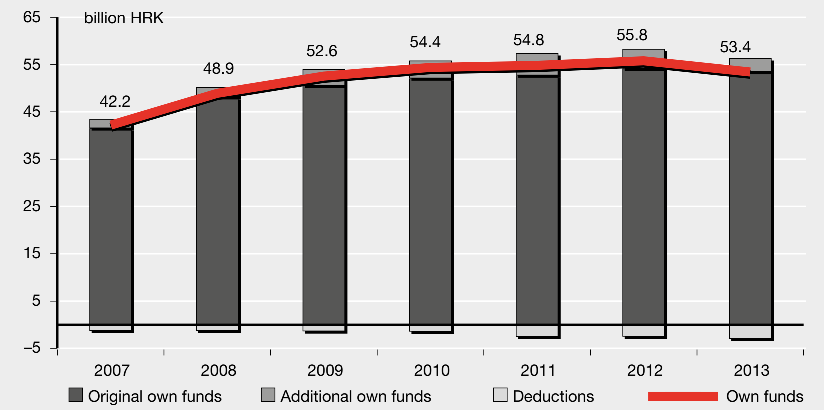
additional own funds of HRK 0.5bn (18.6%), due to the increase in the shortfall of provisions required under the IRB approach and the expected loss on equity investments.

The total capital requirements for all risks of banks continued to trend down in 2013. They were 5.0% lower (HRK 1.6bn), standing at HRK 30.4bn. The greatest share was accounted for by the capital requirement for credit risk (including counterparty, dilution and free delivery risks). It stood at HRK 26.7bn and, since it decreased somewhat faster than total capital requirements in the previous year, by 5.2%, it slightly reduced its share, to 87.8%.

The next two capital requirements, for operational risk and for position, foreign exchange and commodity risks, showed opposite movements in the last year. The capital requirement for operational risk was lower, by 7.8%, and its share in total requirements fell to 9.8%, while the requirement for position, foreign exchange and commodity risks went up, by almost one fifth, i.e. by 19.8%.

The net value of total balance and off-balance sheet exposure of banks to credit risk, before the application of credit risk mitigation techniques, decreased by 1.6%. It was due to the decline in the exposure according to the standardised approach (by 2.4% or HRK 9.8bn), while the exposure according to the IRB approach increased concurrently (by 4.7% or HRK 2.5bn). The standardised approach for the calculation of the capital requirement for credit risk accounted for 87.8% of the total capital requirement for credit risk.[30] In 2013, it declined by 6.5%, while the capital requirement calculated under the internal ratings-based approach (the so-called IRB approach), applied by only one bank, recorded an increase of 4.6% in the observed period. It thus slightly increased its share in that part of the capital requirement, to 12.2%.

FIGURE 1.26 Bank own funds



Note: As of 1 January 2012, it is no longer possible to include ancillary own funds (for market risk coverage) in the calculation of own funds.

30 The capital requirements for credit risk are obtained by multiplying the credit risk-weighted exposure by 12% (the minimum capital adequacy ratio). The credit risk-weighted exposure amount is obtained by multiplying the exposure that is being weighted by the relevant credit risk weight. Under the standardised approach, the prescribed risk weights are used for some categories, depending of the external credit risk assessment. Under the IRB approach, the risk components (PD, LGD, EAD and M) are transformed into risk weighted assets and, consequently, into capital requirements. Some risk components are calculated by banks themselves, where the foundation IRB (FIRB) and the advanced IRB (AIRB) are distinguished by the share of input parameters obtained from a bank's own estimates and that determined by the supervisor. Under the advanced approach, the share of input parameters provided by banks is larger than under the foundation approach. Credit institutions may apply the IRB approach subject to approval by the CNB.

TABLE 1.11 Own funds, capital requirements and capital adequacy ratio of banks, end of period, in million HRK and %

	Dec. 2011		Dec. 2012			Dec. 2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Own funds	54,815.4	100.0	55,804	100.0	1.8	53,419	100.0	–4.3
ORIGINAL OWN FUNDS	52,685.3	96.1	54,178	97.1	2.8	53,489	100.1	–1.3
Paid-up capital (excl. cumulative preferential shares) net of own shares	33,760.2	61.6	34,189	61.3	1.3	33,950	63.6	–0.7
Reserves and retained earnings	19,446.6	34.4	20,657	37.0	6.2	20,121	37.7	–2.6
Other	–521.5	0.2	–668	–1.2	28.2	–582	–1.1	–12.9
ADDITIONAL OWN FUNDS	4,709.0	8.6	4,158	7.5	–11.7	2,934	5.5	–29.5
Paid-up cumulative preferential shares	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Hybrid and subordinated instruments	4,755.3	8.7	4,187	7.5	–12.0	2,973	5.6	–29.0
Other	–46.3	0.1	–28	–0.1	–38.8	–39	–0.1	39.2
ITEMS DEDUCTED FROM ORIGINAL OWN FUNDS AND ADDITIONAL OWN FUNDS	–2,579.0	–4.7	–2,532	–4.5	–1.8	–3,003	–5.6	18.6
Capital requirements	33,641.1	100.0	32,054	100.0	–4.7	30,453	100.0	–5.0
CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	29,932.7	89.0	28,204	88.0	–5.8	26,729	87.8	–5.2
Standardised approach	26,468.4	78.7	25,084	78.3	–5.2	23,467	77.1	–6.4
Corporates	11,300.8	33.6	10,564	33.0	–6.5	10,218	33.6	–3.3
o/w: Secured by real estate property	79.5	0.2	99	0.3	24.6	130	0.4	31.1
Retail	12,716.0	37.8	11,857	37.0	–6.8	10,959	36.0	–7.6
o/w: Secured by real estate property	373.7	1.1	525	1.6	40.5	485	1.6	–7.5
Other	2,451.6	7.3	2,664	8.3	8.7	2,290	7.5	–14.0
IRB approach	3,464.3	10.3	3,120	9.7	–9.9	3,262	10.7	4.6
Corporates	1,671.7	6.7	1,871	5.8	11.9	1,781	5.8	–4.8
Retail	741.0	2.4	740	2.3	–0.1	883	2.9	19.2
Other	1,051.5	3.1	509	1.6	–51.6	599	2.0	17.6
SETTLEMENT/DELIVERY RISKS	0.0	0.0	0	0.0	0.0	0	0.0	0.0
POSITION, FOREIGN EXCHANGE AND COMMODITY RISKS	497.4	1.5	629	2.0	26.4	753	2.5	19.8
o/w: Internal models	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Traded debt instruments	325.8	1.0	384	1.2	17.9	425	1.4	10.8
Foreign exchange	131.7	0.4	178	0.6	35.4	276	0.9	54.7
Other risks	39.8	0.1	66	0.2	66.7	52	0.2	–22.0
RISK OF EXCEEDING THE PERMITTED EXPOSURE LIMITS	0.0	0.0	0	0.0	0.0	0	0.0	0.0
OPERATIONAL RISK	3,211.0	9.5	3,222	10.1	0.3	2,970	9.8	–7.8
Simplified approach	400.0	1.2	402	1.3	0.5	386	1.3	–3.9
Standardised approach	1,560.4	4.6	1,476	4.6	–5.4	1,411	4.6	–4.4
Advanced measurement approach	1,250.7	3.7	1,344	4.2	7.4	1,173	3.9	–12.7
Surplus/deficit of own funds	21,174.3	–	23,750	–	12.2	22,966	–	–3.3
Capital adequacy ratio	19.55	–	20.89	–	–	21.05	–	–

The total amount of credit protection recognised as eligible stood at HRK 46.8bn, an increase of HRK 2.0bn or 4.6%. As in 2012, unfunded credit protection forms prevailed[31] (guarantees, counter-guarantees and credit derivatives), rising by 14.9% and accounting for more than a half (57.1%) of total protection. By contrast, funded credit protection forms (mostly collateral, balance sheet netting and standardised netting agreements) declined slightly (by 6.5%) and their share fell to 42.9%. As regards credit risk mitigation techniques, the weight substitution technique prevailed, accounting for more than a half (58.7%) of total credit risk mitigation at the end of 2013, in amount of HRK

31 Funded and unfunded credit protection are two forms of credit protection credit institutions may use.

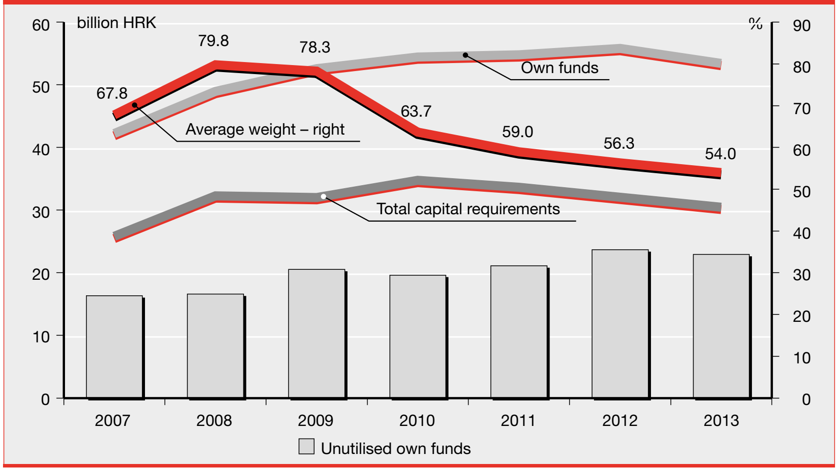
27.5bn, which was an increase of 11.1%. The financial collateral comprehensive method was the next by size, with a share of around one fourth in the total protection (24.9%), which was 13.5% lower than in 2012.

The decrease in net value of balance and off-balance sheet exposure of banks after weighting was much larger in 2013 than in 2012, standing at 5.2% or HRK 12.3bn. Such developments were determined by the fall in the amount of exposure according to the standardised approach of HRK 8.2bn (or 2.3%), and the weighted amount was HRK 13.5bn (6.5%) lower. A significant decrease in the weighted amount was the result of a noticeable growth in the share of items with lower credit risk-weights (notably the 0% weight, related to the placement of funds to the government and the central bank). The fall in the average weight was the result of the sale of claims in one bank (mostly loans to

TABLE 1.12 Breakdown of net exposure to credit risk by risk weights, as at 31 December 2013, in million HRK

	Retail	Corporates	Central governments and central banks	Institutions	Public sector entities	Local and regional self-government	Collective investment undertakings	Other	Equity investment	Total
STANDARDISED APPROACH										
Total exposure	107,849.7	84,498.6	108,500.6	23,715.5	5,676.3	4,348.8	483.7	15,945.8	–	351,019.2
On-balance sheet items	104,490.5	71,284.2	106,481.6	20,746.4	5,162.7	4,219.5	483.7	15,434.9	–	328,303.5
Off-balance sheet items	3,358.7	12,177.4	549.9	581.6	108.1	129.3	0.0	101.5	–	17,006.5
Securities transactions and long settlement transactions	0.1	519.7	0.0	1,062.2	134.8	0.0	0.0	409.5	–	2,126.3
Derivative financial instruments	0.4	517.4	1,469.2	1,325.2	270.7	0.0	0.0	0.0	–	3,582.8
Contracts for novation and other netting agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	0.0
Breakdown of total exposure by risk weights										
Weight 0%	0.0	0.0	106,920.5	77.2	3,380.3	0.0	0.0	8,051.2	–	118,429.2
Weight 10%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	0.0
Weight 20%	0.0	23.8	4.0	19,602.1	7.9	523.4	25.0	321.9	–	20,508.0
Weight 35% (residential real estate property)	11,218.2	517.5	0.0	0.0	0.0	0.0	0.0	6.0	–	11,741.6
Weight 50%	238.6	1,802.7	48.9	3,386.9	2,213.4	3,789.4	14.7	7.5	–	11,501.9
o/w: Commercial real estate property	237.6	1,802.7	0.0	0.0	0.0	0.0	0.0	6.4	–	2,046.8
Weight 75%	40,838.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	40,838.8
Weight 100%	53,366.3	77,538.1	1,519.6	594.6	73.2	31.4	418.9	7,440.8	–	140,982.9
o/w: Past due items	3,401.9	6,198.1	0.2	0.3	0.0	0.0	0.1	8.6	–	9,609.2
Weight 150%	2,188.0	4,111.3	7.7	54.7	1.6	4.7	19.9	29.2	–	6,417.1
o/w: Past due items	1,920.1	3,449.9	7.6	36.7	1.6	4.7	0.0	21.9	–	5,442.4
Other risk weights	0.0	505.3	0.0	0.0	0.0	0.0	5.1	89.3	–	599.7
Credit risk mitigation techniques – substitution effects										
Total outflow	–1,475.3	–7,000.6	0.0	–380.6	–18,482.4	–31.1	0.0	–121.5	–	–27,491.5
Total inflow	5.2	556.1	21,720.1	443.8	178.1	526.5	0.0	1,528.1	–	24,957.9
IRB APPROACH										
Total exposure	18,039.7	18,070.4	23,431.2	2,081.5	–	–	–	–	94.3	61,717.0
On-balance sheet items	17,752.7	16,266.1	23,210.2	1,500.8	–	–	–	–	94.3	58,824.1
Off-balance sheet items	283.1	1,565.1	220.9	14.5	–	–	–	–	–	2,083.6
Securities transactions and long settlement transactions	2.0	159.5	0.0	431.6	–	–	–	–	–	593.1
Derivative financial instruments	2.0	79.6	0.0	134.7	–	–	–	–	–	216.3
Contracts for novation and other netting agreements	0.0	0.0	0.0	0.0	–	–	–	–	–	0.0
Credit risk mitigation techniques – effects of PD adjustment										
Total outflow	0.0	–1,279.0	0.0	0.0	–	–	–	–	0.0	–1,279.0
Total inflow	0.0	0.0	3,785.1	27.4	–	–	–	–	0.0	3,812.5

FIGURE 1.27 Average credit risk weight



corporates) and the beginning of the application of the 75% weight for the household category in one of the leading banks (previously assigned a risk weight of 100%).

The average credit risk-weight continued to decline, both for the standardised approach for the calculation of the capital requirement for credit risk and, to a lesser extent, for the IRB approach. The total average weight stood at 54.0% at the end of 2013, as compared to 56.3% at the end of 2012.

FIGURE 1.28 Structure of bank total capital requirements, as at 31 December 2013

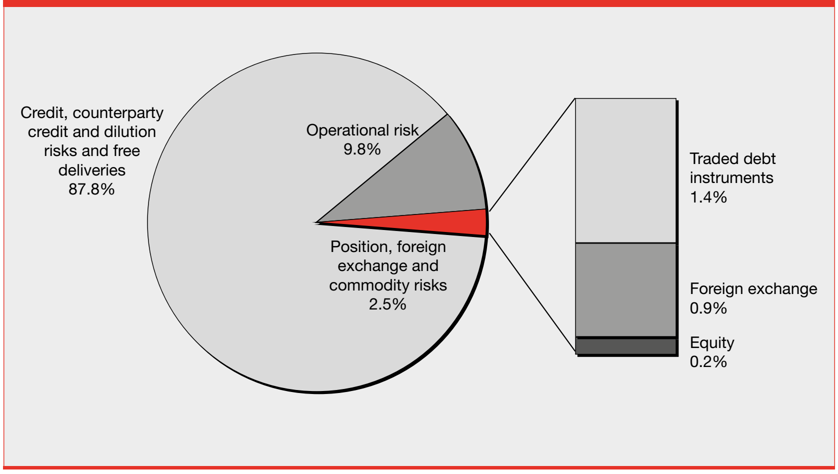


TABLE 1.13 Breakdown of bank capital adequacy ratio, end of period

	Dec. 2011		Dec. 2012		Dec. 2013	
	Number of banks	Share in bank assets (%)	Number of banks	Share in bank assets (%)	Number of banks	Share in bank assets (%)
Ratio lower than 10%	0	0.0	1	0.1	2	0.7
Ratio from 10% to 12%	1	0.5	1	0.3	0	0.0
Ratio from 12% to 15%	9	9.5	7	7.1	9	8.5
Ratio from 15% to 20%	13	34.6	12	37.5	10	36.8
Ratio higher than 20%	9	55.4	10	55.1	9	54.1

The weight under the standardised approach fell by more than two percentage points and stood at 55.7%, while the weight under the IRB approach decreased by slightly less than one percentage point and stood at 44.1%.

As a result of the aforementioned fall, the capital requirement for operational risk reached exactly HRK 3bn. Two large banks continued to use the advanced measurement approach for the calculation of the capital requirement for operational risk[32] and six banks used the standardised approach. The remaining banks used the basic indicator approach. By contrast to movements in the requirement for operational risk, as in 2012, the capital requirement for position, foreign exchange and commodity risks recorded a high increase of almost 20% but nevertheless stood at only HRK 0.7bn. Although it remained the lowest of all capital requirements, its share rose to 2.5%, mostly due to the high growth of capital requirements for foreign exchange risk of 54.7%, which was the result of a noticeable growth in the long euro position.

Although own funds fell in the observed period at a somewhat lower rate than that in the growth of capital requirements, the surplus of banks' own funds, i.e. unutilised own funds, slightly decreased and stood at HRK 23.0bn. This was a decline of 3.3%, so the share of unutilised own funds in total own funds rose from 42.6% to 43%.

Despite the mild growth of the capital adequacy ratio, the share of bank assets marked by lower adequacy ratios in total bank assets increased in the last year. Bank assets with a capital adequacy ratio below 15% thus reached almost 10% of total assets (an increase of almost two percentage points).

1.3 Housing savings banks

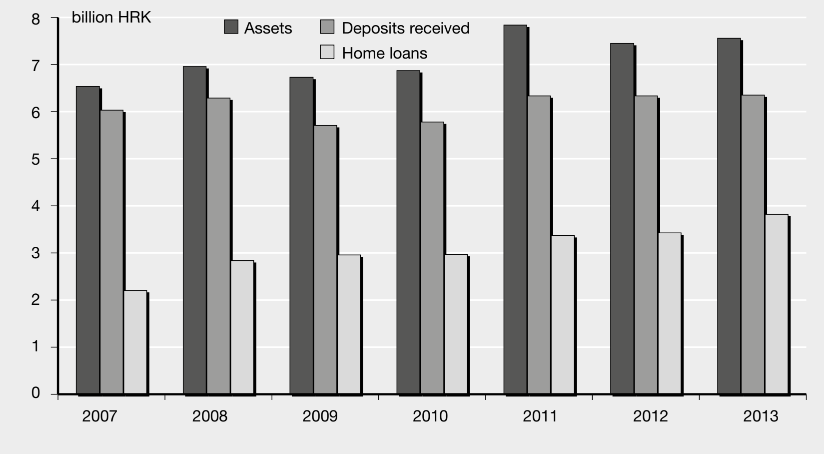
At the end of 2013, there were again five housing savings banks operating in the Republic of Croatia. Four of them were directly or indirectly owned by foreign shareholders and one was in domestic ownership. Savings banks' assets increased slightly in 2013, but their share in total assets of credit institutions was still low and stood at only 1.9%.

1.3.1 Balance sheet

The largest share of the growth in assets of housing savings banks was generated in the last quarter of 2013, as a result of a traditional increase in the deposits of housing savings bank savers, attributable

32 Banks are offered three approaches for the assessment of operational risk exposure: the basic indicator approach, the standardised approach and the advanced approach. The regulatory capital requirement under the basic approach is set at about 15% of the average value of the last three annual calculations of the so-called relevant indicator which is based on net income from all bank activities. The standardised approach implies the classification of business activities into set business lines, where for each business activity a relevant indicator is calculated, weighted by the given rate of initial capital requirements, which ranges from 12% to 18%. The advanced measurement approach is a fully internally-based model for operational risk measurement which best reflects the specific exposure of a bank and implies fulfilment of a number of conditions before permission to use it can be obtained.

FIGURE 1.29 Assets, deposits and home loans of housing savings banks



to government incentives paid to depositors in housing savings banks. Assets of housing savings banks thus went up by 1.5% in 2013, to HRK 7.6bn (Table 1.14).

The growth in total sources of financing was brought about the most by the rise in loans received from financial institutions, by 149.3%, to HRK 235.1m. This mostly involved short-term loans from domestic financial institutions, while loans from majority foreign owners did not change much in 2013 and they accounted for 40.6% of total loans received. Deposits of housing savings bank savers edged up (0.2%), to HRK 6.4bn (Table 1.15), with the increase being observed only in the last quarter of the year. In addition to deposits received, which accounted for 84.1% of housing savings bank liabilities, the remaining share was accounted for by the capital, which rose by 5.2%, reaching HRK 603.4m. The growth of capital was due to the higher amount of retained earnings from previous years, while the profit from 2013 was considerably lower than in the previous year (by 55.7%).

TABLE 1.14 Structure of housing savings bank assets, end of period, in million HRK and %

	Dec. 2011		Dec. 2012			Dec. 2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	0.0	0.0	0.0	0.0	–41.7	0.0	0.0	92.9
Money assets	0.0	0.0	0.0	0.0	–41.7	0.0	0.0	92.9
Deposits with the CNB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits with financial institutions	669.7	8.5	723.1	9.7	8.0	522.8	6.9	–27.7
MoF treasury bills and CNB bills	668.1	8.5	594.1	8.0	–11.1	435.9	5.8	–26.6
Securities	2,394.4	30.5	2,056.4	27.6	–14.1	2,256.5	29.8	9.7
Derivative financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans[a]	3,777.2	48.1	3,767.6	50.5	–0.3	4,034.6	53.3	7.1
Loans to financial institutions	90.9	1.2	69.3	0.9	–23.8	20.8	0.3	–70.0
Loans to other clients	3,686.3	47.0	3,698.3	49.6	0.3	4,013.8	53.1	8.5
Investments in subsidiaries, associates and joint ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreclosed and repossessed assets	0.0	0.0	0.2	0.0	–	0.2	0.0	0.0
Tangible assets (net of depreciation)	5.7	0.1	5.3	0.1	–6.4	3.9	0.1	–27.1
Interest, fees and other assets	387.4	4.9	363.5	4.9	–6.2	310.8	4.1	–14.5
Net of: Collectively assessed impairment provisions[b]	56.1	0.7	54.1	0.7	–3.6	–	–	–
TOTAL ASSETS	7,846.5	100.0	7,456.1	100.0	–5.0	7,564.7	100.0	1.5

[a] As of October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities).
[b] As of October 2013, the amounts of financial instruments are reduced by the amount of the corresponding collectively assessed impairment provisions (for category A).

TABLE 1.15 Structure of housing savings bank liabilities and capital, end of period, in million HRK and %

	Dec. 2011		Dec. 2012			Dec. 2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	458.9	5.8	0.0	0.0	–100.0	139.6	1.8	–
Short-term loans	172.8	2.2	0.0	0.0	–100.0	139.6	1.8	–
Long-term loans	286.2	3.6	0.0	0.0	–100.0	0.0	0.0	–
Deposits	6,345.1	80.9	6,344.9	85.1	0.0	6,359.0	84.1	0.2
Transaction account deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Savings deposits	154.1	2.0	160.7	2.2	4.3	223.8	3.0	39.3
Time deposits	6,191.0	78.9	6,184.1	82.9	–0.1	6,135.2	81.1	–0.8
Other loans	94.1	1.2	94.3	1.3	0.2	95.5	1.3	1.2
Short-term loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term loans	94.1	1.2	94.3	1.3	0.2	95.5	1.3	1.2
Derivative financial liabilities and other financial liabilities held for trading	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated instruments issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid instruments issued	97.7	1.2	97.8	1.3	0.1	88.4	1.2	–9.6
Interest, fees and other liabilities[a]	368.3	4.7	345.5	4.6	–6.2	278.9	3.7	–19.3
TOTAL LIABILITIES	7,364.1	93.9	6,882.4	92.3	–6.5	6,961.4	92.0	1.1
Share capital	487.9	6.2	487.9	6.5	0.0	487.9	6.4	0.0
Current year profit (loss)	10.6	0.1	67.5	0.9	538.3	29.9	0.4	–55.7
Retained earnings (loss)	15.0	0.2	25.1	0.3	67.2	91.1	1.2	262.6
Legal reserves	6.2	0.1	6.7	0.1	7.6	8.2	0.1	22.8
Reserves provided for by the articles of association and other capital reserves	9.2	0.1	3.6	0.0	–61.1	3.5	0.0	–1.2
Revaluation reserves	–46.5	–0.6	–17.1	–0.2	–63.3	–17.2	–0.2	0.7
Previous year profit (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL CAPITAL	482.4	6.1	573.7	7.7	18.9	603.4	8.0	5.2
TOTAL LIABILITIES AND CAPITAL	7,846.5	100.0	7,456.1	100.0	–5.0	7,564.7	100.0	1.5

[a] As of October 2013, the amount of granted loans in assets is reduced by the amount of fees collected on loans (formerly recorded as deferred income in liabilities).

Home loans and securities increased on the assets side, while other items recorded a decline. The rise in the amount of securities was the result of investments in RC bonds, which increased by 9.7%, reaching HRK 2.3bn. With a share of 94.9% in total loans and 50.6% in assets, home loans were the key item in assets, growing at the rate of 11.4% or HRK 392.9m in 2013. Due to the mentioned changes, total home loans stood at HRK 3.8bn. The asset items which recorded the largest fall were deposits with financial institutions (27.7% or HRK 200.3m) and T-bills (26.6% or HRK 158.1m).

1.3.2 Income statement

The profit of housing savings banks halved in 2013, primarily due to the lower profit from investments in securities of domestic government units. This was the consequence of poor results in the trading book and the fall in interest income associated with the mentioned securities. One housing savings bank reported losses (pre-tax), in contrast to 2012, when all housing savings banks operated at a profit[33].

In 2013, housing savings banks generated pre-tax profits of HRK 29.9m (Table 1.16), which was HRK 37.6m or 55.7% less than in 2012. This fall was influenced by the decline in all components of operating income, particularly by the change in net other non-interest income, which was negative in 2013. While debt securities held in the portfolio for trading generated a profit to housing savings banks (HRK 29.2m) in 2012, movements in the fair value of RC securities resulted in losses in 2013, due to which the net other non-interest income stood at HRK –22.6m. The next by size of fall was net interest income, which was HRK 13.4m or 8.8% lower. Interest income dropped by HRK 20.1m or 5.6%, mostly due to the fall in interest income from financial assets available for sale and lower interest income from T-bills and domestic government bonds held in this portfolio. This was the result of a somewhat lower amount of investments and interest rate movements. By contrast, interest income from loans went up slightly (1.9%), due to the strengthening of lending activity and slightly lower interest expenses associated with received deposits and loans. Net interest income from fees and commissions slightly declined, as a result of lower income from fees and commissions for housing savings contracts. This probably reflected the regulatory changes that in November 2013 withdrew the incentives for housing savings accumulated in 2014.

TABLE 1.16 Housing savings bank income statement, in million HRK and %

	Amount		Change
	Jan. – Dec. 2012	Jan. – Dec. 2013	
CONTINUING OPERATIONS			
Interest income	357.7	337.6	–5.6
Interest expenses	204.5	197.8	–3.3
Net interest income	153.2	139.8	–8.8
Income from fees and commissions	68.9	66.9	–2.8
Expenses on fees and commissions	9.4	9.0	–4.9
Net income from fees and commissions	59.4	58.0	–2.4
Income from equity investments	0.0	0.0	0.0
Gains (losses)	31.4	–5.3	–116.8
Other operating income	12.2	6.3	–48.2
Other operating expenses	23.9	23.7	–0.8
Net other non-interest income	19.8	–22.6	–214.6
Total operating income	232.4	175.1	–24.6
General administrative expenses and depreciation	141.4	122.8	–13.1
Net operating income before loss provisions	90.9	52.3	–42.5
Expenses on value adjustments and provisions	4.9	8.3	69.9
Other gains (losses)	0.0	0.0	0.0
Profit (loss) from continuing operations, before taxes	86.0	43.9	–48.9
Income tax on continuing operations	18.5	13.9	–24.5
Profit (loss) from continuing operations, after taxes	67.6	30.0	–55.6
DISCONTINUED OPERATIONS			
Profit (loss) from discontinued operations, after taxes	–0.1	–0.1	19.3
Current year profit (loss)	67.5	29.9	–55.7
Note: Number of housing savings banks operating with losses, before taxes	0	1	–

33 One housing savings bank reported a current year loss (after-tax) in 2012.

Housing savings banks attempted to relieve unfavourable movements in income from securities investments by savings in expenses. They managed to reduce considerably their general operating expenses in 2013 (by HRK 18.6m or 13.1%), but the fall in operating income by more than a quarter negatively affected the cost to income ratio. The general operating expenses to operating income ratio thus rose from 60.9% to 70.1%. The operating income burden created by expenses on loss provisions also increased, but it was still relatively low. Expenses on loss provisions remained at the level of less than 5% of operating income, but in 2013, they rose sharply (by almost 70%), despite the income from cancelled provisions in two housing savings banks. B and C category loans increased considerably in three housing savings banks, with a concurrent growth in their coverage by value adjustments. Expenses on loss provisions for category A placements were also recorded in 2013, while in 2012, housing savings banks generated income from cancelled loss provisions for that risk category. The fall in profit led to a strong decrease in return indicators, with ROAA standing at 0.6% and ROAE at 5.1%.

1.3.3 Credit risk

In 2013, total housing savings bank placements and off-balance sheet liabilities[34] (items exposed to credit risk that are classified into risk categories) increased by 4.6% and stood at HRK 6.3bn (Table 1.17). This was the outcome of the mentioned growth in home loans. The quality of home loans was very good because 98.6% of them were classified into risk category A at the end of 2013. The quality of total exposure was also very good because of the dominance of home loans and their excellent quality. Risk categories B and C accounted for only 0.8% of total placements and off-balance sheet liabilities of housing savings banks.

TABLE 1.17 Classification of housing savings bank placements and assumed off-balance sheet liabilities by risk categories, end of period, in million HRK and %

Risk category	Dec. 2011		Dec. 2012			Dec. 2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
A	6,423.0	99.5	5,979.0	99.5	–6.9	6,234.4	99.2	4.3
B-1, B-2 and B-3	27.8	0.4	29.7	0.5	6.7	48.3	0.8	62.7
C	2.0	0.0	2.7	0.0	31.5	3.8	0.1	42.7
Total	6,452.9	100.0	6,011.4	100.0	–6.8	6,286.5	100.0	4.6

TABLE 1.18 Coverage of housing savings bank total placements and assumed off-balance sheet liabilities by total value adjustments and provisions, end of period, in million HRK and %

	Dec. 2011	Dec. 2012	Dec. 2013
Total value adjustments against placements and provisions for assumed off-balance sheet liabilities	62.3	61.2	66.7
Value adjustments and provisions	5.9	6.7	12.1
Collectively assessed value adjustments and provisions	56.4	54.5	54.6
Total placements and assumed off-balance sheet liabilities	6,452.9	6,011.4	6,286.5
Coverage	1.0	1.0	1.1

34 In gross terms.

Home loans accounted for 93.8% of total loans by housing savings banks. The bulk of home loans (almost 95%) related to kuna home loans with a currency clause in euro. The rest were kuna loans (without a currency clause). Housing savings banks did not make loans indexed to the Swiss franc and the entire portfolio of home loans was contracted with fixed interest rates. These facts certainly contributed to making their home loans higher in quality than those of the banks. In housing savings banks, risk categories B and C accounted for 1.4% of total home loans. The average loss, i.e. the average coverage of B and C category home loans by value adjustments stood at 22.7%.

1.3.4 Capital adequacy

The capital adequacy ratio of housing savings banks fell from 21.3% at the end of 2012 to 20.5% at the end of 2013.This was due to the rise in the capital requirement for credit risk, which was HRK 32.1m or 9.0% higher in 2013. This in turn was the outcome of the growth in the amount of weighted exposures, i.e. the growth in riskier exposure items, such as home financing, and the fall in less risky items, such as deposits with parent banks. The impact of growth in the capital requirement for credit risk was partly offset by a slight increase in own funds (4.9%), due to a rise in reserves and retained earnings. At the end of 2013, all housing savings banks maintained the capital adequacy ratio above the minimum prescribed 12%.

The increase in home loans was reflected in the growth in the amount of weighted exposures and the growth in the share of exposures with higher weights, especially with 35% and 100% weights. A concurrent decrease was observed in deposits with parent banks, treated as transactions within the group of credit institutions and weighted at a 0% weight. These changes led to a further upward trend of the average weight for credit risk, which rose from 33.7% at the end of 2012 to 36.2% at the end of 2013. The remaining capital requirements generally declined, mostly due to a decrease in the capital requirement for position risks. Consequently, only the share of the capital requirement for credit risk increased in the structure of total capital requirements of housing savings banks, to 83.2%, while the shares of capital requirements for market and operational risks decreased, to 4.1% and 12.7% respectively.

2 Notes on methodology

End-of the year data on the business operations of credit institutions are based on unconsolidated audited financial reports delivered by credit institutions to the Croatian National Bank.

Tables

Table 1.1 Ownership structure of banks and their share in total bank assets

With respect to ownership structure, banks in the Republic of Croatia are divided into domestic and foreign-owned banks. Banks under domestic ownership are divided into private domestic banks and state-owned domestic banks. A bank is classified as a private domestic bank if it is majority owned by domestic natural and legal persons, or as a state-owned domestic bank if it is majority owned by governmental units. A bank is classified as a foreign-owned bank if it is majority owned by foreign natural and legal persons.
Report PD32 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013) is the source of data on the ownership structure of banks.
The source of data on the amount of bank assets is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules:
http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.2 Territorial distribution of operating units and ATMs by counties

The total number of operating units and the total number ATMs of all banks in the Republic of Croatia are classified by counties. Data for the City of Zagreb are included in the data for Zagreb County.
Bank reports prescribed by the Decision on the obligation to submit the report on payment operations data (OG 189/2004) are the source of data on the number of operating units and ATMs of banks.

Table 1.3 Structure of bank assets

This table shows bank asset items, the share of each item in total assets of all banks and the change in the balance relative to the balance at the end of the previous period.
The source of data on the amount of bank assets is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.4 Structure of bank liabilities and capital

This table shows bank liabilities and capital items, the share of each item in total liabilities and capital of all banks and the change in the balance relative to the balance at the end of the previous period.
The source of data on the amount of bank liabilities and capital is form BS2-2 from the statistical

report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules:
http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.5 Bank income statement

This table shows bank income statement items and the rates of change relative to the same period of the previous year.
Report RN (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013) is the source of data on income statement.

Table 1.6 Classification of bank placements and assumed off-balance sheet liabilities by risk categories

This table shows the placements and assumed off-balance sheet liabilities of banks (gross) by risk categories and the relevant amounts of placement value adjustments and provisions for off-balance sheet items. The coverage is the ratio between value adjustments/provisions and placements and assumed off-balance sheet liabilities.
Up to 31 December 2012, the source of data on the classification of placements and assumed off-balance sheet liabilities were reports RS2 and PIV2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013 and 121/2013), and as of 31 December 2013, the source of data are reports RS3 and PIV3 (Decision on amendments to the Decision on supervisory reports of credit institutions, OG 157/2013).

Table 1.7 Bank loans

This table shows the loan amounts (gross), the amounts of partly recoverable and fully irrecoverable loans (gross) and value adjustments of partly recoverable and fully irrecoverable loans for selected sectors and types of household loans. Loans include exclusively loans distributed in the loans and receivables category, and household loans include loans to non-profit institutions serving households.
Up to 31 December 2012, the source of data on bank loans and value adjustments was report RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013 and 121/2013), and as of 31 December 2013, the source of data is report RS3 (Decision on amendments to the Decision on supervisory reports of credit institutions, OG 157/2013). The distribution of exposure by institutional sectors is conducted by the CNB in accordance with the European System of Accounts 1995 (ESA 95), based on reporting records delivered by banks in accordance with the Decision on statistical and prudential reporting, OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013).

Table 1.8 Structure of bank sources of financing

This table shows the structure of the sources of financing by instruments. The amount and the share of the sources of financing from majority foreign owner are shown separately.
The source of data on the sources of financing are forms BS2-2, BS/DEP2-8 and BS/OK2-9 from the statistical report, which are based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules:
http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.9 Sectoral structure of received loans

The amount of loans received from institutional sectors and their shares in total received loans are shown for all banks. The amount and the share of loans of the majority foreign owner are shown separately.
The source of data on the received loans of banks is form BS/OK2-9 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules:
http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.10 Interest rate risk in the non-trading book

Interest rate risk in the non-trading book is measured by a change in its economic value in the conditions of a standard interest rate shock. A standard interest rate shock is a parallel shift in interest rates of 200 basis points. A change in the economic value of the non-trading book is calculated as a sum total of net weighted positions across all time zones, for each major currency individually (a currency that constitutes over 5% of the total balance sheet assets) and for other currencies on an aggregate basis. The ratio between the change in the economic value and bank own funds must not exceed 20%.
Forms EVKI-FKS, EVKI-PKS, EVKI-AKS and EVKI-ZBR (Decision on the management of interest rate risk in the non-trading book, OG 2/2010, 34/2010 and 37/2012) are the source of data on the interest rate risk in the non-trading book.

Table 1.11 Own funds, capital requirements and capital adequacy ratio of banks

This table shows the structure of own funds and capital requirements and the capital adequacy ratio at the end of the reporting period.
Forms JKAP and SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012) are the source of data on the capital adequacy of banks.

Table 1.12 Breakdown of net exposure to credit risk by risk weights

This table shows the net exposure of banks to credit risk after the use of credit risk mitigation techniques. The net exposure is shown by approach used for assessment of the capital requirement for credit risk, by exposure classes and credit risk-weights. The line items total outflow and total inflow show the substitution effects of credit risk mitigation techniques, i.e. the effect of the method of risk weight substitution under the standardised approach, or of the method of the probability of default adjustment under the internal ratings based approach.
Forms SP and IRB by individual exposure classes (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012) are the source of data on the net exposure of banks to credit risk.

Table 1.13 Breakdown of bank capital adequacy ratio

This table shows the number of banks and the share of their assets in the total assets of banks by buckets of the capital adequacy ratio.
Form SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012) is the source of data on the capital adequacy ratio of banks.
The source of data on the amount of bank assets is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to

mapping rules:
http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.14 Structure of housing savings bank assets

This table shows asset items of housing savings banks, the share of each item in total assets of all housing savings banks and the change in the balance relative to the balance at the end of the previous period.
The source of data on the amount of assets of housing savings banks is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules:
http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.15 Structure of housing savings bank liabilities and capital

This table shows liabilities and capital items of housing savings banks, the share of each item in total liabilities and capital of all housing savings banks and the change in the balance relative to the balance at the end of the previous period.
The source of data on the amount of liabilities and capital of housing savings banks is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules:
http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.16 Housing savings bank income statement

This table shows the amounts of income statement items of housing savings banks and the rates of change relative to the same period of the previous year.
Report RN (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013) is the source of data on income statement of housing savings banks.

Table 1.17 Classification of housing savings bank placements and assumed off-balance sheet liabilities by risk categories

This table shows the placements and assumed off-balance sheet liabilities of housing savings banks (gross) by risk categories and their share in the total placements and assumed off-balance sheet liabilities classified into risk categories.
Up to 31 December 2012, the source of data on the classification of placements and assumed off-balance sheet liabilities of housing savings banks were reports RS2 and PIV2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013 and 121/2013), and as of 31 December 2013, the source of data are reports RS3 and PIV3 (Decision on amendments to the Decision on supervisory reports of credit institutions, OG 157/2013).

Table 1.18 Coverage of housing savings bank total placements and assumed off-balance sheet liabilities by total value adjustments and provisions

The coverage is calculated by adding up placement value adjustments and provisions for assumed off-balance sheet liabilities (for risk categories B-1, B-2, B-3 and C) and collectively assessed placement value adjustments and provisions for assumed off-balance sheet liabilities (for risk category A) and by dividing the amount thus obtained by the amount of total placements and assumed

off-balance sheet liabilities.
Up to 31 December 2012, the source of data on the coverage of housing savings bank total placements and assumed off-balance sheet liabilities by total value adjustments and provisions were reports RS2 and PIV2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013 and 121/2013), and as of 31 December 2013, the source of data are reports RS3 and PIV3 (Decision on amendments to the Decision on supervisory reports of credit institutions, OG 157/2013).

Figures

Figure 1.1 Shares of assets, loans and deposits of the largest banks in total assets, loans and deposits

This figure shows the shares of the two largest banks, the five largest banks and the ten largest banks in total assets, loans and deposits of all banks. The criterion for selecting the two largest banks, the five largest banks and the ten largest banks is the size of their assets.
The source of data on the amount of bank assets, loans and deposits is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules:
http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.2 Herfindahl-Hirschman Index (HHI)

The Herfindahl-Hirschman index (HHI), which is used to measure the degree of concentration of assets, is calculated on the basis of the following formula:

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

Granted loans and received deposits concentration indices are calculated by applying the same formula. The Herfindahl-Hirschman index can vary from 0 (perfectly competitive industry) to 10000 (monopoly).
Up to 31 December 2010, the source of data on the amount of bank assets, granted loans and received deposits was form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2011, the source of data is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.3 Concentration of bank operating units and ATMs by counties

This figure shows in horizontal lines the relative share of the number of operating units and ATMs of banks by counties at the end of the reporting period. Data for the City of Zagreb are included in the data for Zagreb County.
Reports of banks prescribed by the Decision on the obligation to submit the report on payment operations data (OG 189/2004) are the source of data on the number of operating units and ATMs of banks.

Figure 1.4 Bank assets

This figure shows the bank assets, the amount of individual items and the rates of change in assets. Bank asset items consist of five positions: money assets and deposits with the CNB, deposits (with financial institutions), securities (including T-bills), loans (loans to financial institutions and other clients), other assets (derivative financial assets, investments in subsidiaries, associates and joint ventures, foreclosed and repossessed assets, tangible assets (net of depreciation), and interest, fees and other assets). Up to 31 December 2012, collectively assessed impairment provisions (for category A) were included in the position Other assets, and as of 31 December 2013, they reduce the amount of the corresponding financial instruments.
Up to 31 December 2010, the source of data on the amount of bank assets was form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2011, the source of data is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.5 Bank liabilities and capital

This figure shows the bank liabilities and capital, the amount of individual items and the rates of change in liabilities and capital. Bank liabilities and capital items consist of five positions: deposits (transaction account deposits, savings deposits and time deposits), loans (loans from financial institutions and other loans), securities (issued debt securities, issued subordinated instruments and issued hybrid instruments), other liabilities (derivative financial liabilities and other financial liabilities held for trading, and interest, fees and other liabilities) and capital.
Up to 31 December 2010, the source of data on the amount of bank liabilities and capital was form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2011, the source of data is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.6 Bank standard off-balance sheet items

This figure shows the bank standard off-balance sheet items, the amount of individual items and the rates of change in standard off-balance sheet items.
Up to 31 December 2009, the source of data on the amount of bank standard off-balance sheet items was form BS/IBS1-3 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2010, the source of data is report IBS (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013).

Figure 1.7 Bank derivative financial instruments (notional amount)

This figure shows derivative financial instruments (notional amount), the amount of individual items and the rates of change in derivative financial instruments.
Up to 31 December 2009, the source of data on the amount of bank derivative financial instruments was form BS/IBS1-3 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2010, the source of data is report IBS (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013).

Figure 1.8 Bank income before taxes

This figure shows the amount of profit (loss) before taxes and the amount of other income statement items. As of 31 December 2012, data on the profit (loss) before taxes refers exclusively to the profit (loss) from continuing operations (before taxes).
Up to 31 December 2011, the source of data on the amount of bank profit (loss) before taxes was form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2012, the source of data is report RN (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013).

Figure 1.9 Structure of bank operating income

The columns show the share of net interest income, net income from fees and commissions and net other non-interest income in total bank operating income.
Up to 31 December 2011, the source of data on operating income was form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2012, the source of data is report RN (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013).

Figure 1.10 Bank return on average assets (ROAA) and return on average equity (ROAE)

The return on average assets is calculated as a ratio between income before taxes (on an annual level) and average bank assets. The average assets is calculated as the arithmetic mean of the balance in assets at the end of the reporting period and the balance in assets at the end of the previous year.
The return on average equity is calculated as a ratio between income after taxes (on an annual level) and average bank equity. The average equity is calculated as the arithmetic mean of the balance in equity at the end of the reporting period and the balance in equity at the end of the previous year.
Up to 31 December 2011, the source of data on the amount of bank profit (loss) before taxes and the amount of bank profit (loss) after taxes was form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2012, the source of data is report RN (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013). As of 31 December 2012, data on the profit (loss) before taxes refers exclusively to the profit (loss) from continuing operations (before taxes).
Up to 31 December 2010, the source of data on the amount of bank assets was form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2011, the source of data is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.11 Income from interest-bearing assets and expenses on interest-bearing liabilities

Income from interest-bearing assets is the ratio between total interest income (on an annual level) and average interest-bearing assets. Expenses on interest-bearing liabilities are the ratio between total interest expenses (on an annual level) and average interest-bearing liabilities. The spread is the difference between the share of interest income in the average interest-bearing assets and the share of interest expenses in the average interest-bearing liabilities.
Interest-bearing assets comprise deposits with the CNB, deposits with financial institutions, debt securities (excluding debt securities held for trading), loans to financial institutions and loans to other clients.

The average interest-bearing assets are calculated as the arithmetic mean of the balance in interest-bearing assets at the end of the reporting period and the balance in interest-bearing assets at the end of the previous year.
Interest-bearing liabilities comprise received loans, received deposits, issued debt securities, issued subordinated instruments and issued hybrid instruments. The average interest-bearing liabilities are calculated as the arithmetic mean of the balance in interest-bearing liabilities at the end of the reporting period and the balance in interest-bearing liabilities at the end of the previous year.
Up to 31 December 2011, the source of data on income from interest-bearing assets and expenses on interest-bearing liabilities was form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2012, the source of data is report RN (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013). As of 31 December 2012, data on the profit (loss) before taxes refers exclusively to the profit (loss) from continuing operations (before taxes).
Up to 31 December 2010, the source of data on interest-bearing assets and interest-bearing liabilities was form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2011, the source of data is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules:
http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.12 Weighted averages of bank monthly interest rates

The base for the calculation of the weighted averages of bank monthly interest rates on kuna and foreign currency loans are the amounts of loans disbursed during the reporting month at certain interest rates. Exempted are interest rates on giro and current account overdrafts, for which the weighted averages were calculated based on the balance of these loans at the end of the reporting month.
Interest rates on kuna deposits not tied to a currency clause comprise interest rates on giro account and current account deposits, savings deposits and time deposits. The averages of interest rates on total kuna deposits not tied to a currency clause and total foreign currency deposits are weighted by the end-of-the period balances of all categories included in the calculation. The exceptions are kuna and foreign currency time deposits, whose weighted averages are calculated on the basis of deposits received in the reporting month.
Data on interest rates of banks have been obtained from regular reports of banks and the source of data on interest rates of banks is the CNB statistics.

Figure 1.13 Bank cost efficiency

This figure shows the asset to employee ratio and the ratio of general operating expenses (general administrative expenses and depreciation) to operating income.
The source of data on the number of employees are reporting records delivered by banks in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013).
Up to 31 December 2011, the source of data on operating income was form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2012, the source of data is report RN (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013).
Up to 31 December 2010, the source of data on the amount of bank assets was form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2011, the source of data is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.14 Structure of bank placements and assumed off-balance sheet liabilities

This figure shows the structure of exposure to credit risk (gross) of balance sheet (placements) and off-balance sheet items. The placements are divided into the loans and receivables category and into the category of financial assets held to maturity, with claims from interest and fees being covered under the item interest and fee receivables. The structure of the loans and receivables category is shown by instruments.
Report RS3 (Decision on amendments to the Decision on supervisory reports of credit institutions, OG 157/2013) is the source of data on the structure of placements and assumed off-balance sheet liabilities of banks.

Figure 1.15 Rates of change of bank loans

As regards loans to selected sectors and total loans (gross), the figure shows the rates of change relative to the balance at the end of the previous period. As of 31 March 2010, loans include exclusively loans distributed in the loans and receivables category, and household loans include loans to non-profit institutions serving households.
Up to 31 December 2009, the source of data on bank loans was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006), and from 31 December 2010 to (including) 31 December 2012, the source of data is report RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013 and 121/2013). As of 31 December 2013, report RS3 (Decision on amendments to the Decision on supervisory reports of credit institutions, OG 157/2013) is the source of data on bank loans.
As of 31 December 2010, the distribution of exposure by institutional sectors is conducted by the CNB in accordance with the European System of Accounts 1995 (ESA 95), based on reporting records delivered by banks in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013).

Figure 1.16 Structure of bank loans by activities

This figure shows the structure of bank loans (gross) by activities at the end of the reporting period. The distribution of exposure by activities is conducted by the CNB in accordance with the National Classification of Economic Activities 2007, based on reporting records delivered by banks in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013).

Figure 1.17 Structure of bank partly recoverable and fully irrecoverable loans by activities

This figure shows the structure of partly recoverable and fully irrecoverable loans of banks (gross) by activities at the end of the reporting period. The distribution of exposure by activities is conducted by the CNB in accordance with the National Classification of Economic Activities 2007, based on reporting records delivered by banks in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013).

Figure 1.18 Share of bank partly recoverable and fully irrecoverable loans

The total partly recoverable and fully irrecoverable loans (gross) of banks are expressed as a share of total bank loans (gross). Shown are the selected sectors at the end of the reporting period. As of 31 December 2010, loans include exclusively loans distributed in the loans and receivables portfolio and household loans include loans to non-profit institutions serving households.

Up to 31 December 2009, the source of data on bank loans was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006), and from 31 December 2010 to (including) 31 December 2012, the source of data is report RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013 and 121/2013). As of 31 December 2013, report RS3 (Decision on amendments to the Decision on supervisory reports of credit institutions, OG 157/2013) is the source of data on bank loans.
As of 31 December 2010, the distribution of exposure by institutional sectors is conducted by the CNB in accordance with the European System of Accounts 1995 (ESA 95), based on reporting records delivered by banks in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013).

Figure 1.19 Sectoral structure of received deposits

This figure shows the share of an individual institutional sector in transaction account deposits, savings deposits, time deposits and total deposits.
The source of data on received deposits is form BS/DEP2-8 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.20 Household deposits

This figure shows total household deposits at the end of reporting period and the rates of change relative to the balance at the end of the previous period.
Up to 31 December 2010, the source of data on household deposits was form BS/DEP1-8 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2011, the source of data is form BS/DEP2-8 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.21 Bank liquidity indicators

Total bank loans granted (net amount) are expressed as a share of total deposits received at the end of the reporting period. Total bank loans received are as expressed as a share of total bank assets at the end of reporting period.
Up to 31 December 2010, the source of data on the amount of loans granted and assets and received loans and deposits of banks was form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2011, the source of data is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules:
http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls

Figure 1.22 Asset and liability maturity match or mismatch

The maturity match or mismatch between assets and liabilities is shown by remaining maturity and on a net basis. The structure of assets by remaining maturity is calculated as a ratio between assets classified by remaining maturity terms and total assets at the end of the reporting period. The liabilities by remaining maturity are calculated as a ratio between liabilities classified by remaining maturity terms and total assets at the end of the reporting period. The net balance sheet position (gap) shows the mismatch between the maturity structures of assets and liabilities and represents the difference between assets and liabilities classified by remaining maturity terms.

Report ROC1 (Decision on amendments to the Decision on supervisory reports of credit institutions, OG 157/2013) is the source of data on the assets and liabilities classified by remaining maturity terms.

Figure 1.23 Minimum liquidity coefficient for period up to one month

Minimum liquidity coefficient (MLC) for period up to one month is calculated as the ratio between the expected inflows (readily negotiable assets included) and the expected outflows in the given period. MLC is calculated for kuna, all convertible currencies combined and for each non-convertible currency separately (where outflows in an individual non-convertible currency account for over 1% of the total assets of a credit institution). MLC has to equal or be greater than 1 on each day. By way of exception, in the period from 1 May 2012 to 30 June 2013, credit institutions had to meet the minimum liquidity coefficient on a collective basis, i.e. for both kuna and all convertible currencies combined.
Form KL (Decision on liquidity risk management, OG 2/2010, 73/2011, 47/2012, 142/2012 and 60/2013) is the source of data on MLC.

Figure 1.24 Foreign exchange position of banks

The ratio of bank long foreign exchange position (f/c claims exceeding f/c liabilities) to own funds and the ratio of bank short foreign exchange position (f/c liabilities exceeding f/c claims) to own funds is calculated by dividing the sum of the quarterly average long foreign exchange positions of banks and the sum of the quarterly average short foreign exchange positions of banks by own funds of banks.
Up to 29 June 2011, the source of data on the long foreign exchange position was form VR-2 (Decision on the limitation of bank exposure to foreign exchange risk, OG 17/2003, 39/2006, 130/2006 and 25/2009 and Decision on the limitation of credit institution exposure to foreign exchange risk, OG 38/2010), and as of 30 June 2011, the source of data is form VR (Decision on amendments to the Decision on the limitation of credit institution exposure to foreign exchange risk, OG 62/2011 and Decision on amendments to the Decision on the limitation of credit institution exposure to foreign exchange risk, OG 128/2013). Up to 31 December 2009, the source of data on own funds was form JK2 (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009), and as of 31 March 2010, the source of data is form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012).

Figure 1.25 Bank capital adequacy ratio

The capital adequacy ratio is calculated as a ratio between total bank own funds and total risk exposure. Up to 31 December 2009, the total risk exposure was calculated as the sum of assets weighted by credit risk (including risky and derivative off-balance sheet items weighted by credit risk), increased by total foreign exchange position exposure to currency risk, capital requirements for position risks (multiplied by 10), capital requirements for settlement risk and capital requirements for counterparty risk (multiplied by 10), and capital requirements for exceeding the permissible exposure limits (multiplied by 10). As of 31 March 2010, the total risk exposure is calculated as the sum of exposures to credit, counterparty credit and dilution risks and free deliveries, increased by the initial capital requirements for settlement/delivery risk (multiplied by 12.5), the initial capital requirements for position, foreign exchange and commodity risk (multiplied by 12.5), the initial capital requirements for exceeding the permissible exposure limits (multiplied by 12.5) and the initial capital requirements for operational risk (multiplied by 12.5). As of 31 March 2010, the banks have to maintain a minimum capital adequacy ratio of 12% (previously 10%).
Up to 31 December 2009, the source of data on the capital adequacy of banks was form SAK (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009), and as of 31 March 2010, the source of data is form SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012).

Figure 1.26 Bank own funds

The columns show the components of own funds at the end of the reporting period. Up to 31 December 2011, the item additional own funds also included the amount of ancillary own funds (after the application of the limits). As of 1 January 2012, it is no longer possible to include ancillary own funds (for market risk coverage) in the calculation of own funds.
Up to 31 December 2009, the source of data on own funds of banks was form JK2 (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009), and as of 31 March 2010, the source of data is form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012).

Figure 1.27 Average credit risk weight

The average credit risk weight is calculated as a ratio between the weighted exposure and net exposure that is weighted for credit risk. The unutilised amount of own funds is the difference between own funds and the total capital requirement.
Up to 31 December 2009, the source of data on own funds of banks, net exposure of banks that is weighted for credit risk and weighted exposure were forms JK2, PBA1, PIRS1 and KOIRS (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009), and as of 31 March 2010, the source of data are forms JKAP and SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012).

Figure 1.28 Structure of bank total capital requirement

The total capital requirement of banks is the sum total of capital requirements for credit risk (including counterparty, dilution and free delivery risks), settlement/delivery risk, position, foreign exchange and commodity risk, the risk of exceeding the permissible exposure limits and operational risk.
Form SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012) is the source of data on the capital requirements.

Figure 1.29 Assets, deposits and home loans of housing savings banks

This figure shows the amount of assets, received deposits and granted home loans (gross) of housing savings banks.
Up to 31 December 2009, the source of data on home loans of housing savings banks was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006), and from 31 December 2010 to (including) 31 December 2012, the source of data is report RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013 and 121/2013). As of 31 December 2013, the source of data on home loans of housing savings banks is report RS3 (Decision on amendments to the Decision on supervisory reports of credit institutions, OG 157/2013).
Up to 31 December 2010, the source of data on the amount of assets and received deposits of housing savings banks was form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006), and as of 31 December 2011, the source of data is form BS2-2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012 and 121/2013) and compiled according to mapping rules:
http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls

3 List of credit institutions

The list of credit institutions wcontains contact data and data on members of management and supervisory boards, shareholders and auditors of credit institutions. The key financial data and capital adequacy ratios of each institution are also enclosed.

Data on shareholders who hold 3% or more of share in the share capital of an institution, and financial and capital adequacy data are as at 31 December 2013. They are based on unconsolidated audited reports submitted to the Croatian National Bank by credit institutions.

Data on members of management and supervisory boards are as at 1 June 2014.

Data on auditors relate to the audits performed in 2013.

BANCO POPOLARE CROATIA d.d.

Petrovaradinska 1, 10000 Zagreb
Phone: +385 1 4653-400
Fax: +385 1 4653-409
BAN 4115008
www.bpc.hr

Management board

Zorislav Vidović – chairperson, Mirjana Vidan

Supervisory board

Balazs Pal Bekeffy – chairperson, Helena Banjad, Slaven Celić, Attila Koszik, Branko Mikša

Shareholders	Share in share capital (%)
1. Banco Popolare Società Cooperativa	98.37

Audit firm for 2013:

Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	403,311
Money assets	44,482
Deposits with the CNB	358,828
Deposits with financial institutions	254,379
MoF treasury bills and CNB bills	69,858
Securities	35,788
Derivative financial assets	0
Loans to financial institutions	2,347
Loans to other clients	1,390,312
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	488
Tangible assets (net of depreciation)	53,013
Interest, fees and other assets	29,028
TOTAL ASSETS	2,238,523

Liabilities and capital	
Loans from financial institutions	108,196
Short-term loans	0
Long-term loans	108,196
Deposits	1,803,431
Transaction account deposits	102,673
Savings deposits	23,059
Time deposits	1,677,700
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	34,700
TOTAL LIABILITIES	1,946,327
Capital	292,196
TOTAL LIABILITIES AND CAPITAL	2,238,523

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	162,129
Interest expenses	64,855
Net interest income	97,274
Income from fees and commissions	10,604
Expenses on fees and commissions	3,139
Net income from fees and commissions	7,465
Income from equity investments	0
Gains (losses)	4,885
Other operating income	128
Other operating expenses	4,415
Net other non-interest income	598
Total operating income	105,337
Expenses on value adjustments and provisions	102,487
Net operating income before loss provisions	2,850
Expenses on value adjustments and provisions	79,813
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–76,963
Income tax on continuing operations	3,411
Profit (loss) from continuing operations, after taxes	–80,373
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	1,439
Current year profit (loss)	–78,934

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,612
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	4,697
Margin credit lines	0
Other credit lines and commitments	587
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	6,896

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

18.52

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Shareholders | **Share in share capital (%)**

Shareholders	Share in share capital (%)
1. Cassa di Risparmio della Repubblica di San Marino S.p.A.	99.58

Management board

Nicola Ceccaroli – chairperson, Darko Kosovec

Audit firm for 2013:

Grant Thornton revizija d.o.o., Zagreb

Supervisory board

Pier Luigi Martelli – chairperson, Ivan Majdak, Emanuele Restelli Prandoni Della Fratta

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	192,491
Money assets	17,977
Deposits with the CNB	174,515
Deposits with financial institutions	139,978
MoF treasury bills and CNB bills	0
Securities	64,764
Derivative financial assets	280
Loans to financial institutions	23,853
Loans to other clients	705,908
Investments in subsidiaries and associates	141
Foreclosed and repossessed assets	37,975
Tangible assets (net of depreciation)	22,587
Interest, fees and other assets	21,886
TOTAL ASSETS	1,209,863

Liabilities and capital	
Loans from financial institutions	38,383
Short-term loans	0
Long-term loans	38,383
Deposits	1,013,978
Transaction account deposits	18,006
Savings deposits	83,115
Time deposits	912,857
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	57,405
Interest, fees and other liabilities	30,810
TOTAL LIABILITIES	1,140,576
Capital	69,287
TOTAL LIABILITIES AND CAPITAL	1,209,863

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	87,062
Interest expenses	42,424
Net interest income	44,638
Income from fees and commissions	5,642
Expenses on fees and commissions	1,000
Net income from fees and commissions	4,642
Income from equity investments	11
Gains (losses)	5,486
Other operating income	0
Other operating expenses	5,894
Net other non-interest income	–398
Total operating income	48,883
Expenses on value adjustments and provisions	49,775
Net operating income before loss provisions	–892
Expenses on value adjustments and provisions	44,732
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–45,624
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–45,624
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	1,806
Current year profit (loss)	–43,819

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	9,010
Uncovered letters of credit	6,250
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	21,199
Other standard risky off-balance sheet items	5,421
Total standard off-balance sheet items	41,881

Derivative financial instruments	
Options	0
Swaps	0
Forwards	28,699
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	28,699

Capital adequacy ratio, in %
as at 31 December 2013

13.93

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Management board

Ivo Krolo – chairperson, Irena Kalebić Bašić

Supervisory board

Ivan Filipović – chairperson, Nediljko Ivančević, Joško Dvornik

Shareholders	Share in share capital (%)
1. Juroslav Buljubašić	46.29
2. Hypo Alpe-Adria-Bank AG (custody account)	9.71
3. Irena Kalebić Bašić	9.58
4. Venći Čulić Meić	7.50
5. Joško Dvornik	5.75
6. Own shares	5.71
7. Mirko Vukušić	4.04
8. Jakiša Medić	3.02

Audit firm for 2013:

Baštrevizor d.o.o., Split

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	47,662
Money assets	14,149
Deposits with the CNB	33,513
Deposits with financial institutions	29,878
MoF treasury bills and CNB bills	24,152
Securities	16,920
Derivative financial assets	0
Loans to financial institutions	520
Loans to other clients	271,126
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	230
Tangible assets (net of depreciation)	13,836
Interest, fees and other assets	10,521
TOTAL ASSETS	414,846

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	346,660
Transaction account deposits	17,278
Savings deposits	9,893
Time deposits	319,489
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	3,819
Interest, fees and other liabilities	11,899
TOTAL LIABILITIES	362,378
Capital	52,469
TOTAL LIABILITIES AND CAPITAL	414,846

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	30,052
Interest expenses	12,305
Net interest income	17,747
Income from fees and commissions	3,146
Expenses on fees and commissions	795
Net income from fees and commissions	2,351
Income from equity investments	23
Gains (losses)	3,399
Other operating income	190
Other operating expenses	972
Net other non-interest income	2,639
Total operating income	22,737
Expenses on value adjustments and provisions	19,336
Net operating income before loss provisions	3,400
Expenses on value adjustments and provisions	3,230
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	170
Income tax on continuing operations	106
Profit (loss) from continuing operations, after taxes	64
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	947
Current year profit (loss)	1,010

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,512
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,689
Margin credit lines	0
Other credit lines and commitments	0
Other standard risky off-balance sheet items	51
Total standard off-balance sheet items	4,251

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

14.03

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Management board

Goran Rameša – chairperson, Christian Peter Pettinger

Supervisory board

Herta Stockbauer – chairperson, Dieter Vinzenz Krassnitzer, Ludwig-Hubert Ankele, Josef Morak, Harald Richard Brunner

Shareholders	Share in share capital (%)
1. BKS Bank AG	100.00

Audit firm for 2013:

Ernst & Young d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	152,637
Money assets	6,373
Deposits with the CNB	146,263
Deposits with financial institutions	179,394
MoF treasury bills and CNB bills	0
Securities	92,633
Derivative financial assets	0
Loans to financial institutions	36,192
Loans to other clients	745,491
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	693
Tangible assets (net of depreciation)	21,920
Interest, fees and other assets	14,516
TOTAL ASSETS	1,243,474

Liabilities and capital	
Loans from financial institutions	24,651
Short-term loans	0
Long-term loans	24,651
Deposits	617,691
Transaction account deposits	118,814
Savings deposits	20,853
Time deposits	478,024
Other loans	378,063
Short-term loans	129,840
Long-term loans	248,223
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	22,531
TOTAL LIABILITIES	1,042,937
Capital	200,538
TOTAL LIABILITIES AND CAPITAL	1,243,474

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	51,100
Interest expenses	18,906
Net interest income	32,194
Income from fees and commissions	5,164
Expenses on fees and commissions	1,453
Net income from fees and commissions	3,712
Income from equity investments	0
Gains (losses)	1,149
Other operating income	964
Other operating expenses	1,536
Net other non-interest income	576
Total operating income	36,482
Expenses on value adjustments and provisions	28,731
Net operating income before loss provisions	7,751
Expenses on value adjustments and provisions	16,630
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–8,879
Income tax on continuing operations	-168
Profit (loss) from continuing operations, after taxes	–8,711
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	–8,711

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	53,436
Uncovered letters of credit	306
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	11,033
Margin credit lines	0
Other credit lines and commitments	44,279
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	109,054

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

21.46

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Management board

Suzana Brenko – chairperson, Stjepan Mandić, Ivan Tomljenović (deputy management board member)

Supervisory board

Marija Hrebac – chairperson, Branka Grabovac, Mladen Duliba

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

Audit firm for 2013:

PWC d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	306,184
Money assets	26,378
Deposits with the CNB	279,806
Deposits with financial institutions	210,260
MoF treasury bills and CNB bills	184,779
Securities	152,109
Derivative financial assets	42
Loans to financial institutions	34,063
Loans to other clients	1,590,954
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	25,810
Tangible assets (net of depreciation)	57,017
Interest, fees and other assets	67,336
TOTAL ASSETS	2,628,553

Liabilities and capital	
Loans from financial institutions	278,076
Short-term loans	44,300
Long-term loans	233,776
Deposits	2,046,555
Transaction account deposits	252,981
Savings deposits	70,422
Time deposits	1,723,152
Other loans	22,913
Short-term loans	0
Long-term loans	22,913
Derivative financial liabilities and other financial liabilities held for trading	41
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	85,744
TOTAL LIABILITIES	2,433,328
Capital	195,224
TOTAL LIABILITIES AND CAPITAL	2,628,553

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	113,295
Interest expenses	65,941
Net interest income	47,354
Income from fees and commissions	9,527
Expenses on fees and commissions	4,981
Net income from fees and commissions	4,546
Income from equity investments	0
Gains (losses)	4,623
Other operating income	12,586
Other operating expenses	3,442
Net other non-interest income	13,767
Total operating income	65,667
Expenses on value adjustments and provisions	75,291
Net operating income before loss provisions	–9,624
Expenses on value adjustments and provisions	15,021
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–24,644
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–24,644
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	–24,644

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	50,725
Uncovered letters of credit	7,391
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	45,610
Margin credit lines	0
Other credit lines and commitments	28,363
Other standard risky off-balance sheet items	11,021
Total standard off-balance sheet items	143,111

Derivative financial instruments	
Options	6,498
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	6,498

Capital adequacy ratio, in %
as at 31 December 2013

14.00

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Management board

Petar Radaković – chairperson, Boris Centner, Slađana Jagar, Christoph Schoefboeck

Supervisory board

Herbert Juranek – chairperson, Sava Ivanov Dalbokov, Franz Kerber, Hannes Frotzbacher, Reinhard Ortner, Judit Agnes Havasi, Renate Veronika Ferlitz

Shareholders	Share in share capital (%)
1. ESB Holding GmbH	100.00

Audit firm for 2013:

Ernst & Young d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	8,272,531
Money assets	821,731
Deposits with the CNB	7,450,800
Deposits with financial institutions	1,260,991
MoF treasury bills and CNB bills	1,067,309
Securities	5,613,426
Derivative financial assets	79,577
Loans to financial institutions	1,246,934
Loans to other clients	39,940,053
Investments in subsidiaries and associates	1,272,006
Foreclosed and repossessed assets	290,211
Tangible assets (net of depreciation)	366,998
Interest, fees and other assets	714,951
TOTAL ASSETS	60,124,986

Liabilities and capital	
Loans from financial institutions	2,592,801
Short-term loans	151,944
Long-term loans	2,440,856
Deposits	46,370,693
Transaction account deposits	6,653,545
Savings deposits	2,831,313
Time deposits	36,885,835
Other loans	1,531,780
Short-term loans	549,203
Long-term loans	982,577
Derivative financial liabilities and other financial liabilities held for trading	82,636
Debt securities issued	299,931
Short-term debt securities issued	0
Long-term debt securities issued	299,931
Subordinated instruments issued	840,141
Hybrid instruments issued	0
Interest, fees and other liabilities	1,519,917
TOTAL LIABILITIES	53,237,899
Capital	6,887,088
TOTAL LIABILITIES AND CAPITAL	60,124,986

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	2,853,783
Interest expenses	1,475,937
Net interest income	1,377,846
Income from fees and commissions	493,726
Expenses on fees and commissions	147,743
Net income from fees and commissions	345,982
Income from equity investments	47,783
Gains (losses)	134,525
Other operating income	83,330
Other operating expenses	77,476
Net other non-interest income	188,163
Total operating income	1,911,991
Expenses on value adjustments and provisions	769,753
Net operating income before loss provisions	1,142,239
Expenses on value adjustments and provisions	1,052,249
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	89,990
Income tax on continuing operations	21,571
Profit (loss) from continuing operations, after taxes	68,419
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	68,419

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,346,611
Uncovered letters of credit	155,238
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	558,211
Margin credit lines	0
Other credit lines and commitments	1,450,266
Other standard risky off-balance sheet items	47,451
Total standard off-balance sheet items	3,557,777

Derivative financial instruments	
Options	68,056
Swaps	29,778,032
Forwards	6,956,362
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	36,802,450

Capital adequacy ratio, in %
as at 31 December 2013

16.54

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Management board

Čedo Maletić – chairperson, Dubravka Kolarić, Tanja Šimunović, Boženka Mostarčić

Supervisory board

Dražen Kobas – chairperson, Nada Karaman Aksentijević, Niko Raič, Marin Palada

Shareholders	Share in share capital (%)
1. Republic of Croatia	51.46
2. Hrvatska pošta d.d.	27.49
3. Croatian Pension Insurance Administration	20.18

Audit firm for 2013:

Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	2,295,260
Money assets	495,477
Deposits with the CNB	1,799,784
Deposits with financial institutions	695,487
MoF treasury bills and CNB bills	299,483
Securities	2,433,075
Derivative financial assets	10
Loans to financial institutions	831,273
Loans to other clients	10,893,103
Investments in subsidiaries and associates	45,490
Foreclosed and repossessed assets	209,418
Tangible assets (net of depreciation)	153,282
Interest, fees and other assets	512,902
TOTAL ASSETS	18,368,782

Liabilities and capital	
Loans from financial institutions	1,072,997
Short-term loans	199,220
Long-term loans	873,777
Deposits	13,368,150
Transaction account deposits	3,208,440
Savings deposits	991,045
Time deposits	9,168,666
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	8
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	402,373
Interest, fees and other liabilities	2,071,864
TOTAL LIABILITIES	16,915,392
Capital	1,453,390
TOTAL LIABILITIES AND CAPITAL	18,368,782

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	827,438
Interest expenses	380,278
Net interest income	447,160
Income from fees and commissions	531,111
Expenses on fees and commissions	355,163
Net income from fees and commissions	175,949
Income from equity investments	11,031
Gains (losses)	55,554
Other operating income	19,355
Other operating expenses	27,886
Net other non-interest income	58,055
Total operating income	681,163
Expenses on value adjustments and provisions	415,275
Net operating income before loss provisions	265,889
Expenses on value adjustments and provisions	223,143
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	42,746
Income tax on continuing operations	336
Profit (loss) from continuing operations, after taxes	42,410
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	42,410

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	287,043
Uncovered letters of credit	47,920
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	330,570
Margin credit lines	0
Other credit lines and commitments	1,135,288
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	1,800,822

Derivative financial instruments	
Options	0
Swaps	25,432
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	25,432

Capital adequacy ratio, in %
as at 31 December 2013

13.51

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Management board

Christoph Alexander Hans Jürgen von Gleich – chairperson[1], Ivo Bilić, Brane Golubić, Tea Martinčić, Joško Mihić, Slawomir Roman Konias

Supervisory board

Alexander Picker – chairperson, Rainer Maria Sichert, Stefan Selden, Edgar Flaggl, Zoran Parać

Shareholders	Share in share capital (%)
1. Hypo Alpe-Adria-Bank International AG	100.00

Audit firm for 2013:

Ernst & Young d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	3,567,419
Money assets	359,015
Deposits with the CNB	3,208,404
Deposits with financial institutions	220,642
MoF treasury bills and CNB bills	471,715
Securities	3,016,544
Derivative financial assets	8,545
Loans to financial institutions	956,641
Loans to other clients	20,647,261
Investments in subsidiaries and associates	134,084
Foreclosed and repossessed assets	115,664
Tangible assets (net of depreciation)	358,237
Interest, fees and other assets	565,253
TOTAL ASSETS	30,062,005

Liabilities and capital	
Loans from financial institutions	1,382,883
Short-term loans	34,175
Long-term loans	1,348,708
Deposits	19,108,589
Transaction account deposits	3,062,634
Savings deposits	522,908
Time deposits	15,523,047
Other loans	1,754,996
Short-term loans	1,215,885
Long-term loans	539,111
Derivative financial liabilities and other financial liabilities held for trading	28,603
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	2,204,821
Interest, fees and other liabilities	664,044
TOTAL LIABILITIES	25,143,935
Capital	4,918,070
TOTAL LIABILITIES AND CAPITAL	30,062,005

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	1,416,407
Interest expenses	820,682
Net interest income	595,725
Income from fees and commissions	262,054
Expenses on fees and commissions	61,861
Net income from fees and commissions	200,193
Income from equity investments	7
Gains (losses)	117,457
Other operating income	39,080
Other operating expenses	50,831
Net other non-interest income	105,713
Total operating income	901,631
Expenses on value adjustments and provisions	637,094
Net operating income before loss provisions	264,536
Expenses on value adjustments and provisions	886,326
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–621,789
Income tax on continuing operations	–120,470
Profit (loss) from continuing operations, after taxes	–501,319
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	–501,319

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,006,080
Uncovered letters of credit	33,048
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	151,316
Margin credit lines	0
Other credit lines and commitments	824,872
Other standard risky off-balance sheet items	782,456
Total standard off-balance sheet items	2,797,772

Derivative financial instruments	
Options	0
Swaps	7,977,264
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	7,977,264

Capital adequacy ratio, in %
as at 31 December 2013

31.08

1 He was granted approval to perform the function of the chairperson of the management board by the Croatian National Bank on 9 June 2014.

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Management board

Branko Buljan – chairperson, Ružica Šarić

Supervisory board

Darko Medak – chairperson, Dubravka Ostojić, Petar Kavelj

Shareholders	Share in share capital (%)
1. Branko Buljan	77.98
2. Ivka Mijić	22.02

Audit firm for 2013:

UHY HB EKONOM d.o.o. za reviziju, Split

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	375,883
Money assets	20,837
Deposits with the CNB	355,046
Deposits with financial institutions	209,086
MoF treasury bills and CNB bills	0
Securities	257,276
Derivative financial assets	0
Loans to financial institutions	31,888
Loans to other clients	1,271,950
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	16,995
Tangible assets (net of depreciation)	39,439
Interest, fees and other assets	46,312
TOTAL ASSETS	2,248,829

Liabilities and capital	
Loans from financial institutions	116,583
Short-term loans	15,000
Long-term loans	101,583
Deposits	1,855,701
Transaction account deposits	106,206
Savings deposits	17,757
Time deposits	1,731,738
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	98,009
Interest, fees and other liabilities	38,905
TOTAL LIABILITIES	2,109,199
Capital	139,631
TOTAL LIABILITIES AND CAPITAL	2,248,829

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	142,664
Interest expenses	81,994
Net interest income	60,669
Income from fees and commissions	16,795
Expenses on fees and commissions	1,883
Net income from fees and commissions	14,912
Income from equity investments	110
Gains (losses)	3,065
Other operating income	762
Other operating expenses	4,750
Net other non-interest income	-813
Total operating income	74,769
Expenses on value adjustments and provisions	39,747
Net operating income before loss provisions	35,022
Expenses on value adjustments and provisions	22,907
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	12,115
Income tax on continuing operations	2,627
Profit (loss) from continuing operations, after taxes	9,488
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	9,488

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	56,961
Uncovered letters of credit	1,434
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	17,413
Other standard risky off-balance sheet items	2
Total standard off-balance sheet items	75,810

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

14.26

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Management board

Miro Dodić – chairperson, Marina Vidič, Klaudija Paljuh

Supervisory board

Milan Travan – chairperson, Edo Ivančić, Marijan Kovačić, Anton Belušić, Vlatko Reschner

Shareholders	Share in share capital (%)
1. Intercommerce d.o.o.	17.54
2. Serfin d.o.o.	10.05
3. Assicurazioni Generali S.p.A.	7.94
4. Marijan Kovačić	7.06
5. TCU d.o.o.	6.51
6. Edo Ivančić	3.76
7. Branko Kovačić	3.72
8. Plava laguna d.d.	3.71
9. Željko Paić	3.54
10. Nerio Perich	3.53

Audit firm for 2013:

Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	424,450
Money assets	66,840
Deposits with the CNB	357,610
Deposits with financial institutions	264,328
MoF treasury bills and CNB bills	420,843
Securities	158,497
Derivative financial assets	59
Loans to financial institutions	28,023
Loans to other clients	1,432,159
Investments in subsidiaries and associates	20
Foreclosed and repossessed assets	5,751
Tangible assets (net of depreciation)	50,183
Interest, fees and other assets	22,282
TOTAL ASSETS	2,806,596

Liabilities and capital	
Loans from financial institutions	82,248
Short-term loans	14,799
Long-term loans	67,450
Deposits	2,401,338
Transaction account deposits	482,947
Savings deposits	219,917
Time deposits	1,698,474
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	3
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	29,900
Interest, fees and other liabilities	34,614
TOTAL LIABILITIES	2,548,103
Capital	258,493
TOTAL LIABILITIES AND CAPITAL	2,806,596

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	121,239
Interest expenses	54,957
Net interest income	66,281
Income from fees and commissions	26,645
Expenses on fees and commissions	3,880
Net income from fees and commissions	22,765
Income from equity investments	0
Gains (losses)	14,237
Other operating income	3,245
Other operating expenses	6,455
Net other non-interest income	11,028
Total operating income	100,074
Expenses on value adjustments and provisions	65,704
Net operating income before loss provisions	34,370
Expenses on value adjustments and provisions	20,737
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	13,632
Income tax on continuing operations	799
Profit (loss) from continuing operations, after taxes	12,834
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	12,834

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	47,100
Uncovered letters of credit	9,367
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	27,108
Margin credit lines	0
Other credit lines and commitments	31,016
Other standard risky off-balance sheet items	200
Total standard off-balance sheet items	114,792

Derivative financial instruments	
Options	2,954
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	2,954

Capital adequacy ratio, in %
as at 31 December 2013

16.71

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Management board

Ivica Džapo – chairperson, Marija Trlaja, Mirko Goreta

Supervisory board

Miro Petric – chairperson, Duje Stančić, Stipe Kuvač, Milivoj Paić, Petar Škender

Shareholders	Share in share capital (%)
1. HOK-Osiguranje d.d.	8.03
2. Alfa d.d.	7.06
3. Croatia osiguranje d.d.	6.48
4. Importanne d.o.o.	6.43
5. Josip Stojanović	4.85
6. Ugo grupa d.o.o.	4.58
7. Marko Sarađen	3.65
8. Vodovod i odvodnja d.o.o.	3.39

Audit firm for 2013:

BDO Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	357,387
Money assets	53,209
Deposits with the CNB	304,178
Deposits with financial institutions	393,079
MoF treasury bills and CNB bills	76,284
Securities	188,631
Derivative financial assets	0
Loans to financial institutions	60,648
Loans to other clients	1,658,885
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	148,595
Tangible assets (net of depreciation)	23,125
Interest, fees and other assets	39,350
TOTAL ASSETS	2,945,984

Liabilities and capital	
Loans from financial institutions	197,473
Short-term loans	47,455
Long-term loans	150,018
Deposits	2,443,613
Transaction account deposits	290,022
Savings deposits	321,440
Time deposits	1,832,151
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	12
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	15,280
Hybrid instruments issued	0
Interest, fees and other liabilities	59,595
TOTAL LIABILITIES	2,715,972
Capital	230,011
TOTAL LIABILITIES AND CAPITAL	2,945,984

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	160,390
Interest expenses	96,505
Net interest income	63,885
Income from fees and commissions	19,692
Expenses on fees and commissions	4,263
Net income from fees and commissions	15,429
Income from equity investments	5
Gains (losses)	15,467
Other operating income	5,493
Other operating expenses	9,105
Net other non-interest income	11,861
Total operating income	91,175
Expenses on value adjustments and provisions	66,112
Net operating income before loss provisions	25,063
Expenses on value adjustments and provisions	124,436
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–99,373
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–99,373
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	–99,373

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	77,672
Uncovered letters of credit	133
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	131,578
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	209,383

Derivative financial instruments	
Options	256
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	256

Capital adequacy ratio, in %
as at 31 December 2013

11.34

2 Reports with new data as at 31 December 2013 have been submitted by the bank in the course of the compilation of this publication. They are presented in the above tables, but they are not included in the aggregate data in the section on Performance indicators of credit institutions.

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Management board

Ivan Vrljić – chairperson, Marino Rade

Supervisory board

Nedjeljko Strikić – chairperson, Bernarda Ivšić, Željko Pavlin, Igor Čičak, Danijel Žamboki

Shareholders	Share in share capital (%)
1. Marijan Šarić	17.76
2. Sandi Šola	12.59
3. Zagreb Archidocese	8.34
4. Jaime Ivan Guerrero Devlahovich	4.90
5. GIP Pionir d.o.o.	3.64

Audit firm for 2013:

BDO Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	201,300
Money assets	26,813
Deposits with the CNB	174,487
Deposits with financial institutions	102,453
MoF treasury bills and CNB bills	15,020
Securities	379,983
Derivative financial assets	18
Loans to financial institutions	0
Loans to other clients	671,213
Investments in subsidiaries and associates	20,831
Foreclosed and repossessed assets	80,706
Tangible assets (net of depreciation)	53,347
Interest, fees and other assets	30,999
TOTAL ASSETS	1,555,870

Liabilities and capital	
Loans from financial institutions	117,301
Short-term loans	26,474
Long-term loans	90,827
Deposits	1,354,142
Transaction account deposits	254,657
Savings deposits	113,579
Time deposits	985,906
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	13
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	36,317
Interest, fees and other liabilities	54,194
TOTAL LIABILITIES	1,561,967
Capital	-6,098
TOTAL LIABILITIES AND CAPITAL	1,555,870

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	74,373
Interest expenses	48,694
Net interest income	25,679
Income from fees and commissions	17,581
Expenses on fees and commissions	6,636
Net income from fees and commissions	10,946
Income from equity investments	0
Gains (losses)	–261
Other operating income	2,679
Other operating expenses	5,346
Net other non-interest income	–2,927
Total operating income	33,698
Expenses on value adjustments and provisions	56,593
Net operating income before loss provisions	–22,895
Expenses on value adjustments and provisions	93,518
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–116,413
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–116,413
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	3,285
Current year profit (loss)	–113,128

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	121,090
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	8,176
Margin credit lines	0
Other credit lines and commitments	136,967
Other standard risky off-balance sheet items	2,815
Total standard off-balance sheet items	269,048

Derivative financial instruments	
Options	1,295
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1,295

Capital adequacy ratio, in %
as at 31 December 2013

–4.18

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Management board

Mehmet Murat Sabaz – chairperson, Mićo Tomičić

Supervisory board

Hakan Barut – chairperson, Mehmet Koçak, Boris Zenić

Shareholders	Share in share capital (%)
1. Eksen Holding A.Ş.	95.20

Audit firm for 2013:

Ernst & Young d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	134,023
Money assets	36,730
Deposits with the CNB	97,293
Deposits with financial institutions	47,383
MoF treasury bills and CNB bills	64,359
Securities	144,428
Derivative financial assets	8
Loans to financial institutions	457
Loans to other clients	462,009
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	597
Tangible assets (net of depreciation)	10,851
Interest, fees and other assets	20,021
TOTAL ASSETS	884,135

Liabilities and capital	
Loans from financial institutions	208
Short-term loans	0
Long-term loans	208
Deposits	715,657
Transaction account deposits	42,465
Savings deposits	404
Time deposits	672,788
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	24,457
TOTAL LIABILITIES	740,322
Capital	143,814
TOTAL LIABILITIES AND CAPITAL	884,135

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	48,556
Interest expenses	20,886
Net interest income	27,670
Income from fees and commissions	6,119
Expenses on fees and commissions	1,831
Net income from fees and commissions	4,288
Income from equity investments	0
Gains (losses)	9,194
Other operating income	708
Other operating expenses	2,894
Net other non-interest income	7,008
Total operating income	38,966
Expenses on value adjustments and provisions	47,500
Net operating income before loss provisions	–8,535
Expenses on value adjustments and provisions	14,333
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–22,867
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–22,867
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	–241
Current year profit (loss)	–23,108

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	6,748
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	7,625
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	14,373

Derivative financial instruments	
Options	1,123
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1,123

Capital adequacy ratio, in %
as at 31 December 2013

19.51

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Management board

Ivan Dropulić – deputy chairperson, Boris Zadro

Supervisory board

Nadira Eror – chairperson, Josip Rubić, Irena Severin, Ankica Čeko

	Shareholders	Share in share capital (%)
1.	Agram životno osiguranje d.d.	17.86
2.	Euroherc osiguranje d.d.	17.86
3.	Jadransko osiguranje d.d.	16.24
4.	Euroleasing d.o.o.	12.06
5.	Agram invest d.d	9.68
6.	PBZ d.d. (custody account)	4.99
7.	Euroagram Tis d.o.o.	4.85
8.	Sunce osiguranje d.d.	4.38

Audit firm for 2013:

Grant Thornton revizija d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	772,333
Money assets	71,710
Deposits with the CNB	700,623
Deposits with financial institutions	341,735
MoF treasury bills and CNB bills	68,930
Securities	918,095
Derivative financial assets	550
Loans to financial institutions	281,109
Loans to other clients	1,533,675
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	16,779
Tangible assets (net of depreciation)	87,189
Interest, fees and other assets	76,326
TOTAL ASSETS	4,096,720

Liabilities and capital	
Loans from financial institutions	290,577
Short-term loans	195,640
Long-term loans	94,937
Deposits	3,349,737
Transaction account deposits	295,108
Savings deposits	106,580
Time deposits	2,948,049
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	41
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	60,000
Hybrid instruments issued	13,000
Interest, fees and other liabilities	81,100
TOTAL LIABILITIES	3,794,454
Capital	302,266
TOTAL LIABILITIES AND CAPITAL	4,096,720

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	226,024
Interest expenses	147,159
Net interest income	78,864
Income from fees and commissions	26,739
Expenses on fees and commissions	8,999
Net income from fees and commissions	17,740
Income from equity investments	0
Gains (losses)	11,163
Other operating income	1,409
Other operating expenses	5,837
Net other non-interest income	6,734
Total operating income	103,339
Expenses on value adjustments and provisions	74,385
Net operating income before loss provisions	28,954
Expenses on value adjustments and provisions	22,888
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	6,066
Income tax on continuing operations	1,560
Profit (loss) from continuing operations, after taxes	4,506
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	4,506

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	91,523
Uncovered letters of credit	7,785
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	34,989
Margin credit lines	0
Other credit lines and commitments	49,377
Other standard risky off-balance sheet items	24,028
Total standard off-balance sheet items	207,702

Derivative financial instruments	
Options	13,755
Swaps	76,385
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	90,140

Capital adequacy ratio, in %
as at 31 December 2013

14.88

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Management board

Mislav Sepčić – chairperson, Hrvoje Ćosić

Supervisory board

Jakov Gelo – chairperson, Višnjica Mališa, Ivan Gudelj, Daniel Hrnjak

Shareholders	Share in share capital (%)
1. GIP Pionir d.o.o.	55.61
2. Paron d.o.o.	14.22
3. Munis d.o.o.	9.06
4. Gradko d.o.o.	5.12
5. Kemika d.d.	4.72

Audit firm for 2013:

BDO Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	39,849
Money assets	9,365
Deposits with the CNB	30,484
Deposits with financial institutions	27,004
MoF treasury bills and CNB bills	0
Securities	27,386
Derivative financial assets	0
Loans to financial institutions	741
Loans to other clients	182,210
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	14,515
Tangible assets (net of depreciation)	1,591
Interest, fees and other assets	8,286
TOTAL ASSETS	301,582

Liabilities and capital	
Loans from financial institutions	9,650
Short-term loans	9,650
Long-term loans	0
Deposits	242,217
Transaction account deposits	32,710
Savings deposits	61,804
Time deposits	147,704
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	19,700
Interest, fees and other liabilities	7,914
TOTAL LIABILITIES	279,482
Capital	22,100
TOTAL LIABILITIES AND CAPITAL	301,582

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	12,362
Interest expenses	10,086
Net interest income	2,276
Income from fees and commissions	1,538
Expenses on fees and commissions	831
Net income from fees and commissions	707
Income from equity investments	148
Gains (losses)	–1,159
Other operating income	314
Other operating expenses	633
Net other non-interest income	–1,331
Total operating income	1,653
Expenses on value adjustments and provisions	11,033
Net operating income before loss provisions	–9,381
Expenses on value adjustments and provisions	3,002
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–12,383
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–12,383
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	–12,383

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	19,162
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	6,812
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	25,974

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

14.03

OTP BANKA HRVATSKA d.d.

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Management board

Balazs Pal Bekeffy – chairperson, Helena Banjad, Slaven Celić

Supervisory board

Antal Lászlo Pongrácz – chairperson, Szabolcs Annus, Branko Mikša, László Kecskés, Attila Koszik

Shareholders	Share in share capital (%)
1. OTP Bank NYRT	100.00

Audit firm for 2013:

Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	1,649,932
Money assets	291,612
Deposits with the CNB	1,358,320
Deposits with financial institutions	274,457
MoF treasury bills and CNB bills	499,022
Securities	1,601,509
Derivative financial assets	1,074
Loans to financial institutions	131,310
Loans to other clients	9,072,972
Investments in subsidiaries and associates	73,608
Foreclosed and repossessed assets	5,919
Tangible assets (net of depreciation)	209,617
Interest, fees and other assets	219,234
TOTAL ASSETS	13,738,654

Liabilities and capital	
Loans from financial institutions	938,629
Short-term loans	14,299
Long-term loans	924,331
Deposits	10,839,402
Transaction account deposits	1,681,374
Savings deposits	1,321,353
Time deposits	7,836,674
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	7,036
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	39,025
Hybrid instruments issued	0
Interest, fees and other liabilities	311,660
TOTAL LIABILITIES	12,135,751
Capital	1,602,904
TOTAL LIABILITIES AND CAPITAL	13,738,654

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	693,451
Interest expenses	278,403
Net interest income	415,048
Income from fees and commissions	152,368
Expenses on fees and commissions	35,104
Net income from fees and commissions	117,264
Income from equity investments	2,029
Gains (losses)	34,486
Other operating income	6,709
Other operating expenses	52,642
Net other non-interest income	–9,418
Total operating income	522,894
Expenses on value adjustments and provisions	336,381
Net operating income before loss provisions	186,513
Expenses on value adjustments and provisions	106,422
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	80,091
Income tax on continuing operations	15,247
Profit (loss) from continuing operations, after taxes	64,844
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	–5
Current year profit (loss)	64,839

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	140,929
Uncovered letters of credit	20,341
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	100,481
Margin credit lines	0
Other credit lines and commitments	868,084
Other standard risky off-balance sheet items	550
Total standard off-balance sheet items	1,130,385

Derivative financial instruments	
Options	40,591
Swaps	2,411,654
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	2,452,245

Capital adequacy ratio, in %
as at 31 December 2013

16.69

PARTNER BANKA d.d.

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Management board

Ivan Ćurković – chairperson, Petar Repušić

Supervisory board

Božo Čulo – chairperson, Ivan Miloloža, Radovan Fuchs

Shareholders	Share in share capital (%)
1. Metroholding d.d.	90.01
2. Croduxplin d.o.o.	9.09

Audit firm for 2013:

Krako-Revizija d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	151,592
Money assets	20,049
Deposits with the CNB	131,542
Deposits with financial institutions	53,234
MoF treasury bills and CNB bills	44,118
Securities	225,547
Derivative financial assets	26
Loans to financial institutions	3,474
Loans to other clients	812,060
Investments in subsidiaries and associates	197
Foreclosed and repossessed assets	69,083
Tangible assets (net of depreciation)	40,716
Interest, fees and other assets	30,461
TOTAL ASSETS	1,430,508

Liabilities and capital	
Loans from financial institutions	301,425
Short-term loans	150,624
Long-term loans	150,801
Deposits	936,203
Transaction account deposits	166,232
Savings deposits	3,691
Time deposits	766,280
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	19
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	10,000
Hybrid instruments issued	0
Interest, fees and other liabilities	24,594
TOTAL LIABILITIES	1,272,241
Capital	158,267
TOTAL LIABILITIES AND CAPITAL	1,430,508

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	80,266
Interest expenses	39,465
Net interest income	40,801
Income from fees and commissions	8,239
Expenses on fees and commissions	2,444
Net income from fees and commissions	5,795
Income from equity investments	417
Gains (losses)	10,896
Other operating income	1,666
Other operating expenses	2,404
Net other non-interest income	10,575
Total operating income	57,171
Expenses on value adjustments and provisions	38,853
Net operating income before loss provisions	18,318
Expenses on value adjustments and provisions	16,660
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	1,658
Income tax on continuing operations	269
Profit (loss) from continuing operations, after taxes	1,389
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	1,389

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	68,285
Uncovered letters of credit	5,757
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	8,751
Margin credit lines	0
Other credit lines and commitments	14,933
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	97,725

Derivative financial instruments	
Options	5,387
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	5,387

Capital adequacy ratio, in %
as at 31 December 2013

14.15

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Management board

Julio Kuruc – chairperson, Davorka Jakir, Marijan Marušić

Supervisory board

Miljan Todorović – chairperson, Sigilfredo Montinari, Dario Montinari, Đuro Predović, Dolly Predović, Maurizio Dallocchio, Filippo Disertori

Shareholders	Share in share capital (%)
1. Zagrebačka banka d.d. (custody account)	9.87
2. Zagrebačka banka d.d. (custody account)	9.77
3. Assicurazioni Generali S.p.A.	9.54
4. Cerere Societa per Azioni	9.53
5. Miljan Todorović	8.33
6. Zagrebačka banka d.d. (custody account)	5.76
7. Zagrebačka banka d.d. (custody account)	5.76
8. Zagrebačka banka d.d. (custody account)	5.76
9. Zagrebačka banka d.d. (custody account))	4.27
10. Giovanni Semeraro	4.11

Audit firm for 2013:

Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	346,428
Money assets	42,735
Deposits with the CNB	303,693
Deposits with financial institutions	182,346
MoF treasury bills and CNB bills	74,807
Securities	738,699
Derivative financial assets	0
Loans to financial institutions	97,163
Loans to other clients	1,458,718
Investments in subsidiaries and associates	4,770
Foreclosed and repossessed assets	16,418
Tangible assets (net of depreciation)	85,466
Interest, fees and other assets	98,312
TOTAL ASSETS	3,103,127

Liabilities and capital	
Loans from financial institutions	256,905
Short-term loans	150,582
Long-term loans	106,323
Deposits	2,232,071
Transaction account deposits	444,602
Savings deposits	207,920
Time deposits	1,579,549
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	52,783
Hybrid instruments issued	76,376
Interest, fees and other liabilities	90,040
TOTAL LIABILITIES	2,708,175
Capital	394,951
TOTAL LIABILITIES AND CAPITAL	3,103,127

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	155,253
Interest expenses	73,188
Net interest income	82,065
Income from fees and commissions	31,607
Expenses on fees and commissions	10,667
Net income from fees and commissions	20,940
Income from equity investments	1,479
Gains (losses)	13,116
Other operating income	10,408
Other operating expenses	9,492
Net other non-interest income	15,512
Total operating income	118,517
Expenses on value adjustments and provisions	102,596
Net operating income before loss provisions	15,922
Expenses on value adjustments and provisions	13,146
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	2,775
Income tax on continuing operations	822
Profit (loss) from continuing operations, after taxes	1,953
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	–901
Current year profit (loss)	1,053

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	44,825
Uncovered letters of credit	20,646
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	12,833
Margin credit lines	0
Other credit lines and commitments	289,037
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	367,342

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

19.12

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Management board

Anto Pekić – chairperson, Goranka Šmer

Supervisory board

Jože Perić – chairperson, Franco Brunati, Giorgio Mattioli, Renata Dogan, Andrej Galogaža

Shareholders	Share in share capital (%)
1. C.I.M. Banque SA	58.97
2. Francesco Signorio	23.01
3. Domenico Petrella	5.00
4. Svetlana Signorio	4.04
5. Cofisi S.A.	3.44

Audit firm for 2013:

BDO Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	32,641
Money assets	2,792
Deposits with the CNB	29,849
Deposits with financial institutions	12,743
MoF treasury bills and CNB bills	30,332
Securities	76,702
Derivative financial assets	0
Loans to financial institutions	12,656
Loans to other clients	86,340
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	137
Tangible assets (net of depreciation)	1,440
Interest, fees and other assets	4,519
TOTAL ASSETS	257,511

Liabilities and capital	
Loans from financial institutions	3,760
Short-term loans	3,760
Long-term loans	0
Deposits	186,505
Transaction account deposits	12,405
Savings deposits	10,902
Time deposits	163,198
Other loans	16,582
Short-term loans	16,582
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	10,273
Interest, fees and other liabilities	5,779
TOTAL LIABILITIES	222,898
Capital	34,613
TOTAL LIABILITIES AND CAPITAL	257,511

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	10,702
Interest expenses	6,950
Net interest income	3,752
Income from fees and commissions	1,826
Expenses on fees and commissions	857
Net income from fees and commissions	969
Income from equity investments	0
Gains (losses)	2,208
Other operating income	25
Other operating expenses	656
Net other non-interest income	1,578
Total operating income	6,299
Expenses on value adjustments and provisions	11,932
Net operating income before loss provisions	–5,633
Expenses on value adjustments and provisions	2,228
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–7,861
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–7,861
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	–36
Current year profit (loss)	–7,897

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,726
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	18,289
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	20,015

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

25.17

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Shareholders — **Share in share capital (%)**

1. Intesa Bci Holding International S.A. 76.59
2. European Bank for Reconstruction and Development (EBRD) 20.88

Management board

Božo Prka – chairperson, Ivan Gerovac, Gabriele Pace, Darko Drozdek, Draženko Kopljar, Dinko Lucić, Andrea Pavlović

Audit firm for 2013:

KPMG Croatia d.o.o., Zagreb

Supervisory board

Giovanni Gill – chairperson, Draginja Đurić, Christophe Velle, Nóra Katalin Kocsis, Branko Jeren, Massimo Malagoli, Paolo Sarcinelli

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	8,825,590
Money assets	1,404,272
Deposits with the CNB	7,421,318
Deposits with financial institutions	4,787,569
MoF treasury bills and CNB bills	3,704,054
Securities	2,164,702
Derivative financial assets	6,754
Loans to financial institutions	1,165,771
Loans to other clients	43,440,233
Investments in subsidiaries and associates	214,712
Foreclosed and repossessed assets	62,697
Tangible assets (net of depreciation)	711,444
Interest, fees and other assets	752,304
TOTAL ASSETS	65,835,830

Liabilities and capital	
Loans from financial institutions	1,897,878
Short-term loans	388,329
Long-term loans	1,509,549
Deposits	47,101,461
Transaction account deposits	9,145,648
Savings deposits	6,671,407
Time deposits	31,284,406
Other loans	3,772,596
Short-term loans	25,774
Long-term loans	3,746,822
Derivative financial liabilities and other financial liabilities held for trading	4,698
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	1,559,837
TOTAL LIABILITIES	54,336,471
Capital	11,499,359
TOTAL LIABILITIES AND CAPITAL	65,835,830

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	3,317,587
Interest expenses	1,188,109
Net interest income	2,129,479
Income from fees and commissions	805,751
Expenses on fees and commissions	293,378
Net income from fees and commissions	512,373
Income from equity investments	184,608
Gains (losses)	114,976
Other operating income	78,195
Other operating expenses	187,161
Net other non-interest income	190,617
Total operating income	2,832,469
Expenses on value adjustments and provisions	1,276,335
Net operating income before loss provisions	1,556,134
Expenses on value adjustments and provisions	776,440
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	779,694
Income tax on continuing operations	165,008
Profit (loss) from continuing operations, after taxes	614,686
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	614,686

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	2,069,985
Uncovered letters of credit	199,648
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,958,225
Margin credit lines	0
Other credit lines and commitments	5,410,055
Other standard risky off-balance sheet items	50,725
Total standard off-balance sheet items	10,688,638

Derivative financial instruments	
Options	16,530
Swaps	3,746,683
Forwards	105,070
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	3,868,283

Capital adequacy ratio, in %
as at 31 December 2013

24.07

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Management board

Zdenko Adrović – chairperson, Jasna Širola, Zoran Košćak, Vesna Ciganek Vuković, Mario Žižek

Supervisory board

Peter Lennkh – chairperson, Razvan Munteanu, Peter Bazil, Lovorka Penavić, Peter Jacenko

Shareholders	Share in share capital (%)
1. Raiffeisen SEE Region Holding GmbH	100.00

Audit firm for 2013:

Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	4,026,334
Money assets	621,978
Deposits with the CNB	3,404,357
Deposits with financial institutions	864,537
MoF treasury bills and CNB bills	437,517
Securities	3,603,401
Derivative financial assets	61,408
Loans to financial institutions	1,038,046
Loans to other clients	21,303,670
Investments in subsidiaries and associates	301,192
Foreclosed and repossessed assets	119,874
Tangible assets (net of depreciation)	443,280
Interest, fees and other assets	805,607
TOTAL ASSETS	33,004,865

Liabilities and capital	
Loans from financial institutions	1,583,363
Short-term loans	434,475
Long-term loans	1,148,888
Deposits	22,229,753
Transaction account deposits	7,322,111
Savings deposits	1,809,881
Time deposits	13,097,761
Other loans	2,486,111
Short-term loans	1,200,100
Long-term loans	1,286,011
Derivative financial liabilities and other financial liabilities held for trading	645,954
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	718,102
TOTAL LIABILITIES	27,663,283
Capital	5,341,583
TOTAL LIABILITIES AND CAPITAL	33,004,865

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	1,688,619
Interest expenses	598,402
Net interest income	1,090,217
Income from fees and commissions	472,905
Expenses on fees and commissions	156,120
Net income from fees and commissions	316,785
Income from equity investments	56,376
Gains (losses)	148,347
Other operating income	39,343
Other operating expenses	60,537
Net other non-interest income	183,528
Total operating income	1,590,530
Expenses on value adjustments and provisions	804,983
Net operating income before loss provisions	785,547
Expenses on value adjustments and provisions	458,935
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	326,612
Income tax on continuing operations	51,196
Profit (loss) from continuing operations, after taxes	275,416
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	38
Current year profit (loss)	275,454

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	3,494,781
Uncovered letters of credit	69,731
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	504,143
Margin credit lines	0
Other credit lines and commitments	1,442,198
Other standard risky off-balance sheet items	1,776,590
Total standard off-balance sheet items	7,287,444

Derivative financial instruments	
Options	139,105
Swaps	33,128,787
Forwards	15,693,419
Futures	30,551
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	48,991,862

Capital adequacy ratio, in %
as at 31 December 2013

18.73

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Shareholders	Share in share capital (%)
1. Aquae Vivae d.d.	83.54
2. Samoborka d.d.	5.15
3. Tigra d.o.o.	3.13

Management board

Marijan Kantolić – chairperson, Verica Ljubičić

Audit firm for 2013:

HLB Revidicon d.o.o. Varaždin

Supervisory board

Dragutin Plahutar – chairperson, Želimir Kodrić, Milan Penava, Mirjana Plahutar, Martin Jazbec

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	95,267
Money assets	10,886
Deposits with the CNB	84,381
Deposits with financial institutions	140,588
MoF treasury bills and CNB bills	0
Securities	258
Derivative financial assets	1,168
Loans to financial institutions	384
Loans to other clients	204,690
Investments in subsidiaries and associates	41
Foreclosed and repossessed assets	9,344
Tangible assets (net of depreciation)	28,878
Interest, fees and other assets	4,452
TOTAL ASSETS	485,071

Liabilities and capital	
Loans from financial institutions	276
Short-term loans	0
Long-term loans	276
Deposits	391,440
Transaction account deposits	78,455
Savings deposits	54,888
Time deposits	258,097
Other loans	38
Short-term loans	38
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	9,044
TOTAL LIABILITIES	400,798
Capital	84,273
TOTAL LIABILITIES AND CAPITAL	485,071

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	18,812
Interest expenses	9,320
Net interest income	9,492
Income from fees and commissions	3,956
Expenses on fees and commissions	1,653
Net income from fees and commissions	2,303
Income from equity investments	0
Gains (losses)	1,323
Other operating income	806
Other operating expenses	1,079
Net other non-interest income	1,049
Total operating income	12,844
Expenses on value adjustments and provisions	13,033
Net operating income before loss provisions	–189
Expenses on value adjustments and provisions	777
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–966
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–966
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	70
Current year profit (loss)	–896

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	6,485
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	15,323
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	21,808

Derivative financial instruments	
Options	38,213
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	38,213

Capital adequacy ratio, in %
as at 31 December 2013

27.19

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Management board

Andrea Kovacs-Wöhry – chairperson, Igor Repin, Dubravka Lukić, Dubravko-Ante Mlikotić, Mario Henjak

Supervisory board

András Krisztián Hámori – chairperson, David Joseph O'Mahony, Dragutin Bohuš, Natalia Revina

Shareholders	Share in share capital (%)
1. Sberbank Europe AG	100.00

Audit firm for 2013:

Ernst & Young d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	1,223,058
Money assets	69,497
Deposits with the CNB	1,153,561
Deposits with financial institutions	934,639
MoF treasury bills and CNB bills	339,158
Securities	477,772
Derivative financial assets	9,681
Loans to financial institutions	18,092
Loans to other clients	5,978,628
Investments in subsidiaries and associates	1,950
Foreclosed and repossessed assets	56,492
Tangible assets (net of depreciation)	29,904
Interest, fees and other assets	194,688
TOTAL ASSETS	9,264,062

Liabilities and capital	
Loans from financial institutions	216,972
Short-term loans	19,381
Long-term loans	197,591
Deposits	6,323,099
Transaction account deposits	681,707
Savings deposits	716,354
Time deposits	4,925,038
Other loans	1,118,005
Short-term loans	810,129
Long-term loans	307,876
Derivative financial liabilities and other financial liabilities held for trading	6,008
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	208,235
TOTAL LIABILITIES	7,872,318
Capital	1,391,744
TOTAL LIABILITIES AND CAPITAL	9,264,062

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	401,075
Interest expenses	189,401
Net interest income	211,674
Income from fees and commissions	48,539
Expenses on fees and commissions	9,576
Net income from fees and commissions	38,963
Income from equity investments	21
Gains (losses)	26,214
Other operating income	7,408
Other operating expenses	7,899
Net other non-interest income	25,744
Total operating income	276,381
Expenses on value adjustments and provisions	184,265
Net operating income before loss provisions	92,116
Expenses on value adjustments and provisions	145,494
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–53,379
Income tax on continuing operations	–10,941
Profit (loss) from continuing operations, after taxes	–42,438
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	–3,194
Current year profit (loss)	–45,632

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	215,002
Uncovered letters of credit	10,023
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	7,889
Margin credit lines	0
Other credit lines and commitments	717,070
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	949,984

Derivative financial instruments	
Options	1,463
Swaps	0
Forwards	8,718,298
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	8,719,761

Capital adequacy ratio, in %
as at 31 December 2013

20.53

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Management board

Angelina Horvat – chairperson, Marko Brnić

Supervisory board

Ružica Vađić – chairperson, Tomislav Rosandić, Blaženka Eror Matić, Hrvoje Markovinović, Denis Smolar

Shareholders	Share in share capital (%)
1. Hypo Alpe-Adria-Bank d.d. (custody account)	16.59
2. State Agency for Deposit Insurance and Bank Rehabilitation	8.32
3. Dragutin Sokačić	7.89
4. Own shares	7.77
5. Zagrebačka banka d.d. (custody account)	5.47
6. Raiffeisenbank Austria d.d. (custody account)	4.38
7. Emil Mikulić	3.98
8. Josip Galić	3.26
9. Milivoj Mrkoci	3.26
10. Finesa Credos d.d.	3.16
11. Croatia Lloyd d.d.	3.02

Audit firm for 2013:

HLB Revidicon d.o.o., Varaždin

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	197,632
Money assets	25,582
Deposits with the CNB	172,051
Deposits with financial institutions	151,711
MoF treasury bills and CNB bills	185,487
Securities	116,138
Derivative financial assets	0
Loans to financial institutions	10,627
Loans to other clients	787,403
Investments in subsidiaries and associates	5,551
Foreclosed and repossessed assets	6,975
Tangible assets (net of depreciation)	26,928
Interest, fees and other assets	26,504
TOTAL ASSETS	1,514,957

Liabilities and capital	
Loans from financial institutions	155,160
Short-term loans	32,582
Long-term loans	122,577
Deposits	1,137,073
Transaction account deposits	143,516
Savings deposits	58,005
Time deposits	935,552
Other loans	11,075
Short-term loans	0
Long-term loans	11,075
Derivative financial liabilities and other financial liabilities held for trading	4
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	37,179
TOTAL LIABILITIES	1,340,490
Capital	174,467
TOTAL LIABILITIES AND CAPITAL	1,514,957

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	88,171
Interest expenses	47,190
Net interest income	40,981
Income from fees and commissions	11,206
Expenses on fees and commissions	3,190
Net income from fees and commissions	8,016
Income from equity investments	0
Gains (losses)	5,291
Other operating income	4,200
Other operating expenses	2,870
Net other non-interest income	6,621
Total operating income	55,618
Expenses on value adjustments and provisions	42,626
Net operating income before loss provisions	12,992
Expenses on value adjustments and provisions	12,254
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	738
Income tax on continuing operations	339
Profit (loss) from continuing operations, after taxes	398
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	398

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	14,208
Uncovered letters of credit	198
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,218
Margin credit lines	0
Other credit lines and commitments	48,766
Other standard risky off-balance sheet items	394
Total standard off-balance sheet items	65,785

Derivative financial instruments	
Options	224
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	224

Capital adequacy ratio, in %
as at 31 December 2013

16.95

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Management board

Andre Marc Prudent-Toccanier – chairperson, Nelsi Rončević, Zvonimir Akrap

Supervisory board

Jean-Luc Parer – chairperson, Patrick Pierre Gelin, Giovanni Luca Soma

Shareholders	Share in share capital (%)
1. Société Générale	100.00

Audit firm for 2013:

Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	3,218,753
Money assets	312,984
Deposits with the CNB	2,905,768
Deposits with financial institutions	3,019,993
MoF treasury bills and CNB bills	2,137,827
Securities	884,590
Derivative financial assets	4,153
Loans to financial institutions	353,517
Loans to other clients	16,981,457
Investments in subsidiaries and associates	36,369
Foreclosed and repossessed assets	2,139
Tangible assets (net of depreciation)	149,859
Interest, fees and other assets	548,969
TOTAL ASSETS	27,337,625

Liabilities and capital	
Loans from financial institutions	1,210,926
Short-term loans	21,800
Long-term loans	1,189,126
Deposits	17,556,751
Transaction account deposits	4,743,205
Savings deposits	1,081,360
Time deposits	11,732,185
Other loans	3,683,052
Short-term loans	0
Long-term loans	3,683,052
Derivative financial liabilities and other financial liabilities held for trading	13,008
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	436,223
Hybrid instruments issued	0
Interest, fees and other liabilities	1,050,123
TOTAL LIABILITIES	23,950,084
Capital	3,387,541
TOTAL LIABILITIES AND CAPITAL	27,337,625

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	1,212,123
Interest expenses	573,082
Net interest income	639,041
Income from fees and commissions	289,458
Expenses on fees and commissions	56,041
Net income from fees and commissions	233,417
Income from equity investments	3,555
Gains (losses)	108,132
Other operating income	29,170
Other operating expenses	64,173
Net other non-interest income	76,685
Total operating income	949,142
Expenses on value adjustments and provisions	595,110
Net operating income before loss provisions	354,033
Expenses on value adjustments and provisions	342,681
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	11,351
Income tax on continuing operations	-22,711
Profit (loss) from continuing operations, after taxes	34,062
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	34,062

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,389,557
Uncovered letters of credit	135,799
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,417,366
Margin credit lines	0
Other credit lines and commitments	1,815,138
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	4,757,860

Derivative financial instruments	
Options	1,030
Swaps	3,568,119
Forwards	511,438
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	4,080,587

Capital adequacy ratio, in %
as at 31 December 2013

17.19

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Management board

Ante Babić – chairperson, Zdravko Zrinušić

Supervisory board

Ivo Andrijanić – chairperson, Đuro Benček, Petar Ćurković

Shareholders	Share in share capital (%)
1. Šted-Nova d.o.o.	80.74
2. Željko Udovičić	9.87
3. Šted-invest d.o.o.	6.35
4. Redip d.o.o.	3.04

Audit firm for 2013:

Grant Thornton revizija d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	114,350
Money assets	2,783
Deposits with the CNB	111,566
Deposits with financial institutions	96,475
MoF treasury bills and CNB bills	4,985
Securities	148,383
Derivative financial assets	1,870
Loans to financial institutions	56,291
Loans to other clients	636,652
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	22,321
Tangible assets (net of depreciation)	704
Interest, fees and other assets	11,123
TOTAL ASSETS	1,093,153

Liabilities and capital	
Loans from financial institutions	127,453
Short-term loans	62,500
Long-term loans	64,953
Deposits	568,931
Transaction account deposits	45,222
Savings deposits	49,986
Time deposits	473,722
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	1,183
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	50,847
Interest, fees and other liabilities	19,716
TOTAL LIABILITIES	768,129
Capital	325,023
TOTAL LIABILITIES AND CAPITAL	1,093,153

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	57,846
Interest expenses	32,096
Net interest income	25,751
Income from fees and commissions	5,460
Expenses on fees and commissions	1,431
Net income from fees and commissions	4,029
Income from equity investments	0
Gains (losses)	4,286
Other operating income	1,886
Other operating expenses	330
Net other non-interest income	5,842
Total operating income	35,622
Expenses on value adjustments and provisions	15,363
Net operating income before loss provisions	20,258
Expenses on value adjustments and provisions	12,555
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	7,704
Income tax on continuing operations	1,695
Profit (loss) from continuing operations, after taxes	6,009
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	228
Current year profit (loss)	6,237

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	58,744
Uncovered letters of credit	6,669
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	382
Other credit lines and commitments	10,863
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	76,658

Derivative financial instruments	
Options	222,641
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	41
Total notional amount of derivative financial instruments	222,681

Capital adequacy ratio, in %
as at 31 December 2013

38.67

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Management board

Zvonko Agičić – chairperson, Dubravka Filipčić

Supervisory board

Ratko Bajagić – chairperson, Snežana Repac, Jordan Velčev

Shareholders	Share in share capital (%)
1. Development Fund of the Republic of Serbia	29.12
2. Government of the Autonomous Province of Vojvodina	25.96
3. Zvijezda d.d.	10.78
4. Končar-elektroindustrija d.d.	9.43
5. Đuro Đaković Holding d.d.	5.45
6. Sladorana d.d.	5.39

Audit firm for 2013:

HLB Revidicon d.o.o., Varaždin

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	1,365
Money assets	271
Deposits with the CNB	1,094
Deposits with financial institutions	274
MoF treasury bills and CNB bills	0
Securities	3,113
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	10,792
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	262
Interest, fees and other assets	409
TOTAL ASSETS	16,216

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	252
Transaction account deposits	252
Savings deposits	0
Time deposits	0
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	564
TOTAL LIABILITIES	816
Capital	15,400
TOTAL LIABILITIES AND CAPITAL	16,216

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	1,189
Interest expenses	38
Net interest income	1,151
Income from fees and commissions	80
Expenses on fees and commissions	100
Net income from fees and commissions	-20
Income from equity investments	0
Gains (losses)	80
Other operating income	0
Other operating expenses	50
Net other non-interest income	30
Total operating income	1,161
Expenses on value adjustments and provisions	6,074
Net operating income before loss provisions	–4,913
Expenses on value adjustments and provisions	2,568
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–7,481
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–7,481
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	–7,481

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	0
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	0

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

94.56

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Management board

Stanko Kežman – chairperson, Natalija Jambrečić

Supervisory board

Július Strapek – chairperson, Željko Filipović, Ivo Enenkl, Igor Kovač, Juraj Lalik, Patrik Tkač

Shareholders	Share in share capital (%)
1. PBZ d.d. (custody account)	66.65
2. Validus d.d. in bankruptcy	9.58
3. Raiffeisenbank Austria d.d. (custody account)	5.30
4. Pluris d.d. in bankruptcy	2.96

Audit firm for 2013:

Grant Thornton revizija d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	156,060
Money assets	30,862
Deposits with the CNB	125,198
Deposits with financial institutions	49,739
MoF treasury bills and CNB bills	0
Securities	245,446
Derivative financial assets	0
Loans to financial institutions	56,627
Loans to other clients	608,747
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	43,342
Tangible assets (net of depreciation)	20,659
Interest, fees and other assets	33,524
TOTAL ASSETS	1,214,144

Liabilities and capital	
Loans from financial institutions	96,580
Short-term loans	76,050
Long-term loans	20,530
Deposits	970,142
Transaction account deposits	61,902
Savings deposits	16,746
Time deposits	891,494
Other loans	54,350
Short-term loans	35,256
Long-term loans	19,094
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	3,055
Interest, fees and other liabilities	27,739
TOTAL LIABILITIES	1,151,866
Capital	62,278
TOTAL LIABILITIES AND CAPITAL	1,214,144

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	49,591
Interest expenses	42,076
Net interest income	7,515
Income from fees and commissions	6,446
Expenses on fees and commissions	1,757
Net income from fees and commissions	4,689
Income from equity investments	0
Gains (losses)	3,486
Other operating income	1,032
Other operating expenses	3,278
Net other non-interest income	1,239
Total operating income	13,443
Expenses on value adjustments and provisions	41,280
Net operating income before loss provisions	–27,838
Expenses on value adjustments and provisions	81,612
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–109,449
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–109,449
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	–109,449

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	35,916
Uncovered letters of credit	653
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	5,761
Margin credit lines	0
Other credit lines and commitments	39,057
Other standard risky off-balance sheet items	2,079
Total standard off-balance sheet items	83,466

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

6.50

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Management board

Michele Romano – chairperson, Fernando Zavatarelli, Boris Kalajdžić, Hrvoje Petričević

Supervisory board

Gian-Quinto Perissinotto – chairperson, Pierluigi Ronzani, Carraro Diego, Paruzzolo Antonio, Renato Merlo

Shareholders	Share in share capital (%)
1. Veneto Banca Holding S.C.P.A.	100.00

Audit firm for 2013:

PricewaterhouseCoopers d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	235,833
Money assets	13,717
Deposits with the CNB	222,116
Deposits with financial institutions	19,305
MoF treasury bills and CNB bills	19,675
Securities	424,086
Derivative financial assets	501
Loans to financial institutions	16,665
Loans to other clients	768,153
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	6,449
Tangible assets (net of depreciation)	31,030
Interest, fees and other assets	31,449
TOTAL ASSETS	1,553,146

Liabilities and capital	
Loans from financial institutions	17,163
Short-term loans	871
Long-term loans	16,292
Deposits	733,246
Transaction account deposits	76,422
Savings deposits	444
Time deposits	656,380
Other loans	541,125
Short-term loans	541,125
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	1
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	76,432
TOTAL LIABILITIES	1,367,967
Capital	185,180
TOTAL LIABILITIES AND CAPITAL	1,553,146

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	48,065
Interest expenses	22,647
Net interest income	25,418
Income from fees and commissions	6,519
Expenses on fees and commissions	1,453
Net income from fees and commissions	5,066
Income from equity investments	0
Gains (losses)	12,442
Other operating income	416
Other operating expenses	1,244
Net other non-interest income	11,613
Total operating income	42,098
Expenses on value adjustments and provisions	45,455
Net operating income before loss provisions	–3,357
Expenses on value adjustments and provisions	44,377
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–47,734
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–47,734
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	–47,734

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	40,429
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	76,697
Other standard risky off-balance sheet items	251
Total standard off-balance sheet items	117,376

Derivative financial instruments	
Options	14,388
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	14,388

Capital adequacy ratio, in %
as at 31 December 2013

16.62

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Management board

Franjo Luković – chairperson, Milivoj Goldštajn, Sanja Rendulić, Miljenko Živaljić, Marko Remenar, Daniela Roguljić Novak, Nikolaus Maximilian Linarić

Supervisory board

Erich Hampel – chairperson, Jakša Barbić, Franco Andreetta, Robert Zadrazil, Fabrizio Onida, Francesco Giordano, Gianfranco Bisagni, Emilio Terpin, Jürgen Kullnigg, Christoph Metze, Savoula Demetriou

Shareholders	Share in share capital (%)
1. UniCredit Bank Austria AG	84.47
2. Allianz SE	11.72

Audit firm for 2013:

Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	13,466,432
Money assets	1,448,559
Deposits with the CNB	12,017,872
Deposits with financial institutions	6,500,503
MoF treasury bills and CNB bills	3,394,251
Securities	5,823,762
Derivative financial assets	1,407,916
Loans to financial institutions	2,416,871
Loans to other clients	69,363,402
Investments in subsidiaries and associates	1,074,700
Foreclosed and repossessed assets	155,566
Tangible assets (net of depreciation)	1,160,690
Interest, fees and other assets	2,119,973
TOTAL ASSETS	106,884,064

Liabilities and capital	
Loans from financial institutions	2,027,450
Short-term loans	30,848
Long-term loans	1,996,603
Deposits	74,561,073
Transaction account deposits	14,703,519
Savings deposits	4,388,624
Time deposits	55,468,929
Other loans	10,966,482
Short-term loans	7,324
Long-term loans	10,959,158
Derivative financial liabilities and other financial liabilities held for trading	1,088,877
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	2,564,448
TOTAL LIABILITIES	91,208,330
Capital	15,675,734
TOTAL LIABILITIES AND CAPITAL	106,884,064

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	5,648,380
Interest expenses	3,200,506
Net interest income	2,447,874
Income from fees and commissions	994,409
Expenses on fees and commissions	143,169
Net income from fees and commissions	851,239
Income from equity investments	54,509
Gains (losses)	365,893
Other operating income	71,103
Other operating expenses	130,658
Net other non-interest income	360,846
Total operating income	3,659,959
Expenses on value adjustments and provisions	1,516,454
Net operating income before loss provisions	2,143,505
Expenses on value adjustments and provisions	1,567,659
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	575,846
Income tax on continuing operations	110,511
Profit (loss) from continuing operations, after taxes	465,335
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	465,335

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	4,908,282
Uncovered letters of credit	187,117
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,265,626
Margin credit lines	0
Other credit lines and commitments	8,666,705
Other standard risky off-balance sheet items	157,169
Total standard off-balance sheet items	16,184,899

Derivative financial instruments	
Options	0
Swaps	67,489,284
Forwards	5,777,233
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	73,266,518

Capital adequacy ratio, in %
as at 31 December 2013

23.80

HPB STAMBENA ŠTEDIONICA d.d.

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Phone: +385 1 5553-903
Fax: +385 1 5553-905
www.hpb-stedionica.hr

Management board

Damir Šprem – chairperson, Slavica Matić

Supervisory board

Čedo Maletić – chairperson, Dubravka Kolarić, Mato Filipović, Alen Stojanović, Boženka Mostarčić

Sharehodlers	Share in share capital (%)
1. Hrvatska poštanska banka d.d.	100.00

Audit firm for 2013:

Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with financial institutions	21,868
MoF treasury bills and CNB bills	0
Securities	135,633
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	126,631
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	104
Interest, fees and other assets	22,523
TOTAL ASSETS	306,758

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	245,784
Transaction account deposits	0
Savings deposits	0
Time deposits	245,784
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	26,437
TOTAL LIABILITIES	272,221
Capital	34,538
TOTAL LIABILITIES AND CAPITAL	306,758

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	12,517
Interest expenses	7,463
Net interest income	5,053
Income from fees and commissions	5,723
Expenses on fees and commissions	924
Net income from fees and commissions	4,799
Income from equity investments	0
Gains (losses)	–245
Other operating income	131
Other operating expenses	868
Net other non-interest income	–982
Total operating income	8,870
Expenses on value adjustments and provisions	8,209
Net operating income before loss provisions	661
Expenses on value adjustments and provisions	–277
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	939
Income tax on continuing operations	148
Profit (loss) from continuing operations, after taxes	791
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	791

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	5,191
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	5,191

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

26.60

PBZ STAMBENA ŠTEDIONICA d.d.

Radnička cesta 44, 10000 Zagreb
Phone: +385 1 6363-730
Fax: +385 1 6363-731
www.pbz-stambena.hr

Management board

Mirko Brozović – chairperson, Branimir Čosić

Supervisory board

Dinko Lucić – chairperson, Dražen Kovačić, Nenad Štimac, Andrea Pavlović, Damir Novotny

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

Audit firm for 2013:

KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with financial institutions	341,024
MoF treasury bills and CNB bills	59,329
Securities	971,905
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	145,528
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	48
Interest, fees and other assets	26,041
TOTAL ASSETS	1,543,875

Liabilities and capital	
Loans from financial institutions	56,519
Short-term loans	56,519
Long-term loans	0
Deposits	1,294,205
Transaction account deposits	0
Savings deposits	223,809
Time deposits	1,070,395
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	8,165
TOTAL LIABILITIES	1,358,889
Capital	184,986
TOTAL LIABILITIES AND CAPITAL	1,543,875

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	69,637
Interest expenses	40,844
Net interest income	28,794
Income from fees and commissions	7,714
Expenses on fees and commissions	1,464
Net income from fees and commissions	6,250
Income from equity investments	0
Gains (losses)	272
Other operating income	993
Other operating expenses	6,110
Net other non-interest income	–4,845
Total operating income	30,199
Expenses on value adjustments and provisions	10,574
Net operating income before loss provisions	19,625
Expenses on value adjustments and provisions	13
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	19,612
Income tax on continuing operations	3,933
Profit (loss) from continuing operations, after taxes	15,680
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	15,680

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	3,535
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	3,535

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

46.04

PRVA STAMBENA ŠTEDIONICA d.d.

Savska 60, 10000 Zagreb
Phone: +385 1 6065-127
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www.prva-stambena.hr

Management board

Katarina Šobat – chairperson, Marija Posavec

Supervisory board

Daniela Roguljić Novak – chairperson, Davor Pavlić, Danimir Gulin

Shareholders	Share in share capital (%)
1. Zagrebačka banka d.d.	100.00

Audit firm for 2013:

Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with financial institutions	82,183
MoF treasury bills and CNB bills	318,926
Securities	479,091
Derivative financial assets	0
Loans to financial institutions	20,811
Loans to other clients	1,359,443
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	432
Interest, fees and other assets	139,955
TOTAL ASSETS	2,400,842

Liabilities and capital	
Loans from financial institutions	80,111
Short-term loans	80,111
Long-term loans	0
Deposits	1,963,278
Transaction account deposits	0
Savings deposits	0
Time deposits	1,963,278
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	135,999
TOTAL LIABILITIES	2,179,387
Capital	221,455
TOTAL LIABILITIES AND CAPITAL	2,400,842

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	93,280
Interest expenses	63,664
Net interest income	29,616
Income from fees and commissions	17,694
Expenses on fees and commissions	2,407
Net income from fees and commissions	15,287
Income from equity investments	0
Gains (losses)	1,125
Other operating income	368
Other operating expenses	6,271
Net other non-interest income	–4,777
Total operating income	40,126
Expenses on value adjustments and provisions	14,146
Net operating income before loss provisions	25,980
Expenses on value adjustments and provisions	2,829
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	23,151
Income tax on continuing operations	4,789
Profit (loss) from continuing operations, after taxes	18,362
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	18,362

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	83,487
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	83,487

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

17.97

RAIFFEISEN STAMBENA ŠTEDIONICA d.d.

Ulica Savezne Republike Njemačke 8, 10000 Zagreb
Phone: +385 1 6006-100
Fax: +385 1 6006-199
www2.raiffeisenstambena.hr

Management board

Hans Christian Vallant – chairperson, Franjo Franjić

Supervisory board

Johann Ertl – chaiperson, Neven Vranković, David Marwan

Shareholders	Share in share capital (%)
1. Raiffeisen Bausparkasse GmbH	100.00

Audit firm for 2013:

Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with financial institutions	54,809
MoF treasury bills and CNB bills	0
Securities	361,606
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	1,060,247
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	1,157
Interest, fees and other assets	103,964
TOTAL ASSETS	1,581,783

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	1,363,902
Transaction account deposits	0
Savings deposits	0
Time deposits	1,363,902
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	51,538
Interest, fees and other liabilities	92,216
TOTAL LIABILITIES	1,507,656
Capital	74,127
TOTAL LIABILITIES AND CAPITAL	1,581,783

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	78,035
Interest expenses	44,992
Net interest income	33,043
Income from fees and commissions	13,571
Expenses on fees and commissions	3,791
Net income from fees and commissions	9,780
Income from equity investments	0
Gains (losses)	–416
Other operating income	477
Other operating expenses	5,215
Net other non-interest income	–5,154
Total operating income	37,669
Expenses on value adjustments and provisions	32,098
Net operating income before loss provisions	5,572
Expenses on value adjustments and provisions	6,777
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–1,205
Income tax on continuing operations	4,528
Profit (loss) from continuing operations, after taxes	–5,733
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	–5,733

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	6,265
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	6,265

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

17.10

WÜSTENROT STAMBENA ŠTEDIONICA d.d.

Heinzelova 33A, 10000 Zagreb
Phone: +385 1 4803-777
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www.wuestenrot.hr

Management board

Zdravko Anđel – chairperson, Ivan Ostojić

Supervisory board

Franz Meingast – chairperson, Emanuel Kovačić, Andreas Grünbichler

Shareholders	Share in share capital (%)
1. Bausparkasse Wüstenrot AG	100.00

Audit firm for 2013:

KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2013, in thousand HRK

Assets	
Money assets and deposits with the CNB	27
Money assets	27
Deposits with the CNB	0
Deposits with financial institutions	22,947
MoF treasury bills and CNB bills	57,662
Securities	308,289
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	1,321,954
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	154
Tangible assets (net of depreciation)	2,159
Interest, fees and other assets	18,287
TOTAL ASSETS	1,731,478

Liabilities and capital	
Loans from financial institutions	3,000
Short-term loans	3,000
Long-term loans	0
Deposits	1,491,828
Transaction account deposits	0
Savings deposits	0
Time deposits	1,491,828
Other loans	95,471
Short-term loans	0
Long-term loans	95,471
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	36,852
Interest, fees and other liabilities	16,053
TOTAL LIABILITIES	1,643,203
Capital	88,275
TOTAL LIABILITIES AND CAPITAL	1,731,478

Income statement
as at 31 December 2013, in thousand HRK

CONTINUING OPERATIONS	
Interest income	84,129
Interest expenses	40,846
Net interest income	43,283
Income from fees and commissions	22,245
Expenses on fees and commissions	397
Net income from fees and commissions	21,848
Income from equity investments	0
Gains (losses)	–6,004
Other operating income	4,364
Other operating expenses	5,241
Net other non-interest income	–6,882
Total operating income	58,250
Expenses on value adjustments and provisions	57,814
Net operating income before loss provisions	436
Expenses on value adjustments and provisions	–1,006
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	1,441
Income tax on continuing operations	538
Profit (loss) from continuing operations, after taxes	903
DISCONTINUED OPERATIONS	
Profit (loss) from discontinued operations, after taxes	–136
Current year profit (loss)	767

Off-balance sheet items
as at 31 December 2013, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	8,862
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	8,862

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 31 December 2013

14.79

Attachment I

List of credit institutions, end of period

Ordinal no. as at 31 December 2013	Name of credit institution and its head office	Identifier		
		Dec. 2011	Dec. 2012	Dec. 2013
1.	Banco Popolare Croatia d.d., Zagreb	B	B	B
2.	Banka Kovanica d.d., Varaždin	B	B	B
3.	Banka Splitsko-dalmatinska d.d., Split	B	B	B
4.	BKS Bank d.d., Rijeka	B	B	B
	Centar banka d.d., Zagreb[1]	B	B	–
5.	Croatia banka d.d., Zagreb	B	B	B
6.	Erste & Steiermärkische Bank d.d., Rijeka	B	B	B
7.	Hrvatska poštanska banka d.d., Zagreb	B	B	B
8.	Hypo Alpe-Adria-Bank d.d., Zagreb	B	B	B
9.	Imex banka d.d., Split	B	B	B
10.	Istarska kreditna banka Umag d.d., Umag	B	B	B
11.	Jadranska banka d.d., Šibenik	B	B	B
12.	Karlovačka banka d.d., Karlovac	B	B	B
13.	KentBank d.d., Zagreb[2]	B	B	B
14.	Kreditna banka Zagreb d.d., Zagreb	B	B	B
	Međimurska banka d.d., Čakovec[3]	B	–	–
15.	Nava banka d.d., Zagreb	B	B	B
16.	OTP banka Hrvatska d.d., Zadar	B	B	B
17.	Partner banka d.d., Zagreb	B	B	B
18.	Podravska banka d.d., Koprivnica	B	B	B
19.	Primorska banka d.d., Rijeka	B	B	B
20.	Privredna banka Zagreb d.d., Zagreb	B	B	B
21.	Raiffeisenbank Austria d.d., Zagreb	B	B	B
22.	Samoborska banka d.d., Samobor	B	B	B
23.	Sberbank d.d., Zagreb[4]	B	B	B
24.	Slatinska banka d.d., Slatina	B	B	B
25.	Société Générale-Splitska banka d.d., Split	B	B	B
26.	Štedbanka d.d., Zagreb	B	B	B
27.	Tesla štedna banka d.d., Zagreb[5]	SB	SB	SB
28.	Vaba d.d. banka Varaždin, Varaždin	B	B	B
29.	Veneto banka d.d., Zagreb	B	B	B
30.	Zagrebačka banka d.d., Zagreb	B	B	B
1.	HPB stambena štedionica d.d., Zagreb	HSB	HSB	HSB
2.	PBZ stambena štedionica d.d., Zagreb	HSB	HSB	HSB
3.	Prva stambena štedionica d.d., Zagreb	HSB	HSB	HSB
4.	Raiffeisen stambena štedionica d.d., Zagreb	HSB	HSB	HSB
5.	Wüstenrot stambena štedionica d.d., Zagreb	HSB	HSB	HSB

1) Bankruptcy proceedings were opened against Centar banka d.d., Zagreb on 30 September 2013. 2) Banka Brod d.d., Slavonski Brod changed its name to KentBank d.d., Zagreb on 6 July 2012. 3) Međimurska banka d.d., Čakovec merged with Privredna banka Zagreb d.d., Zagreb on 1 December 2012. 4) Volksbank d.d., Zagreb changed its name to Sberbank d.d., Zagreb on 18 January 2013. 5) A štedna banka malog poduzetništva d.d., Zagreb changed its name to Tesla štedna banka d.d., Zagreb on 23 May 2011.

Note:
B – bank
SB – savings bank
HSB – housing savings bank

Attachment II

Credit institution groups subject to reporting to the CNB on a consolidated basis, as at 31 December 2013

	Credit institution group	Superordinate credit institution	Group members
1.	ERSTE&STEIERMÄRKISCHE BANK	Erste & Steiermärkische Bank d.d., Rijeka	Erste bank AD, Podgorica
			Erste Card Club d.d., Zagreb
			Erste d.o.o. za upravljanje obveznim mirovinskim fondom, Zagreb
			Erste DMD d.o.o. za upravljanje dobrovoljnim mirovinskim fondom, Zagreb
			Erste delta d.o.o., Zagreb
			Erste factoring d.o.o., Zagreb
			Erste nekretnine d.o.o., Zagreb
			S Immorent leasing Zeta d.o.o. za poslovanje nekretninama, Zagreb
			Immokor Buzin d.o.o., Zagreb
			Diners Club BIH d.o.o., Sarajevo
			Erste Card d.o.o., Slovenija
			s IT Solutions HR d.o.o., Bjelovar
2.	HRVATSKA POŠTANSKA BANKA	Hrvatska poštanska banka d.d., Zagreb	HPB-Stambena štedionica d.d., Zagreb
3.	HYPO ALPE-ADRIA-BANK	Hypo Alpe-Adria-Bank d.d., Zagreb	Hypo Alpe-Adria-Invest d.d., Zagreb
			Hypo Alpe-Adria-Leasing d.o.o., Zagreb
			Hypo Alpe-Adria-Nekretnine d.o.o., Zagreb
			H-ABDUCO d.o.o., Zagreb
4.	PODRAVSKA BANKA	Podravska banka d.d., Koprivnica	POBA faktor d.o.o., Zagreb
5.	PRIVREDNA BANKA ZAGREB	Privredna banka Zagreb d.d., Zagreb	PBZ CARD d.o.o., Zagreb
			PBZ Croatia osiguranje d.d. za upravljanje obveznim mirovinskim fondom, Zagreb
			PBZ Leasing d.o.o., Zagreb
			PBZ stambena štedionica d.d., Zagreb
			PBZ-NEKRETNINE d.o.o., Zagreb
6.	RAIFFEISENBANK AUSTRIA	Raiffeisenbank Austria d.d., Zagreb	Raiffeisen Consulting d.o.o., Zagreb
			Raiffeisen Factoring d.o.o., Zagreb
			Raiffeisen Invest d.o.o., Zagreb
			Raiffeisen Leasing d.o.o., Zagreb
			Raiffeisen Bonus d.o.o., Zagreb
			Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom d.o.o., Zagreb
			Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb
7.	SOCIÉTÉ GÉNÉRALE-SPLITSKA BANKA	Société Générale-Splitska banka d.d., Split	SG Leasing d.o.o., Zagreb
8.	ZAGREBAČKA BANKA	Zagrebačka banka d.d., Zagreb	Allianz ZB društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o., Zagreb
			Allianz ZB društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb
			Pominvest d.d., Split
			Prva stambena štedionica d.d., Zagreb
			UniCredit Bank d.d., Mostar
			Zagreb nekretnine d.o.o., Zagreb
			ZANE BH d.o.o. za poslovanje nekretninama, Sarajevo
			ZB Invest d.o.o., Zagreb

Abbreviations

BAN	– bank account number
BIS	– Bank for International Settlements
bn	– billion
CBRD	– Croatian Bank for Reconstruction and Development
CBS	– Croatian Bureau of Statistics
CICR	– currency-induced credit risk
CNB	– Croatian National Bank
ECB	– European Central Bank
EU	– European Union
HHI	– Herfindahl-Hirschman index
HRK	– kuna
m	– million
MLC	– minimum liquidity coefficient
MoF	– Ministry of Finance
OG	– Official Gazette
RC	– Republic of Croatia
ROAA	– return on average assets
ROAE	– return on average equity

Symbols

–	– no entry
....	– data not available

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