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Publishing Department
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Phone: ++385 1 45 64 555
Contact phone: ++385 1 45 65 006
Fax: ++385 1 45 64 687

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1 Performance indicators of credit institutions

Summary

Unfavourable developments in the economic environment notwithstanding, the domestic banking system remained sound and stable throughout 2010. This is due to the adjustment of business activities and the high capitalisation of banks accumulated in previous years. Nevertheless, some credit institutions, particularly smaller ones, were faced with much poorer business results and the need to strengthen capital buffers.

Banks' adjustments to the changed business conditions were seen, among other things, in a very small growth in assets and still low, though slightly recovered, credit activity. In addition to continued increased apprehensiveness on the part of banks, low credit activity was also due to the reluctance of clients, particularly households, to take on additional risks. Households reduced their debt and, faced with rising insecurity, increased their savings with banks, thus providing a boost to this sector's slow but stable trend of growth in savings. The sources of financing from households again played the key role in placement financing, while the majority foreign owners continued to provide support to their subsidiaries by maintaining the amount of funds placed at an almost unchanged level. As regards the composition of bank assets, less risky and more liquid forms of assets declined slightly while the share of loans increased. Nevertheless, the system's liquidity position remained very good. By reducing their deposits with foreign financial institutions, the banks optimised their liquid foreign exchange position, which at the end of 2009 was at a considerably higher level than the prescribed minimum of 20%. By contrast, securities investments, most notably investments in the safest and highly liquid securities such as MoF T-bills and foreign countries' money market instruments rose slightly. Liquidity coefficients in the periods up to one week and one month pointed to significant liquidity surpluses, moving throughout the year within a very narrow margin and standing at satisfactory levels.

The traditional household preference for foreign currency savings continued into 2010 and resulted in an increased share of foreign currency and foreign currency-indexed liabilities of banks, particularly euro. The share of foreign currency and foreign currency-indexed component increased on the assets size as well, but exclusively as a result of exchange rate changes, most notably the considerable depreciation of the exchange rate of the kuna against the Swiss franc. Exchange rate volatility reduced the attractiveness of and wiped out the demand for loans in Swiss francs, while the real decline in assets in this currency or indexed to this currency resulted in a fall in total foreign currency and foreign currency-indexed assets. As a result of this and a small increase in kuna assets, the total assets of banks rose by only 0.7% effectively (3.4% in nominal terms).

In 2010, the granted bank loans (gross) rose by 3.5% effectively (exchange rate effects excluded) or by 5.3% nominally. And while credit activity picked up moderately compared to 2009, it was still slow compared to the pre-crisis period. This was due mainly to an effective fall in household loans that, it should be noted, was smaller than that in 2009. Household home loans held steady and this

sector saw a real increase in long-term and general purpose loans, most notably cash general purpose loans and mortgage loans, probably partly used by households for closing other obligations to banks.

The major share of the loan increase in 2010 went to corporates, mostly those in the construction and real estate activities, with the bulk of this amount being used for working capital and for maintaining liquidity. Less risky sectors, such as government units and financial institutions came next in terms of the increase in loans. They were followed by non-residents to which the banks placed a much bigger amount of loans than in 2009. In addition to loans to non-residents, whose share in credit exposure remained low, the banks, in search of new, high-quality clients, greatly increased loans to activities that are normally less represented in their credit portfolios, such as education, art and entertainment and other service activities, and activities related to the protection of the environment and renewable sources of energy.

The growth in partly recoverable and irrecoverable loans (B and C risk category loans), largely present since the last quarter of 2008, continued into 2010. B and C category loans grew at a slower rate than in 2009, and the small recovery in credit activities notwithstanding, their share in total bank loans rose from 7.8% at the end of 2009 to 11.2% at the end of 2010. This is due to an inadequate level of credit activities that involve new low-risk clients and to the worsening of the financial position of the debtors and reduced ability of bank loan repayment, most notably in case of corporates. As a result, the banks continued to work on placements restructuring in 2010, though the amount of such placements¹ trended downwards markedly. Given that the largest share of growth in B and C category loans can be attributed to growth in lower risk categories (risk categories B-1 and B-2), the coverage of these loans by value adjustments continued to trend downwards, in accordance with the trend present in the previous several years and stood at 38.8% at the end of 2010.

The growth rate of B and C category corporate loans, though still high, was much slower than in 2009, while the growth dynamics of these loans in the household sector held steady at a level almost unchanged since 2009. One of the factors that contributed to such developments without doubt lay in the materialisation of the currency-induced credit risk, particularly in the case of home loans indexed to the Swiss franc, which accounted for a significant share of total home loans and which were lower quality loans compared to home loans indexed to the euro. The share of B and C risk category corporate loans at the end of 2010 was high (18.0%).² Of the activities with significant shares in bank balance sheets, the trade and construction had the worst loan quality. The banks increased loans to the trade sector only slightly, and at the same time, despite strong deterioration in the quality of loans to the construction activity, significantly increased their exposure to this activity and to the real estate transactions activity. One part of the increase in loans to the real estate business can probably be attributed to companies set up by construction companies for the management of unsold residential units. Besides direct support to the construction and the real estate businesses in the form of increased bank lending, the banks tried, through lower interest rates, to enhance the attractiveness and availability of home loans and boost the real estate market. Home loans are one of the key channels for goods and services cross-selling used by banks to increase their income and compensate for the fall in earnings due to a fall in lending, smaller income from payment services and, in particular,

¹ The data relate to restructured or rolled over placements on a monthly basis, i.e. to the amount of principal and interest of placements restructured or rolled over during the reporting month. In accordance with the regulations, restructured placements have to be reclassified into worse risk categories.

² This value was much influenced by one large bank with B and C category loans accounting for almost one third of total corporate loans in that bank. The data for that large bank excluded, the share of these loans to corporates stood at 15.7%.

losses from credit risk materialisation. The absence of recovery in household lending continues to contribute to a high level of B and C category loans and diminishes prospects for any major recovery in bank earnings. Home loans held steady while bank business models that focus on financing construction and the sale of commercial and residential units have proved to be highly sensitive to the economic cycle.

Low credit activity and the increase in the level of partly and fully irrecoverable loans resulted in lower interest income, an increase in expenses on loss provisions and a resulting lower profit in most of the banks. However, due to the profit generated in one medium-sized bank that had reported a significant loss the year before, bank after-tax profits rose by 6.9% in 2010³, while indicators of returns remained relatively good, with ROAA and ROAE standing at 1.1% and 6.6%, respectively. The banks had to use a slightly larger share of their operating income for the coverage of expenses on loss provisions than in 2009, and tried to offset the effects of credit portfolio deterioration through interest rate spread widening, raising income from fees and commissions and through better cost control. The increase in interest rate spread was made possible by much lower average interest expenses, as a result of a fall in interest rates and changes in the structure of the sources of financing as seen in a fall in borrowing and an increase in cheaper sources, most notably household deposits. The fall in interest expenses was very much due to the lower ZIBOR level, whose high values in early 2009 led to a large increase in interest expenses, in particular expenses on kuna sources from the majority foreign owners as well as the downward trend in other deposit interest rates, additionally spurred by regulatory changes, i.e. a reduction in the reserve requirement rate and savings deposits insurance premiums. Due to losses in nine small banks, the group of small banks ended the year 2010 with a negative business result. The loss generated by small banks, in the conditions of a significant increase in expenses on loss provisions, was the result of the failure of small banks to increase their interest rate spread and improve cost effectiveness.

In 2010, the banks generated significant losses on trading in derivative financial instruments. Since these instruments are mostly used as a hedge against risks, primarily foreign exchange risk, this loss should be viewed in the context of a concomitant profit on exchange rate differentials. Also, when we look at the change compared to 2009, it should be noted that the high level of profit from derivatives trading in that year was largely generated by instruments used as a buffer against increased interest expenses associated with ZIBOR. In most banks, the bulk of the contracted value of derivative financial instruments involved non-residents, most notably the majority foreign owners or sister companies (members of European banking groups to which the domestic banks belong). The banks use derivatives to shorten their relatively long spot foreign currency position, particularly that in Swiss francs, which resulted from the high popularity of loans in this currency in the period up to 2007. Also, the banks tend to close positions arising from contracts entered into with domestic clients with the majority foreign owners (back-to-back deals). The use of swaps rose considerably in the last quarter of 2010, probably as a result of regulatory arbitrage associated with regulations on the minimum foreign currency coverage while the search for additional sources of earnings might turn banks in the future towards a higher level of derivatives trading.

The use of derivatives enabled the banks to bring their direct exposure to foreign exchange risk to a low level. At the end of 2010, the net open foreign exchange position of banks was long and stood at

³ The effect of change in this bank excluded, banks' business performance was poorer than in 2009, which can largely be attributed to a fall in profit in four large banks.

2.8% of own funds, a slightly longer position than that at the end of 2009. At the same time, due to further credit portfolio euorisation, the level of indirect exposure, i.e. currency-induced credit risk, also increased. Almost three quarters of the total bank loans were exposed to this risk at the end of 2010. Direct exposure of banks to interest rate risk in the non-trading book, measured as a ratio of the change in the economic value of the non-trading book and own funds, was also low and stood at 1.5%. Its low value reflected the role of the share of positions with administered interest rates (subject to changes based on a decision by the bank's management board) in interest rate sensitive assets and liabilities as well as the good maturity structure of such positions.

In 2010, the banking system was again characterised by high capitalisation, with the best quality components dominating the structure of own funds. The largest number of banks maintained a capital adequacy ratio well above the prescribed minimum. However, at the end of 2010, three small banks had a capital adequacy ratio below the prescribed minimum. One of them was recapitalised in early 2011, and the remaining two are undergoing a process of capital base strengthening.

In 2010, the banks additionally increased their already high rate of capital adequacy. At the end of the year, the capital adequacy of banks stood at 18.8% and its increase from the end of 2009 was mainly the result of legislative alignment in line with the relevant EU directives, i.e. a transfer to the new regulatory framework, Basel II. Unlike the regulations hitherto in force, in the calculation of minimum capital adequacy ratio, Basel II does not envisage the use of increased weights for currency-induced credit risk. This led to a considerable fall in the average credit risk weight, the effect of which was greater than the effect of the increase in the minimum capital adequacy ratio from 10% to 12%⁴ and the effect of the introduction of capital requirements for operational risk. In the assessment of credit risk, all the banks used the standardised approach, and the two key categories of exposure⁵, households and corporates, had relatively high average risk weights. This is due to the absence of credit rating for the majority of domestic corporates, which thus receive a 100% weight and a poor use of preferential risk weights for loans secured by residential and commercial real estate. Such poor use of preferential risk weights makes it possible for the banks to increase in the future the capital adequacy ratios and the amounts of unutilised own funds, provided they meet the conditions for the use of such risk weights. In 2010, the banks used reserves and retained earnings, as a constituent part of own funds, to pay out much larger dividends than had been the case in the previous years. However, in 2011, the banks are obligated to submit to the CNB assessments of internal capital that should cover all significant risks not covered by the first pillar of the new framework, including the currency-induced credit risk. Therefore, some of the unutilised own funds will certainly be immobilised by the requirements set by the second pillar of the regulatory framework and the banks will, in accordance with the announced changes, probably act towards strengthening the quality of own funds, i.e. increasing the share of the most stable components.

The assets of housing savings banks rose slightly in 2010, mainly as a result of a traditional increase in the deposits of housing savings bank savers in the last quarter of the year attributable to government incentives paid to depositors in housing savings banks. Changes in the structure of assets, a decline in loans and an increase in securities investments had a negative impact on business performance. Profits declined by almost two thirds from 2009 and one housing savings bank operated with

4 To increase the capital adequacy ratio, the Republic of Croatia exercised national discretion which enables the authorities to prescribe a capital adequacy ratio of over 8% prescribed by the Capital Requirements Directive.

5 In terms of shares in original exposure (before the use of credit risk mitigation techniques).

a loss. A shift to the new methodology for capital adequacy calculation led to a considerable increase in it, so that at the end of 2010 it stood at 20.3%, with all housing savings banks meeting the legally prescribed minimum. Due to the mismatch between interest rate-sensitive assets and liabilities, arising from long-term home loans financed by much shorter maturity deposits, almost all housing savings banks were significantly exposed to interest rate risk in the non-trading book. Housing savings banks are obligated to bring down this exposure to the legally prescribed maximum of 20% until the end of March 2011.

1.1 Introduction

At the end of 2010, there were 38 credit institutions operating in the Republic of Croatia: 32 banks, one savings bank and five housing savings banks.⁶ As shown by unconsolidated audited data for end-2010, bank assets (savings bank assets included) stood at HRK 391.1bn and accounted for 98.3% of the total assets of credit institutions, while housing savings banks assets stood at HRK 6.9bn and accounted for the remaining 1.7% of the total assets of credit institutions. For the purposes of this analysis, banks (savings banks included) have been divided into three peer groups (large, medium-sized and small banks)⁷ while housing savings banks, due to their specific nature, make up a separate group.

1.2 Banks

1.2.1 Structural features

Number of banks and peer groups

In 2010, the number of credit institutions fell by one as a result of compulsory winding up initiated in Obrtnička štedna banka d.d. and a withdrawal of this bank's authorisation in the last quarter of the year. As a result, the number of small banks fell by one, to a total of 24 banks (Table 1.1). A decline in the number of institutions notwithstanding, the assets of small banks grew at rates several times higher than those seen in the remaining bank groups. The assets of small banks grew by 11.2%, while those of medium-sized and large banks grew by 3.2% and 2.6%, respectively. Despite a considerable increase in assets, the market share of small banks, which are predominantly in domestic private

TABLE 1.1 Bank peer groups and their share in total bank assets, end of period

	Dec. 2007		Dec. 2008		Dec. 2009		Dec. 2010	
	Number of banks	Share	Number of banks	Share	Number of banks	Share	Number of banks	Share
Large banks	6	79.0	6	79.4	6	82.7	6	82.1
Medium-sized banks	4	12.9	4	12.5	3	9.1	3	9.0
Small banks	23	8.1	24	8.1	25	8.2	24	8.9
Total	33	100.0	34	100.0	34	100.0	33	100.0

⁶ Since 2002, there have been no foreign bank branches operating in the Republic of Croatia.

⁷ For the criteria and composition of individual bank groups, see Attachment I, List of credit institutions by peer groups.

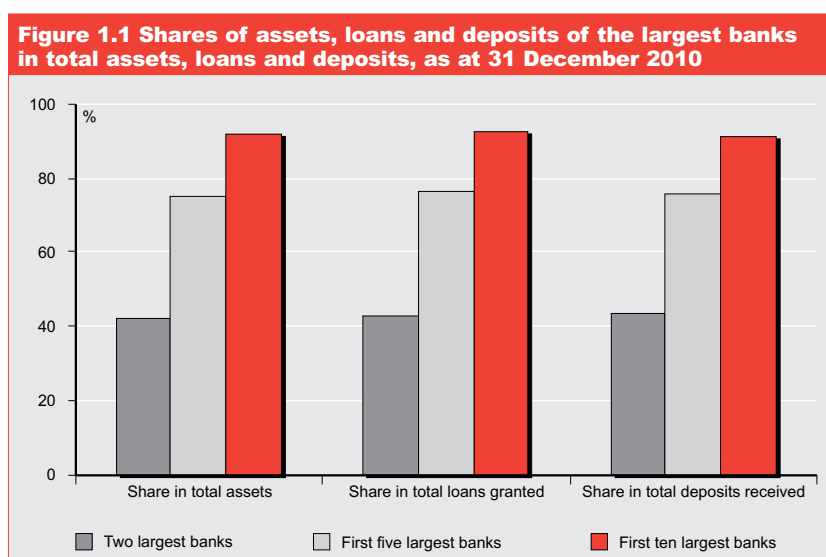
ownership, remained relatively low (8.9% of the total assets of banks). In addition to small banks, the banking system comprised three medium-sized banks with a 9.0% share in bank assets and six large banks that dominated the market with an 82.1% share in total bank assets. All large banks are part of European banking groups.

There were no major changes in the number of banks or the composition of bank peer groups in the last five years. Two savings banks entered the banking sector of the Republic of Croatia in 2008 and 2009 and one of them, as previously mentioned, underwent a compulsory winding up procedure. Also, in early 2009, one medium-sized bank was merged with a bank belonging to a large bank group.

In addition to individual credit institutions, the Croatian National Bank supervised at the end of 2010, in accordance with the Decision on the supervision of a group of credit institutions on a consolidated basis⁸, seven groups of credit institutions.⁹ These groups were obligated to report to the Croatian National Bank, through a parent institution, on its business operations on a consolidated basis. Two domestic banks owned one foreign bank each, one in Bosnia and Herzegovina and one in Montenegro.

Concentrations

Indicators of concentration on the domestic banking market, i.e. the shares of assets of the first two, first five and first ten banks (Figure 1.1) in the total banking system assets suggest a significant system concentration typical of smaller countries and countries whose economies have undergone transition to the free market. A very large share of assets of the first two banks, which stood at 42.0% at the end of 2010, had seen only a small fall in the past five year period, while the fall in the share of assets of the first ten banks was even smaller. At the same time, the share of the first five banks

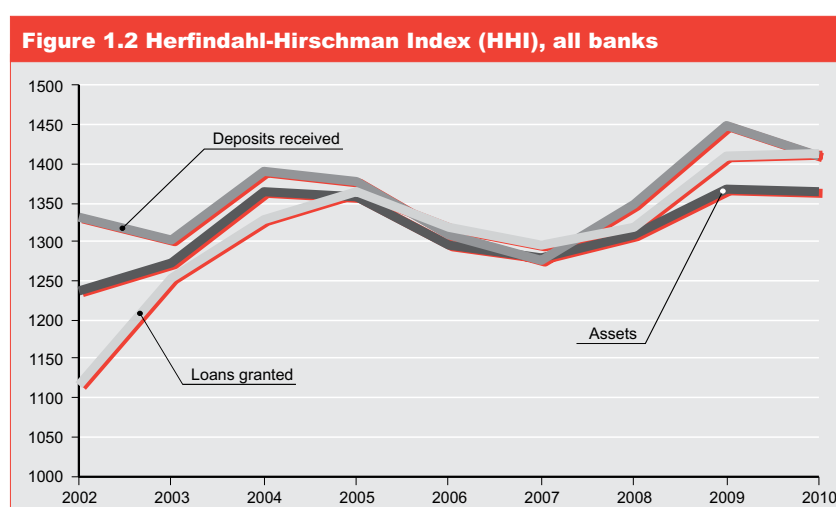


⁸ OG 1/2009, 75/2009 and 2/2010.

⁹ For the composition of individual groups of credit institutions, see Attachment II Credit institution groups subject to reporting to the CNB on a consolidated basis.

rose slightly. At the end of 2010, their share stood at 75.3%, which was considerably higher than the average of the EU member states (44.3%)¹⁰.

At 1362, the level of the Herfindahl-Hirschman index (HHI) for assets still suggests a moderate level of market concentration, which fell slightly from the end of 2009, due to a pronounced increase in small banks' assets (Figure 1.2). A higher level of concentration, as measured by that index, was seen in granted loans and received deposits, due to a noticeable domination of large banks. The HHI for loans granted rose only slightly, while that for received deposits fell considerably, due to a much bigger growth in deposits in small banks, most notably household deposits, than in the remaining bank groups. The values of these indices at the end of 2010 point to a small fall in concentrations compared to 2009, when, following a merger of one medium-sized bank with one large bank, they reached their highest values since the year 2000.



Ownership structure

Since all banks in the group of large banks belong to European banking groups, the assets of the domestic banking system were largely in the hands of foreign owners. Of the total of 33 banks, 15 banks were in majority foreign ownership. In addition to six large banks, two medium-sized and seven small banks were in foreign ownership so that the total assets of banks in foreign ownership accounted for 90.3% of the total banking system assets (Table 1.2). This share fell slightly from the end of 2009, owing to a faster growth in bank assets in domestic, mostly private ownership. The assets of banks

TABLE 1.2 Ownership structure of banks and their share in total bank assets, end of period

	Dec. 2007		Dec. 2008		Dec. 2009		Dec. 2010	
	Number of banks	Share	Number of banks	Share	Number of banks	Share	Number of banks	Share
Domestic ownership	17	9.6	18	9.4	19	9.1	18	9.7
Domestic private ownership	15	4.9	16	4.9	17	4.9	16	5.4
Domestic state ownership	2	4.7	2	4.5	2	4.2	2	4.3
Foreign ownership	16	90.4	16	90.6	15	90.9	15	90.3
Total	33	100.0	34	100.0	34	100.0	34	100.0

¹⁰ EU Banking Structures, ECB, September 2010. In a comparison with other new EU member states, only Estonia and Lithuania had a higher value of the share of assets of the first five banks in the total banking system assets than Croatia.

in domestic private ownership rose by 13.0% in 2010, while that in domestic state ownership rose by 5.9%. The assets of banks in foreign ownership grew at a much slower rate (2.7%). Shareholders from Italy and Austria accounted for the largest share (88.4%) of assets of banks in foreign ownership.

Business network

Unfavourable economic conditions and growing losses on credit portfolios prompted firmer cost control and business network adjustment on the part of the banks in line with the changed business conditions. This led to a slowdown in ATM network growth, stagnation in the number of employees and a reduction in the number of operating units, as compared to the previous year.

The number of employees thus rose by only 0.2% (40 employees) (Table 1.3) in 2010. Compared to 2009, when the number of employees had fallen for the first time, this change meant a small recovery, though it should be noted that the number of employees held steady at the level below that seen at the end of 2008.

TABLE 1.3 Number of employees, operating units and ATMs, end of period

	Dec. 2007		Dec. 2008			Dec. 2009			Dec. 2010		
	Number	Share	Number	Share	Change	Number	Share	Change	Number	Share	Change
Employees											
Large banks	14,636	71.0	15,618	70.8	6.7	15,803	72.7	1.2	15,813	72.6	0.1
Medium-sized banks	2,806	13.6	3,015	13.7	7.4	2,391	11.0	-20.7	2,449	11.2	2.4
Small banks	3,171	15.4	3,432	15.6	8.2	3,536	16.3	3.0	3,508	16.1	-0.8
Total	20,613	100.0	22,065	100.0	7.0	21,730	100.0	-1.5	21,770	100.0	0.2
Operating units											
Large banks	700	58.9	720	57.6	2.9	768	59.2	6.7	760	59.7	-1.0
Medium-sized banks	169	14.2	186	14.9	10.1	170	13.1	-8.6	172	13.5	1.2
Small banks	320	26.9	344	27.5	7.5	359	27.7	4.4	342	26.8	-4.7
Total	1,189	100.0	1,250	100.0	5.1	1,297	100.0	3.8	1,274	100.0	-1.8
ATMs											
Large banks	2,282	76.2	2,510	75.1	10.0	2,760	76.6	10.0	2,872	75.7	4.1
Medium-sized banks	400	13.4	462	13.8	15.5	446	12.4	-3.5	506	13.3	13.5
Small banks	313	10.5	370	11.1	18.2	395	11.0	6.8	416	11.0	5.3
Total	2,995	100.0	3,342	100.0	11.6	3,601	100.0	7.7	3,794	100.0	5.4

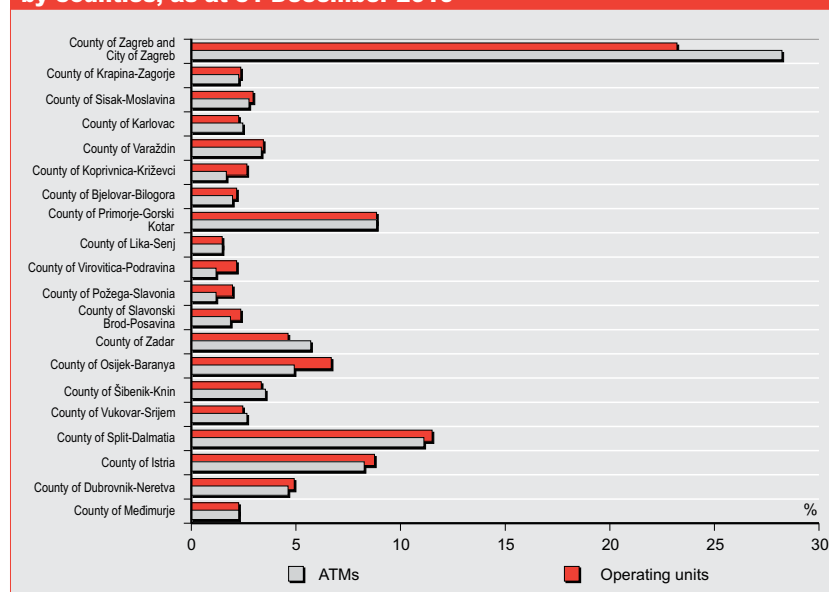
In 2010, there was a more significant increase in the number of employees only in medium-sized banks, while the group of large banks increased the number of their employees only slightly, mainly as a result of a reduction in staff size of 88 in one large bank. The small banks reduced the number of employees by almost 1%, mainly owing to the dissolution of one small bank.

After growing for several years, in 2010 the number of operating units of banks fell by 23 (1.8%) from the end of 2009. Small banks contributed the most to this fall as they cut the number of their operating units by 17 (it should be noted that five of them belonged to a savings bank that was dissolved towards the end of the year). As many as five banks reduced the number of their operating units by five or more and as many as 14 counties saw a decline in the number of operating units. The number of operating units remained the same in four counties and rose in only the County of Zagreb (the City of Zagreb included) and to a lesser extent in the County of Vukovar-Srijem.

TABLE 1.4 Territorial distribution of operating units and ATMs by counties, end of period

	Dec. 2007		Dec. 2008		Dec. 2009		Dec. 2010	
	Operating units	ATMs	Operating units	ATMs	Operating units	ATMs	Operating units	ATMs
County of Zagreb and City of Zagreb	251	848	261	914	288	1,017	296	1,071
County of Krapina-Zagorje	30	65	30	77	30	83	30	85
County of Sisak-Moslavina	37	90	36	100	37	103	37	105
County of Karlovac	27	67	30	79	30	84	29	92
County of Varaždin	43	105	46	126	45	123	44	127
County of Koprivnica-Križevci	37	51	37	62	35	66	33	64
County of Bjelovar-Bilogora	23	58	29	62	28	67	27	74
County of Primorje-Gorski Kotar	112	283	116	307	114	327	112	336
County of Lika-Senj	17	43	17	49	19	50	19	56
County of Virovitica-Podravina	29	36	29	37	29	38	27	42
County of Požega-Slavonia	25	30	29	38	27	43	25	45
County of Slavonski Brod-Posavina	29	57	33	72	33	70	30	70
County of Zadar	53	152	56	177	61	196	59	214
County of Osijek-Baranya	71	147	75	160	87	169	85	185
County of Šibenik-Knin	38	106	39	118	42	132	42	134
County of Vukovar-Srijem	29	70	31	82	30	94	31	101
County of Split-Dalmatia	141	320	148	355	153	386	146	420
County of Istria	109	265	111	292	114	307	111	314
County of Dubrovnik-Neretva	60	125	67	152	64	162	62	175
County of Međimurje	28	77	30	83	31	84	29	84
Total	1,189	2,995	1,250	3,342	1,297	3,601	1,274	3,794

In terms of the concentration of operating units by counties, the County of Zagreb and the City of Zagreb had the highest concentration, accounting for 23.2% of operating units in the country (Figure 1.3). The counties of Split-Dalmatia, Primorje-Gorski Kotar and Istria accounted for the next largest concentration of operating units, each accounting for approximately 10% of the total. The mentioned four counties combined accounted for over one half of the total number of operating units of banks. And while the share of the County of Zagreb and the City of Zagreb in the total number of operating units of banks was slightly smaller than their share in the number of inhabitants (24.5%), the coastal region counties were disproportionately well supplied with units as compared to their population sizes. This is particularly true of the County of Istria, which accounted for a little over 4.5% of the entire population and a little less than 9% of the total operating units of banks.

Figure 1.3 Concentration of bank operating units and ATMs by counties, as at 31 December 2010

Each bank operated on average in slightly fewer than nine counties. Four small banks operated in the territory of only one county (in one operating unit only) and only four large banks had operating units in all counties.

In 2010, the number of ATMs of banks (including those owned by other companies) continued to grow, though at a slower pace than in the previous years. The number of ATMs rose by 193 or 5.4% (compared to 7.8% and 11.6% in the previous two years). The County of Zagreb and the City of Zagreb saw the largest increase in the number of newly installed ATMs (54), though the share of this county and the City of Zagreb in the total number of ATMs remained unchanged (28.2%). By contrast, the newly-installed ATMs in the counties of Zadar (18), Osijek-Baranya (16) and particularly Split-Dalmatia (34) increased the share of these counties in the total number of ATMs even if only slightly. The four mentioned counties, together with the County of Istria, accounted for the largest number of ATMs of banks and they all had ATM capacities disproportionately large compared to their populations.

Large banks installed the biggest number of ATMs (112), though in relative terms, the number of ATMs rose the most in medium-sized banks (13.5%). After two small banks introduced ATM operations in 2010, the number of small banks without ATMs fell from six to four.

1.2.2 Balance sheet and off-balance sheet items

Assets

Total bank assets amounted to HRK 391.1bn at the end of 2010, an increase of HRK 12.7bn or 3.4% relative to the end of 2009 (Table 1.5). The low acceleration in the annual growth rate of assets towards the end of 2010 compared to the year before can be attributed largely to changes in the exchange rate of the kuna and an increase in the kuna equivalent of foreign currency assets, i.e. foreign currency and foreign currency-indexed assets. In 2010, the exchange rate of the kuna depreciated greatly (20.8%) against the Swiss franc and to a lesser extent against the other two currencies (the euro and the American dollar), which, combined with the Swiss franc, account for almost all foreign currency and foreign currency-indexed assets. The effect of the change in the exchange rate of the kuna against these three currencies excluded, it can be concluded that foreign currency assets declined slightly in real terms from the end of 2009, exclusively as a result of a real fall in assets in Swiss francs. Owing to a concomitant increase in the kuna share of assets (2.5%), the total assets of banks rose by only 0.7% in real terms from the end of 2009. In addition to exchange rate developments, the low growth rate in bank assets, shown on a net basis, was also influenced by a noticeable increase in value adjustments and provisions, most notably for credit portfolio losses.

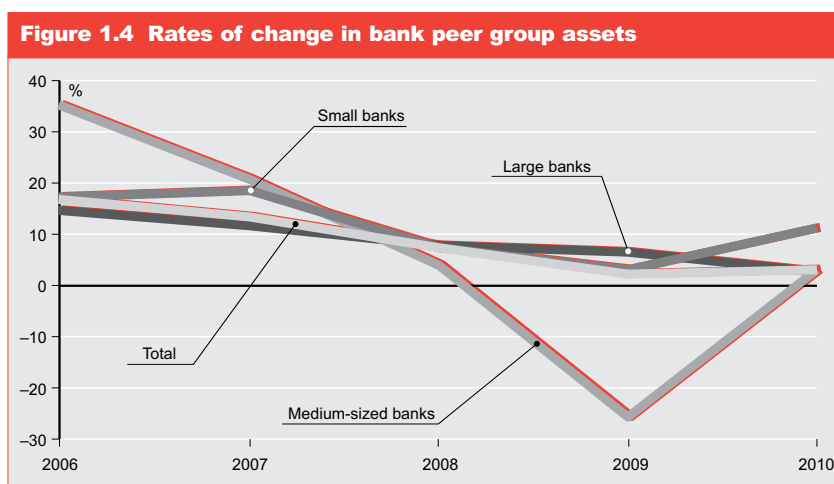
There were no significant changes in the currency structure of total bank assets at the end of 2010, with the shares of assets in foreign currency, in kuna with a currency clause and kuna assets remaining almost the same as those at the end of 2009. Foreign currency and kuna assets with a currency clause accounted for 65.8% and kuna assets accounted for the remaining 34.2% of the total assets of banks.

At the end of 2010, assets rose in most banks from the end of 2009, and fell only in three. The increase in assets from the end of 2009 was seen in all the three bank groups with the largest growth rate being seen in small banks.

TABLE 1.5 Structure of bank assets, end of period, in million HRK and %

	Dec. 2007		Dec. 2008			Dec. 2009			Dec. 2010		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	51,415.9	14.9	42,671.2	11.5	-17.0	47,673.1	12.6	11.7	47,373.5	12.1	-0.6
Money assets	4,551.7	1.3	5,394.3	1.5	18.5	5,430.9	1.4	0.7	5,675.4	1.5	4.5
Deposits with the CNB	46,864.2	13.6	37,276.9	10.1	-20.5	42,242.2	11.2	13.3	41,698.2	10.7	-1.3
Deposits with banking institutions	35,118.0	10.2	35,592.9	9.6	1.4	32,741.9	8.7	-8.0	30,160.0	7.7	-7.9
MoF treasury bills and CNB bills	8,748.7	2.5	10,062.5	2.7	15.0	9,366.8	2.5	-6.9	10,030.3	2.6	7.1
Securities and other financial instruments held for trading	8,515.5	2.5	6,840.0	1.8	-19.7	5,522.4	1.5	-19.3	5,501.3	1.4	-0.4
Securities and other financial instruments available for sale	11,326.4	3.3	12,480.3	3.4	10.2	14,000.5	3.7	12.2	14,872.5	3.8	6.2
Securities and other financial instruments held to maturity	3,536.7	1.0	4,798.8	1.3	35.7	4,012.2	1.1	-16.4	3,692.3	0.9	-8.0
Securities and other financial instruments not traded in active markets but carried at fair value	700.0	0.2	669.0	0.2	-4.4	1,644.9	0.4	145.9	1,090.0	0.3	-33.7
Derivative financial assets	276.0	0.1	121.9	0.0	-55.8	212.4	0.1	74.2	154.6	0.0	-27.2
Loans to financial institutions	6,949.8	2.0	5,796.7	1.6	-16.6	6,065.1	1.6	4.6	6,389.5	1.6	5.3
Loans to other clients	209,319.6	60.7	240,808.0	65.1	15.0	246,363.2	65.1	2.3	260,718.1	66.7	5.8
Investments in subsidiaries and associates	1,703.9	0.5	1,774.1	0.5	4.1	1,980.9	0.5	11.7	2,195.6	0.6	10.8
Foreclosed and repossessed assets	355.7	0.1	391.7	0.1	10.1	604.9	0.2	54.5	757.5	0.2	25.2
Tangible assets (net of depreciation)	4,510.4	1.3	4,503.8	1.2	-0.1	4,372.3	1.2	-2.9	4,319.6	1.1	-1.2
Interest, fees and other assets	5,471.0	1.6	6,624.6	1.8	21.1	6,889.5	1.8	4.0	6,853.3	1.8	-0.5
Net of: Collectively assessed impairment provisions	2,866.2	0.8	3,042.4	0.8	6.1	3,079.5	0.8	1.2	3,009.3	0.8	-2.3
TOTAL ASSETS	345,081.4	100.0	370,093.0	100.0	7.2	378,370.6	100.0	2.2	391,098.8	100.0	3.4

The increase in received deposits of banks, despite a simultaneous fall in loan liabilities and excluding the increase resulting from the depreciation of the kuna, led to a small real growth in the sources of financing. Capital also rose, though to a smaller extent, owing to retention of a part of the previous year's profits, 2010 recapitalisations and increased current year profit, thus ensuring, together with the increased sources, the potential for a small growth in bank placements. Although data on the increased amount of loans (net) point to a small recovery in credit activities of banks compared to the year before, the depreciation of the exchange rate of the kuna mentioned had much to do with the higher level of loans at the end of 2010 due to the credit portfolio currency structure, the major share of which is in foreign currency and in kuna with a currency clause. Total bank loans at the end of 2010 stood at HRK 267.1bn, which is an increase of HRK 14.7bn or 5.8% from the end of 2009.



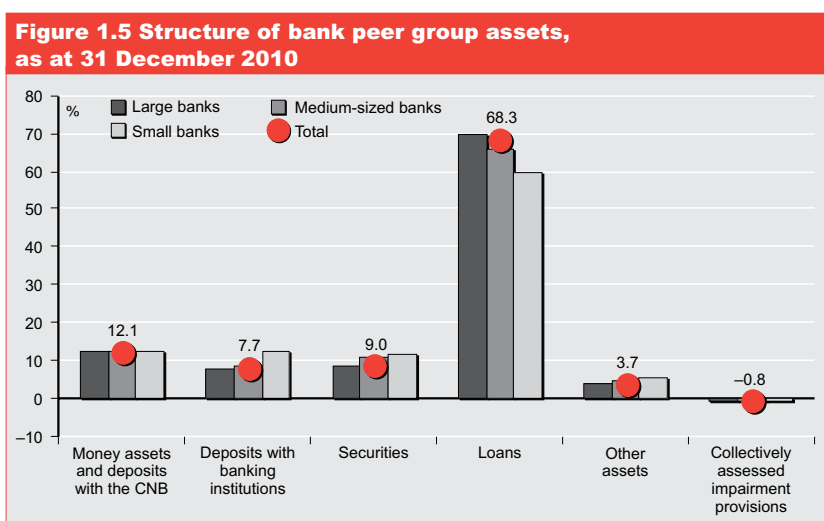
However, changes in the exchange rate of the kuna excluded, loans grew by a little over 2.0% in real terms annually as a result of growth in loans denominated in or indexed to the euro and kuna loans.

All bank groups showed an increase in loans in 2010, with the small banks reporting the highest growth rate in loans (8.3%). In medium-sized and large banks this growth rate was 7.0% and 5.5%, respectively.

As regards other significant forms of assets, the banks increased only securities placements, by a total of HRK 639.6m, an increase of 1.9% from the end of 2009. This increase involved primarily an increase in investments in domestic securities, MoF T-bills and government bonds, and to a lesser extent securities of foreign financial institutions. Investments in debt securities of domestic financial institutions rose to a lesser extent, while investments in securities of all other institutional sectors fell at the end of 2010. As regards the structure of total securities of banks, bonds accounted for the major share (45.9%), and despite a significant decline in investments in foreign bonds (HRK 1.1bn or 11.0%), they still accounted for over one half of total investments in bonds. Compared to the end of 2009, the banks also reduced equity investments in all sectors except non-banking financial institutions, by a total of 9.6%, with equity securities accounting for only 1.4% of the total securities investments at the end of 2010. The banks again distributed the bulk of securities, or 59.1% of the total amount of debt securities, in the available-for-sale portfolio, adjusting their value to market prices. As a result, at the end of 2010, the banks reported HRK 20.0m in unrealised gains in capital.

The increase in securities investments on the system level was due to such changes in small and medium-sized banks. At the end of 2010, small banks increased the amount of securities by 35.1%, with the increase involving mainly bigger investments in long-term instruments, i.e. domestic and foreign government bonds and bonds of foreign financial institutions. Medium-sized banks also increased investments in domestic and foreign government bonds, with the total amount of securities of medium-sized banks rising by 4.9%. Unlike small and medium-sized banks, large banks reduced their investments in long-term instruments and increased their investments in MoF T-bills and money market instruments, with the total securities investments of large banks falling by 2.0% from the end of 2009.

At the end of 2010, bank deposits with other banks fell by HRK 2.6bn (7.9%), mostly attributable to a fall in deposits with foreign banks. Of the total amount of deposits placed, 20.7% were placed to foreign banks that are the majority owners of domestic banks and the amount of these deposits rose



by 8.0% from the end of 2009. The banks also reduced slightly their deposits with the CNB (1.3%) as a result of a smaller amount of funds in the settlement accounts and a smaller amount of reserve requirements set aside.¹¹ At the end of 2010, the banks deposited HRK 4.0bn in overnight deposits with the CNB, which is an increase of HRK 2.4bn compared to the end of 2009.

As regards other forms of investments of relatively smaller significance in the total assets of banks, foreclosed and repossessed assets rose the most (25.2%) from the end of 2009, with the bulk of this increase being attributable to the group of small banks. The total foreclosed and repossessed assets acquired by banks in exchange for their claims in the process of financial restructuring and in bankruptcy or foreclosure procedures as well by exercising the instruments of collateral, stood at HRK 757.5m at the end of 2010. A little over one half of the total amount of these assets went to assets acquired less than two years ago, which are not included in the calculation of investment restrictions in relation to own funds. Banks' holdings in tangible assets, which are subject to investment restrictions, amounted to 9.2% of own funds at the end of 2010, much below the permitted 40% of own funds. Tangible and foreclosed and repossessed assets accounted for 1.3% of the total assets of banks at the end of 2010. Banks' holdings in subsidiaries also rose significantly (10.8%), though the share of these assets in the total assets of banks stood at only 0.6% at the end of 2010.

In terms of bank assets structure, the developments and changes in individual forms of assets had a significant impact only on the increase in the share of loans (net). A higher growth rate of loans compared to the growth rate of total assets and a slower growth, i.e. a decline in other significant forms of assets, led to an increase in the share of loans in bank assets from 66.7% at the end of 2009 to 68.3% at the end of 2010 (Figure 1.5). Deposits with other banks accounted for 7.7% of total bank assets, a decline of almost one percentage point from the end of 2009. The share of cash and deposits with the CNB, which when combined accounted for 12.1% of assets at the end of 2010, fell by a slight 0.5 percentage points. A decline in almost all forms of assets except loans in large banks resulted in a small asset restructuring in favour of a larger share of loans, which stood at 69.5% at the end of 2010 (67.6% at the end of 2009). The share of loans also rose in the assets of medium-sized banks, reaching 65.6%. An increase in small banks' loans notwithstanding, their share in assets fell by 1.6 percentage points to 59.9% due to a significant increase in securities investments and an increase in their share in the assets of small banks, from 9.5% at the end of 2009 to 11.5% at the end of 2010. In a number of small banks, such a marked growth in securities investments can be attributed to the need to maintain minimum liquidity coefficients and to maintain the capital adequacy ratio but it probably also reflects the impossibility of any significant transfer of the recent increase in sources, particularly household deposits, to bank loans.

Liabilities and capital

After stagnating in the first part of 2010, banks' liabilities rose slightly in the second half of the year (Table 1.6), owing primarily to the increase in household deposits. The total sources of bank financing rose by 3.1% compared to the end of 2009. Owing to the currency structure and the predominant share of foreign currency liabilities, the depreciation of the exchange rate of the kuna played an important role in the increase in the sources of bank financing.

¹¹ The Decision on amendments to the Decision on reserve requirements, which cut the reserve requirement rate from 14% to 13% (OG 18/2010), entered into force on 10 February 2010.

TABLE 1.6 Structure of bank liabilities and capital, end of period, in million HRK and %

	Dec. 2007		Dec. 2008			Dec. 2009			Dec. 2010		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	20,573.0	6.0	19,270.0	5.2	-6.3	21,180.5	5.6	9.9	18,178.8	4.6	-14.2
Short-term loans	11,325.6	3.3	8,314.0	2.2	-26.6	10,167.9	2.7	22.3	7,407.9	1.9	-27.1
Long-term loans	9,247.4	2.7	10,956.1	3.0	18.5	11,012.6	2.9	0.5	10,770.9	2.8	-2.2
Deposits	233,108.0	67.6	247,813.9	67.0	6.3	256,810.0	67.9	3.6	269,182.6	68.8	4.8
Giro account and current account deposits	45,284.0	13.1	41,313.1	11.2	-8.8	34,526.9	9.1	-16.4	37,258.1	9.5	7.9
Savings deposits	26,859.4	7.8	25,640.1	6.9	-4.5	24,531.3	6.5	-4.3	26,705.5	6.8	8.9
Time deposits	160,964.5	46.6	180,860.7	48.9	12.4	197,751.7	52.3	9.3	205,219.0	52.5	3.8
Other loans	31,738.8	9.2	32,862.6	8.9	3.5	31,787.5	8.4	-3.3	31,594.3	8.1	-0.6
Short-term loans	5,528.8	1.6	7,955.1	2.1	43.9	6,133.5	1.6	-22.9	6,977.0	1.8	13.8
Long-term loans	26,210.1	7.6	24,907.5	6.7	-5.0	25,654.0	6.8	3.0	24,617.3	6.3	-4.0
Derivative financial liabilities and other financial liabilities held for trading	367.5	0.1	1,578.3	0.4	329.4	418.9	0.1	-73.5	1,475.2	0.4	252.1
Debt securities issued	3,476.7	1.0	3,392.3	0.9	-2.4	119.3	0.0	-96.5	124.3	0.0	4.2
Short-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt securities issued	3,476.7	1.0	3,392.3	0.9	-2.4	119.3	0.0	-96.5	124.3	0.0	4.2
Subordinated instruments issued	225.7	0.1	53.3	0.0	-76.4	396.6	0.1	643.6	468.4	0.1	18.1
Hybrid instruments issued	636.6	0.2	2,055.7	0.6	222.9	3,016.4	0.8	46.7	3,431.2	0.9	13.7
Interest, fees and other liabilities	11,781.4	3.4	13,139.7	3.6	11.5	12,067.3	3.2	-8.2	12,263.7	3.1	1.6
TOTAL LIABILITIES	301,907.8	87.5	320,165.9	86.5	6.0	325,796.6	86.1	1.8	336,718.5	86.1	3.4
Share capital	25,179.3	7.3	28,287.6	7.6	12.3	28,781.8	7.6	1.7	29,468.2	7.5	2.4
Current year profit/loss	4,067.4	1.2	4,612.5	1.2	13.4	3,277.7	0.9	-28.9	3,502.9	0.9	6.9
Retained earnings/loss	4,212.0	1.2	5,694.1	1.5	35.2	7,764.9	2.1	36.4	8,927.9	2.3	15.0
Legal reserves	1,054.3	0.3	969.4	0.3	-8.1	1,084.1	0.3	11.8	1,097.9	0.3	1.3
Reserves provided for by the articles of association and other capital reserves	8,644.2	2.5	10,511.3	2.8	21.6	11,789.2	3.1	12.2	11,382.4	2.9	-3.5
Unrealised gains/losses on value adjustments of financial assets available for sale	30.7	0.0	-112.5	0.0	-	-27.7	0.0	-75.4	20.0	0.0	-
Reserves arising from hedging transactions	-0.8	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0	0.0
Previous year profit/loss	-13.6	0.0	-35.3	0.0	159.9	-96.0	0.0	171.8	-19.0	0.0	-80.2
TOTAL CAPITAL	43,173.6	12.5	49,927.1	13.5	15.6	52,574.0	13.9	5.3	54,380.3	13.9	3.4
TOTAL LIABILITIES AND CAPITAL	345,081.4	100.0	370,093.0	100.0	7.2	378,370.6	100.0	2.2	391,098.8	100.0	3.4

A steady growth in household deposits in 2010 resulted in their growing at an annual rate of 8.1%, while their increase of HRK 11.4bn was twice as big as that in 2009 and accounted for almost the entire increase in deposits. The growth in household deposits, coupled with a much smaller increase in deposits of other sectors added to the importance of household deposits as sources of bank financing, as seen in the share of household deposits in total deposits, for they rose from 55.0% to 56.7% over the observed one-year period. The share of corporate deposits was much smaller and stood at 15.8%. The total deposits growth of HRK 12.4bn or 4.8% was sufficient for financing the poor credit activities, with the banks reducing their liabilities arising from the loans received entirely from domestic banks by HRK 3.2bn (6.0%). In relative terms, deposits grew the most in small banks (13.6%), based, as in large and medium-sized banks, on household deposits growth. The group of small banks was the only group that increased liabilities arising from received loans (10.7%), with a large part of this increase relating to the funds of foreign owners of small banks. Total deposits with medium-sized banks rose by 7.0% from 2009 and those with large banks by 3.6%. The amount of loans received fell sharply in medium-sized banks (32.9%) while their decrease in large banks stood at 5.1%.

As the banks slightly reduced the use of loans and deposits from the majority foreign owners, the share of these sources in the total amount of received deposits and loans declined somewhat from the end of 2009 and stood at 18.5%. Large banks again used sources from majority foreign owners the most. These sources of financing accounted for 21.5% of the total sources of financing in this bank

group. The sources of financing from majority foreign owners accounted for much lower shares of the sources of financing in medium-sized and small banks (6.5% and 3.0%, respectively).

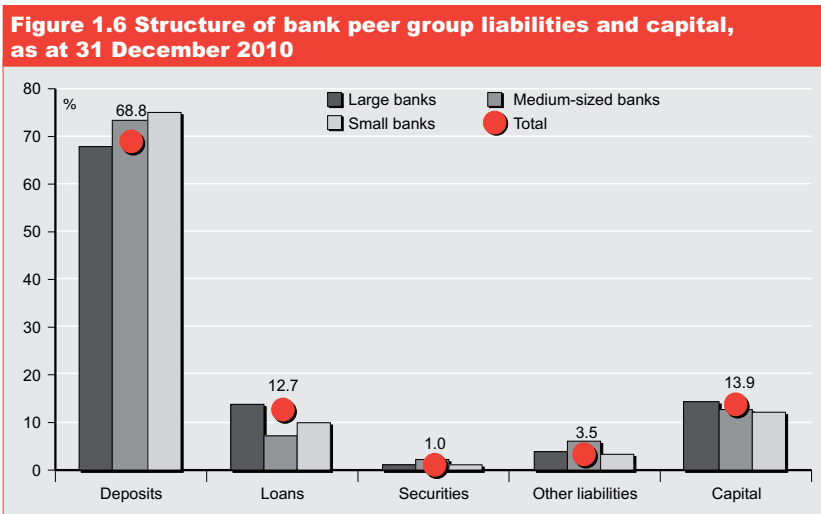
Due to the still high system capitalisation and the satisfactory capital adequacy level, only a few banks needed additional own funds, so that the amount of issued subordinated and hybrid instruments rose by a total of 18.1% and 13.8%, respectively. The role of these instruments in the sources of financing was again small because subordinated and hybrid instruments, together with the issued securities, accounted for only 1.3% of the total sources of financing. As regards other liabilities, derivative financial liabilities rose by a large 252.1% from the end of 2009, though such a rapid growth can be attributed to a low base, the share of these instruments in the liabilities of banks thus remaining relatively low (0.4%).

The growth in balance sheet capital slowed down compared to 2009, rising by HRK 1.8bn or 3.4%. The amount of retained earnings of banks rose by HRK 1.2bn (15.0%) at the end of 2010, despite the fact that the banks used these earnings to cover a part of the previous year's losses. The banks' share capital rose by almost HRK 700.00m (2.4%), owing to recapitalisations in five small and one medium-sized bank in 2010. The increase in total capital was also boosted by higher current year profits and to a lesser extent by unrealised gains on value adjustment of financial assets available for sale. In 2010, the banks paid out HRK 2.5bn in dividends to the shareholders, which is over three quarters of the amount of profit generated in 2009 and much above the past five-year average. During that period the banks retained a larger share of the profit and paid out on average a little over 20% of the amount of profit generated in the previous year. Capital reserves, which were debited for dividend payments, fell by 3.5% from the end of 2009 and continued to account for over 20.0% of the total bank capital.

The share of capital in bank liabilities remained unchanged compared to the end of 2009 (13.9%) due to a slowdown in the annual growth rate of capital, which was equal to the growth rate in the total liabilities of banks. The share of capital was still largely influenced by big capital investments and a large share of withheld profits generated in the previous five years, while a further increase in the level of most capital items had a small positive impact on the share of capital, the level of which held steady in 2010. The share of capital in the liabilities of large banks was above average and stood at 14.3%. The capital of large banks rose by 3.4% from the end of 2009, with the share of capital in the liabilities of large banks increasing slightly at the end of 2010, mainly owing to withheld previous year's profits. Great recapitalisation efforts in one medium-sized bank and current year profits instead of the considerable previous year's losses led to an increase in capital of 8.7% and an increase in the share of capital in the liabilities of medium-sized banks, from 11.7% at the end of 2009 to 12.3% at the end of 2010. Despite an increase in the share capital of small banks, the total capital of small banks, influenced by current and previous year's losses, fell by 1.4% from the end of 2009. Due to a fall in capital and a concomitant larger increase in liabilities, the share of capital in the liabilities of small banks fell by 1.5 percentage points and stood at 11.7% at the end of 2010.

As regards the structure of other liabilities items of banks, the largest change involved a decline in the share of received loans in total liabilities and capital from 14.0% at the end of 2009 to 12.7% at the end of 2010. The share of deposits rose slightly, amounting to 68.8% of the total liabilities and capital of banks (Figure 1.6).

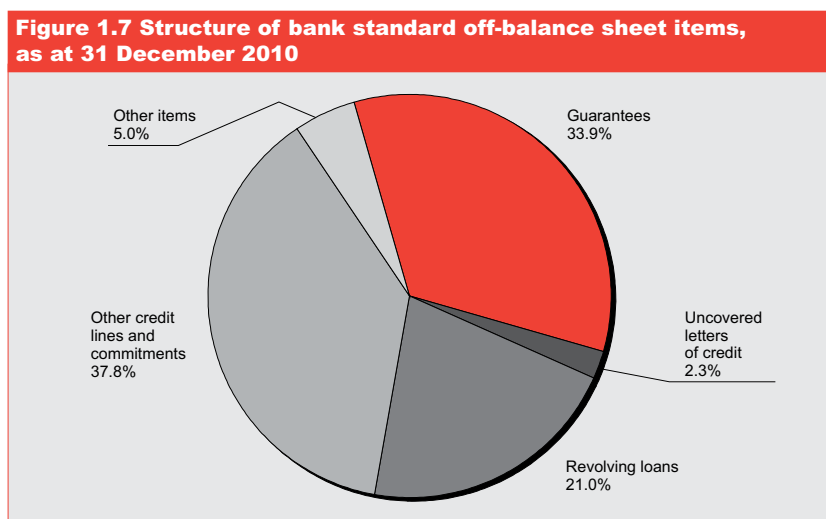
Developments in the currency structure of total liabilities and capital of banks relative to the end of



2009 were predominantly influenced by an increase in deposits. Liabilities items in foreign currencies rose significantly as a result of an increase in long-term foreign currency deposits (5.2%). Kuna items rose by 1.5% from the end of 2009, mainly owing to an increase in capital items, in contrast with items in kuna with a currency clause, which fell by 1.5%, mainly as a result of a fall in deposits. Such developments had a smaller impact on the currency structure of liabilities and capital, the foreign currency component of which, including items in kuna with a currency clause, rose by 0.8 percentage points, to 59.4% of the total liabilities and capital of banks, while kuna items accounted for the remaining 40.6%.

Standard off-balance sheet items

The trend of increase in standard off-balance sheet items of banks, present for many years, came to a halt in 2009, as the banks reduced significantly almost all forms of standard off-balance sheet items. Banks’ unwillingness to increase credit risk exposure through off-balance sheet liabilities continued at a somewhat lower intensity in 2010, with the amount of off-balance sheet items reported by banks standing at HRK 59.2bn at the end of 2010, which is a decrease of HRK 1.6bn or 2.6% from the



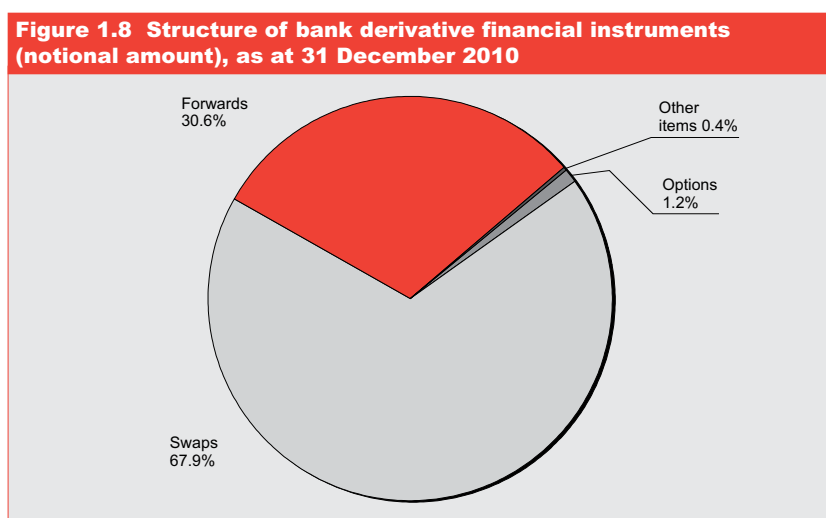
end of 2009. The standard off-balance sheet items to assets of banks ratio also decreased, falling from 16.1% at the end of 2009 to 15.1% at the end of 2010. As regards the structure of standard off-balance sheet items by instruments, credit lines and other financing commitments accounted for the largest share (37.8%), followed by issued guarantees which accounted for the next largest share (33.9%) (Figure 1.7).

The main generators of change, i.e. of the increase and decrease in the total amount of standard off-balance sheet items in the previous years, were credit lines and other financing commitments (including revolving loans). Although there was a large decline in these commitments in 2008 and 2009, this fall slowed down at the end of 2010, with the amount of credit lines and other financing commitments being only slightly smaller than that at the end of 2009. The fall in the total amount of standard off-balance sheet items in 2010 can largely be attributed to a drop in issued guarantees of HRK 1.4bn or 6.5%. This could be explained by the fact that issued guarantees are the riskiest component of standard off-balance sheet items and a significant increase in loans for payments based on guarantees and similar instruments. The smaller demand for these instruments might also have played a role.

At the end of 2010, the total exposure of banks to financing commitments and contingent payment liabilities, shown as the ratio of the total amount of standard off-balance sheet items and assets, was again the highest in relative terms in large banks (16.4%). It was a little lower in medium-sized banks (10.5%) and was as usual the lowest in small banks (7.9%). The amount of standard off-balance sheet items rose only in medium-sized banks from the end of 2009, as a result of an increase in the amount of issued guarantees.

Derivative financial instruments

The total contracted value of derivative financial instruments fell as it had done in the previous year, though at a somewhat slower rate (6.1%) than in 2009. Derivative financial instruments with interest rate as the underlying variable fell considerably, with their share falling to 27.6%. Derivative financial instruments with the exchange rate as the underlying variable rose slightly during the same period, increasing their share to 72.0%. Swaps accounted for the bulk, or a little over two thirds, of derivative financial instruments (Figure 1.8).



Large banks accounted for over 90% of the total contracted value of derivative financial instruments. The ratio of these instruments and assets stood at almost 30.0% in this bank group. In medium-sized and small banks this ratio stood at 17.8% and only 1.3%, respectively. Nine small banks reported no derivative financial instruments.

Though mostly used by banks to hedge against risks, particularly currency risk, the banks mainly report derivative financial instruments as instruments held for trading and not for hedging purposes. This can probably be attributed to complex hedge accounting rules under IAS 39 that would have to be applied in the latter case. The instruments held for trading accounted for 98.6% and embedded derivatives for 1.2% of the total derivative financial instruments, while the remaining 0.2% went to derivatives used as a hedging instrument.

In most banks, the majority of the contracted value of derivative financial instruments involved non-residents, most notably the majority foreign owners or sister companies (members of European banking groups to which the domestic banks belong). The banks use derivatives to shorten their relatively long spot net open positions, particularly in Swiss francs, which occurred as a result of the great popularity of loans in that currency in the period up to 2007 and a small level of sources in that currency. Also, the banks tend to close positions arising from contracts entered into with domestic clients with the majority foreign owners (back-to-back deals).

The use of currency swaps increased considerably in the last quarter of 2010, probably as a result of regulatory arbitrage. Sources from majority foreign owners rose slightly during that period, but their structure changed significantly in favour of the kuna component. Kuna sources rose considerably in two large banks, and so did the total sources from the majority foreign owners. Given that the majority foreign owners do not deal in kuna, domestic banks enter into currency swap agreements with them, selling them kuna and buying foreign currency on the spot market, and selling foreign currency and buying kuna on the forward market. Since foreign currency and kuna liabilities with a currency clause have to meet the minimum foreign currency liquidity requirement¹², the growth in the kuna sources from the majority foreign owners can probably be explained by banks' efforts to cut regulatory costs. As the mentioned two banks also saw an increase in deposits placed to the majority foreign owners, these transactions may have been undertaken with a view to balance sheet improvements at the end of the business year.

1.2.3 Earnings

Income statement

At the end of 2010, bank pre-tax profits according to audited data stood at HRK 4.4bn, which is an increase of HRK 140.3m or 3.3% from the end of 2009 (Table 1.7). The increase in bank profits in 2010 was primarily due to profits generated by one medium-sized bank that had reported significant losses (HRK 448.8m) at the end of 2009. The effect of this change excluded, it is evident that banks' performance fell by HRK 365.1m or 7.8% from the end of 2009. Unfavourable macroeconomic con-

¹² Under the Decision on the minimum required amount of foreign currency claims (OG 59/2008, 17/2009 and 23/2009), in 2010, the banks are obligated to maintain a minimum of 20% of their foreign currency liabilities with foreign currency claims.

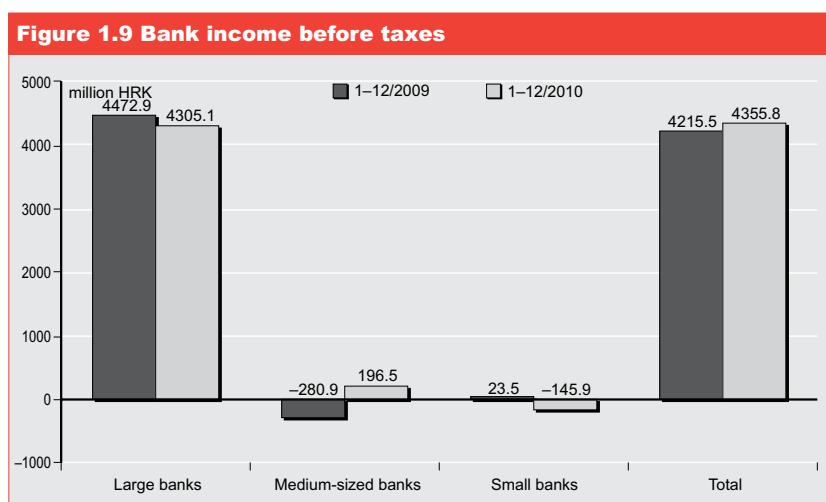
TABLE 1.7 Bank income statement, in million HRK

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.-Dec. 2009	Jan.-Dec. 2010	Jan.-Dec. 2009	Jan.-Dec. 2010	Jan.-Dec. 2009	Jan.-Dec. 2010	Jan.-Dec. 2009	Jan.-Dec. 2010
Net interest income	7,662.9	9,015.4	909.7	962.4	972.5	985.6	9,545.1	10,963.5
Total interest income	18,589.7	17,097.3	2,158.1	1,973.0	2,082.2	2,145.2	22,830.0	21,215.5
Total interest expenses	10,926.8	8,081.8	1,248.4	1,010.5	1,103.5	1,158.8	13,278.7	10,251.1
Net income from fees and commissions	2,455.5	2,654.3	304.5	335.6	220.7	219.2	2,980.8	3,209.1
Total income from fees and commissions	3,208.7	3,363.8	771.8	764.1	321.7	306.1	4,302.2	4,434.1
Total expenses on fees and commissions	753.2	709.5	467.2	428.5	99.2	87.0	1,319.6	1,225.0
Net other non-interest income	2,581.0	1,224.0	18.7	104.6	160.4	150.5	2,760.1	1,479.1
Other non-interest income	2,986.8	1,668.7	155.9	194.7	246.9	243.0	3,389.7	2,106.4
Other non-interest expenses	405.8	444.8	137.2	90.0	85.4	92.4	628.5	627.2
Net non-interest income	5,036.5	3,878.3	323.2	440.3	381.2	369.7	5,740.9	4,688.2
General administrative expenses and depreciation	5,603.2	5,629.8	892.2	866.5	1,068.7	1,086.9	7,564.1	7,583.2
Net operating income before loss provisions	7,096.3	7,263.9	340.7	536.2	293.9	269.3	7,730.9	8,069.4
Total expenses on loss provisions	2,623.4	2,958.8	621.5	339.6	270.5	415.1	3,515.4	3,713.6
Expenses on value adjustments and provisions for identified losses	2,663.8	2,999.8	640.0	351.9	272.9	408.8	3,576.7	3,760.6
Expenses on collectively assessed impairment provisions	-40.5	-41.0	-18.5	-12.3	-3.2	6.4	-62.1	-46.9
Income/loss before taxes	4,472.9	4,305.1	-280.9	196.5	23.5	-145.9	4,215.5	4,355.8
Income tax	851.4	788.4	34.9	36.2	51.5	28.3	937.8	852.9
Current year profit/loss	3,621.5	3,516.7	-315.8	160.3	-28.1	-174.1	3,277.7	3,502.9
Memo items:								
Gains (losses) from trading activities	2,339.5	-2,109.0	132.0	-225.3	152.2	121.1	2,623.6	-2,213.2
Gains (losses) from securities trading	52.6	97.1	28.2	8.5	3.5	1.9	84.3	107.6
Gains (losses) from foreign currency trading	895.4	773.1	121.5	122.8	147.8	119.1	1,164.7	1,015.1
Gains (losses) from domestic currency trading	1.9	2.6	0.0	0.1	-0.1	-0.5	1.8	2.1
Gains (losses) from derivatives trading	1,389.5	-2,981.8	-17.7	-356.7	1.0	0.6	1,372.8	-3,337.9
Gains (losses) from exchange rate differentials	-35.2	3,160.6	7.3	342.3	-0.5	11.0	-28.4	3,513.9
Number of banks operating with losses	0	0	1	0	9	9	10	9

ditions led to a low credit activity, a fall in income from the main activities and an increase in expenses on loss provisions so that, in spite of further cost reductions, pre-tax profits of banks at the end of 2010 were again lower than those at the end of 2007 and 2008.

At the end of 2010, pre-tax profits were reported by 24 banks. Compared to the end of 2009, profits rose only in two large and three small banks while two banks, after generating losses in the previous year, reported a profit at the end of 2010. Nine small banks, which accounted for 2.9% of the total bank assets at the end of 2010, operated with a loss.

Pre-tax profits of the large banks group stood at HRK 4.3bn, a decline of HRK 167.8m or 3.8% from the end of 2009, owing to a fall in the profits of four large banks, ranging from only 0.1% to a high 44.0%. Even though large banks generated greater net and operating income, they increased their expenses on loss provisions by a considerable 12.6%, which had a negative impact on their final operating results. Small banks also reported a large increase in expenses on loss provisions (53.5%), the amount of which exceeded the amount of operating income by a large margin. Combined with a small increase in costs and a decrease in net income, the growth in expenses on loss provisions led to small banks making losses of HRK 145.9m at the end of 2010. In contrast with 2009, when losses generated by one bank led to a loss in the group of medium-sized banks as a whole, reduced loss



provisions and other operating expenses of medium-sized banks resulted in profits of HRK 196.5m at the end of 2010 (Figure 1.9).

Owing to a further reduction in costs, the banks reported an increase of 2.3% in net income and an increase of 4.4% in operating income (net operating income before loss provisions). The main cause of the reduction in total costs lay in considerably lower financing costs compared to the end of the previous year, when they had been very high because of ZIBOR developments. The banks continued to keep in check the level of general administrative expenses and depreciation, keeping employee expenses and other administrative expenses at a level only slightly higher than the year before. This increase excluded, the only increase in bank costs was seen in expenses on value adjustments and loss provisions, which had a significant and negative impact on banks' performance.

A small increase in the sources of financing in 2010, mostly short-term, coupled with a downward trend in deposit interest rates, led to a significant fall in the interest expenses of banks, of over HRK 3.0bn or 22.8%. There was a fall in interest expenses on all types of sources of financing, particularly in expenses on deposits, which fell by HRK 2.1bn (20.0%) from the end of 2009. Regulatory changes, such as a lower deposit insurance premium¹³ and a lower reserve requirement ratio had a positive impact on the fall in deposit interest rates in 2010. Almost all sectors saw a fall in deposit interest expenses, with the largest fall being observed in interest expenses on non-resident and corporate deposits (HRK 821.2m or 39.5% and HRK 770.8m or 47.4%, respectively), largely attributable to a lower ZIBOR in 2010. Interest expenses on household deposits were the only category of deposit interest expenses that rose (4.3%), which is in line with the increase in this sector's deposits. Expenses on received bank loans and debt securities also fell significantly (44.7% and 92.1%, respectively), as a result of diminished use of these sources of financing by banks.

The fall in the total level of bank expenses from the end of 2009, can be attributed to a fall in expenses on fees and commissions of 7.2% and a small fall in other non-interest expenses of 0.2%.

Total income of banks fell by 9.1% from the end of 2009, mainly as a result of a fall in income from main activities, i.e. interest income. At the end of 2010, the banks reported a much smaller amount of

¹³ The Act on Amendments to the Deposit Insurance Act (OG 153/2009).

other non-interest income and a small increase only in income from fees and commissions, which did not have a significant impact on developments in the total income of banks. Interest income of banks fell by HRK 1.6bn (7.1%). A fall in income from loans accounted for almost one half of the decline in interest income while smaller interest income from all other forms of investments (debt securities, deposits, swaps) accounted for the other half of the decline in interest income. A small increase in credit activity, the growth in the share of non-performing loans, coupled with somewhat lower interest rates led to a fall in income from loans to all sectors of 3.9%. Interest income from loans granted to financial institutions and corporates fell the most (HRK 255.9m or 64.5% and HRK 217.2m or 3.0%, respectively), while the smallest fall in interest income in relative terms was seen in income from loans to households (0.6%). This led to income from loans granted to households assuming increased importance, their share in total interest income rising from 45.2% in 2009 to 48.4% in 2010.

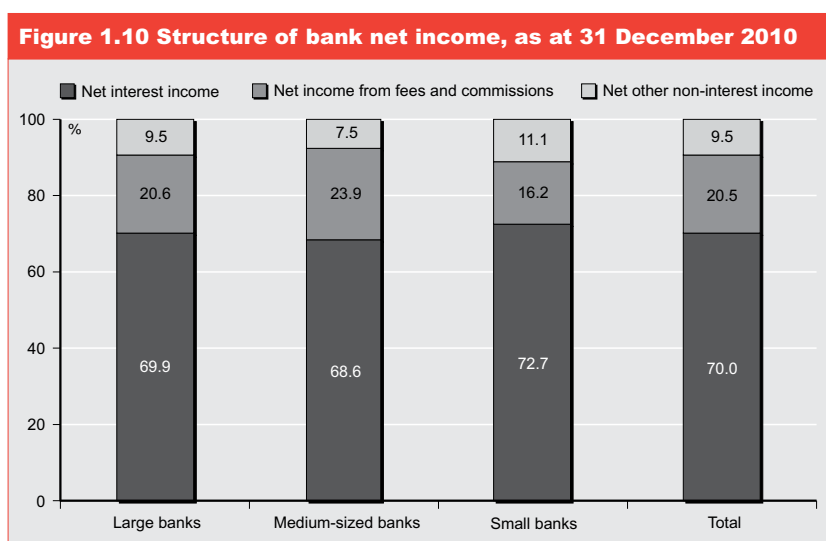
Other non-interest income fell considerably from the end of 2009 (HRK 1.3bn or 37.9%). The extremely high level in 2009 was due to developments in the first quarter of that year relating to gains from derivatives used as a hedge against interest rate risk and a buffer against high interest expenses of sources associated with ZIBOR. At the end of 2010, banks reported a loss on derivatives trading of HRK 3.3bn, but as the banks mainly used these derivatives to hedge against currency risk, it should be noted that they made a significant profit on the calculated exchange rate differentials of HRK 3.5bn. A fall in income was also seen in most of the other activities generating non-interest income for the banks, such as foreign exchange trading, assets not traded in active markets and carried at fair value, assets held to maturity, holdings in subsidiaries and other equity investments).

Income from fees and commissions was the only income that rose from the end of 2009. The increase of 3.1% was due to a greater income from fees for other services¹⁴, in contrast with fees for payment services, which continued to trend downwards under the influence of a fall in this income from corporates. A fall in expenses on fees and commissions had a favourable impact on the developments in net income from fees and commissions, which rose by 7.6%.

Total expenses on loss provisions of banks rose by HRK 198.2m or 5.6% from the end of 2009, due to the big increase in this item in large and small banks (12.8% and 53.5%, respectively). The increase in expenses on loss provisions was mitigated by their significant decline in medium-sized banks (45.4%), as a result of a decline in one bank from that group. The banks increased risk B and C category placement provisions by 5.1% to almost HRK 3.8bn, while the increase in total expenses on loss provisions was mitigated by income resulting from the repeal of collectively assessed impairment provisions (for risk category A), despite a small fall in this income from the end of 2009. Income from repealed collectively assessed impairment provisions was possible due to a significant decline in risk category A placements as a result of methodological changes in 2010 (see chapter 1.2.4 Credit risk).

At the end of 2010, the banks used 46.0% of operating income for the coverage of loss provisions, which is a slight increase from the end of 2009. Large banks had the best loss provision expenses-to-operating income ratio (40.7%). This ratio was considerably higher in medium-sized banks (63.3%), despite a fall in loss provision expenses and an increase in operating income. Due to a very high in-

¹⁴ Fees for issuing guarantees or other commitments, mandated operations, safekeeping securities and security transactions in the name and for the account of other persons, safe custody services, keeping of deposit accounts, services of issuing and managing unused credit lines, consultancy and advisory services to clients, issuing and using bank credit cards, collecting credit card receivables from buyers when the bank does not keep these receivables in its books, and other services.



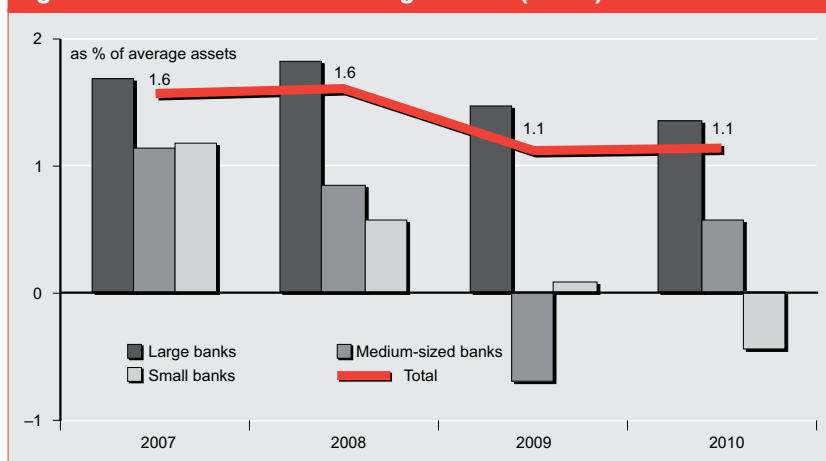
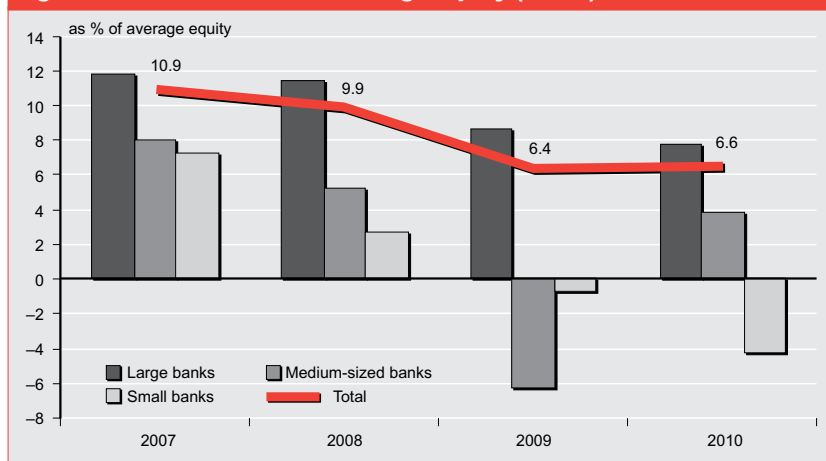
crease in the loss provision expenses of small banks, these expenses were much bigger than operating income and led to losses in the group of small banks at the end of 2010.

Unlike the end of 2009, when the structure of net income reflected a greater reliance of banks on one-off and less stable forms of income and the share of net other non-interest income in the structure of net income was very high (18.1%), the share of net other non-interest income fell by 8.4 percentage points at the end of 2010, reaching its usual level of 9.5% (Figure 1.10). A considerable change in the share of net other non-interest income in the structure of net income of banks during the observed period was almost entirely due to developments in income associated with the use of derivative financial instruments as a hedging instrument. A fall in the share of net other interest income led to an increase in the share of the two other components of net income: net interest income rose by 7.6 percentage points to 70.0% and net income from fees and commissions rose by one percentage point to 20.5% of net income. The increase in these two items also had a small influence on the increase in the share of net interest income and net income from fees and commissions in net income. Thus, a fall in interest income notwithstanding, net interest income rose by 14.8% from the end of 2009, owing to a large decline in interest expenses. The growth in income, coupled with a simultaneous decline in expenses on fees and commissions, resulted in an increase in net income from fees and commissions of 7.6%.

Indicators of returns

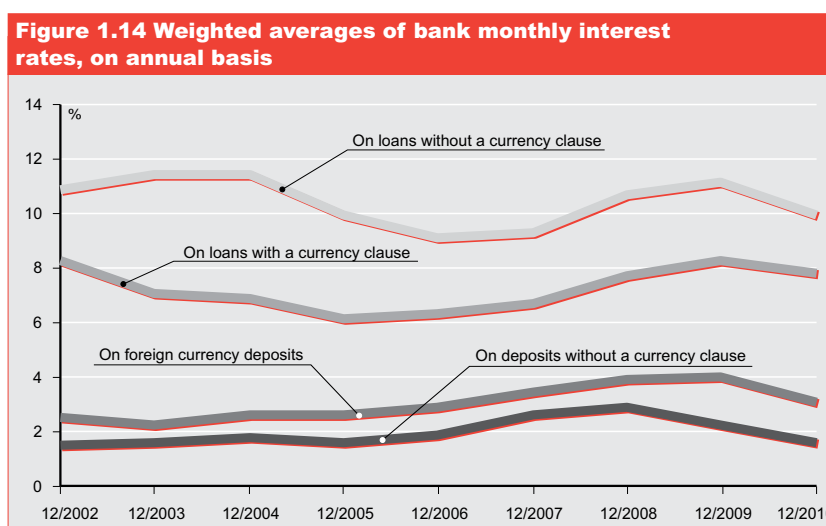
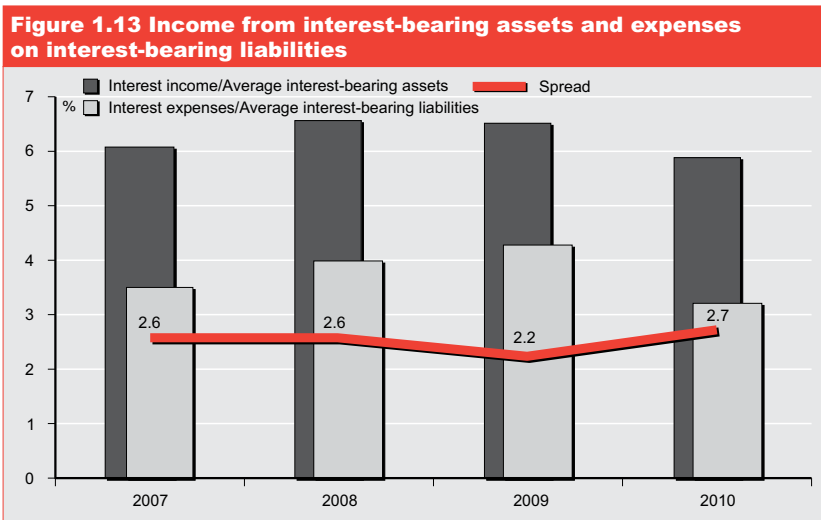
The indicators of return on average assets (ROAA) and average equity (ROAE) of banks held steady at almost the same level as at the end of 2009. The return on average assets thus stood at 1.1%, the same level as at the end of 2009 while the return on average equity rose from 6.4% to 6.6% (Figure 1.11 and Figure 1.12).

Large banks had the best values of these indicators. At 1.4% and 7.8%, ROAA and ROAE of large banks were only slightly lower than those at the end of 2009. Despite improvement compared to the end of 2009, the returns of medium-sized banks were low, with ROAA standing at 0.6% and ROAE at 3.9%. Indicators of returns were negative in small banks due to losses in nine small banks. Only

Figure 1.11 Bank return on average assets (ROAA)**Figure 1.12 Bank return on average equity (ROAE)**

seven banks (four large and three small banks) had a ROAA of above 1% and only two banks (one large and one small bank) had a ROAE of above 10%.

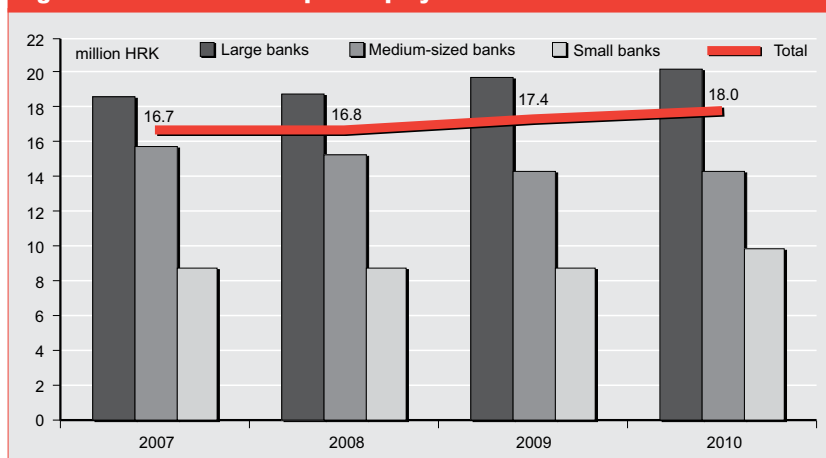
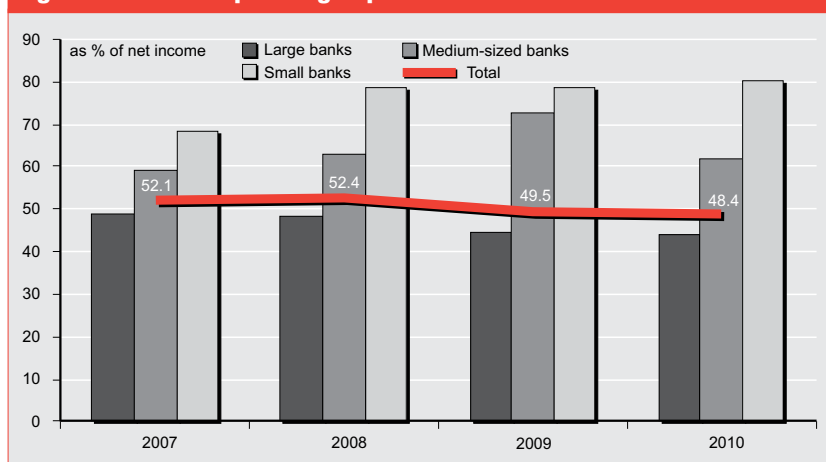
The reduction in financing costs had a favourable effect on the interest rate spread, i.e. the difference between interest rate income on average interest-bearing assets and interest expenses on average interest-bearing liabilities. After falling in 2009, the interest rate spread rose to almost 2.7%, slightly higher than levels reported in 2007 and 2008. Interest bearing liabilities rose slightly during the observed period, though their expenses fell significantly, from 4.3% at the end of 2009 to 3.2% at the end of 2010. This was very much due to a lower level of the benchmark interest rate (ZIBOR) in 2010, the high values of which led to a significant increase in interest expenses on the sources of financing in the first half of 2009. Changes in the structure of interest income, combined with an increase in irrecoverable placements that do not generate income, led to a fall in income on average interest-bearing assets from 6.5% to 5.9%. The described fall in income from interest-bearing assets and expenses on interest-bearing liabilities was partly due to developments in monthly weighted average interest rates of banks, which have been trending downwards slightly but steadily since the end of 2009 (Figure 1.14).



Despite the fact that the interest rate spread fell only in the group of small banks, it remained the highest in this group, standing at 2.8% at the end of 2010. The interest rate spread rose in other bank groups, particularly in the group of medium-sized banks, where it rose by over one half of a percentage point (to 2.1%) and to a lesser extent in the group of large banks, where it rose to almost 2.2%.

There was an increase in the number of bank employees in 2010, but owing to a small increase in assets, the average amount of assets per employee on the total bank level rose from HRK 17.4m to almost 18.0m. This indicator rose in all bank groups and was, traditionally, the highest in large banks (HRK 20.3m). Despite a somewhat bigger increase in the number of employees in medium-sized banks, the amount of assets per employee in the banks in this group rose to HRK 14.4m. The number of employees in small banks fell from the end of 2009, due to the previously mentioned decline in the number of banks in this group while the amount of assets per employee in small banks has been growing steadily, reaching HRK 9.9m at the end of 2010.

The increase in net income of banks in 2010 led to improved cost effectiveness of the industry, measured by cost to income ratio. At the end of 2009, the banks used 49.5% of net income for the

Figure 1.15 Bank assets per employee**Figure 1.16 Bank operating expenses**

coverage of general administrative expenses and depreciation. This ratio fell to 48.4% at the end of 2010. As most cost effective, large banks (43.7%) had the biggest impact on the developments in this indicator. In medium-sized and small banks, this indicator stood at a much worse 61.8% and 80.1%, respectively.

1.2.4 Credit risk

Placements and assumed off-balance sheet liabilities

Total placements and assumed off-balance sheet liabilities of banks, which are exposed to credit risk and subject to classification into risk categories, stood at HRK 419.3bn at the end of 2010 (Table 1.8). Their small fall from the end of 2009 (1.7%) was due to regulatory changes in effect since 31 March 2010¹⁵, under which the portfolio of financial assets available for sale is excluded from the

¹⁵ Decision on the classification of placements and off-balance sheet liabilities of credit institutions, (OG 1/2009, 75/2009 and 2/2010).

scope of placements and assumed off-balance sheet liabilities that are classified into risk categories. The effects of methodological changes excluded, placements and assumed off-balance sheet liabilities rose by 3.1% in real terms in 2010. This growth was the result of an increase in granted loans (from the loans and receivables portfolio), the riskiest component of credit risk exposure, which rose by 5.3% in 2010.

The credit activity of banks, which rose slightly compared to 2009, was partly financed by a decline in other forms of investment. The biggest decline was seen in given deposits, primarily due to a decline in deposits with foreign financial institutions and there was also a noticeable fall in the portfolio of financial assets held to maturity. A concomitant increase in financial assets distributed in the portfolio available for sale may have been a part of regulatory arbitrage with a view to avoiding collectively assessed impairment provisions¹⁶. By reducing their deposits with foreign financial institutions, the banks optimised their liquid foreign exchange position, which was well above the prescribed minimum of 20% at the end of 2009. In addition, changes in the reserve requirements, which made it possible also to reduce that component of reserve requirements that is maintained by the average daily balance of liquid foreign currency claims, could have led to reduced need for keeping funds in the accounts with foreign financial institutions.

TABLE 1.8 Classification of bank placements and assumed off-balance sheet liabilities by risk categories, end of period, in million HRK and %

Risk category	Dec. 2007			Dec. 2008			Dec. 2009			Dec. 2010		
	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	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage
A	384,204.3	3,484.3	0.9	408,397.9	3,674.9	0.9	403,906.5	3,613.0	0.9	386,096.8	3,564.9	0.9
B-1	4,813.9	498.4	10.4	6,312.0	661.4	10.5	10,764.0	1,416.9	13.2	16,245.6	2,154.9	13.3
B-2	2,493.6	1,052.4	42.2	2,744.7	1,128.2	41.1	5,303.4	2,225.6	42.0	9,327.2	4,147.6	44.5
B-3	639.1	470.8	73.7	808.9	572.4	70.8	1,283.3	931.8	72.6	1,895.2	1,518.0	80.1
C	4,270.3	4,268.6	100.0	4,214.6	4,193.3	99.5	5,366.6	5,281.8	98.4	5,753.2	5,752.8	100.0
Total	396,421.2	9,774.6	2.5	422,478.1	10,230.1	2.4	426,623.8	13,469.1	3.2	419,318.1	17,138.1	4.1

Note: Since 2010, the portfolio of financial assets available for sale has been excluded from the scope of placements and assumed off-balance sheet liabilities classified into risk categories.

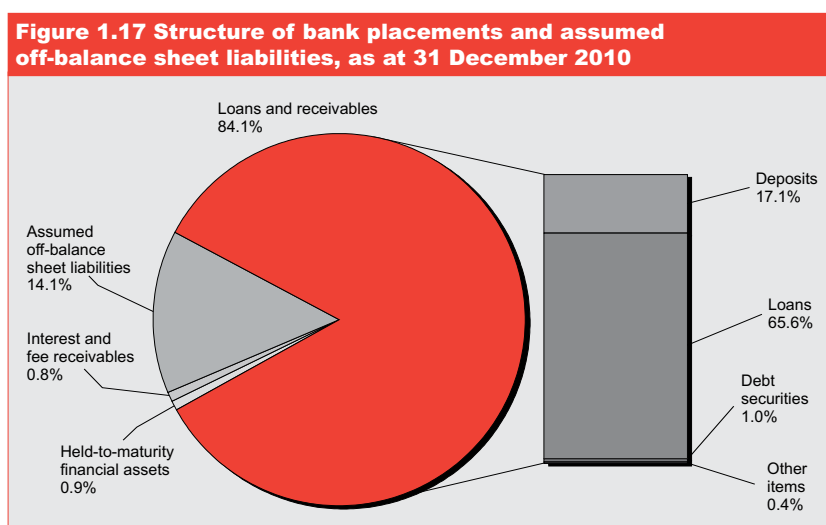
Partly recoverable placements and assumed off-balance sheet liabilities (risk categories B-1, B-2 and B-3) and fully irrecoverable placements and assumed off-balance sheet liabilities (risk category C) accounted for 7.9% of the total amount of placements and assumed off-balance sheet liabilities. The remaining 92.1% went to placements with no objective evidence of value impairment and off-balance sheet liabilities for which no outflows are expected, or if they are expected, they are expected to be fully recovered (risk category A). At the end of 2009, risk category B¹⁷ and C placements and assumed off-balance sheet liabilities accounted for 5.3% of the total. This indicator's considerable worsening in 2010 was the result of a significant growth in risk category B and C placements and assumed off-balance sheet liabilities and a small decline in A category placements and assumed off-balance sheet liabilities. The fall in risk category A placements and assumed off-balance sheet liabilities from the end of 2009 was due to the described methodological change; the portfolio of financial assets available for sale consists mainly of domestic and foreign central government securities, or the best credit

¹⁶ Credit institutions have to maintain the level of impairment (value adjustment) for placements and provisions for off-balance sheet liabilities graded A in the amount that is not below 0.85% or above 1.20% of the total balance of placements and off-balance sheet liabilities graded A.

¹⁷ The sum total of placements and assumed off-balance sheet liabilities classified into risk categories B-1, B-2 and B-3.

quality securities, which are classified into risk category A. Methodological changes excluded, there is an obvious, though small (0.5%) increase in risk category A placements and assumed off-balance sheet liabilities. By contrast, risk categories B and C continued to trend upwards strongly (46.2%), though at a slower rate than in 2009 (61.3%). Loans (from the loans and receivables portfolio) had a key influence on the quality of total placements and assumed off-balance sheet liabilities of banks. B and C risk category loans accounted for 92.9% of total placements and assumed off-balance sheet liabilities of risk categories B and C.

Placements which involve a payment delay of over 90 days can be found in risk category A. Such placements can be classified as risk category A placements provided the bank has taken legal steps towards collecting its receivables by exercising the instruments of collateral and provided not more than two years have elapsed since the bank took legal actions towards collection. Category A placements which involve a payment delay of over 90 days stood at HRK 4.0bn and accounted for 1.0% of total placements at the end of 2010, falling by 18.5% from the end of 2009. One of the reasons for the decline in category A placements with a payment delay of over 90 days certainly lies in rollover and restructuring activities. Data on monthly amounts of rolled-over and restructured placements point to a gradual fall in the intensity of these activities in 2010. It should be noted that regulations provide that placements rollover and restructuring triggered by debtors' financial difficulties require the placements to be reclassified into worse risk categories.



B and C risk category placements and assumed off-balance sheet liabilities reached their highest quarterly growth rate in the last quarter of the year, probably as a result of tighter exposure quality assessment associated with the requirement of a more realistic reporting of operating results in 2010. Accordingly, total value adjustments and provisions, including those collectively assessed, rose the most in the last quarter of 2010, reaching HRK 17.1bn at the end of that year. The ratio of total value adjustments and provisions to total placements and assumed off-balance sheet liabilities stood at 4.1%, showing an increase in this indicator for the second consecutive year and reflecting the effects of the spillover of the economic crisis to the domestic banking sector. Due to methodological changes and a fall in category A placements and assumed off-balance sheet liabilities, the coverage of this risk group, despite a decline in the relevant value adjustments and provisions, remained at the same level (0.9%). By contrast, value adjustments and provisions for B and C category placements and assumed off-balance sheet liabilities rose by 37.7% in 2010 and the assessed loss on category B and C place-

ments and assumed off-balance sheet liabilities fell from 43.4% at the end of 2009 to 40.9% at the end of 2010. Since value adjustments/provisions of 100% have to be made for category C placements and assumed off-balance sheet liabilities¹⁸, an additional picture of coverage is obtained on the basis of observation of the coverage of B category placements and assumed off-balance sheet liabilities by value adjustments/provisions. This indicator rose from 26.4% at the end of 2009 to 28.5% at the end of 2010, as a result of the domination of risk category B-1, which accounts for a little over one half of the total amount of B category exposure and for which the banks have to make value adjustments/provisions of 30% of the nominal net book value of exposure.

In 2010, B and C category placements and assumed off-balance sheet liabilities rose the most in large banks. Nevertheless, of all bank groups, this bank group maintained the lowest value of B and C categories in total placements and assumed off-balance sheet liabilities (7.3%). Medium-sized and small banks had almost the same value of this indicator at the end of 2010 (11.1% and 11.0%, respectively). A year before, the share of B and C category placements and assumed off-balance sheet liabilities was higher in small banks. However category B and C placements and assumed off-balance sheet liabilities of small banks grew at a much slower rate than in the other two bank groups in 2010.

Loans

Persistent negative developments in the real sector and the labour market again brought about high-level risk aversion in banks and their clients, particularly households. Credit activities of banks continued to be low in 2010 compared to the pre-crisis periods, though they rose somewhat compared to the year 2009. Granted bank loans (distributed in the loans and receivables portfolio, gross) stood at HRK 274.9bn at the end of 2010, which is an increase of HRK 13.8bn or 5.3% from the end of the previous year (Table 1.9). The exchange rate changes had a significant impact on the reported growth in bank loans. Their effects excluded, loans grew 3.5% effectively.

Methodological changes make it difficult to compare data on credit exposure in 2010 with data from previous periods.¹⁹ Even where the effect of methodological changes is excluded, to the extent possible, it is evident that the largest share of loan increase in 2010 went to corporates. The corporates used the bulk of these funds to finance working capital and maintain liquidity. In terms of the amount of increase in loans, less risky sectors such as government units and financial institutions came next. They were followed by non-residents to whom the banks placed a much bigger amount of loans than in 2009. The share of loans to non-residents in total bank loans remained low (0.8%)²⁰ while their quality, previously poor, deteriorated further. The effect of exchange rate changes excluded, household loans fell slightly, though at a slower rate than in 2009.

18 The obligation of value adjustments/provisions for risk category C of 100% has been in effect since 31 March 2010. Before that, value adjustments/provisions for that category were able to range between 90% and 100%.

19 As from 31 March 2010, credit institutions submit credit exposure and credit quality data by means of reporting records (Decision on statistical and prudential reporting, OG 35/2010, 95/2010, and 146/2010), and exposure distributions by sectors and by activities are determined by the CNB based on personal identification numbers of clients submitted by credit institutions through reporting records and personal identification numbers supplied by the CBS. The distribution of exposures by sectors is carried out in accordance with the European System of National Accounts (ESA 95) while that by activities is carried out in accordance with the National Classification of Economic Activities 2007. Prior to 31 March 2010, the banks distributed exposures by sectors and activities on their own, in accordance with regulations governing the chart of accounts (sectors) and supervisory reports at that time and the National Classification of Economic Activities 2002.

20 A little over one half of the balance of loans to non-residents at the end of 2010 went to loans to clients from Slovenia and Bosnia and Herzegovina

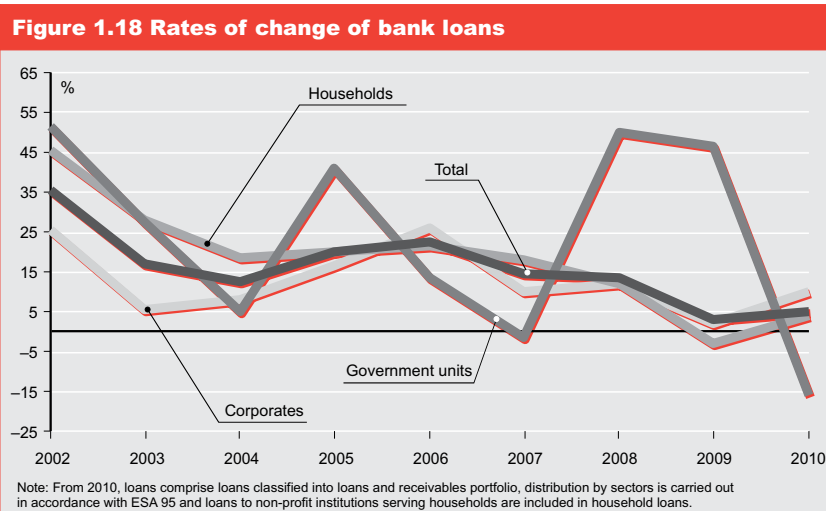
TABLE 1.9 Bank loans, end of period, in million HRK and %

	Dec. 2007		Dec. 2008			Dec. 2009			Dec. 2010		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans											
Government units	14,328.2	6.5	21,509.8	8.5	50.1	31,547.7	12.1	46.7	26,505.5	9.6	-16.0
Corporates	86,193.5	38.8	96,827.7	38.3	12.3	98,924.4	37.9	2.2	109,268.7	39.7	10.5
Households	112,364.3	50.6	125,922.6	49.8	12.1	122,195.0	46.8	-3.0	127,135.7	46.2	4.0
Home loans	45,231.6	20.4	52,317.5	20.7	15.7	52,959.6	20.3	1.2	57,981.0	21.1	9.5
Mortgage loans	2,934.8	1.3	3,130.1	1.2	6.7	3,084.2	1.2	-1.5	3,513.3	1.3	13.9
Car loans	9,388.9	4.2	9,646.0	3.8	2.7	7,810.5	3.0	-19.0	6,236.8	2.3	-20.1
Credit card loans	4,923.3	2.2	5,529.7	2.2	12.3	5,022.3	1.9	-9.2	4,386.8	1.6	-12.7
Other household loans	49,885.7	22.5	55,299.3	21.9	10.9	53,318.4	20.4	-3.6	55,017.7	20.0	3.2
Other sectors	9,204.1	4.1	8,422.1	3.3	-8.5	8,472.0	3.2	0.6	12,039.7	4.4	42.1
Total	222,090.2	100.0	252,682.2	100.0	13.8	261,139.0	100.0	3.3	274,949.6	100.0	5.3
Partly recoverable and fully irrecoverable loans											
Government units	26.8	0.3	67.0	0.5	149.7	62.1	0.3	-7.4	75.5	0.2	21.7
Corporates	6,333.4	59.2	7,234.8	58.0	14.2	12,736.0	62.6	76.0	19,622.8	63.6	54.1
Households	4,206.0	39.3	4,998.4	40.1	18.8	7,081.3	34.8	41.7	9,930.0	32.2	40.2
Home loans	725.5	6.8	891.9	7.1	23.0	1,446.6	7.1	62.2	2,584.7	8.4	78.7
Mortgage loans	296.6	2.8	304.0	2.4	2.5	368.0	1.8	21.1	788.6	2.6	114.3
Car loans	292.7	2.7	277.6	2.2	-5.2	330.3	1.6	19.0	257.6	0.8	-22.0
Credit card loans	60.8	0.6	102.8	0.8	69.2	152.6	0.7	48.4	174.6	0.6	14.4
Other household loans	2,830.5	26.5	3,422.1	27.4	20.9	4,783.8	23.5	39.8	6,124.6	19.8	28.0
Other sectors	126.9	1.2	178.0	1.4	40.2	481.7	2.4	170.5	1,230.6	4.0	155.5
Total	10,693.2	100.0	12,478.3	100.0	16.7	20,361.1	100.0	63.2	30,858.9	100.0	51.6
Value adjustments of partly recoverable and fully irrecoverable loans											
Government units	11.9	0.2	14.5	0.2	21.9	5.5	0.1	-61.9	6.0	0.1	8.8
Corporates	2,869.6	49.3	2,904.6	45.2	1.2	4,232.1	48.6	45.7	6,221.7	52.0	47.0
Households	2,818.9	48.4	3,391.3	52.7	20.3	4,309.5	49.5	27.1	5,269.9	44.1	22.3
Home loans	362.5	6.2	384.3	6.0	6.0	516.7	5.9	34.4	749.8	6.3	45.1
Mortgage loans	118.2	2.0	118.7	1.8	0.4	116.6	1.3	-1.7	226.9	1.9	94.5
Car loans	218.9	3.8	204.9	3.2	-6.4	206.4	2.4	0.8	141.5	1.2	-31.4
Credit card loans	47.2	0.8	89.0	1.4	88.3	125.6	1.4	41.2	149.9	1.3	19.4
Other household loans	2,072.0	35.6	2,594.4	40.4	25.2	3,344.2	38.4	28.9	4,001.7	33.5	19.7
Other sectors	120.4	2.1	118.9	1.8	-1.2	163.5	1.9	37.5	462.2	3.9	182.7
Total	5,820.7	100.0	6,429.3	100.0	10.5	8,710.6	100.0	35.5	11,959.7	100.0	37.3

Note: From 2010, loans comprise loans classified into loans and receivables portfolio, distribution by sectors is carried out in accordance with ESA 95 and loans to non-profit institutions serving households are included in household loans.

The effective fall in household loans in 2010 can be attributed to a decline in loans in Swiss francs (kuna loans with a currency clause in that currency included). The increased volatility of the exchange rate of the kuna against the Swiss franc reduced the appeal of and the demand for this type of loans, leading to a significant effective fall. The total amount of household loans fell as a result of the large share of these loans (almost one quarter) in total household loans. As loans indexed to the Swiss franc account for a large share of home loans, there was a significant difference between the nominal and effective developments in these loans, as seen in the fact that, notwithstanding their considerable nominal increase, their total amount held steady effectively. It should be noted that home loans in euro (kuna loans with a currency clause in that currency included) rose in 2010, in contrast with those indexed to the Swiss franc and those in kuna (without a currency clause) that fell.

The amount of car loans, like that of credit card loans, continued to trend downwards for the second consecutive year, at a somewhat faster rate. As these are the loans with the lowest level of B and C risk

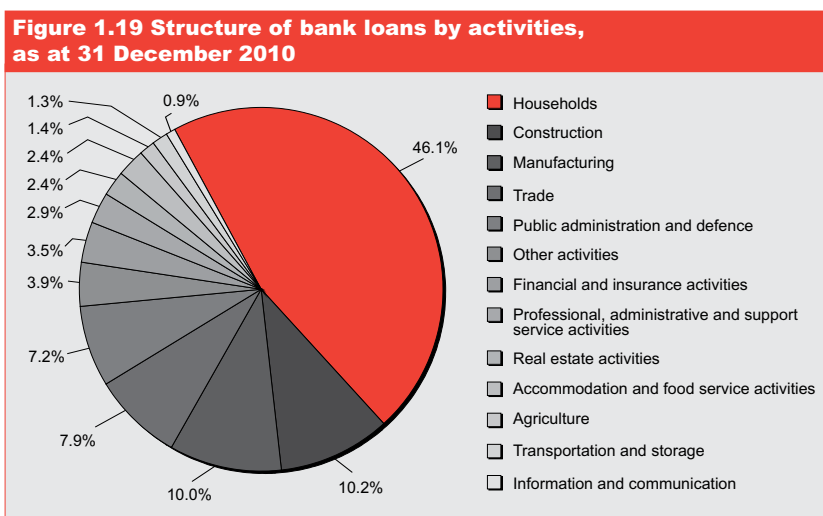


category loans, such developments can probably be attributed to falling demand for this type of loan and not to restrictions on the supply side. The demand factor probably also had a key effect on the decline in the use of the overdraft facility. By contrast, long-term general purpose household loans, particularly cash general purpose and mortgage loans, rose effectively, and were probably partly used by households to close their other due liabilities towards the banks.

As regards total bank loans, there was an increase in the share of the euro component, which thus strengthened its dominant position with a share of 60.2% of total bank loans, while the share of other currencies, including the kuna (without the currency clause) shrank. Clients with mainly kuna inflows, the bulk of whose credit liabilities are indexed to a foreign currency, are exposed to a currency-induced credit risk (CICR), i.e. to the inability to service the increased kuna equivalent of their credit liabilities as they fall due in case of a weakening of the kuna. Of the total amount of bank loans (net) at the end of 2010, 74.7% were exposed to CICR while at the end of 2009, this indicator stood at 72.6%. Hedged loans accounted for 7.2% of loans exposed to CICR, loans not subject to hedge assessment (as they are exempted from the obligation of assessment due to their small amount) accounted for 3.0% of these loans and the remaining 89.8% went to loans unhedged against CICR, i.e. to loans to clients with an unmatched currency position and with foreign currency-indexed liabilities.

From 31 March 2010, or ever since the distribution of loans by activities in accordance with the National Classification of Economic Activities 2007 had become available, until end-2010, banks increased the most the amount of loans granted to the construction activity (household loans excluded), which as a result accounted for the second largest share in the distribution of total bank loans (Figure 1.19). In terms of the increase in loans, financial and insurance activities, real estate activities, public administration and defence and accommodation and food service activities came next. In search of new and creditworthy customers, the banks have considerably increased loans to activities that are otherwise less represented in their credit portfolios, such as, for instance, education, art, entertainment and other service activities and activities related to the protection of the environment and renewable sources of energy.²¹ Loans to non-residents, most notably non-resident corporates also

²¹ Water supply, wastewater disposal, waste management and environmental improvement activities.



rose significantly. The share of manufacturing and trade in the distribution of loans by activities fell from the end of March 2010. Loans to these activities rose very slightly during the observed period, but fell in the last quarter of 2010.

Loans to the construction activity rose by HRK 2.9bn (11.5%) in the observed nine months, with HRK 0.9bn going to corporates involved in the construction and management of motorways and state roads, whose loans are covered by state guarantees. After education, real estate activities saw the highest growth rate of loans granted (35.1%), so that total bank loans granted to the activities associated with the real estate market, construction and real estate activities rose by HRK 4.6bn or 15.4% during the observed period. Some of the increase in loans to the real estate activities probably went to companies set up by construction activity companies for the purpose of managing unsold residential units. By providing direct support to the construction and real estate activities through increased bank lending and lower interest rates, the banks tried to enhance the attractiveness and availability of home loans and boost the real estate market. In addition, home loans are one of the key channels for goods and services cross-selling, used by banks in an attempt to stabilise their compromised business results.

Looking at the types of loans granted to residents, from 31 March 2010, when a detailed distribution of loans by types was made available, until end 2010, the amount of loans for working capital and cash general-purpose loans clearly grew the most, with loans for payments made based on guarantees and factoring also growing at high rates. The amount of loans for car purchase fell the most, followed by loans for export financing and for transaction account overdraft. Financial leasing and consumer and margin loans fell at significant rates. All this shows that bank loans are used for maintaining liquidity positions and that there is an absence of any significant new project financing, while the household sector continues to exercise increased caution as regards further consumption and borrowing.

As regards bank groups, small banks witnessed the highest growth rate in granted loans (8.5%) in 2010, with the bulk of the increase being placed to corporates. A number of small banks saw very high growth rates of granted loans, and in five of them granted loans grew at over 25%. A decline in loans granted was reported in six banks, all of which belonged to the group of small banks. This group was again the only bank group in which loans to corporates accounted for the biggest share of

loans in terms of their distribution by sectors. In large and medium-sized banks and thus at the total bank level as well, household loans accounted for the biggest share of the total. Despite a significant influence of exchange rate changes and the associated increase in household loans, in terms of distribution of bank loans by sectors, the share of household loans fell to 46.2%. The share of loans to corporates rose considerably as a result of a large increase in corporate loans in large banks. Granted loans rose by a total of 4.7% in this bank group. In medium-sized banks, loans grew by 7.9%, mostly driven by a sharp increase in loans to government units.

The growth in B and C risk category loans, largely present since the last quarter of 2008, continued into 2010. B and C category loans grew at a slower rate than in 2009 (51.6% compared to 63.2%), and, a small recovery in credit activities notwithstanding, their share in total bank loans rose from 7.8% at the end of 2009 to 11.2% at the end of 2010. This is due to the insufficient level of credit activities involving new and low-risk clients and the deterioration of the financial position of the debtors and their reduced ability to repay bank loans, most notably in case of corporates.

The growth in total B and C risk category loans was largely due to their increase in the corporate sector, which is in line with developments so far and with the traditionally higher degree of risk involved in case of loans to the corporate sector. The growth rate of risk category B and C corporate loans, though still high, was much lower than in 2009, while the growth dynamics of these loans in the household sector held steady at an almost unchanged level. One of the factors responsible for such developments is the materialisation of the CICR, particularly in case of home loans indexed to the Swiss franc.

Due but unpaid loan receivables (of over one day) rose considerably in the corporate and the household sectors, particularly in case of mortgage and home loans. As most household loans belong to the so-called small loan portfolio, which can be classified into risk categories on the basis of the criterion of timeliness in meeting the obligations (the criteria of credit worthiness and the quality of instruments of collateral need not be applied), the growth in due but unpaid liabilities arising from mortgage and home loans was accompanied by an increase in B and C category mortgage and home loans. For the same reason, due but unpaid liabilities of households are largely covered by value adjustments. Given that home and mortgage loans are generally largely covered by real estate, the coverage of B and C category loans by value adjustments was lower than in the case of other type of household loans. A large share of home loans in credit portfolios of banks and large shares of loans to the construction and real estate activities have a big influence on the indicator of B and C category loans coverage by value adjustments. Loans for financing construction and sale of real estate, usually well covered by collateral, made a significant contribution to the increase in total B and C category loans and a fall in the coverage in total B and C category loans, which decreased from 42.8% at the end of 2009 to 38.8% at the end of 2010, thus continuing its downward trend present for several years. The fall in this indicator could also have been spurred by loan rollover and restructuring, where the banks may require additional collateral, while being obligated, where placement rollover and restructuring is triggered by the financial difficulties of the debtor, to reclassify such loans into worse risk categories. At the end of 2010, the share of B and C category loans with a payment delay of over 90 days stood at 7.9% of total bank loans and accounted for a much lower share than the total share of these loans (11.2%).

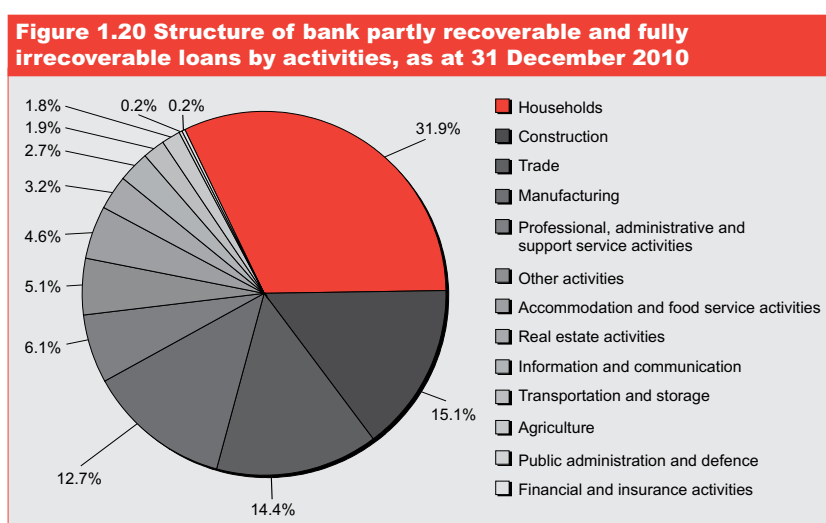
In 2010, home loans lost the status of the highest quality component of household loans. The share of B and C risk categories rose from 2.7% of the total home loans at the end of 2009 to 4.5% at the

end of 2010, with car loans and credit card loans rating higher in terms of loan quality. The growth in the level of B and C risk category home loans was largely driven by a worsening in home loans in Swiss francs (kuna loans indexed to the Swiss franc included). The loans in Swiss francs accounted for the largest share of the bank's credit portfolios at the end of 2007, and have been falling steadily since that year. At the end of 2010, they accounted for 12.9% of total bank loans, and the bulk of them, or a little over 85%, went to loans granted to the household sector. With loans in Swiss francs accounting for 43.9% of household home loans, the rapid worsening in their quality in 2010 led to a growth in the share of B and C category loans in total home loans of banks. At the end of 2010, B and C category loans accounted for 3.0% of home loans in euros and 5.7% of home loans in Swiss francs. Exchange rate developments have certainly contributed to the materialisation of CICR associated with loans in Swiss francs, but this can also be possibly attributed to other factors, such as the increase in interest rates on these loans as the first indications of the crisis appeared and a sharp increase during the relaxation of lending standards.

Car loans were the only type of household loans that witnessed a decrease in the share of B and C category loans while at the same time risk category A car loans with a payment delay of over 90 rose sharply. Due to an increase in almost all types of household loans, risk category A household loans with a payment delay of over 90 days rose steeply. B and C category household loans might increase considerably in the forthcoming period due to this sector's response to unfavourable economic developments being later than that of corporates. A fall in the category A corporate loans with a payment delay of over 90 days led to a considerable decline in the total amount of these loans in 2010. Their share in total bank loans fell from 1.7% at the end of 2009 to 1.4% at the end of 2010.

The increase in B and C category corporate loans of 54.1%, led to an increase in their share in total loans to that sector of a high 18.0%. This value was largely due to one large bank whose B and C category loans to corporates accounted for almost one third of total loans to that sector. The large bank data excluded, the share of B and C category loans to corporates amounted to 15.7%.

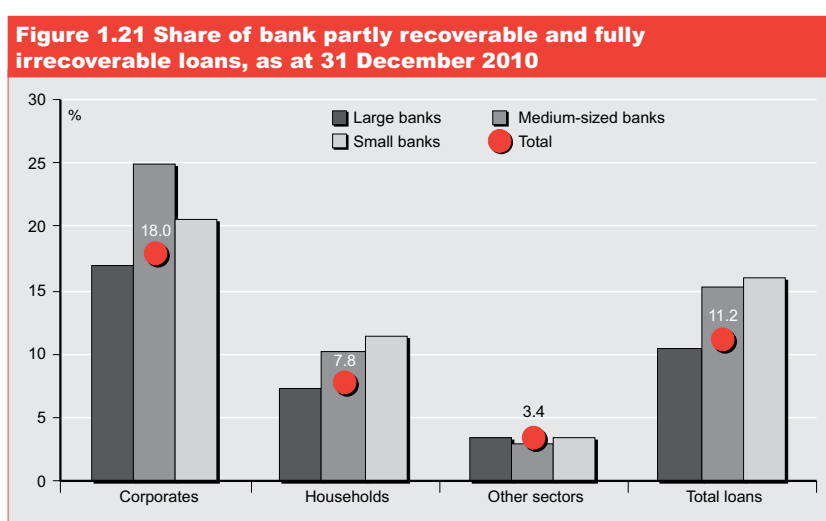
In the period from 31 March to the end of 2010, the increase in B and C category loans in construction was the main generator of growth in total B and C category loans (household loans excluded). In terms of growth in B and C category loans, trade, accommodation and food service activities, professional, administrative and other ancillary services came next while real estate activities had the



highest growth rate in B and C category loans. The largest increase in the share of B and C loans was seen in real estate activities, accommodation and food services and construction while a considerable improvement in the quality of loans was seen in agriculture (forestry and fishery included) and in individual, less represented activities such as education and health care.

Of the activities leading in terms of their shares in total bank loans (over 5%), trade had the worst credit quality at the end of 2010. Category B and C loans in this activity accounted for 20.4% of total loans. Category B and C loans in construction came next, accounting for 16.7% of total loans. However, while loans to the trade sector rose slightly during the observed period, those to the construction sector rose considerably, only slightly below the amount of increase in household loans (which, it should be noted, was attributable to exchange rate differentials). The growth in B and C category loans in construction was particularly strong in the last quarter of 2010, when these loans grew by 29.4%. B and C category loans grew even faster in the real estate business during that quarter (145.0%), with the result that the share of B and C loans in total loans in this business activity doubled from the end of the previous quarter and reached 14.9%. A deterioration in the quality of loans to the construction and real estate activity notwithstanding, the banks continued to increase exposure to these activities, which led to their increased sensitivity to real estate market developments. In 2008, the growth of home loans was the largest source of growth in household loans and in 2009, home loans were the only category of household loans that recorded growth. However, these loans held steady in 2010, and banks' business models, which focus on construction financing and sale of commercial and residential units, proved to be highly sensitive to the economic cycle.

From the last quarter of 2008 and the beginning of a sharper increase in B and C category loans, these loans grew the fastest in large banks. In 2010, B and C category loans rose by 56.4% in large banks, mainly spurred by the growth in B and C category loans to corporates. Small banks also saw a faster growth in corporate B and C category loans than in household B and C category loans. The growth in household B and C category loans was more pronounced only in medium-sized banks, due to their sharp increase (mainly in the home loans segment) in one bank in that group. B and C category loans rose by a total of 44.6% in medium-sized banks and 30.7% in small banks. Large banks kept the share of B and C category loans below the shares of these loans in other bank groups. This indicator stood at 10.3% in large banks and 15.3% and 16.0% in medium-sized and small banks,



respectively. The values of this indicator largely reflect the credit portfolio structures of individual bank groups. The share of less risky sectors, such as the household sector and government units was considerably lower in small banks while the share of corporates in this bank group was higher than in large and medium-sized banks. Small banks were not able to follow bigger corporates that are as a rule more stable, while as regards household loans of small banks, other loans were the dominant category (cash general purpose loans, transaction account overdraft etc.). These loans are characterised by poorer quality than the home loans that account for the major share of large banks' household loans portfolios.

1.2.5 Liquidity risk

Sources of financing

At the end of 2010, the sources of bank financing²² totalled HRK 323.0bn, which is an increase of HRK 9.7bn or 3.1% on an annual level. However, it should be noted this increase was to a great extent due to exchange rate developments, so that the actual annual growth rate of the sources, with the exchange rate changes excluded, stood at 1.6%.

The growth in the sources of financing in 2010 was based exclusively on growth in deposits, in particular in the domestic component, or household deposits which rose by HRK 11.4bn or 8.1%. Received loans fell by HRK 3.2bn or 6.0%, continuing the several-year-long downward trend in the share of received loans in total sources of financing (Table 1.10). Banks' unwillingness to kick-start stronger credit activity resulted in a reduced need for interbank financing and sources from majority foreign owners. Deposits and loans from majority foreign owners fell by HRK 881.3m or 1.5%, with their share in total sources falling to 18.2%. Hybrid and subordinated instruments saw the highest annual growth rate (14.3%), though their share in the total sources of financing rose only slightly, to 1.2%.

Deposits continued to be the dominant source of financing in all bank groups and particularly in the group of medium-sized banks. All bank groups, particularly medium-sized banks, reported a decrease in the share of received loans. This bank group also reported the highest growth rate in subordinated and hybrid instruments, whose general importance nevertheless remained relatively low.

TABLE 1.10 Structure of bank sources of financing, end of period, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010
Deposits	81.0	82.2	85.5	89.3	87.3	87.4	82.0	83.3
Loans	17.9	16.7	12.6	8.2	11.5	11.3	16.9	15.4
Debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid and subordinated instruments issued	1.0	1.1	2.0	2.4	1.1	1.3	1.1	1.2
TOTAL SOURCES OF FINANCING	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Deposits and loans of majority foreign owner	22.0	21.3	8.3	6.3	1.8	2.9	19.1	18.2

²² The sources of financing include received deposits, received loans, issued debt securities and issued subordinated and hybrid instruments.

Sources from majority foreign owners²³ stood at HRK 58.9bn at the end of 2010, while the funds received again mainly involved deposits (HRK 35.9bn) and to a lesser extent received loans (HRK 23.0bn). Kuna deposits without a currency clause accounted for 41.1% of the total amount of deposits of majority foreign owners. A total of 12 banks used the sources of their majority foreign owners, in amounts that ranged from 2.3% to 38.9% of the total loans and deposits received.

Sources from majority foreign owners fell by HRK 775.7m, or 1.4%, in large banks, influenced by a big fall in two large banks. In contrast, the remaining large banks saw an increase in these sources that was however insufficient to compensate for that fall. Medium-sized banks recorded a significant decline in the sources from majority foreign owners (21.5%) due to the repayment of all the received loans by one medium-sized bank. By contrast, small banks increased their debt from this source by as much as 86.0%, due to the high growth rates of loans and deposits in three banks in that group. Although the shares of majority foreign owners in total sources declined in large and medium-sized banks to 21.5% and 6.5%, respectively, they rose in small banks, to 2.9%.

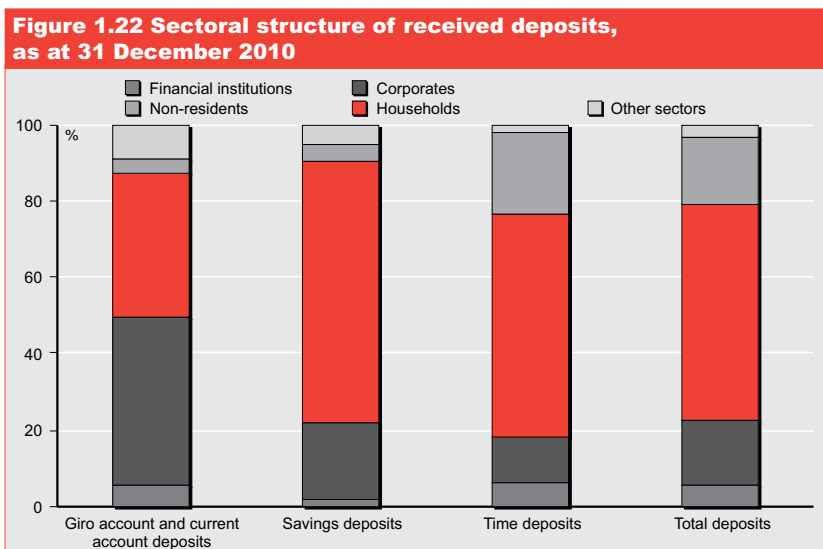
A decline in the total received loans of banks was the result of a fall in the loans from domestic banks (69.7%), while loans from non-residents fell by only 0.5% (Table 1.11). As a result of such developments, the share of loans from the CBRD rose additionally, accounting for 88.5% of all loans from the domestic sources and 32.3% of the total received loans. A decline in the received loans of banks was the result of their decline in large and medium-sized banks (HRK 2.3bn and HRK 1.8bn, respectively) while the increase in small banks, of HRK 322.5m, did not make a big contribution to total bank debt. Medium-sized and small banks again relied mainly on loans on the domestic financial markets (share of 95.5% and 79.5%, respectively, of the total received loans) while large banks relied on non-resident loans (69.9% of the total received loans), the major share of which consisted of loans from majority foreign owners (73.7%).

TABLE 1.11 Sectoral structure of received loans, end of period, in million HRK and %

	Dec. 2007		Dec. 2008			Dec. 2009			Dec. 2010		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from government units	183.3	0.4	125.7	0.2	-31.4	62.2	0.1	-50.6	15.2	0.0	-75.5
Loans from financial institutions	20,573.0	39.3	19,270.0	37.0	-6.3	21,180.5	40.0	9.9	18,178.8	36.5	-14.2
Loans from corporates	189.4	0.4	3.5	0.0	-98.1	4.6	0.0	29.7	1.7	0.0	-62.7
Loans from foreign financial institutions	31,117.8	59.5	32,603.9	62.5	4.8	31,712.7	59.9	-2.7	31,571.0	63.4	-0.4
Loans from other non-residents	248.3	0.5	129.3	0.2	-47.9	8.0	0.0	-93.8	6.4	0.0	-20.3
TOTAL LOANS RECEIVED	52,311.8	100.0	52,132.6	100.0	-0.3	52,968.0	100.0	1.6	49,773.1	100.0	-6.0
Loans from majority foreign owner	17,600.8	33.6	22,735.6	43.6	29.2	23,641.7	44.6	4.0	23,033.5	46.3	-2.6

Time deposits, most notably those of households and to a much lesser extent those of non-residents and government units, accounted for the bulk of the annual increase in deposits (HRK 7.5bn). By contrast, the corporate sector again reported a decline in time deposits, though at a rate which was two times lower than in 2009 (4.0% compared to 8.8%). Domestic financial institutions also reported a considerable fall in time deposits (16.8%), which led to a slowdown in the increase of these deposits (3.8%), and a decrease in their share in total deposits (76.2%). The remaining two types of deposits, giro and current account deposits and savings deposits, grew much faster (7.9% and 8.9%,

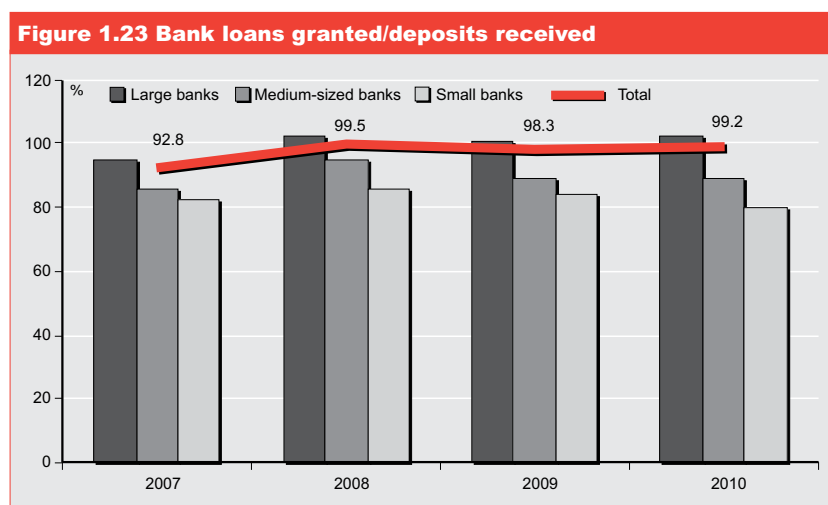
23 Further analysis of the sources of financing involves received deposits and loans exclusively.



respectively), thus increasing their share in total deposits of banks. At the end of 2010, giro and current account deposits accounted for 13.8% and savings deposits for 9.9% of total deposits.

The entire increase in deposits in 2010 was based on a growth in foreign currency deposits, which rose by HRK 12.9bn (7.6%) from the end of 2009, mainly as a result of growth in time and savings foreign currency household deposits in contrast with kuna deposits, which held steady. As a result, the share of foreign currency deposits in total deposits rose to 67.4% of total deposits. Combined with kuna deposits with a currency clause, the share of deposits indexed to a foreign currency stood at 69.1%. Euro deposits again accounted for the major share of these deposits (87.8%), while American dollars and Swiss francs accounted for the remaining share (6.0% and 5.1%, respectively). As a result, the depreciation of the exchange rate of the kuna against these currencies had a large impact on the growth in total deposits, which actually rose by approximately 1.6% if exchange rate effects are excluded.

The described rapid growth in foreign currency deposits led to a further fall in the share of kuna deposits in total deposits (30.9%), a trend which started in early 2008. Stagnation in kuna deposits on an annual level (an increase of only HRK 169.7m or 0.2%) is due to a fall in time kuna deposits



of other corporates, which declined by HRK 2.7bn or 26.6% as well as deposits of domestic financial institutions, which fell by a total of HRK 1.9bn or 20.0%. Unlike several previous periods, household time kuna deposits were on the increase, rising by 5.7%. Kuna deposits with a currency clause fell by 12.3% or HRK 659.4m.

Received deposits grew at a rate almost twice as fast as that of loans granted, which led to a fall in their ratio at the end the year as compared to the end of 2009 (Figure 1.23). Large banks again had the biggest influence on the level of this ratio, which was the highest in this bank group and the only one which was above 100% (102.7%). The ratio stood at 89.4% in medium-sized and 80.5% in small banks.

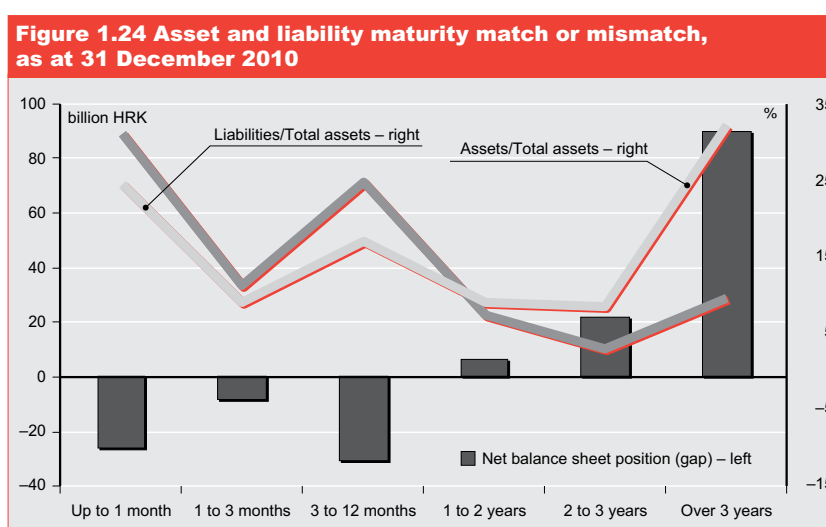
Maturity structure of bank assets and liabilities

At the end of 2010, the short-term negative cumulative gap²⁴ (up to one year) stood at HRK 64.4bn, up by almost HRK 12.7bn from the end of 2009 (Figure 1.24), while the coverage of short-term liabilities by short-term assets fell from 79.7% at the end of 2009 to 75.5% at the end of 2010.

An increase in the cumulative short-term mismatch is the result of a simultaneous decline in assets with a remaining maturity up to one year (HRK 5.6bn or 2.8%) and an increase in liabilities with the same maturity (HRK 7.1bn or 2.8%).

A decline in short-term assets was mainly due to the substitution of short-term loans to government units by long-term loans to that sector (HRK 12.7bn). Assets with a remaining maturity of over one year rose by HRK 18.3bn or 10.3%, driven by the mentioned increase in long-term loans to government units and the increase in long-term household and corporate loans.

Deposits were the only bank liabilities with a remaining maturity up to one year that saw a significant increase (HRK 8.0bn or 3.7%). There was a decline in the shortest-term time deposits, those of up to one month and an almost equal increase in time deposits maturing between three and 12 months.



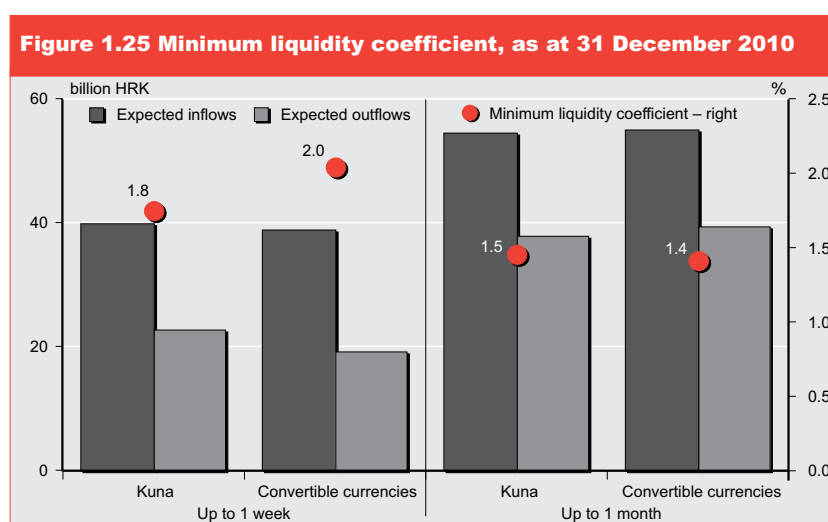
24 This represents the difference between assets (net) and liabilities with the same period until maturity.

Long-term time deposits rose considerably (11.3%) as a result of an increase in maturities of over three years. This growth notwithstanding, the share of deposits with a remaining maturity below one year fell slightly, from 85.0% to 84.1% of total deposits, as a result of higher growth rates of long-term than short-term time deposits, which points to a small extension of maturity terms compared to the end of 2009. Influenced by the fall in the shortest-term loans (up to one month) received from financial institutions, the share of received loans with a remaining maturity below one year to fall by one percentage point to 46.3%.

Minimum liquidity coefficient

As at 31 December 2010, the minimum liquidity coefficient (MLC) of banks for kuna, in the period up to one week stood at 1.8, and in the period up to one month at 1.5 (Figure 1.25).²⁵ The MLC for convertible currencies in the period up to one week stood at 2.0 and in the period up to one month at 1.4.²⁶ The reported MLCs show that the banks tend to maintain somewhat higher liquidity surpluses in the period up to one week than in the period up to one month. Under a stress scenario determined by the CNB²⁷, at the end of the year the banks had at their disposal a sufficient amount of liquid assets (assets and inflows) both in kuna and in convertible currencies to meet all the estimated liquidity needs.

As expected, large banks reported the lowest values of minimum liquidity coefficients in kuna and in convertible currencies of all bank groups. The values of their coefficients moved within a very narrow margin throughout the year and stood at satisfactory levels. From June to end-September 2010, there was an increase in the value of the coefficient in convertible currencies in the period up to one week due to an increase in the expected inflows based on short-term government securities and a



25 The minimum liquidity coefficient (MLC) is the ratio of expected cash inflows (readily marketable assets included) and expected cash outflows in two different periods (up to one week and up to one month). The MLC is calculated for kuna, all convertible currencies combined and each non-convertible currency separately. The MLC for each day in the period up to one week and up to one month must be greater than or equal to one.

26 No bank has reported MLC for non-convertible currencies. It has to be calculated in the case where outflows in a non-convertible currency account for over 1% of the total assets of a credit institution.

27 Assets and liabilities categories which are taken into account in MLC calculation are adjusted by the prescribed volatility adjustments or volatility adjustments obtained by the credit institution on the basis of own estimates of volatility adjustments. Only one large bank used own estimates of volatility adjustments.

decrease in outflows based on time deposits of professional participants in the money market in the Republic of Croatia.

Medium-sized and small banks reported somewhat higher values of the liquidity coefficient, particularly in the case of convertible currencies. This was not surprising, given the predominant reliance of these two bank groups, particularly small banks, on domestic sources of financing. The liquidity coefficient of medium-sized banks, particularly that for convertible currencies, moved within the widest range and fluctuated the most, which, as a result of a decline in the expected outflows based on derivative financial instruments and an increase in inflows based on time deposits with foreign financial institutions, was seen in July as an increase in the minimum liquidity coefficient while a reversal in these changes led to a decline in this coefficient in December.

The total readily marketable assets²⁸ of banks stood at almost HRK 57.0bn at the end of the year, accounting for 14.6% of total bank assets; i.e. the banks estimated that they could turn into cash a little over one tenth of their total assets in four days without any major losses. The level of readily marketable assets mainly held steady throughout 2010, reaching its highest value at the end of the third quarter when it stood at HRK 58.1bn. At the end of the year, small banks had the highest share of readily marketable assets in total assets (17.9%). Medium-sized banks accounted for a slightly lower share (16.3%) and, not surprisingly, large banks kept the lowest share of readily marketable assets (14.0%), due to their faster and easier access to liquidity sources.

Readily marketable assets were almost equally distributed to assets in kuna (48.5% at the end of 2010) and assets in convertible currencies.²⁹ (51.5%) The bulk of highly liquid assets in kuna (HRK 20.3bn or 73.4%) comprised deposits with the CNB and T-bills of the Ministry of Finance while the bulk of readily marketable assets (HRK 24.3bn or 82.8%) in convertible currencies comprised deposits with credit institutions and securities available for sale.

1.2.6 Currency structure of bank assets and liabilities

One of the main characteristics of the domestic banking system is the very high share of items in foreign currencies (this includes items in kuna with a currency clause) in the balance sheets of banks. On the assets side, this share stood at 65.8% and on the liabilities and capital side it stood at 59.4% at the end of 2010. Of the total liabilities of banks, 68.9% were in foreign currencies or in kuna with a currency clause, mainly owing to household preferences for foreign currency savings.

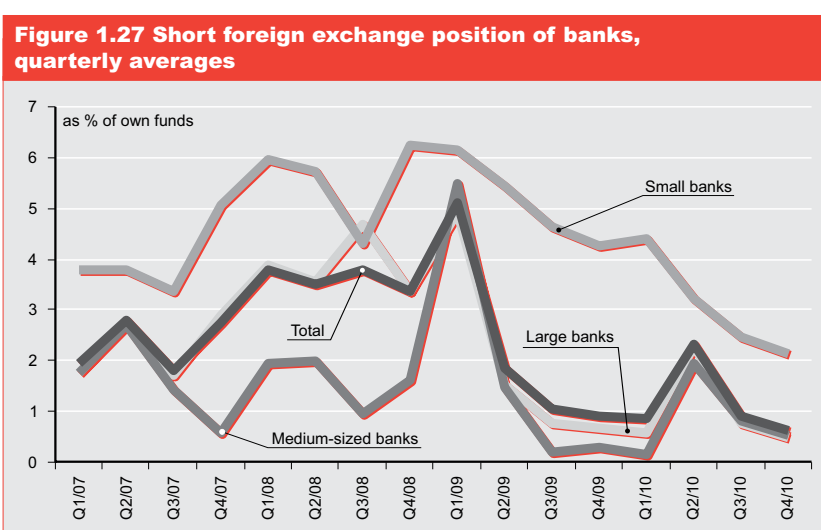
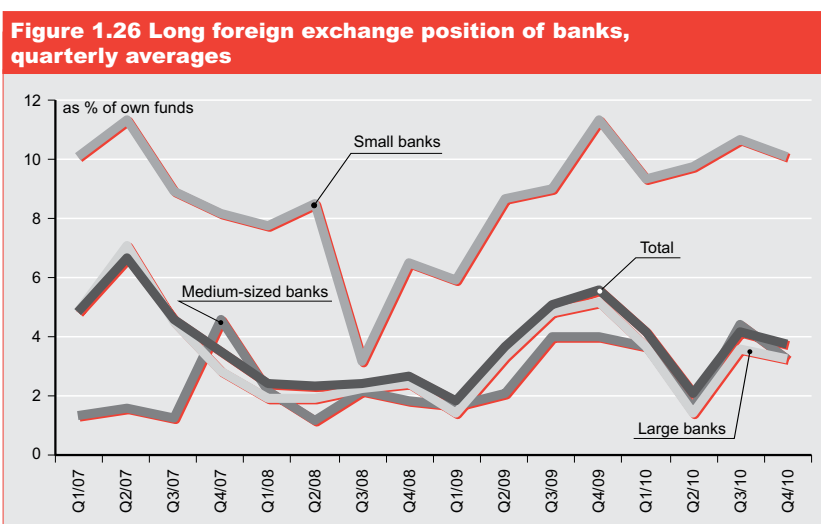
The banks hedged their long open spot foreign exchange position, largely generated by their position in Swiss francs, by means of a forward position, thus reducing their direct exposure to foreign exchange risk to a low level, which was considerably lower than the legally prescribed maximum of 30%. At the end of 2010, the open currency position of the banking system was long, standing at 2.8% of own funds. In all the observed quarters of 2010, the banks' average long position was larger

²⁸ Readily marketable assets (RMA) are those liquid assets which are available to the credit institution and which may be turned into cash quickly (within four working days) and easily (with no significant losses).

²⁹ It should be noted that for the purposes of the Decision on liquidity risk management (OG 2/2010), all exposures in kuna with a currency clause are considered kuna exposures.

than the short position with the exception of the second quarter when the short position of two large banks led to a larger short than long position of all banks (Figures 1.26 and 1.27).

Compared to the end of 2009, assets in foreign currency and assets in kuna with a currency clause³⁰ rose by HRK 9.4bn or 3.8%, mostly as a result of an increase in euro loans granted. The share of items in foreign currencies in bank assets thus rose slightly from the end of 2009 (this includes items in kuna with a currency clause). However, the increase in the total amount of assets exposed to foreign exchange risk can be attributed exclusively to exchange rate developments. Compared to the end of 2009, the exchange rate of the kuna against the euro weakened by 1.1% and by a high 20.8% and 9.4%, respectively against the Swiss franc and the American dollar. The effect of changes in the exchange rates of these currencies, which at the end of 2010 accounted for 99.1% of total foreign currency assets, excluded, foreign currency and foreign currency-indexed assets of banks fell effectively by 0.4%. This fall was the result of a significant effective fall in assets in Swiss francs, most notably granted loans indexed to that currency.



³⁰ Net amount

Banks' liabilities in foreign currencies and in kuna with a currency clause rose by HRK 10.5bn or 4.7% in 2010. If the effect of exchange rate changes is excluded, they rose by 1.6%, mostly due to an increase in euro liabilities, notably received deposits. A considerable increase in received deposits in American dollars resulted in a 12.5% effective increase (exchange rate effects excluded) in the liabilities in this currency, probably attributable to exchange rate movements and the increased appeal of this currency for depositors.

The euro accounted for the largest share, or 81.4%, of foreign currency and foreign currency indexed assets at the end of 2010. It was followed by the Swiss franc (13.7%) and the American dollar (4.0%), while all other foreign currencies combined accounted for the remaining 0.9% of the total foreign currency assets. The share of assets in Swiss francs continued to trend downwards from the end of 2009, and the fall in the share of this currency would have been even greater had it not been for significant depreciation of the kuna against the Swiss franc. The euro accounted for 86.3%, or a somewhat bigger share of foreign currency liabilities than foreign currency assets while the Swiss franc and the American dollar accounted for smaller shares in foreign currency liabilities than in assets (7.7% and 5.1%, respectively).

1.2.7 Interest rate risk in the non-trading book

At the end of 2010, total exposure of banks to interest rate risk in the non-trading book, measured by a change in its economic value in the conditions of a standard interest rate shock stood at HRK 802.5m³¹,

TABLE 1.12 Interest rate risk in the non-trading book, as at 31 December 2010, in million HRK and %			
Currency	Interest rate type	Net position (before weighting)	Net weighted position
HRK	Administered interest rate	-11,872.7	-158.5
	Variable interest rate	26,987.5	343.3
	Fixed interest rate	4,064.6	421.2
EUR	Administered interest rate	-15,778.6	326.1
	Variable interest rate	46,949.2	78.1
	Fixed interest rate	-29,514.2	-18.4
CHF	Administered interest rate	28,100.3	261.4
	Variable interest rate	-6,504.4	-24.1
	Fixed interest rate	-4,548.9	-365.0
USD	Administered interest rate	-2,844.3	-20.3
	Variable interest rate	1,145.1	0.0
	Fixed interest rate	1,021.2	-2.9
Other	Administered interest rate	-5,129.8	-28.6
	Variable interest rate	2,874.3	0.9
	Fixed interest rate	928.4	-10.5
Change in the economic value of the non-trading book			802.5
Own funds			54,434.1
Relative ratio: Change in the economic value of the non-trading book/Own funds			1.5

31 The economic value of the non-trading book of a credit institution is the estimate of the present value of all expected net cash flows of the non-trading book positions of a credit institution, i.e. the expected cash flows of credit institution assets, reduced by the expected cash flows associated with the liabilities of a credit institution. The non-trading book comprises all balance and off-balance sheet items of a credit institution that are not considered trading book positions. All interest rate sensitive positions of the non-trading book are distributed, by all major currencies separately and by all other currencies combined, into time zones and weighted by weights based on a standard interest rate shock and estimated modified duration for each time zone. A standard interest rate shock is a parallel shift in interest rates of 200 basis points.

or 1.5% of banks' own funds (Table 1.12), a level much below the prescribed maximum (20%). Such a relatively low sensitivity of banks to the risk of a sudden change in interest rates can be attributed to matched interest rate sensitive positions within individual zones, particularly long-term ones. Two zones (up to one month and six to twelve months) were an exception. In these zones, the banks reported larger amounts of surplus assets and surplus liabilities, respectively.

The banks again reported the largest exposure in the zone with the shortest possible time for interest rate change, i.e. the zone up to one month. The banks were sensitive to the fall in lending interest rates in that zone, and the reported surplus of interest rate sensitive assets of banks at the end of the year stood at 11.4% of the total interest rate sensitive assets. By contrast, the zone of interest rate change of six to twelve months was negative (sensitive to deposit interest rates growth), though it should be noted that this is due to the effect of received sight and savings deposits (funds of the participants in the money market excluded) which are in line with the regulations distributed into that zone of interest rate change. The possibility for zone netting ultimately eliminated such individual mismatches, and at the end of 2010 the cumulative gap up to one year was not significant and amounted to 5.5% of the total interest rate sensitive assets. All the remaining time zones, beginning with zone 1 to 2 years to over 20 years, were positive, i.e. the banks reported a surplus of interest rate sensitive assets relative to interest rate sensitive liabilities, although this surplus was relatively small.

The net weighted position of banks fell in the second half of 2010 particularly as a result of growth in liabilities in Swiss francs which was not accompanied by a growth in assets, so that the positive weighted position in that currency that had been reported at the beginning of the year declined gradually, moving into a negative position of HRK 127.8m at the end of the year. The total net weighted position in kuna was positive (surplus assets over liabilities) and stood at HRK 606.0m, falling only slightly compared to end-March balance. The euro net weighted position (HRK 385.8m) was also positive at the end of the year, and only a little higher than that at the end of March of 2010. After a sharp increase in the second quarter, the banks reported a gradual fall in the net position in euros until the end of the year because liabilities grew faster than assets. Smaller negative positions were reported in American dollars and in all other less important currencies (HRK 23.3m and HRK 38.2m, respectively), and their levels remained almost unchanged throughout the year.

Medium-sized banks had the highest ratio of change in economic value and banks' own funds (1.9%) at the end of the year. They were followed by large banks (1.5%) and small banks (1.0%) which had the smallest potential change in the net present value of non-trading book positions.

Overall, almost 91.6% of assets and 95.7% of liabilities of banks were sensitive to interest rate changes, and the largest share of balance sheet interest rate sensitive positions was made up of positions with interest rates subject to change based on a decision by the credit institution's management board (administered interest rate): 40.1% on the assets side and 46.9% on the liabilities side. Positions with variable interest rates came next, accounting for 35.1% of interest rate sensitive assets, while the share of these positions on the side of interest rate sensitive liabilities was about half as big and stood at 16.8%. Positions with fixed interest rates accounted for the remaining 24.8% of interest rate sensitive assets and a greater share of 36.3% of interest rate sensitive liabilities.

Compared to the balance at the end of the first period of application, on the assets side, the positions with variable interest rates rose the most (HRK 24.4bn or 25.3%), largely exceeding the total increase in interest rate sensitive assets (HRK 18.8bn or 5.5%). Almost one half of the increase in positions

with a variable interest rate took place at the expense of positions with a fixed interest rate, which fell by HRK 10.2bn or 10.3%. Interest rate sensitive assets with administered interest rates rose by a small HRK 3.6bn or 2.6%.

Interest rate sensitive liabilities grew at a slightly slower rate (HRK 14.4bn or 4.7%) during the observed period, the growth being based on a rise in positions with administered interest rates which went up by the same amount (or 10.6%). A decrease in positions with a variable interest rate of HRK 6.0bn or 10.0% was fully offset by a 5.4% increase in positions with a fixed interest rate.

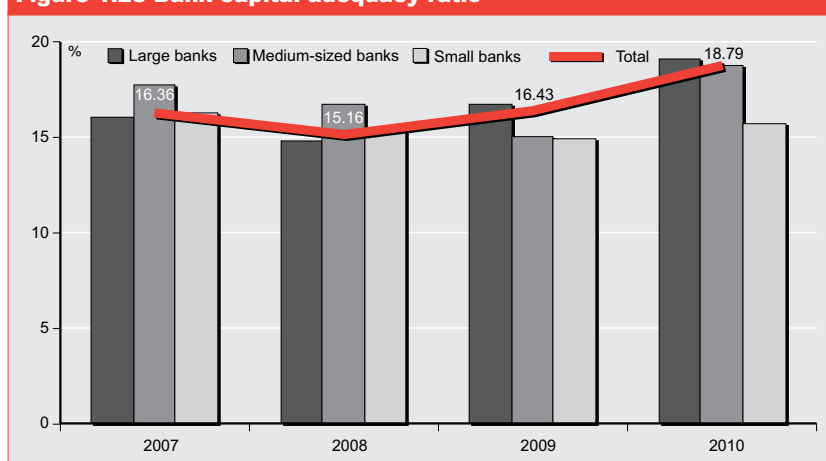
In conclusion, banks' exposure to interest rate risk in the non-trading book was not significant and continued to keep falling steadily throughout 2010 under the influence of growth in long-term liabilities, particularly those in Swiss francs. Banks had the highest net exposure in the shortest term category with the smallest estimated modified duration and thus the smallest effect on the change in the economic value of interest rate sensitive positions of non-trading book positions of banks. Only small asset surpluses were seen in longer term categories, and as a result their impact on the net weighted position was low. In 2010, the banks tended to restructure interest rate sensitive balance sheet positions particularly by increasing the share of interest rate sensitive assets with a variable interest rate and the share of liabilities with an administered interest rate, at the expense of positions with a restricted possibility of interest rate management.

1.2.8 Capital adequacy

The capital adequacy ratio of banks at the end of 2010 was 18.79%, which is an increase of 2.4 percentage points compared to 16.43% at the end of the previous year (Figure 1.28). The increase in the capital adequacy ratio during the observed period was the result of a change in the methodology of exposure calculation, which led to a fall in the weighted exposure of a high HRK 56.5bn (17.9%).³² The increase in banks' own funds (HRK 1.9bn or 3.5%) also had a smaller impact on the increase in this rate.

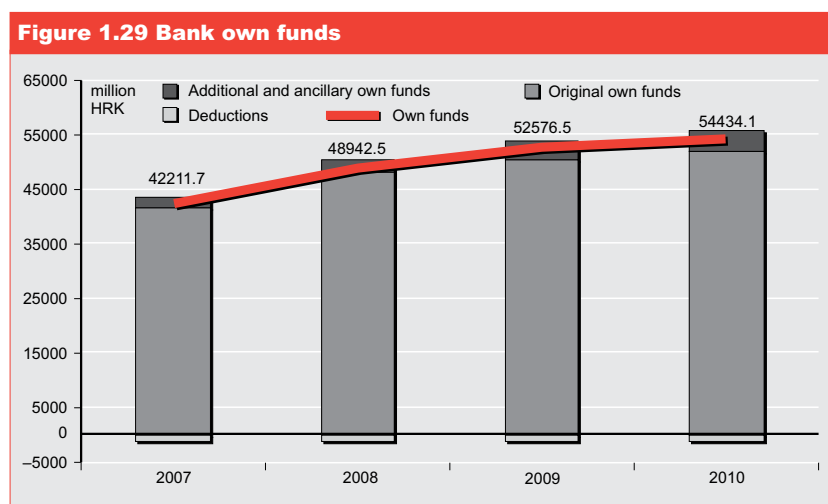
Considered in terms of bank groups, medium-sized banks reported the highest increase in their capital adequacy ratio. The capital adequacy ratio in this group rose by 3.8 percentage points, amounting to 18.84%. It was followed by the large bank group, which had the highest capital adequacy ratio (19.13%) and whose capital adequacy ratio rose by 2.4 percentage points. Small banks reported the smallest change in the capital adequacy ratio. In this bank group, this ratio rose by 0.8 percentage points and stood at 15.73%. The bulk of bank assets (85.8%) again went to banks with a capital adequacy ratio above 15%, though five small banks reported a capital adequacy ratio below 13%, and three of them reported a capital adequacy ratio below the legally prescribed minimum of 12% (Table 1.15).

³² A change in the methodology resulted in a significant decline in the weighted exposure to credit risk particularly as a result of the insensitivity of this calculation to currency-induced credit risk, which at the end of 2009 accounted for over one half of the weighted exposure to credit risk. It should be noted that currency-induced credit risk has not been left out of the new capital adequacy framework with the introduction of new rules but that it has, together with other risks, become an integral part of the second pillar of the new framework, i.e. regulations related to the internal capital of credit institutions. The first reports with the calculation of internal capital for 2010 were submitted by credit institutions in the first half of 2011. In addition to minimum capital requirements (pillar 1) as a quantitative dimension, the new regulations also include a qualitative dimension which consists of a supervisory review (pillar 2) and market discipline (pillar 3).

Figure 1.28 Bank capital adequacy ratio**TABLE 1.13 Own funds, capital requirements and capital adequacy ratio of banks, as at 31 December 2010, in million HRK and %**

	Large banks		Medium-sized banks		Small banks		Total	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Own funds	45,612.2	100.0	4,650.7	100.0	4,171.1	100.0	54,434.1	100.0
ORIGINAL OWN FUNDS	44,159.1	96.8	4,110.8	88.4	3,855.5	92.4	52,125.4	95.8
Paid-up capital (excl. cumulative preferential shares) net of own shares	22,166.8	48.6	3,714.2	79.9	3,541.7	84.9	29,422.7	54.1
Reserves and retained earnings	22,190.6	48.7	464.8	10.0	409.4	9.8	23,064.7	42.4
Other	-198.3	-0.4	-68.2	-1.5	-95.6	-2.3	-362.1	-0.7
ADDITIONAL OWN FUNDS	2,776.2	6.1	623.3	13.4	358.1	8.6	3,757.7	6.9
Paid-up cumulative preferential shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid and subordinated instruments	2,776.2	6.1	623.3	13.4	404.5	9.7	3,804.0	7.0
Other	0.0	0.0	0.0	0.0	-46.4	-1.1	-46.4	-0.1
ITEMS DEDUCTED FROM ORIGINAL AND ADDITIONAL OWN FUNDS	-1,323.1	-2.9	-83.3	-1.8	-42.6	-1.0	-1,449.0	-2.7
ANCILLARY OWN FUNDS (for market risk coverage)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital requirements	28,612.1	100.0	2,962.6	100.0	3,181.9	100.0	34,756.7	100.0
CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	25,684.0	89.8	2,599.2	87.7	2,838.5	89.2	31,121.6	89.5
Standardised approach	25,684.0	89.8	2,599.2	87.7	2,838.5	89.2	31,121.6	89.5
Corporates	10,510.2	36.7	1,070.5	36.1	895.4	28.1	12,476.1	35.9
o/w: Secured by real estate property	0.0	0.0	0.0	0.0	31.1	1.0	31.2	0.1
Retail	12,530.8	43.8	1,309.4	44.2	1,581.8	49.7	15,422.0	44.4
o/w: Secured by real estate property	25.3	0.1	2.0	0.1	41.1	1.3	68.4	0.2
Other	2,642.9	9.2	219.3	7.4	361.3	11.4	3,223.5	9.3
SETTLEMENT/DELIVERY RISKS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
POSITION, FOREIGN EXCHANGE AND COMMODITY RISKS	377.0	1.3	58.6	2.0	36.7	1.2	472.3	1.4
o/w: Internal models	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Traded debt instruments	229.2	0.8	28.4	1.0	0.0	0.0	257.6	0.7
Foreign exchange	133.4	0.5	5.7	0.2	36.7	1.2	175.8	0.5
Other risks	14.5	0.1	24.5	0.8	0.0	0.0	38.9	0.1
RISK OF EXCEEDING THE PERMITTED EXPOSURE LIMITS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPERATIONAL RISK	2,551.1	8.9	304.9	10.3	306.8	9.6	3,162.7	9.1
Simplified approach	0.0	0.0	115.1	3.9	278.4	8.8	393.5	1.1
Standardised approach	1,848.5	6.5	189.9	6.4	28.3	0.9	2,066.7	5.9
Advanced measurement approach	702.5	2.5	0.0	0.0	0.0	0.0	702.5	2.0
Surplus/deficit of own funds	17,000.2	-	1,688.1	-	989.2	-	19,677.4	-
Capital adequacy ratio	19.13	-	18.84	-	15.73	-	18.79	-

Banks' own funds stood at HRK 54.4bn at the end of 2010 (Table 1.13); the bulk of the increase from the end of 2009 was the result of an increase in original own funds of HRK 1.5bn or 3.0%. The increase in original own funds was predominantly due to the distribution of that year's profit in reserves and retained earnings and to a much smaller extent to recapitalisation efforts by means of ordinary shares in one medium-sized and five small banks. Additional own funds rose by HRK 362.5m (10.7%) as a result of subordinated and hybrid instruments payments in all bank groups (Figure 1.29).



All bank groups, particularly the group of large and medium-sized banks and to a lesser extent the group of small banks, reported an increase in own funds. The increase in own funds in the former two bank groups was due to an increase in both the components, although the increase in additional own funds was larger (8.4% and 13.4%, respectively) than the increase in original own funds (2.9% and 7.8%, respectively). By contrast, the increase in own funds in the small banks group was exclusively due to an increase in additional own funds (26.3%) since the increase in original own funds generated by recapitalisation was fully eliminated by operating losses in nine banks of that group.

The total net amount of balance and off-balance sheet exposure³³, before the use of credit risk mitigation techniques, CRMT, and conversion of off-balance sheet items, rose by a slight HRK 3.8bn or 0.9% from the end of last year. However, the weighted exposure was lower by a considerable HRK 56.6bn or 17.9%, compared to the end of 2009. This can mainly be explained by the lack of sensitivity of this methodology to currency-induced credit risk and the possibility of use of the recognised credit risk mitigation techniques. However, due to the application of the increased prescribed minimum capital adequacy ratio (12% compared to the previous 10%), the capital requirement for credit risk, counterparty risk, dilution risk and free delivery risk (hereinafter: credit risk) was ultimately only 1.5% lower than that at the end of 2009.

³³ All banks used the standardised approach in the determination of capital requirements for credit risk. The new rules in the area of credit risk enable the use of external credit risk assessments under the standardised approach or the use of own data that the credit institutions have on the customer, i.e. of the internal ratings-based approach (IRB).

The total amount of the used weight substitution techniques³⁴ at the end of the year stood at HRK 20.9bn (4.6% of the net exposure amount) and the use of these techniques decreased gradually in the second half of 2010 as a result of their decrease in large banks. Exposure transfer techniques at the end of the year mainly involved the use of guarantees (90.2%), mostly those issued by the government. The remaining part (8.8%) went to the financial collateral simple method, while other funded credit protection accounted for less than 1% of the total amount of used techniques. Looking at inflows and outflows by categories, it is evident that the banks reduced exposures in the corporate sector and in public sector entities the most (HRK 11.0bn and HRK 7.7bn, respectively) and increased the inflow in the central government and central bank category (HRK 17.8bn), which means that the banks mostly resorted to high-impact government-issued guarantees or collateral. This had an attendant effect on the change in the structure of exposure by weights prior to and after the use of techniques such as a HRK 16.8bn decline in the 100% weight, a HRK 8.6bn decline in the 20% weight and a HRK 8.0bn increase in the 0% weight, which saw the biggest increase.

All the banks used weight substitution techniques to cut capital requirements for credit risk, in amounts ranging from 0.1% to 11.1% of the net exposure amount. These techniques were used the most by banks belonging to the large banks group. These banks substituted original risk weights by lower risk weights for a total of HRK 18.1bn worth of the net exposure amount. Medium-sized banks came next, substituting original risk weights by lower risk weights for a total of HRK 1.6bn worth of the net exposure amount while small banks substituted original risk weights for HRK 1.2bn worth of the net exposure amount.

The use of the financial collateral comprehensive method enabled direct reduction in the net credit risk exposure amount by a total of HRK 17.6bn, or 3.9% of the total net exposure amount. Banks gradually increased the use of these techniques during the year, and the number of banks using them also rose to nine (five large and two medium-sized and two small banks), with net exposure amount reductions ranging from 1.2% to 23.9%.

The biggest change in the structure of the total net exposure amount of banks by credit risk weights (Table 1.14) compared to the previous periods lay in the absence of increased weights typical of exposures with a significant currency-induced credit risk in the period from 2006 to 2009. At the end of 2010, only HRK 10.2bn (2.5%) received a 150% weight, with the bulk of that amount (HRK 7.7bn) going to due but unpaid receivables with value adjustments for the unsecured part of the exposure amount below 20%.

The largest share of exposure subject to weighting, before the use of credit risk mitigation techniques (Figure 1.30), was weighted 100% (HRK 187.8bn or 46.1%), with the bulk of that amount again going to exposures to clients with no credit assessment (HRK 151.6bn). Exposures assigned a risk weight of 0% (HRK 105.5bn) accounted for a little over one quarter, while exposures of HRK 51.5bn or 12.6% were assigned a risk weight of 75%. At HRK 28.0bn, the amount of exposure assigned a

34 In terms of their effects, there are two types of techniques, credit risk mitigation techniques the application of which implies a substitution of weights without a direct exposure reduction and techniques which enable reduction in the net credit risk exposure. The substitution techniques make it possible for an individual exposure to an obligor to receive a weight of the protection provider (unfunded credit protection), i.e. the weight that the credit institution would assign in case of a direct exposure to a collateral (financial collateral simple method). The final impact on net exposure in such a case depends on the weight of the protection provider or collateral. By contrast, the financial collateral comprehensive method enables direct reduction in the net exposure.

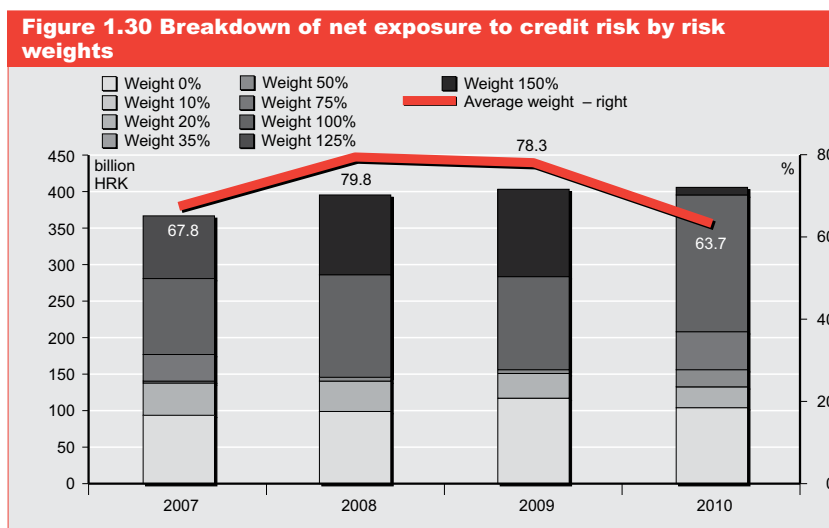
TABLE 1.14 Breakdown of net exposure to credit risk by risk weights, as at 31 December 2010, in million HRK

	Retail	Corporates	Central governments and central banks	Institutions	Public sector entities	Local and regional self-government	Collective investment undertakings	Other	Total
Total exposure	140,424	101,229	101,604	33,221	8,752	3,108	522	18,584	407,444
On-balance sheet items	132,021	84,773	100,239	31,348	7,912	3,041	522	17,913	377,769
Off-balance sheet items	8,402	15,950	1,363	627	350	67	0	479	27,240
Securities transactions and long settlement transactions	0	378	1	561	489	0	0	192	1,620
Derivative financial instruments	1	128	0	686	0	0	0	0	815
Contracts for novation and other netting agreements	0	0	0	0	0	0	0	0	0
Breakdown of total exposure by risk weights									
Weight 0%	0	0	92,219	517	3,418	0	0	9,373	105,527
Weight 10%	0	0	0	0	0	0	0	0	0
Weight 20%	0	7	52	27,409	23	0	2	527	28,020
Weight 35% (residential real estate property)	1,218	131	0	0	0	0	0	1	1,349
Weight 50%	291	435	9,100	4,638	5,311	3,028	5	3	22,810
o/w: Commercial real estate property	291	428	0	2	0	0	0	3	724
Weight 75%	51,513	0	0	0	0	0	0	0	51,513
Weight 100%	83,587	94,327	211	621	1	2	451	8,612	187,811
o/w: Past due items	2,622	5,123	0	7	0	2	0	68	7,823
Weight 150%	3,815	6,182	22	36	0	77	64	14	10,211
o/w: Past due items	3,302	4,365	19	35	0	15	0	4	7,740
Other risk weights	0	147	0	0	0	0	0	55	202
Credit risk mitigation techniques – substitution effects									
Total outflow	-1,559	-11,045	0	-185	-7,671	-65	0	-428	-20,954
Total inflow	54	161	17,826	469	41	558	0	1,845	20,954

risk weight of 20% accounted for 6.9% of exposure, while the exposure assigned a risk weight of 50% (HRK 28.8bn) accounted for the next significant share, or 5.6%. The banks did not very much use preferential risk weights for loans secured by commercial (risk weight 50%) and residential (risk weight 35%) real estate, so that these exposures amounted to only a little over HRK 2.0bn or 0.5% of the total amount of exposure. Other risk weights accounted for less than 0.1% of the total amount of exposure.

Three exposure categories, of which retail was the most important (HRK 140.4bn or 34.5%)³⁵, accounted for almost three quarters of the net exposure amount. Within this category, the largest share of exposure (59.5%) again went to the risk weight of 100% and a little over one third met the conditions for a 75% risk weight, influencing the level of average retail weight, which stood at 65.7%. Only some 1% of the exposure amount met the criterion of coverage by real estate property. On account of the used substitution techniques, the category of exposure to the central government and the central bank came second in order of importance (HRK 101.6bn or 24.9%) and was deemed largely non-risky (90.8%). The category of corporates came next, with only a slightly smaller exposure (HRK 101.2bn or 24.8%), while all other categories combined (12) accounted for the remaining 15.8% of exposure. The bulk of exposure in the corporate category (93.2%) was assigned a risk weight of

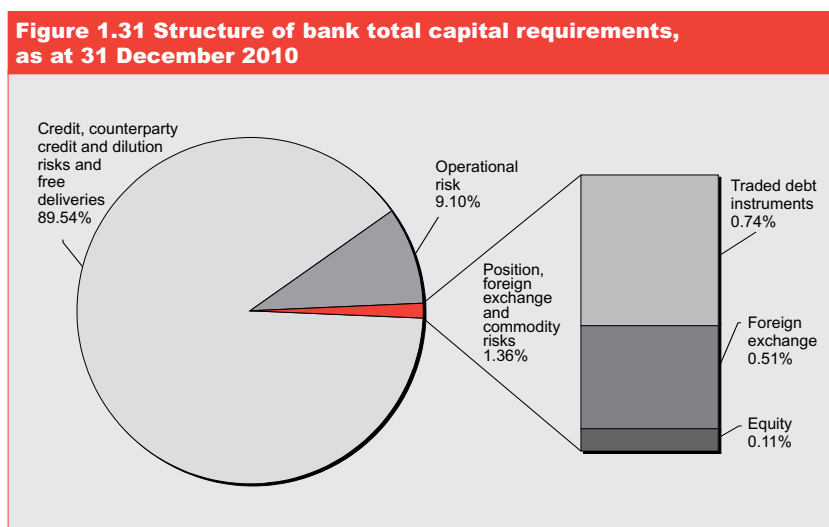
³⁵ The exposure category retail may, in addition to exposure to natural persons and subject to fulfilment of certain conditions (exposure amount up to HRK 2.5m, over 500 accounts per product type) also include exposures to small and medium-sized corporates, sole traders, those employed in crafts and trades and freelance occupations. A 75% risk weight may be used provided the listed conditions are met. In the case of natural persons, when these conditions are not met, the exposures have to be weighted by a 100% risk weight.



100% due to the fact the majority of corporates to which the banks were exposed did not have a credit rating by a recognised rating agency. This influenced the level of the average risk weight in this category, which stood at 102.7%.

The total capital requirements stood at HRK 34.7bn at the end of 2010, increasing by HRK 2.7bn (8.6%) from the end of 2009 as a result of the introduced capital requirements for operational risk and increased minimum capital adequacy ratio from 10% to 12%. The most important component of the total capital requirements, the capital requirement for credit risk declined slightly (1.5%), falling to HRK 31.1bn and accounting for 89.5% (Figure 1.31). The capital requirements for operational risk stood at HRK 3.2bn and accounted for 9.1% of the total capital requirements. The remaining 1.4% went to capital requirements for market risks which rose by a slight HRK 66.4m or 16.4% from the end of 2009 due to an increase in position risks associated with debt and equity instruments, while the capital requirements for currency risk held steady at the same level.

Large banks allocated the bulk of capital requirements for operational risk (80.7% or HRK 2.6bn) which made up 8.9% of their total capital requirements. Capital requirements for operational risks of



medium-sized banks totalled HRK 304.9m or 10.3% of their total capital requirements, while capital requirements for operational risks of small banks amounted to HRK 306.8m or 9.6% of their total capital requirements.

In the assessment of capital requirements for operational risk, one large bank decided on the advanced measurement approach (and received authorisation from the CNB) in the last quarter of 2010 and thus reduced its capital requirements for operational risk by 3.0%. One small, two medium-sized and five large banks decided on the standardised approach and the remaining 24 banks decided on the application of the basic indicator approach. The classification of business activities of banks in business lines for the purposes of the calculation of the capital requirements for operational risk by means of the standardised approach suggests that the highest values of the relevant indicator³⁶ were reported in the business lines retail and corporate banking, while other business lines were mainly estimated as less important.

TABLE 1.15 Breakdown of bank capital adequacy ratio, end of period

	Dec. 2007		Dec. 2008		Dec. 2009		Dec. 2010	
	Number of banks	Share in bank assets (%)	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	0	0.0	0	0.0	0	0.0
Ratio from 10% to 12%	8	25.5	4	11.8	6	5.8	3	1.0
Ratio from 12% to 15%	3	15.7	14	31.9	11	25.9	9	13.2
Ratio from 15% to 20%	15	52.8	9	50.6	9	55.3	11	55.2
Ratio higher than 20%	7	6.0	7	5.8	8	13.0	10	30.6

Note: From 31 March 2010 on, the minimum capital adequacy ratio is 12% (10% prior to this date).

The increase in the total capital requirements led to a fall in unutilised capital of banks from HRK 22.0bn to HRK 19.7bn, which nevertheless still accounted for a large share of own funds (36.1%). Large banks had the predominant share of unutilised own funds (HRK 17.0bn or HRK 2.8bn on average per bank). Unutilised own funds of medium-sized banks stood at HRK 1.7bn or HRK 562.7m per bank, while unutilised own funds in small banks amounted to HRK 989.2m or HRK 41.2m per bank.

1.3 Housing savings banks

There were no changes in the number of housing savings banks in 2010, so in total there were five, as at the end of 2009. After declining in the first half and increasing in the second half of 2010, their assets rose by 2.1% from the end of 2009 and stood at HRK 6.9bn. Given a faster growth rate in bank assets, the share of assets of housing savings banks in the total assets of credit institutions in the Republic of Croatia fell slightly and stood at 1.7%.

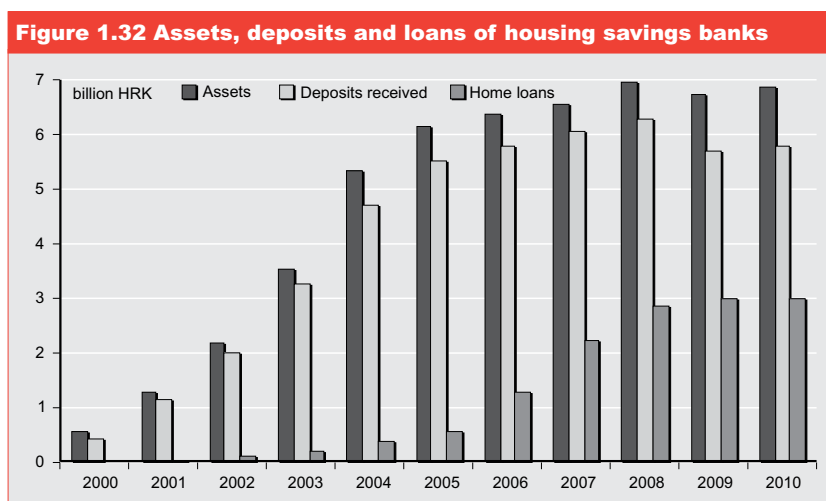
There were also no changes in the ownership structure of housing savings banks in 2010, with one housing savings bank being in majority domestic ownership and the remaining four in majority (direct

³⁶ The basic indicator is the gross income calculated in accordance with the regulations. The basic indicator is used as a basis for the calculation of capital requirements for operational risk under both the basic indicator approach and the standardised approach.

or indirect) ownership of foreign shareholders. At the end of 2010, their assets accounted for 96.6% of the total assets of all housing savings banks. However, the housing savings bank in majority domestic ownership continued to increase its share in the total assets of all housing savings banks, increasing its assets by over one third (37.8%) and accounting for 3.4% of the total assets of all housing savings.

1.3.1 Balance sheet

Although they underwent a 3.3% decline in 2009 and an even bigger decline in the first half of 2010 (5.0%), the assets of housing savings banks rose by 2.1% from the end of the previous year. This growth was due to an increase in household deposits in the second half of the year, particularly towards the end of the year, associated with government incentives paid to savers in housing savings banks. As regards other sources of financing, received loans rose considerably, or by over one third, though their share in total sources of financing remained low. Four housing savings banks reported an increase in assets, ranging from over 1% to 37.8%.



Net loans, as the largest asset item of housing savings banks which account for over two thirds of assets, fell by 4.1% in 2010, with their share in the structure of housing savings banks assets falling to 69.2%. A decline in the amount of net loans was due to a considerable decline in loans granted to government units (9.0%), which also included loans to all entities financed by special extrabudgetary taxes³⁷ and a decline in loans granted to banks of over one third or 37.1%. The amount of home loans granted to savers of housing savings banks changed only slightly from the end of 2009. They stood at HRK 3.0bn or 62.6% of the total amount of net loans.

At the same time, the second housing savings banks asset item in terms of size, investments in securities and other financial instruments, rose by a high 27.5%, thus increasing its share in total assets, from 18.7% at the end of 2009 to 23.4% at the end of 2010. The increase in securities investments in 2010 (following their decline throughout the previous several years) mainly involved increased

37 For instance, the Croatian Institute for Health Insurance, the Croatian Pension Insurance Administration, Croatian Motorways, Croatian Roads, etc.

investments in MoF T-bills, which almost doubled, increasing by a high 93.2%. Investments in the other instrument in the portfolio of securities of housing savings banks, RC bonds, also rose, though by a much lower 7.5%. At the end of 2010, almost two thirds of the total amount of housing savings banks securities investments involved RC bonds (64.5%) and the remaining one third, or 35.5%, involved MoF T-bills.

Looking at securities investments portfolios (T-bills included), the biggest of them, the portfolio of T-bills and RC bonds held to maturity and which at the end of 2010 accounted for over one half of the total amount of securities investments of housing savings banks (50.3%), shrank by 3.1% in the past year. However, its share in the structure of total securities investments fell by a considerable 15.9 percentage points, due to a very high increase in the securities available for sale portfolio. This portfolio grew by a high 113.8% and accounted for 43.4% of the total securities investments at the end of 2010. The remaining 6.3% of investments were distributed in the securities portfolio that is not actively traded and is carried at fair value through profit and loss. The securities in this portfolio rose by a little less than two percent (1.9%) during the observed period.

TABLE 1.16 Structure of housing savings bank assets, end of period, in million HRK and %

	Dec. 2007		Dec. 2008			Dec. 2009			Dec. 2010		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	0.02	0.00	0.02	0.00	13.33	0.02	0.00	23.53	0.02	0.00	-28.57
Money assets	0.02	0.00	0.02	0.00	13.33	0.02	0.00	23.53	0.02	0.00	-28.57
Deposits with the CNB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deposits with banking institutions	47.08	0.72	259.74	3.73	451.66	177.76	2.64	-31.56	184.97	2.69	4.06
MoF treasury bills and CNB bills	255.54	3.90	327.72	4.70	28.25	295.39	4.38	-9.87	570.62	8.29	93.18
Securities and other financial instruments held for trading	156.80	2.40	76.52	1.10	-51.20	0.00	0.00	-100.00	0.00	0.00	0.00
Securities and other financial instruments available for sale	1,246.37	19.04	1,121.08	16.09	-10.05	71.47	1.06	-93.63	137.43	2.00	92.30
Securities and other financial instruments held to maturity	871.21	13.31	692.70	9.94	-20.49	794.53	11.79	14.70	798.57	11.61	0.51
Securities and other financial instruments not traded in active markets but carried at fair value	528.44	8.07	241.45	3.47	-54.31	99.66	1.48	-58.72	101.59	1.48	1.94
Derivative financial assets	6.66	0.10	0.00	0.00	-100.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans to financial institutions	106.52	1.63	273.94	3.93	157.17	117.00	1.74	-57.29	73.58	1.07	-37.11
Loans to other clients	3,172.30	48.47	3,780.69	54.28	19.18	4,847.85	71.94	28.23	4,689.13	68.15	-3.27
Investments in subsidiaries and associates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreclosed and repossessed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tangible assets (net of depreciation)	8.05	0.12	8.75	0.13	8.67	7.47	0.11	-14.59	7.21	0.10	-3.51
Interest, fees and other assets	195.96	2.99	240.86	3.46	22.92	383.17	5.69	59.08	368.31	5.35	-3.88
Net of: Collectively assessed impairment provisions	50.13	0.77	58.00	0.83	15.71	55.86	0.83	-3.69	50.80	0.74	-9.05
TOTAL ASSETS	6,544.81	100.00	6,965.47	100.00	6.43	6,738.46	100.00	-3.26	6,880.62	100.00	2.11

A reduction in the received deposits of housing savings banks savers was reported for the first time at the end of 2009 (a little over 9%), and this downward trend continued into the first half of 2010. However, in the second half of the year, and particularly in the last quarter of the year, deposits grew, their annual growth rate amounting to 1.4%. Deposits of housing savings banks savers rose by a total of HRK 78.2m from the end of 2009, accounting for one half of the total increase in the liabilities of banks, with growth being reported in three housing savings banks. In the structure of liabilities of housing savings banks, the dominant share of deposits remained almost unchanged (84.2%). A

TABLE 1.17 Structure of housing savings bank liabilities and capital, end of period, in million HRK and %

	Dec. 2007		Dec. 2008			Dec. 2009			Dec. 2010		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	0.18	0.00	0.15	0.00	-18.23	134.65	2.00	-	183.08	2.66	35.97
Short-term loans	0.00	0.00	0.00	0.00	0.00	134.54	2.00	-	183.01	2.66	36.03
Long-term loans	0.18	0.00	0.15	0.00	-18.23	0.11	0.00	-23.65	0.08	0.00	-31.86
Deposits	6,038.37	92.26	6,298.11	90.42	4.30	5,713.30	84.79	-9.29	5,791.50	84.17	1.37
Giro account and current account deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Savings deposits	0.04	0.00	0.04	0.00	2.56	0.00	0.00	0.00	172.85	2.51	-
Time deposits	6,038.33	92.26	6,298.07	90.42	4.30	5,713.30	84.79	-9.28	5,618.65	81.66	-1.66
Other loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Derivative financial liabilities and other financial liabilities held for trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subordinated instruments issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hybrid instruments issued	39.93	0.61	91.31	1.31	128.65	96.13	1.43	5.28	96.67	1.40	0.56
Interest, fees and other liabilities	223.86	3.42	263.36	3.78	17.64	375.08	5.57	42.42	344.62	5.01	-8.12
TOTAL LIABILITIES	6,302.34	96.30	6,652.92	95.51	5.56	6,319.16	93.78	-5.02	6,415.87	93.25	1.53
Share capital	357.09	5.46	450.89	6.47	26.27	487.89	7.24	8.21	487.89	7.09	0.00
Current year profit/loss	-44.72	-0.68	12.91	0.19	-128.87	49.38	0.73	282.45	17.09	0.25	-65.39
Retained earnings/loss	-15.93	-0.24	-61.58	-0.88	286.53	-50.03	-0.74	-18.76	-1.31	-0.02	-97.39
Legal reserves	2.51	0.04	3.44	0.05	37.00	4.80	0.07	39.62	5.46	0.08	13.66
Reserves provided for by the articles of association and other capital reserves	0.00	0.00	0.62	0.01	-	0.14	0.00	-77.83	10.93	0.16	-
Unrealised gains/losses on value adjustments of financial assets available for sale	-56.49	-0.86	-93.74	-1.35	65.94	-72.88	-1.08	-22.25	-55.31	-0.80	-24.10
Reserves arising from hedging transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Previous year profit/loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL CAPITAL	242.47	3.70	312.55	4.49	28.90	419.31	6.22	34.16	464.75	6.75	10.84
TOTAL LIABILITIES AND CAPITAL	6,544.81	100.00	6,965.47	100.00	6.43	6,738.46	100.00	-3.26	6,880.62	100.00	2.11

somewhat bigger change was seen in the level of loans granted to deposits received ratio, which, due to a concomitant decline in the amount of net loans granted in housing savings banks, fell from 86.9% at the end of 2009 to 82.2% at the end of 2010.

Profit generated in 2010 and a reduction in unrealised losses on value adjustments of assets available for sale, in the conditions of retention of the 2009 profit, resulted in an increase in the capital of housing savings banks. Capital growth, accompanied by a lower growth rate of assets, resulted in an increase in its share in total liabilities of housing savings banks, from 6.2% to 6.8%.

1.3.2 Income statement

In 2010, the profit of housing savings banks (before taxes) was less than half of that of 2009 and stood at HRK 25.7m, which is a decline of 52.2% (Table 1.18). Four housing savings banks generated profit, and two of them managed to increase their profit compared to the end of 2009, while one housing savings bank reported a loss.

Although the mentioned fall in the profit of housing savings banks was the result of a fall in most income, it can largely be attributed to a fall in interest income from placements which do not belong to the main activity category, i.e. home loans. Income from loans granted to government units which fell by 11.7% and income from loans and deposits given to financial institutions, which fell by a high 64.5%, had the biggest effect on the fall in interest income. Interest income from household loans also fell, though by a much lower 0.6%. As a result, at the end of 2010, net income of housing savings banks fell by 17.2% from the year before, with the bulk of this decline being attributable to a fall in interest income which was down 10.2% at the end of 2010.

On the other hand, the abilities of housing savings banks to reduce interest expenses, given the structure of the sources of financing and the dominance of deposits of housing savings banks savers, were limited, so that the reduction in interest expenses from the end of 2009 amounted to only 4.6%. This involved mainly a reduction in expenses on deposits received from households (which fell by 4.9%) and a drop in insurance premiums for savings deposits. As a result, net interest income of housing savings banks fell by 18.4%.

TABLE 1.18 Housing savings bank income statement, in million HRK		
	Jan.-Dec. 2009	Jan.-Dec. 2010
Net interest income	137.35	112.11
Total interest income	339.09	304.61
Total interest expenses	201.74	192.49
Net income from fees and commissions	65.61	61.74
Total income from fees and commissions	74.74	70.13
Total expenses on fees and commissions	9.13	8.40
Net other non-interest income	-24.06	-25.70
Other non-interest income	2.60	10.45
Other non-interest expenses	26.66	36.15
Net non-interest income	41.55	36.03
General administrative expenses and depreciation	128.20	129.66
Net operating income before loss provisions	50.71	18.49
Total expenses on loss provisions	-3.14	-7.26
Expenses on value adjustments and provisions for identified losses	-0.28	-2.14
Expenses on collectively assessed impairment provisions	-2.86	-5.12
Income/loss before taxes	53.85	25.74
Income tax	4.47	8.65
Current year profit/loss	49.38	17.09

The fall in income of housing savings banks was also due to a decline in net income from commissions and fees of 5.9% as well as an increase in the negative net other non-interest income of 6.9%. Consequently, net non-interest income fell by 13.3%.

Despite only a small increase (1.1%) in the level of general administrative expenses and depreciation in 2010, operating income of housing savings banks (net income before loss provisions) fell by a large 63.5% from the end of 2009. Suspension of expenses on loss provisions generated income of HRK 7.3bn, thus partly mitigating the fall in profit.

Cost effectiveness of housing savings banks deteriorated from 2009. Despite the fact that the increase in general administrative expenses and depreciation was small and amounted to only a little over 1%, a significant decline in net income at the end of 2010 pushed the housing savings banks into using more net income to cover these expenses. Namely, unlike the end of 2009, when 71.7% of net income was used to cover general administrative expenses and depreciation, to cover these expenses at the end of 2010, housing savings banks were forced to use 87.5% of their net income. The effectiveness of housing savings banks, measured by housing savings banks assets per employee ratio also declined. As the number of employees rose almost two times faster (3.6%) than assets (2.1%) during the observed one-year period, at the end of 2010 the assets per employee in housing savings banks were somewhat lower than at the end of 2009 and totalled HRK 17.0m.

The low profitability of housing savings banks worsened additionally in 2010. Given a decline in the generated profit, the return on average assets, ROAA, fell from 0.8% at the end of 2009 to 0.4%. The return on average equity, ROAE, fell from 13.5% to 3.9% during the same period.

1.3.3 Credit risk

Towards the end of last year, total placements and assumed off-balance sheet liabilities of housing savings banks fell by HRK 0.4bn or 6.9% from their end-2009 balance and stood at a little below HRK 6.0bn (Table 1.19). This decline was the result of exclusion of the portfolio of financial assets available for sale from placements and assumed off-balance sheet liabilities classified into risk categories.

Considered by risk categories, risk category A placements and off-balance sheet liabilities, i.e. fully recoverable placements, accounted for a dominant share, or 99.5%, of total placements and assumed off-balance sheet liabilities which is a slight decrease from the end of the previous year's 99.6%. Collectively assessed impairment provisions, which fell by 9.1%, again accounted for the bulk of total value adjustments and provisions. Partly recoverable placements (risk category B) rose by HRK 12.7m to HRK 31.5m, increasing by a high 67.9%. At the same time, fully irrecoverable placements and assumed off-balance sheet liabilities (risk category C) fell from HRK 4.2m to HRK 1.4m. Value adjustments and provisions for contingent liabilities fell from HRK 8.1m to HRK 6.2m or by 23.0%.

Four housing savings banks estimated only a small fraction of their placements and assumed off-balance sheet liabilities as partly recoverable or fully irrecoverable (between 0.3% and 1.6%), while one housing savings bank estimated all its placements as fully recoverable.

TABLE 1.19 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. 2007		Dec. 2008			Dec. 2009			Dec. 2010		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
A	5,670.27	99.69	6,598.48	99.53	16.37	6,385.10	99.64	-3.23	5,947.73	99.45	-6.85
B-1, B-2 and B-3	14.93	0.26	24.57	0.37	64.59	18.76	0.29	-23.63	31.51	0.53	67.93
C	2.87	0.05	6.47	0.10	125.27	4.22	0.07	-34.74	1.37	0.02	-67.58
Total	5,688.07	100.00	6,629.52	100.00	16.55	6,408.08	100.00	-3.34	5,980.61	100.00	-6.67

The loans and receivables portfolio again accounted for a very dominant share in the structure of total placements and assumed off-balance sheet liabilities (85.2%, i.e. HRK 5.1bn). This portfolio consisted mainly of loans (HRK 3.7bn or 72.8%) and debt securities (HRK 1.0bn or 20.6%). Most of the loans, or 80.2%, distributed in the portfolio of loans and receivables were home loans.

Home loans accounted for almost the entire amount of partly recoverable and irrecoverable placements and assumed off-balance sheet liabilities (risk categories B and C) with receivables arising from interest income accounting for only a smaller share of these placements and liabilities. The share of B and C category home loans in total loans (distributed in the portfolio of loans and receivables) rose from 0.5% to 1.1%, while at the same time the relevant value adjustments fell by almost one third, which led to a fall in the coverage of bad home loans from 35.7% to 18.0%.

TABLE 1.20 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. 2007	Dec. 2008	Dec. 2009	Dec. 2010
Total value adjustments against placements and provisions for assumed off-balance sheet liabilities	57.60	69.80	64.24	57.26
Value adjustments and provisions	6.40	10.70	8.09	6.23
Collectively assessed value adjustments and provisions	51.20	59.00	56.16	51.04
Total placements and assumed off-balance sheet liabilities	5,688.10	6,629.50	6,408.08	5,980.61
Coverage	1.01	1.05	1.00	0.96

1.3.4 Capital adequacy

The capital adequacy ratio of housing savings banks rose by a little less than four percentage points in 2010 and stood at 20.28%. This increase from the end of 2009, when the capital adequacy ratio of housing savings banks stood at 16.32%, was due to a concomitant increase in own funds and changes in the capital requirements calculation methodology.

Own funds rose by HRK 32.7m or 6.6% on an annual level, almost entirely as a result of increase in original own funds and stood at HRK 530.3m. The increase in original own funds of HRK 30.8m was the result of a decline in unrealised losses on value adjustment of financial assets in the sale portfolio. Additional own funds fell only slightly while none of the housing savings banks reported ancillary own funds (for market risk coverage). Also, none of the housing savings banks increased their capital in 2010 through recapitalisation or subscription of hybrid instruments (housing savings banks have not reported any subordinate instruments).

At the same time, total capital requirements of housing savings banks rose by 2.9% or HRK 8.9m as a result of the introduction of capital requirements for operational risk of HRK 43.7m, in contrast with capital requirements for other risks, which were smaller than at the end of 2009. Changes in the methodology for the calculation of capital requirements for credit risk had a much greater impact on housing savings banks than on banks, which can be attributed to the different investment structure of the former, i.e. a large share of exposure in the central government and central bank exposure (a little over one half) and a relatively wider use of the 35% and 75% weights in the retail category. As

a result, the capital requirement for credit risk declined by HRK 33.9m or 11.3%. Capital requirements for position, currency and commodity risks declined by HRK 0.9m or almost one quarter (24.0%) and again involved exclusively capital requirements for currency risk (the only market risk reported by housing savings banks). The capital requirements for credit risk thus accounted for 85.1% (compared to the dominating 98.7% at the end of 2009), capital requirements for operational risk for 13.9% and the capital requirements for market risks for the remaining 0.9% of total capital requirements at the end of 2010.

2 Notes on methodology

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

Table 1.1 Bank peer groups and their share in total bank assets

In accordance with the selected criterion – the relative share of assets of an individual bank in total bank assets – this table shows the bank peer groups. Banks (including savings banks) have been divided into three peer groups: large, medium-sized and small banks. Large banks are banks whose assets exceed 5% of the total assets of all banks, medium-sized banks are banks whose assets are greater than 1% and less than 5% of the total assets of all banks, and small banks are banks whose assets are less than 1% of the total assets of all banks. See Attachment I, List of Credit Institutions by Peer Groups, for the composition of individual bank groups.

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets.

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.

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of assets, loans and deposits of banks.

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:

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

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 10 000 (monopoly).

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of assets, loans and deposits of banks.

Table 1.2 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. Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets. Up to 31 December 2009,

the source of data on the ownership structure of banks was form PD3 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and, as of 31 March 2010, it is report PD32 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010 and 146/2010).

Table 1.3 Number of employees, operating units and ATMs

This table shows data on the number of employees, operating units and ATMs for each individual bank peer group and for all banks combined.

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. Up to 31 December 2009, the source of data on the number of employees was form PD3 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010 the source of data is reporting records delivered by banks in accordance with the Instructions for statistical and prudential reporting (OG 35/2010, 95/2010 and 146/2010).

Table 1.4 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.

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.

Banks 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 1.5 Structure of bank assets

This table shows bank assets 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.

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets.

Figure 1.4 Rates of change in bank peer group assets

This figure shows the rates of change in assets relative to the balance at the end of the previous period for each bank peer group and for all banks combined .

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets.

Figure 1.5 Structure of bank peer group assets

This figure shows the structure of assets for each bank peer group and for all banks combined. Bank asset items consist of six positions: money assets and deposits with the CNB, deposits (with banking 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) and collectively assessed impairment provisions.

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets.

Table 1.6 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 since the end of the previous period.

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank liabilities and capital.

Figure 1.6 Structure of bank peer group liabilities and capital

This figure shows the structure of liabilities and capital for each bank peer group and for all banks combined. Bank liabilities and capital items consist of six positions: deposits (giro account and current 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.

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank liabilities and capital.

Figure 1.7 Structure of bank standard off-balance sheet items

This figure shows the structure of standard off-balance sheet items of banks by instruments at the end of the reporting period.

Report IBS (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010 and 146/2010) is the source of data on the amount of standard off-balance sheet items of banks.

Figure 1.8 Structure of bank derivative financial instruments (notional amount)

This figure shows the structure of derivative financial instruments (notional amount) by instruments at the end of the reporting period.

Report IBS (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010 and 146/2010) is the source of data on the amount of derivative financial instruments of banks.

Figure 1.9 Bank income before taxes

The amount of income (loss) before taxes is shown for each bank peer group and all banks combined, for all the observed reporting periods.

Form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of income (loss) before taxes of banks.

Table 1.7 Bank income statement

Income statement items are shown for each bank peer group and for all banks combined.

Form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on income statement.

Figure 1.10 Structure of bank net income

The columns show the share of net interest income, net income from fees and commissions and net

other non-interest income in total net income of individual bank peer groups and all banks combined at the end of the reporting period.

Form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the net income of banks.

Figure 1.11 Bank return on average assets (ROAA)

The return on average assets of each bank peer group and of all banks combined is calculated as a ratio between income before taxes (on an annual level) and average assets of bank peer groups and all banks combined. The average assets of bank peer groups and all banks combined are 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 of those bank peer groups and all banks combined.

Forms BS1-2 and RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on return on average assets.

Figure 1.12 Bank return on average equity (ROAE)

The return on average equity of each bank peer group and all banks combined is calculated as a ratio between income after taxes (on an annual level) and average assets of bank peer groups and all banks combined. The average equity of bank peer groups and all banks combined 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 of those bank peer groups and all banks combined.

Forms BS1-2 and RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on return on average equity.

Figure 1.13 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 banking 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.

Forms BS1-2 and RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on income from interest-bearing assets and expenses on interest-bearing liabilities.

Figure 1.14 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 1.15 Bank assets per employee

The asset to employee ratio is shown for each bank peer group and for all banks combined.

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on bank assets. Up to 31 December 2009, the source of data on the number of employees was form PD3 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010 the source of data is reporting records delivered by banks in accordance with the Instructions for statistical and prudential reporting (OG 35/2010, 95/2010 and 146/2010).

Figure 1.16 Bank operating expenses

The ratio of operating expenses (general administrative expenses and depreciation) and the sum of net interest and net non-interest income is shown for each bank peer group and for all banks combined.

Form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on operating expenses, net interest and net non-interest income of banks.

Table 1.8 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 2009, the source of data on the classification of placements and assumed off-balance sheet liabilities were forms RS1 and PIV1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010 they are reports RS2 and PIV2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010 and 146/2010).

Figure 1.17 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 RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010 and 146/2010) is the source of data on the structure of placements and assumed off-balance sheet liabilities of banks.

Figure 1.18 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 as of 31 March 2010, the source of data is report RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010 and 146/2010). As of 31 March 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 Instructions for statistical and prudential reporting (OG 35/2010, 95/2010 and 146/2010).

Table 1.9 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. 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 and value adjustments was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010, the source of data is report RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010 and 146/2010). As of 31 March 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 Instructions for statistical and prudential reporting (OG 35/2010, 95/2010 and 146/2010).

Figure 1.19 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 Instructions for statistical and prudential reporting (OG 35/2010, 95/2010 and 146/2010).

Figure 1.20 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 Instructions for statistical and prudential reporting (OG 35/2010, 95/2010 and 146/2010).

Figure 1.21 Share of bank partly recoverable and fully irrecoverable loans

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

Report RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010 and 146/2010)

is the source of data on bank loans. The distribution of exposure by institutional sectors is conducted by the CNB in accordance with the the European System of Accounts 1995 (ESA 95), based on reporting records delivered by banks in accordance with the Instructions for statistical and prudential reporting (OG 35/2010, 95/2010 and 146/2010).

Table 1.10 Structure of bank sources of financing

The structure of the sources of financing is shown for each bank peer group and all banks combined by instruments. The share of deposits and received loans of the majority foreign owner are shown separately.

Forms BS1-2, BS/DEP1-8 and BS/OK1-9 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on the sources of bank financing.

Table 1.11 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 from the majority foreign owner in total received loans are shown separately.

Form BS/OK1-9 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the received loans of banks.

Figure 1.22 Sectoral structure of received deposits

This figure shows the share of an individual institutional sector in giro account and current account deposits, savings deposits, time deposits and total deposits. Form BS/DEP1-8 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the received deposits.

Figure 1.23 Bank loans granted/deposits received

This figure shows the ratio between total net loans granted by individual bank peer groups and all banks combined and total deposits received by individual bank peer groups and all banks combined at the end of the reporting period.

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on granted loans and received deposits.

Figure 1.24 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.

Form BS/ROC1-14 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the assets and liabilities classified by remaining maturity terms.

Figure 1.25 Minimum liquidity coefficient

Minimum liquidity coefficient (MLC) is calculated as the ratio between the expected inflows (readily negotiable assets included) and the expected outflows in two given periods (up to one week and up

to one month). 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 for periods up to one week and up to one month has to equal or be greater than 1 on each day.

Form KL (Decision on liquidity risk management, OG 2/2010) is the source of data on MLC.

Figure 1.26 Long foreign exchange position of banks

Each bank peer group ratio between its long foreign exchange position (f/c claims exceeding f/c liabilities) and its own funds is calculated by adding up first the quarterly average long foreign exchange positions of banks belonging to an individual bank peer group and then by adding up in the same manner own funds of all banks in the respective peer group. The sums thus calculated are mutually divided. 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 the Decision on the limitation of credit institution exposure to foreign exchange risk, OG 38/2010) is the source of data on the long foreign exchange position. Up to 31 March 2010, the source of own funds data 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, it is form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Figure 1.27 Short foreign exchange position of banks

Each bank peer group ratio between its short foreign exchange position (f/c liabilities exceeding f/c claims) and its own funds is calculated by first adding up quarterly average short foreign exchange positions of banks belonging to an individual bank peer group and then by adding up own funds of all banks in the respective peer group. The sums thus calculated are mutually divided.

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 the Decision on the limitation of credit institution exposure to foreign exchange risk, OG 38/2010) is the source of data on the short foreign exchange position of banks. Up to 31 March 2010, the source of own funds data 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 it is form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Table 1.12 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 and 34/2010) are the source of data on the interest rate risk in the non-trading book.

Figure 1.28 Bank capital adequacy ratio

The capital adequacy ratio is calculated as a ratio between total own funds of individual bank peer groups and total own funds of all banks combined and total risk exposure of individual bank peer groups and all banks combined. 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 it is form SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Table 1.13 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 for each bank peer group and all banks combined (see the accompanying explanation with Figure 2.28 and Figure 2.29).

Up to 31 December 2009, the source of data on the capital adequacy of banks was forms JK2 and 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 it is forms JKAP and SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Figure 1.29 Bank own funds

The columns show the components of own funds at the end of the reporting period. Original own funds is the amount of original own funds net of deduction items, while additional own funds and ancillary own funds represent those amounts of additional own funds and ancillary own funds that are included in own funds (after application of the limits). Own funds are reduced by deduction items. As of 31 March 2010, one half of the total amount of deduction items is deducted from original own funds and half from additional own funds.

Up to 31 December 2009, the source of data on the 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 it is form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Table 1.14 Breakdown of net exposure to credit risk by risk weights

This table shows the net exposure to credit risk after the use of credit risk mitigation techniques. The net exposure is shown by exposure classes and credit risk-weights. The category Other includes the following exposure classes: exposures to multilateral development banks, exposures to international organisations, exposures in the form of covered bonds and other exposures. The line items total outflow and total inflow show the substitution effects of credit risk mitigation techniques, i.e. the effect of substitution of the risk weight of the obligor by the risk weight of the protection provider (or collateral). Form SP by individual exposure classes (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010) is the source of data on the net exposure of banks to credit risk.

Figure 1.30 Breakdown of net exposure to credit risk by risk weights

The columns show the structure of the net exposure to credit risk (after the use of credit risk mitigation techniques) by credit risk-weights. The average weight is calculated as a ratio between the weighted exposure and net exposure to credit risk.

Up to 31 December 2009, the source of data on the net exposure of banks that is weighted for credit risk and weighted exposure was forms 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 it is form SP by individual exposure classes (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Figure 1.31 Structure of bank total capital requirements

The total capital requirements of banks is the sum total of capital requirements for credit risk (including counterparty, dilution and free delivery risks), settlement/delivery risk, position, currency 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 and 2/2010) is the source of data on the capital requirements.

Table 1.15 Breakdown of bank capital adequacy ratio

This table shows the number of banks and their share of assets in the total assets of banks by buckets of the capital adequacy ratio.

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets. Up to 31 December 2009, the source of data on the capital adequacy ratio 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, it is form SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Figure 1.32 Assets, deposits and loans of housing savings banks

This figure shows the amount of assets, received deposits and granted home loans (gross) of housing savings banks.

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of assets and received deposits of housing savings banks. Up to 31 December 2009, the source of data on housing savings banks loans was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010 the source of data is form RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010 and 146/2010).

Table 1.16 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.

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of assets of housing savings banks.

Table 1.17 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.

Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of liabilities and capital of housing savings banks.

Table 1.18 Housing savings bank income statement

This table shows the amounts of income statement items of housing savings banks.

Form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on income statement of housing savings banks.

Table 1.19 Classification of housing savings bank placements and assumed off-balance sheet liabilities by risk categories

This table shows the classification of placements and assumed off-balance sheet liabilities (gross) of housing savings banks by risk categories and their share in the total placements and assumed off-balance sheet liabilities classified into risk categories.

Up to 31 December 2009, the source of data on the classification of placements and assumed off-balance sheet liabilities of housing savings banks was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010, the source of data is form RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010 and 146/2010).

Table 1.20 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 categories B-1, B-2, B-3 and C) and collectively assessed placement value adjustments and provisions for assumed off-balance sheet liabilities for (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 2009, the source of data on the ratio of total housing savings bank value adjustments and provisions and total placements and assumed off-balance sheet liabilities was forms PIV1 and RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010, it is reports RS2 and PIV2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010 and 146/2010).

3 List of credit institutions

The list of credit institutions contains 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 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 2010. They are based on unconsolidated audited financial reports submitted to the Croatian National Bank by credit institutions.

Data on members of management and supervisory boards are as at 1 June 2011.

Data on auditors relate to the audits performed in 2010.

A ŠTEDNA BANKA MALOG PODUZETNIŠTVA d.d.

Radnička cesta 45, 10000 Zagreb
 Phone: + 358 1 22 26 522
 Fax: + 358 1 22 26 523
 BAN¹ 6717002
 www.abanka.hr

Management board

Zvonko Agičić – chairperson, Dubravka Filipčić

Supervisory board

Milorad Pupovac – chairperson², Slobodan Vračar,
 Goran Crnčević

Shareholders

	Share in share capital (%)
1. Spectator ulaganja d.o.o.	9.79
2. Adut Ager d.o.o.	9.79
3. Goran Crnčević	9.60
4. Mirna Nagler Crnčević	9.60
5. Marin Crnčević	9.60
6. Edo Crnčević	9.60
7. Spectator Internacional d.o.o.	9.40
8. Astrum ulaganja d.o.o.	9.29
9. Diligent data d.o.o.	8.17
10. Matjaž Marinšek	6.20
11. Alen Bokšić	5.16
12. Krešimir Boranić	3.79

Audit firm for 2010:
 HLB Revidicon d.o.o., Varaždin

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	2,147
Money assets	36
Deposits with the CNB	2,111
Deposits with banking institutions	206
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	3,300
Loans to other clients	3,472
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	1,232
Interest, fees and other assets	454
Net of: Collectively assessed impairment provisions	81
TOTAL ASSETS	10,730

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	4,599
Giro account and current account deposits	3,049
Savings deposits	0
Time deposits	1,550
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	793
TOTAL LIABILITIES	5,392
Capital	5,338
TOTAL LIABILITIES AND CAPITAL	10,730

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	840
Total interest income	1,041
Total interest expenses	202
Net income from fees and commissions	-119
Total income from fees and commissions	79
Total expenses on fees and commissions	197
Net other non-interest income	70
Other non-interest income	122
Other non-interest expenses	52
Net non-interest income	-48
General administrative expenses and depreciation	8,815
Net operating income before loss provisions	-8,024
Total expenses on loss provisions	-20
Expenses on value adjustments and provisions for identified losses	96
Expenses on collectively assessed impairment provisions	-116
Income (loss) before taxes	-8,004
Income tax	0
Current year profit (loss)	-8,004

**Off-balance sheet items
as at 31 December 2010, 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 2010**

55.42

1 Bank account number

2 Became chairperson of the Supervisory board on 15 April 2011, after Fond za razvoj Autonomne pokrajine Vojvodine entered the bank's ownership structure. In May 2011, the bank's name was changed to Tesla štedna banka d.d.

BANCO POPOLARE CROATIA d.d.

Petrovaradinska 1, 10000 Zagreb
 Phone: + 358 1 46 53 400
 Fax: + 358 1 46 53 409
 BAN 4115008
 www.bpc.hr

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

1. Banco Popolare Società Cooperativa 98.13

Audit firm for 2010:

Ernst & Young d.o.o., Zagreb

Management board

Goran Gazivoda – chairperson, Ivan Dujmović

Supervisory board

Giuseppe Malerbi – chairperson, Samuele Fraizzoli,
 Paolo Taverna, Željko Perić

Balance sheet
as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	224,245
Money assets	37,707
Deposits with the CNB	186,538
Deposits with banking institutions	330,496
MoF treasury bills and CNB bills	67,169
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	907
Securities and other financial instruments held to maturity	36,538
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	63,866
Loans to other clients	1,622,156
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	754
Tangible assets (net of depreciation)	62,654
Interest, fees and other assets	35,770
Net of: Collectively assessed impairment provisions	19,616
TOTAL ASSETS	2,424,939

Liabilities and capital	
Loans from financial institutions	223,502
Short-term loans	8,000
Long-term loans	215,502
Deposits	1,814,381
Giro account and current account deposits	60,602
Savings deposits	65,689
Time deposits	1,688,091
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	120
Interest, fees and other liabilities	101,554
TOTAL LIABILITIES	2,139,558
Capital	285,381
TOTAL LIABILITIES AND CAPITAL	2,424,939

Income statement
as at 31 December 2010, in thousand HRK

Net interest income	98,558
Total interest income	178,681
Total interest expenses	80,122
Net income from fees and commissions	15,415
Total income from fees and commissions	17,901
Total expenses on fees and commissions	2,486
Net other non-interest income	9,529
Other non-interest income	15,233
Other non-interest expenses	5,704
Net non-interest income	24,944
General administrative expenses and depreciation	95,160
Net operating income before loss provisions	28,342
Total expenses on loss provisions	23,104
Expenses on value adjustments and provisions for identified losses	20,267
Expenses on collectively assessed impairment provisions	2,836
Income (loss) before taxes	5,239
Income tax	-4,735
Current year profit (loss)	9,973

Off-balance sheet items
as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	9,408
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	4,264
Margin credit lines	0
Other credit lines and commitments	47,192
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	60,864

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 2010

13.80

BANKA BROD d.d.

Zajčeva 21, 35000 Slavonski Brod
 Phone: + 358 35 44 57 11
 Fax: + 358 35 44 57 55
 BAN 4124003
 www.banka-brod.hr

Management board

Zdenko Vidaković – chairperson, Mićo Tomičić

Supervisory board

Damir Kreso – chairperson, Pero Ćosić, Damir Tus

Shareholders

	Share in share capital (%)
1. Mićo Tomičić	8.80
2. Damir Kreso	7.93
3. Mara Tomičić	7.83
4. Maja Vidaković	7.83
5. Zdenko Vidaković	7.83
6. Slobodanka Kreso	7.50
7. Razija Kreso	6.13
8. Neđo Jelčić	5.95
9. Mirko Vidaković	5.58
10. Karlo Tomičić	5.43
11. Višnja Rački	3.59
12. Željko Rački	3.44

Audit firm for 2010:
 BDO Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	152,851
Money assets	81,841
Deposits with the CNB	71,010
Deposits with banking institutions	53,353
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	37,923
Securities and other financial instruments held to maturity	18,704
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	2
Loans to financial institutions	10,500
Loans to other clients	243,409
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	134
Tangible assets (net of depreciation)	6,690
Interest, fees and other assets	6,302
Net of: Collectively assessed impairment provisions	3,688
TOTAL ASSETS	526,180

Liabilities and capital	
Loans from financial institutions	821
Short-term loans	0
Long-term loans	821
Deposits	444,264
Giro account and current account deposits	11,465
Savings deposits	5,852
Time deposits	426,947
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	21,181
TOTAL LIABILITIES	466,265
Capital	59,915
TOTAL LIABILITIES AND CAPITAL	526,180

Income statement
as at 31 December 2010, in thousand HRK

Net interest income	17,745
Total interest income	44,075
Total interest expenses	26,330
Net income from fees and commissions	3,744
Total income from fees and commissions	5,778
Total expenses on fees and commissions	2,034
Net other non-interest income	3,708
Other non-interest income	4,825
Other non-interest expenses	1,117
Net non-interest income	7,452
General administrative expenses and depreciation	16,775
Net operating income before loss provisions	8,421
Total expenses on loss provisions	3,249
Expenses on value adjustments and provisions for identified losses	3,454
Expenses on collectively assessed impairment provisions	-205
Income (loss) before taxes	5,173
Income tax	1,096
Current year profit (loss)	4,077

Off-balance sheet items
as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	8,510
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	167
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	8,676

Derivative financial instruments	
Options	2,689
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	2,689

Capital adequacy ratio, in %
as at 31 December 2010

15.98

BANKA KOVANICA d.d.³

P. Preradovića 29, 42000 Varaždin
 Phone: + 358 42 40 34 03
 Fax: + 358 42 21 21 48
 BAN 4133006
 www.kovanica.hr

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

1. Cassa di Risparmio della Repubblica di San Marino S.p.A. 99.23

Management board

Gian Luigi Bonfe – chairperson, Darko Kosovec

Audit firm for 2010:

Grant Thornton revizija d.o.o., Zagreb

Supervisory board

Pier Luigi Martelli – chairperson, Ivan Majdak,
 Vladimiro Renzi, Davor Štern, Gian Primo Gardi

Balance sheet as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	140,554
Money assets	14,063
Deposits with the CNB	126,491
Deposits with banking institutions	156,519
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	20,138
Securities and other financial instruments held to maturity	9,663
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	14,000
Loans to other clients	891,180
Investments in subsidiaries and associates	141
Foreclosed and repossessed assets	12,261
Tangible assets (net of depreciation)	29,136
Interest, fees and other assets	33,557
Net of: Collectively assessed impairment provisions	10,459
TOTAL ASSETS	1,296,690

Liabilities and capital	
Loans from financial institutions	64,948
Short-term loans	24,000
Long-term loans	40,948
Deposits	1,053,087
Giro account and current account deposits	17,789
Savings deposits	35,225
Time deposits	1,000,073
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	80,005
Interest, fees and other liabilities	45,003
TOTAL LIABILITIES	1,243,044
Capital	53,646
TOTAL LIABILITIES AND CAPITAL	1,296,690

Income statement as at 31 December 2010, in thousand HRK

Net interest income	29,081
Total interest income	87,782
Total interest expenses	58,701
Net income from fees and commissions	4,700
Total income from fees and commissions	6,387
Total expenses on fees and commissions	1,687
Net other non-interest income	-1,459
Other non-interest income	4,251
Other non-interest expenses	5,709
Net non-interest income	3,241
General administrative expenses and depreciation	57,483
Net operating income before loss provisions	-25,161
Total expenses on loss provisions	52,706
Expenses on value adjustments and provisions for identified losses	53,001
Expenses on collectively assessed impairment provisions	-295
Income (loss) before taxes	-77,867
Income tax	0
Current year profit (loss)	-77,867

Off-balance sheet items as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	17,703
Uncovered letters of credit	6,479
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	34,209
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	58,391

Derivative financial instruments	
Options	462
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	462

Capital adequacy ratio, in % as at 31 December 2010

8.95

3 Due to the non-compliance with regulatory provisions on the minimum capital adequacy ratio, supervisory measures are currently being taken against this bank.

BANKA SPLITSKO-DALMATINSKA d.d.

114. brigade 9, 21000 Split
Phone: + 358 21 54 02 80
Fax: + 358 21 36 84 48
BAN 4109006
www.bsd.hr

Management board

Ante Blažević – chairperson, Ivo Krolo

Supervisory board

Irena Kalebić Bašić – chairperson, Nediljko Ivančević,
Ivan Filipović

Shareholders

	Share in share capital (%)
1. Juroslav Buljubašić	31.49
2. Hypo Alpe-Adria-Bank d.d. (custody account)	9.71
3. Mirko Vukušić	7.44
4. Venči Čulić Meić	6.61
5. Joško Dvornik	5.75
6. Irena Kalebić Bašić	5.55
7. Blue Line International INC	5.51
8. Nataša Vuković	5.30
9. Mira Marić-Banje	5.18
10. own shares	3.79
11. Jakiša Medić	3.02

Audit firm for 2010:
BAŠREVIZOR d.o.o., Split

Balance sheet as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	29,055
Money assets	6,503
Deposits with the CNB	22,552
Deposits with banking institutions	38,768
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	3,727
Securities and other financial instruments available for sale	44
Securities and other financial instruments held to maturity	1,625
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	201,858
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	230
Tangible assets (net of depreciation)	15,020
Interest, fees and other assets	7,615
Net of: Collectively assessed impairment provisions	2,366
TOTAL ASSETS	295,578

Liabilities and capital	
Loans from financial institutions	5,075
Short-term loans	5,000
Long-term loans	75
Deposits	223,851
Giro account and current account deposits	4,706
Savings deposits	8,004
Time deposits	211,141
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	14,546
TOTAL LIABILITIES	243,472
Capital	52,106
TOTAL LIABILITIES AND CAPITAL	295,578

Income statement as at 31 December 2010, in thousand HRK

Net interest income	15,317
Total interest income	26,808
Total interest expenses	11,491
Net income from fees and commissions	1,586
Total income from fees and commissions	2,191
Total expenses on fees and commissions	605
Net other non-interest income	-520
Other non-interest income	2,031
Other non-interest expenses	2,551
Net non-interest income	1,066
General administrative expenses and depreciation	14,549
Net operating income before loss provisions	1,835
Total expenses on loss provisions	481
Expenses on value adjustments and provisions for identified losses	31
Expenses on collectively assessed impairment provisions	450
Income (loss) before taxes	1,354
Income tax	326
Current year profit (loss)	1,027

Off-balance sheet items as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	5,467
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,266
Margin credit lines	0
Other credit lines and commitments	0
Other standard risky off-balance sheet items	14
Total standard off-balance sheet items	6,747

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 2010

19.07

BKS BANK d.d.

Mijekarski trg 3, 51000 Rijeka
 Phone: + 358 51 35 35 55
 Fax: + 358 51 35 35 66
 BAN 2488001
 www.bks.hr

Shareholders

1. BKS Bank AG

**Share in share
 capital (%)**
 100.00

Audit firm for 2010:
 KPMG Croatia d.o.o., Zagreb

Management board

Goran Rameša – chairperson, Christian Peter
 Pettinger

Supervisory board

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

**Balance sheet
 as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	66,908
Money assets	3,299
Deposits with the CNB	63,609
Deposits with banking institutions	99,508
MoF treasury bills and CNB bills	24,266
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	1,376
Securities and other financial instruments held to maturity	10,553
Securities and other financial instruments not traded in active markets but carried at fair value	19,029
Derivative financial assets	0
Loans to financial institutions	9,700
Loans to other clients	486,933
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	383
Tangible assets (net of depreciation)	23,825
Interest, fees and other assets	17,279
Net of: Collectively assessed impairment provisions	6,420
TOTAL ASSETS	753,339

Liabilities and capital	
Loans from financial institutions	54,470
Short-term loans	7,025
Long-term loans	47,445
Deposits	424,105
Giro account and current account deposits	109,356
Savings deposits	32,297
Time deposits	282,452
Other loans	125,548
Short-term loans	66,467
Long-term loans	59,081
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	14,690
TOTAL LIABILITIES	618,813
Capital	134,526
TOTAL LIABILITIES AND CAPITAL	753,339

**Income statement
 as at 31 December 2010, in thousand HRK**

Net interest income	21,398
Total interest income	37,844
Total interest expenses	16,446
Net income from fees and commissions	3,438
Total income from fees and commissions	5,640
Total expenses on fees and commissions	2,202
Net other non-interest income	1,910
Other non-interest income	2,962
Other non-interest expenses	1,052
Net non-interest income	5,348
General administrative expenses and depreciation	26,265
Net operating income before loss provisions	481
Total expenses on loss provisions	246
Expenses on value adjustments and provisions for identified losses	-731
Expenses on collectively assessed impairment provisions	977
Income (loss) before taxes	235
Income tax	-127
Current year profit (loss)	362

**Off-balance sheet items
 as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	46,692
Uncovered letters of credit	159
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	18,325
Margin credit lines	0
Other credit lines and commitments	26,234
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	91,409

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 2010**

20.93

CENTAR BANKA d.d.

Amruševa 6, 10000 Zagreb
 Phone: + 358 1 48 03 444
 Fax: + 358 1 48 03 441
 BAN 2382001
 www.centarbanka.hr

Management board

Ivo Markotić – chairperson, Fran Renko,
 Gordana Amančić

Supervisory board

Dragutin Biondić – chairperson, Igor Knežević,
 Zlatko Mateša, Dragutin Kalogjera

Shareholders

1. Heruc d.d.	41.23
2. Privredna banka Zagreb d.d. (custody account)	7.78
3. Heruc Euroholding LTD	3.85

Share in share capital (%)

Audit firm for 2010:

Grant Thornton revizija d.o.o., Zagreb

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	129,205
Money assets	10,185
Deposits with the CNB	119,020
Deposits with banking institutions	96,206
MoF treasury bills and CNB bills	75,622
Securities and other financial instruments held for trading	20,183
Securities and other financial instruments available for sale	11,674
Securities and other financial instruments held to maturity	36,647
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	2
Loans to financial institutions	7,600
Loans to other clients	1,155,173
Investments in subsidiaries and associates	5,000
Foreclosed and repossessed assets	34,651
Tangible assets (net of depreciation)	2,798
Interest, fees and other assets	40,454
Net of: Collectively assessed impairment provisions	12,570
TOTAL ASSETS	1,602,644

Liabilities and capital	
Loans from financial institutions	440,425
Short-term loans	74,182
Long-term loans	366,243
Deposits	904,544
Giro account and current account deposits	99,394
Savings deposits	36,622
Time deposits	768,529
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	2
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	24,398
Interest, fees and other liabilities	39,148
TOTAL LIABILITIES	1,408,516
Capital	194,128
TOTAL LIABILITIES AND CAPITAL	1,602,644

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	55,909
Total interest income	115,182
Total interest expenses	59,273
Net income from fees and commissions	10,733
Total income from fees and commissions	15,347
Total expenses on fees and commissions	4,614
Net other non-interest income	5,618
Other non-interest income	8,164
Other non-interest expenses	2,546
Net non-interest income	16,351
General administrative expenses and depreciation	55,911
Net operating income before loss provisions	16,349
Total expenses on loss provisions	15,456
Expenses on value adjustments and provisions for identified losses	16,025
Expenses on collectively assessed impairment provisions	-569
Income (loss) before taxes	893
Income tax	269
Current year profit (loss)	625

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	118,746
Uncovered letters of credit	13,701
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,076
Margin credit lines	0
Other credit lines and commitments	66,846
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	201,369

Derivative financial instruments	
Options	16,065
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	16,065

**Capital adequacy ratio, in %
as at 31 December 2010**

13.36

CREDO BANKA d.d.

Zrinsko-Frankopanska 58, 21000 Split
 Phone: + 358 21 34 04 10
 Fax: + 358 21 38 06 83
 BAN 2491005
 www.credobanka.hr

Management board

Šime Luketin – chairperson, Mato Mišić

Supervisory board

Boris Barać – chairperson, Mirko Vuković, Dražen Bilić

Shareholders

	Share in share capital (%)
1. Mirko Vuković	32.73
2. Boris Barać	24.17
3. Kvarner Vienna Insurance Group d.d.	6.66
4. Simag d.o.o.	4.66
5. Marko Vuković	4.49
6. Alkom d.o.o.	4.18
7. HPB d.d. (custody account)	3.23

Audit firm for 2010:

Kalibović i partneri d.o.o., Split

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	223,370
Money assets	18,085
Deposits with the CNB	205,285
Deposits with banking institutions	171,570
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	25,899
Securities and other financial instruments held to maturity	73,520
Securities and other financial instruments not traded in active markets but carried at fair value	5
Derivative financial assets	0
Loans to financial institutions	15,904
Loans to other clients	1,177,588
Investments in subsidiaries and associates	40
Foreclosed and repossessed assets	16,198
Tangible assets (net of depreciation)	3,948
Interest, fees and other assets	48,018
Net of: Collectively assessed impairment provisions	15,412
TOTAL ASSETS	1,740,647

Liabilities and capital	
Loans from financial institutions	187,378
Short-term loans	51,280
Long-term loans	136,098
Deposits	1,284,393
Giro account and current account deposits	148,148
Savings deposits	66,611
Time deposits	1,069,634
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	59,492
Interest, fees and other liabilities	66,426
TOTAL LIABILITIES	1,597,689
Capital	142,959
TOTAL LIABILITIES AND CAPITAL	1,740,647

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	42,198
Total interest income	112,228
Total interest expenses	70,030
Net income from fees and commissions	10,591
Total income from fees and commissions	13,077
Total expenses on fees and commissions	2,486
Net other non-interest income	18,412
Other non-interest income	35,101
Other non-interest expenses	16,689
Net non-interest income	29,003
General administrative expenses and depreciation	41,215
Net operating income before loss provisions	29,986
Total expenses on loss provisions	25,350
Expenses on value adjustments and provisions for identified losses	23,412
Expenses on collectively assessed impairment provisions	1,939
Income (loss) before taxes	4,636
Income tax	1,034
Current year profit (loss)	3,602

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	132,908
Uncovered letters of credit	7,816
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,560
Margin credit lines	0
Other credit lines and commitments	11,966
Other standard risky off-balance sheet items	183
Total standard off-balance sheet items	154,431

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 2010**

12.98

CROATIA BANKA d.d.

Kvaternikov trg 9, 10000 Zagreb
 Phone: + 358 1 23 91 120
 Fax: + 358 1 23 91 470
 BAN 2485003
 www.croatiabanka.hr

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

- | | |
|---|--------|
| 1. State Agency for Bank Rehabilitation and Deposit Insurance | 100.00 |
|---|--------|

Management board

Ivan Purgar – chairperson, Marko Gabela

Audit firm for 2010:

BDO Croatia d.o.o., Zagreb

Supervisory board

Ivan Pažin – chairperson, Branka Grabovac,
 Ivan Tomljenović, Maja Barberić, Mato Karačić

Balance sheet as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	221,357
Money assets	23,689
Deposits with the CNB	197,668
Deposits with banking institutions	283,221
MoF treasury bills and CNB bills	159,470
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	93,719
Securities and other financial instruments held to maturity	18,097
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	22
Loans to financial institutions	31,736
Loans to other clients	972,217
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	48,912
Tangible assets (net of depreciation)	26,054
Interest, fees and other assets	49,746
Net of: Collectively assessed impairment provisions	12,357
TOTAL ASSETS	1,892,195

Liabilities and capital	
Loans from financial institutions	293,692
Short-term loans	59,000
Long-term loans	234,692
Deposits	1,289,407
Giro account and current account deposits	187,338
Savings deposits	74,876
Time deposits	1,027,194
Other loans	22,232
Short-term loans	22,156
Long-term loans	76
Derivative financial liabilities and other financial liabilities held for trading	24
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	70,000
Interest, fees and other liabilities	90,795
TOTAL LIABILITIES	1,766,150
Capital	126,045
TOTAL LIABILITIES AND CAPITAL	1,892,195

Income statement as at 31 December 2010, in thousand HRK

Net interest income	41,210
Total interest income	105,926
Total interest expenses	64,716
Net income from fees and commissions	5,651
Total income from fees and commissions	11,713
Total expenses on fees and commissions	6,062
Net other non-interest income	4,333
Other non-interest income	13,192
Other non-interest expenses	8,859
Net non-interest income	9,984
General administrative expenses and depreciation	69,011
Net operating income before loss provisions	-17,816
Total expenses on loss provisions	24,312
Expenses on value adjustments and provisions for identified losses	26,229
Expenses on collectively assessed impairment provisions	-1,917
Income (loss) before taxes	-42,129
Income tax	0
Current year profit (loss)	-42,129

Off-balance sheet items as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	43,218
Uncovered letters of credit	4,792
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	51,410
Margin credit lines	0
Other credit lines and commitments	0
Other standard risky off-balance sheet items	2,352
Total standard off-balance sheet items	101,772

Derivative financial instruments	
Options	42,087
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	42,087

Capital adequacy ratio, in % as at 31 December 2010

14.53

ERSTE & STEIERMÄRKISCHE BANK d.d.

Jadranski trg 3a, 51000 Rijeka
Phone: + 358 62 37 50 00
Fax: + 358 62 37 60 00
BAN 2402006
www.erstebank.hr

Shareholders

1. ESB Holding GMBH

Share in share
capital (%)
100.00

Audit firm for 2010:
Ernst & Young d.o.o., Zagreb

Management board

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

Supervisory board

Herbert Juranek – chairperson, Sava Ivanov Dabolkov,
Franz Kerber, Kristijan Schellander, Peter Nemschak,
Reinhard Ortner, Ernst Gideon Loudon

Balance sheet as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	6,424,745
Money assets	692,384
Deposits with the CNB	5,732,361
Deposits with banking institutions	3,015,915
MoF treasury bills and CNB bills	1,446,107
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	2,840,050
Securities and other financial instruments held to maturity	399,839
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	21,889
Loans to financial institutions	452,831
Loans to other clients	35,272,948
Investments in subsidiaries and associates	167,358
Foreclosed and repossessed assets	51,308
Tangible assets (net of depreciation)	414,646
Interest, fees and other assets	644,255
Net of: Collectively assessed impairment provisions	434,191
TOTAL ASSETS	50,717,699

Liabilities and capital	
Loans from financial institutions	2,237,197
Short-term loans	817,100
Long-term loans	1,420,097
Deposits	37,322,064
Giro account and current account deposits	3,556,413
Savings deposits	3,025,387
Time deposits	30,740,264
Other loans	3,384,396
Short-term loans	373,516
Long-term loans	3,010,880
Derivative financial liabilities and other financial liabilities held for trading	221,571
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	1,535,696
TOTAL LIABILITIES	44,700,924
Capital	6,016,775
TOTAL LIABILITIES AND CAPITAL	50,717,699

Income statement as at 31 December 2010, in thousand HRK

Net interest income	1,394,423
Total interest income	2,743,767
Total interest expenses	1,349,343
Net income from fees and commissions	333,739
Total income from fees and commissions	451,390
Total expenses on fees and commissions	117,650
Net other non-interest income	263,178
Other non-interest income	302,741
Other non-interest expenses	39,563
Net non-interest income	596,917
General administrative expenses and depreciation	720,578
Net operating income before loss provisions	1,270,762
Total expenses on loss provisions	512,822
Expenses on value adjustments and provisions for identified losses	521,233
Expenses on collectively assessed impairment provisions	-8,411
Income (loss) before taxes	757,940
Income tax	148,320
Current year profit (loss)	609,621

Off-balance sheet items as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,530,933
Uncovered letters of credit	118,958
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	483,349
Margin credit lines	0
Other credit lines and commitments	1,291,700
Other standard risky off-balance sheet items	41,310
Total standard off-balance sheet items	3,466,251

Derivative financial instruments	
Options	181,716
Swaps	3,355,636
Forwards	18,040,796
Futures	0
Warrants	0
Other derivative financial instruments	2,534
Total notional amount of derivative financial instruments	21,580,683

Capital adequacy ratio, in % as at 31 December 2010

15.05

HRVATSKA POŠTANSKA BANKA d.d.

Jurišićeva 4, 10000 Zagreb
 Phone: + 358 1 48 04 574
 Fax: + 358 1 48 10 791
 BAN 2390001
 www.hpb.hr

Management board

Čedo Maletić – chairperson, Dubravka Kolarčić

Supervisory board

Damir Kaufman – chairperson, Dražen Kobas,
 Anita Pavković, Krešimir Bračić, Mario Mikulić,
 Marin Palada, Dario Čorić

Shareholders

	Share in share capital (%)
1. Central State Administrative Office for State Property Management	29.08
2. Hrvatska pošta d.d.	27.49
3. Croatian Privatisation Fund	22.38
4. Croatian Pension Insurance Administration	20.18

Audit firm for 2010:
 Deloitte d.o.o., Zagreb

Balance sheet as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	1,800,474
Money assets	452,953
Deposits with the CNB	1,347,520
Deposits with banking institutions	1,248,276
MoF treasury bills and CNB bills	802,400
Securities and other financial instruments held for trading	400,247
Securities and other financial instruments available for sale	248,440
Securities and other financial instruments held to maturity	540,806
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	1,253
Loans to financial institutions	293,022
Loans to other clients	8,730,575
Investments in subsidiaries and associates	95,541
Foreclosed and repossessed assets	114,364
Tangible assets (net of depreciation)	158,710
Interest, fees and other assets	466,207
Net of: Collectively assessed impairment provisions	110,051
TOTAL ASSETS	14,790,265

Liabilities and capital	
Loans from financial institutions	1,260,507
Short-term loans	124,786
Long-term loans	1,135,722
Deposits	10,293,809
Giro account and current account deposits	2,276,665
Savings deposits	1,278,168
Time deposits	6,738,976
Other loans	26,340
Short-term loans	0
Long-term loans	26,340
Derivative financial liabilities and other financial liabilities held for trading	402
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	600,642
Interest, fees and other liabilities	1,418,526
TOTAL LIABILITIES	13,600,227
Capital	1,190,038
TOTAL LIABILITIES AND CAPITAL	14,790,265

Income statement as at 31 December 2010, in thousand HRK

Net interest income	374,323
Total interest income	823,011
Total interest expenses	448,688
Net income from fees and commissions	198,454
Total income from fees and commissions	578,702
Total expenses on fees and commissions	380,247
Net other non-interest income	51,198
Other non-interest income	93,095
Other non-interest expenses	41,897
Net non-interest income	249,652
General administrative expenses and depreciation	427,132
Net operating income before loss provisions	196,843
Total expenses on loss provisions	140,288
Expenses on value adjustments and provisions for identified losses	138,848
Expenses on collectively assessed impairment provisions	1,440
Income (loss) before taxes	56,555
Income tax	5,719
Current year profit (loss)	50,836

Off-balance sheet items as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	538,632
Uncovered letters of credit	75,592
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	249,710
Margin credit lines	0
Other credit lines and commitments	984,844
Other standard risky off-balance sheet items	459
Total standard off-balance sheet items	1,849,238

Derivative financial instruments	
Options	0
Swaps	152,241
Forwards	550,168
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	702,409

Capital adequacy ratio, in % as at 31 December 2010

16.82

HYPO ALPE-ADRIA-BANK d.d.

Slavonska avenija 6, 10000 Zagreb
 Phone: + 358 0800 49 76 47
 Fax: + 358 1 60 07 000
 BAN 2500009
 www.hypo-alpe-adria.hr

Shareholders

- Hypo Alpe-Adria-Bank International AG

Share in share capital (%)

100.00

Management board

Markus Ferstl – chairperson, Ivo Bilić, Brane Golubić,
 Tadija Vrdoljak, Tea Martinčić

Audit firm for 2010:

Ernst & Young d.o.o., Zagreb

Supervisory board

Gottwald Kranebitter – chairperson,
 Wolfgang Edelmüller, Blaž Brodnjak,
 Sebastian Firlinger, Goran Radman

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	4,003,629
Money assets	354,549
Deposits with the CNB	3,649,080
Deposits with banking institutions	855,659
MoF treasury bills and CNB bills	706,421
Securities and other financial instruments held for trading	131,933
Securities and other financial instruments available for sale	3,374,196
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	295
Loans to financial institutions	420,795
Loans to other clients	28,476,670
Investments in subsidiaries and associates	219,234
Foreclosed and repossessed assets	116,758
Tangible assets (net of depreciation)	335,608
Interest, fees and other assets	565,409
Net of: Collectively assessed impairment provisions	265,540
TOTAL ASSETS	38,941,067

Liabilities and capital	
Loans from financial institutions	1,716,042
Short-term loans	373,000
Long-term loans	1,343,042
Deposits	24,789,832
Giro account and current account deposits	1,993,662
Savings deposits	1,343,609
Time deposits	21,452,560
Other loans	2,532,051
Short-term loans	2,517,387
Long-term loans	14,664
Derivative financial liabilities and other financial liabilities held for trading	269,895
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	2,388,969
Interest, fees and other liabilities	860,824
TOTAL LIABILITIES	32,557,613
Capital	6,383,454
TOTAL LIABILITIES AND CAPITAL	38,941,067

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	1,029,913
Total interest income	2,103,656
Total interest expenses	1,073,743
Net income from fees and commissions	286,878
Total income from fees and commissions	356,528
Total expenses on fees and commissions	69,650
Net other non-interest income	122,060
Other non-interest income	188,429
Other non-interest expenses	66,369
Net non-interest income	408,939
General administrative expenses and depreciation	648,262
Net operating income before loss provisions	790,590
Total expenses on loss provisions	511,518
Expenses on value adjustments and provisions for identified losses	574,211
Expenses on collectively assessed impairment provisions	-62,693
Income (loss) before taxes	279,072
Income tax	51,934
Current year profit (loss)	227,137

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	2,552,639
Uncovered letters of credit	49,068
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	133,809
Margin credit lines	0
Other credit lines and commitments	1,001,803
Other standard risky off-balance sheet items	568,887
Total standard off-balance sheet items	4,306,205

Derivative financial instruments	
Options	0
Swaps	7,414,017
Forwards	204,957
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	7,618,974

**Capital adequacy ratio, in %
as at 31 December 2010**

28.55

IMEX BANKA d.d.

Tolstojeva 6, 21000 Split
 Phone: + 358 21 40 61 00
 Fax: + 358 21 34 55 88
 BAN 2492008
 www.imexbanka.hr

Management board

Branko Buljan – chairperson, Ružica Šarić

Supervisory board

Darko Medak – chairperson, Dubravka Ostojić,
 Slavka Petrov

Shareholders

1. Branko Buljan
2. Ivka Mijić

Share in share capital (%)

77.98
 22.02

Audit firm for 2010:
 Maran d.o.o., Split

Balance sheet
as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	280,071
Money assets	17,457
Deposits with the CNB	262,615
Deposits with banking institutions	190,044
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	2,093
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	5,394
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	6,500
Loans to other clients	1,036,908
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	42,862
Interest, fees and other assets	24,762
Net of: Collectively assessed impairment provisions	12,585
TOTAL ASSETS	1,576,049

Liabilities and capital	
Loans from financial institutions	85,072
Short-term loans	0
Long-term loans	85,072
Deposits	1,303,317
Giro account and current account deposits	81,858
Savings deposits	21,030
Time deposits	1,200,430
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	41,000
Interest, fees and other liabilities	37,780
TOTAL LIABILITIES	1,467,169
Capital	108,880
TOTAL LIABILITIES AND CAPITAL	1,576,049

Income statement
as at 31 December 2010, in thousand HRK

Net interest income	58,730
Total interest income	125,350
Total interest expenses	66,620
Net income from fees and commissions	4,173
Total income from fees and commissions	6,582
Total expenses on fees and commissions	2,410
Net other non-interest income	1,600
Other non-interest income	4,069
Other non-interest expenses	2,469
Net non-interest income	5,773
General administrative expenses and depreciation	31,419
Net operating income before loss provisions	33,084
Total expenses on loss provisions	22,831
Expenses on value adjustments and provisions for identified losses	20,819
Expenses on collectively assessed impairment provisions	2,013
Income (loss) before taxes	10,253
Income tax	2,201
Current year profit (loss)	8,052

Off-balance sheet items
as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	62,160
Uncovered letters of credit	5,640
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	16,885
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	84,686

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 2010

12.92

ISTARSKA KREDITNA BANKA UMAG d.d.

Miloševa 1, 52470 Umag
Phone: + 358 52 70 23 59
Fax: + 358 52 70 23 87
BAN 2380006
www.ikb.hr

Management board

Miro Dodić – chairperson, Marina Vidić, 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.	17.16
2. Tvornica cementa Umag d.o.o.	15.31
3. Serfin d.o.o.	9.84
4. Assicurazioni Generali S.p.a.	7.76
5. Marijan Kovačić	6.91
6. Branko Kovačić	3.64
7. Plava laguna d.d.	3.63
8. Nerio Perich	3.45
9. Milenko Opačić	3.40

Audit firm for 2010:
PricewaterhouseCoopers d.o.o., Zagreb

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	305,102
Money assets	35,660
Deposits with the CNB	269,442
Deposits with banking institutions	358,584
MoF treasury bills and CNB bills	156,015
Securities and other financial instruments held for trading	445
Securities and other financial instruments available for sale	2,805
Securities and other financial instruments held to maturity	58,572
Securities and other financial instruments not traded in active markets but carried at fair value	16,984
Derivative financial assets	0
Loans to financial institutions	124,400
Loans to other clients	1,341,308
Investments in subsidiaries and associates	20
Foreclosed and repossessed assets	4,333
Tangible assets (net of depreciation)	49,824
Interest, fees and other assets	17,487
Net of: Collectively assessed impairment provisions	18,195
TOTAL ASSETS	2,417,684

Liabilities and capital	
Loans from financial institutions	51,870
Short-term loans	11,000
Long-term loans	40,870
Deposits	2,058,212
Giro account and current account deposits	274,488
Savings deposits	346,867
Time deposits	1,436,857
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	18,423
Interest, fees and other liabilities	48,931
TOTAL LIABILITIES	2,177,436
Capital	240,248
TOTAL LIABILITIES AND CAPITAL	2,417,684

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	56,964
Total interest income	122,783
Total interest expenses	65,820
Net income from fees and commissions	19,199
Total income from fees and commissions	23,623
Total expenses on fees and commissions	4,424
Net other non-interest income	17,202
Other non-interest income	20,081
Other non-interest expenses	2,879
Net non-interest income	36,401
General administrative expenses and depreciation	60,217
Net operating income before loss provisions	33,147
Total expenses on loss provisions	11,030
Expenses on value adjustments and provisions for identified losses	11,001
Expenses on collectively assessed impairment provisions	29
Income (loss) before taxes	22,117
Income tax	4,284
Current year profit (loss)	17,833

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	33,517
Uncovered letters of credit	14,196
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	22,449
Margin credit lines	0
Other credit lines and commitments	37,346
Other standard risky off-balance sheet items	163
Total standard off-balance sheet items	107,672

Derivative financial instruments	
Options	6,524
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	6,524

**Capital adequacy ratio, in %
as at 31 December 2010**

15.05

JADRANSKA BANKA d.d.⁴

Starčevićeva 4, 22000 Šibenik
 Phone: + 358 22 24 21 00
 Fax: + 358 22 33 58 81
 BAN 2411006
 www.jadranska-banka.hr

Management board

Ivo Šinko – chairperson, Marija Trlaja, Mirko Goreta

Supervisory board

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

Shareholders

	Share in share capital (%)
1. Mango Investments LTD	6.69
2. Croatia osiguranje d.d.	6.48
3. Alfa d.d.	6.26
4. Josip Stojanović	4.80
5. Ugo grupa d.o.o.	4.58
6. Importanne d.o.o.	4.31
7. Tiskara Malenica d.o.o.	4.05
8. Vodovod i odvodnja d.o.o.	3.39
9. Rivijera hoteli i kampovi d.d.	3.17

Audit firm for 2010:
 Šibenski Revicon d.o.o., Šibenik

Balance sheet
as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	329,551
Money assets	60,042
Deposits with the CNB	269,509
Deposits with banking institutions	432,042
MoF treasury bills and CNB bills	4,955
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	16,674
Securities and other financial instruments held to maturity	278,433
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	25,100
Loans to other clients	1,362,183
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	182,164
Tangible assets (net of depreciation)	25,387
Interest, fees and other assets	35,998
Net of: Collectively assessed impairment provisions	18,855
TOTAL ASSETS	2,673,631

Liabilities and capital	
Loans from financial institutions	167,399
Short-term loans	83,166
Long-term loans	84,233
Deposits	2,110,655
Giro account and current account deposits	218,227
Savings deposits	406,905
Time deposits	1,485,524
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	7
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	15,519
Hybrid instruments issued	0
Interest, fees and other liabilities	55,562
TOTAL LIABILITIES	2,349,141
Capital	324,490
TOTAL LIABILITIES AND CAPITAL	2,673,631

Income statement
as at 31 December 2010, in thousand HRK

Net interest income	62,081
Total interest income	149,385
Total interest expenses	87,304
Net income from fees and commissions	15,995
Total income from fees and commissions	21,215
Total expenses on fees and commissions	5,220
Net other non-interest income	7,460
Other non-interest income	15,058
Other non-interest expenses	7,598
Net non-interest income	23,455
General administrative expenses and depreciation	60,312
Net operating income before loss provisions	25,224
Total expenses on loss provisions	79,558
Expenses on value adjustments and provisions for identified losses	77,550
Expenses on collectively assessed impairment provisions	2,008
Income (loss) before taxes	-54,335
Income tax	0
Current year profit (loss)	-54,335

Off-balance sheet items
as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	63,794
Uncovered letters of credit	25,872
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	144,176
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	233,842

Derivative financial instruments	
Options	14,544
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	14,544

Capital adequacy ratio, in %
as at 31 December 2010

15.49

4 Shown here are new data based on a report with balance as at 31 December 2010 submitted by the bank at the time when the work on this publication was already underway. These data are not included in the aggregate banking sector data shown in part 1 of this publication, Performance indicators of credit institutions.

KARLOVAČKA BANKA d.d.⁵

I. G. Kovačića 1, 47000 Karlovac
 Phone: + 358 47 41 75 01
 Fax: + 358 47 61 42 06
 BAN 2400008
 www.kaba.hr

Management board

Sandi Šola – chairperson, Marijana Trpčić-Reškovac

Supervisory board

Danijel Žamboki – chairperson, Goran Vukšić,
 Ivica Horvat, Josip Paladino, Darko Tipurić

Shareholders

	Share in share capital (%)
1. Sandi Šola	19.54
2. Mate Šarić	9.63
3. Batheja Pramod	5.47
4. Marijan Šarić	4.94
5. Soci�t� G�n�rale-Splitska banka d.d. (custody account)	4.06
6. Privredna banka Zagreb d.d. (custody account)	4.05
7. Dario Šimić	3.95
8. Goran Ivanišević	3.39
9. Ivan Guerrero Devlahovich	3.01

Audit firm for 2010:
 BDO Croatia d.o.o., Zagreb

Balance sheet as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	227,383
Money assets	26,829
Deposits with the CNB	200,554
Deposits with banking institutions	320,266
MoF treasury bills and CNB bills	146,584
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	27,333
Securities and other financial instruments held to maturity	160,308
Securities and other financial instruments not traded in active markets but carried at fair value	87,245
Derivative financial assets	0
Loans to financial institutions	202
Loans to other clients	1,113,546
Investments in subsidiaries and associates	79,503
Foreclosed and repossessed assets	32,032
Tangible assets (net of depreciation)	90,676
Interest, fees and other assets	39,247
Net of: Collectively assessed impairment provisions	14,513
TOTAL ASSETS	2,309,811

Liabilities and capital	
Loans from financial institutions	199,500
Short-term loans	62,600
Long-term loans	136,900
Deposits	1,887,262
Giro account and current account deposits	354,785
Savings deposits	235,568
Time deposits	1,296,909
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	6
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	56,258
Interest, fees and other liabilities	66,336
TOTAL LIABILITIES	2,209,362
Capital	100,449
TOTAL LIABILITIES AND CAPITAL	2,309,811

Income statement as at 31 December 2010, in thousand HRK

Net interest income	48,434
Total interest income	130,325
Total interest expenses	81,891
Net income from fees and commissions	15,884
Total income from fees and commissions	25,686
Total expenses on fees and commissions	9,802
Net other non-interest income	12,421
Other non-interest income	19,316
Other non-interest expenses	6,895
Net non-interest income	28,305
General administrative expenses and depreciation	89,274
Net operating income before loss provisions	-12,534
Total expenses on loss provisions	78,089
Expenses on value adjustments and provisions for identified losses	77,497
Expenses on collectively assessed impairment provisions	592
Income (loss) before taxes	-90,624
Income tax	0
Current year profit (loss)	-90,624

Off-balance sheet items as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	197,736
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	7,491
Margin credit lines	0
Other credit lines and commitments	187,177
Other standard risky off-balance sheet items	2,857
Total standard off-balance sheet items	395,261

Derivative financial instruments	
Options	7,069
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	7,069

Capital adequacy ratio, in % as at 31 December 2010

7.58

5 Due to the non-compliance with regulatory provisions on the minimum capital adequacy ratio, supervisory measures are currently being taken against this bank.

KREDITNA BANKA ZAGREB d.d.

Ulica grada Vukovara 74, 10000 Zagreb
 Phone: + 358 1 61 67 373
 Fax: + 358 1 61 16 466
 BAN 2481000
 www.kbz.hr

Management board

Mirjana Krile – chairperson, Ivan Dropulić,
 Stjepan Anić

Supervisory board

Nadira Eror – chairperson, Ankica Čeko,
 Gordana Letica, Irena Severin

Shareholders

1. Euroherc osiguranje d.d.	18.43
2. Agram životno osiguranje d.d.	17.60
3. Jadransko osiguranje d.d.	17.48
4. Euroleasing d.o.o.	11.79
5. Euro daus d.d.	4.99
6. Euroduhan d.d.	4.32
7. Automehanika servisi d.d.	4.19
8. Euroagram nekretnine d.o.o.	4.13
9. Eurodom d.o.o.	3.09

Share in share capital (%)

Audit firm for 2010:
 Grant Thornton revizija d.o.o., Zagreb

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	321,419
Money assets	44,538
Deposits with the CNB	276,881
Deposits with banking institutions	206,102
MoF treasury bills and CNB bills	24,505
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	76,447
Securities and other financial instruments held to maturity	6,198
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	116
Loans to financial institutions	34,100
Loans to other clients	1,333,726
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	13,145
Tangible assets (net of depreciation)	34,057
Interest, fees and other assets	74,712
Net of: Collectively assessed impairment provisions	15,708
TOTAL ASSETS	2,108,818

Liabilities and capital	
Loans from financial institutions	187,737
Short-term loans	164,600
Long-term loans	23,137
Deposits	1,554,616
Giro account and current account deposits	236,876
Savings deposits	82,085
Time deposits	1,235,655
Other loans	51,926
Short-term loans	51,926
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	41,743
TOTAL LIABILITIES	1,836,021
Capital	272,797
TOTAL LIABILITIES AND CAPITAL	2,108,818

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	57,865
Total interest income	120,704
Total interest expenses	62,839
Net income from fees and commissions	13,187
Total income from fees and commissions	24,430
Total expenses on fees and commissions	11,243
Net other non-interest income	10,047
Other non-interest income	12,125
Other non-interest expenses	2,078
Net non-interest income	23,234
General administrative expenses and depreciation	63,249
Net operating income before loss provisions	17,850
Total expenses on loss provisions	12,749
Expenses on value adjustments and provisions for identified losses	10,209
Expenses on collectively assessed impairment provisions	2,540
Income (loss) before taxes	5,101
Income tax	1,468
Current year profit (loss)	3,633

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	67,768
Uncovered letters of credit	12,135
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	52,385
Margin credit lines	0
Other credit lines and commitments	22,967
Other standard risky off-balance sheet items	11,453
Total standard off-balance sheet items	166,708

Derivative financial instruments	
Options	15,598
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	15,598

**Capital adequacy ratio, in %
as at 31 December 2010**

16.67

MEĐIMURSKA BANKA d.d.

V. Morandinija 37, 40000 Čakovec
 Phone: + 358 40 34 00 00
 Fax: + 358 40 34 00 92
 BAN 2392007
 www.mb.hr

Shareholders

1. Privredna banka Zagreb d.d.

Share in share capital (%)

100.00

Audit firm for 2010:

Ernst & Young d.o.o., Zagreb

Management board

Nenad Jeđud – chairperson, Ljiljana Horvat,
 Davor Vodanović, Tihomir Gluić

Supervisory board

Ivan Krolo – chairperson, Siniša Špoljarec,
 Ivanka Petrović, Dajana Kobeščak,
 Đurđica Ognjenović

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets		Liabilities and capital	
Money assets and deposits with the CNB	402,960	Loans from financial institutions	86,662
Money assets	72,068	Short-term loans	24,000
Deposits with the CNB	330,891	Long-term loans	62,662
Deposits with banking institutions	456,957	Deposits	2,261,610
MoF treasury bills and CNB bills	442,538	Giro account and current account deposits	365,016
Securities and other financial instruments held for trading	0	Savings deposits	442,170
Securities and other financial instruments available for sale	43,546	Time deposits	1,454,424
Securities and other financial instruments held to maturity	3,064	Other loans	155,089
Securities and other financial instruments not traded in active markets but carried at fair value	0	Short-term loans	0
Derivative financial assets	0	Long-term loans	155,089
Loans to financial institutions	51,194	Derivative financial liabilities and other financial liabilities held for trading	0
Loans to other clients	1,491,800	Debt securities issued	0
Investments in subsidiaries and associates	0	Short-term debt securities issued	0
Foreclosed and repossessed assets	7,644	Long-term debt securities issued	0
Tangible assets (net of depreciation)	34,887	Subordinated instruments issued	0
Interest, fees and other assets	23,065	Hybrid instruments issued	0
Net of: Collectively assessed impairment provisions	26,591	Interest, fees and other liabilities	57,557
TOTAL ASSETS	2,931,064	TOTAL LIABILITIES	2,560,917
		Capital	370,147
		TOTAL LIABILITIES AND CAPITAL	2,931,064

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	81,904
Total interest income	159,645
Total interest expenses	77,741
Net income from fees and commissions	31,414
Total income from fees and commissions	34,981
Total expenses on fees and commissions	3,568
Net other non-interest income	5,121
Other non-interest income	9,868
Other non-interest expenses	4,747
Net non-interest income	36,535
General administrative expenses and depreciation	63,311
Net operating income before loss provisions	55,128
Total expenses on loss provisions	8,349
Expenses on value adjustments and provisions for identified losses	13,145
Expenses on collectively assessed impairment provisions	-4,795
Income (loss) before taxes	46,779
Income tax	9,611
Current year profit (loss)	37,168

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items		Derivative financial instruments	
Guarantees	52,326	Options	7,985
Uncovered letters of credit	425	Swaps	0
Guaranteed bills of exchange	0	Forwards	0
Accepted bills of exchange	0	Futures	0
Revolving loans	29,324	Warrants	0
Margin credit lines	0	Other derivative financial instruments	0
Other credit lines and commitments	166,555	Total notional amount of derivative financial instruments	7,985
Other standard risky off-balance sheet items	0		
Total standard off-balance sheet items	248,630		

**Capital adequacy ratio, in %
as at 31 December 2010**

19.64

NAVA BANKA d.d.⁶

Tratinska 27, 10000 Zagreb
 Phone: + 358 1 36 56 777
 Fax: + 358 1 36 56 700
 BAN 2495009
 www.navabanka.hr

Management board

Stipan Pamuković – chairperson, Janko Hrnjak

Supervisory board

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

Shareholders

	Share in share capital (%)
1. GIP Pionir d.o.o.	29.33
2. Kemika d.d.	15.46
3. Paron d.o.o.	12.51
4. Munis d.o.o.	9.70
5. Ingra d.d.	3.08

Audit firm for 2010:
 BDO Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	36,632
Money assets	4,680
Deposits with the CNB	31,952
Deposits with banking institutions	35,004
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	19,966
Securities and other financial instruments held to maturity	69
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	200
Loans to other clients	177,539
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	7,787
Tangible assets (net of depreciation)	2,063
Interest, fees and other assets	8,536
Net of: Collectively assessed impairment provisions	1,801
TOTAL ASSETS	285,995

Liabilities and capital	
Loans from financial institutions	9,850
Short-term loans	9,850
Long-term loans	0
Deposits	244,430
Giro account and current account deposits	29,852
Savings deposits	4,113
Time deposits	210,464
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	10,000
Interest, fees and other liabilities	7,293
TOTAL LIABILITIES	271,573
Capital	14,422
TOTAL LIABILITIES AND CAPITAL	285,995

Income statement
as at 31 December 2010, in thousand HRK

Net interest income	2,195
Total interest income	16,898
Total interest expenses	14,703
Net income from fees and commissions	896
Total income from fees and commissions	1,881
Total expenses on fees and commissions	985
Net other non-interest income	-2,618
Other non-interest income	-2,001
Other non-interest expenses	617
Net non-interest income	-1,723
General administrative expenses and depreciation	10,719
Net operating income before loss provisions	-10,246
Total expenses on loss provisions	17,208
Expenses on value adjustments and provisions for identified losses	17,653
Expenses on collectively assessed impairment provisions	-444
Income (loss) before taxes	-27,455
Income tax	0
Current year profit (loss)	-27,455

Off-balance sheet items
as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	36,379
Uncovered letters of credit	667
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	37,046

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 2010

8.16

⁶ Due to the non-compliance with regulatory provisions on the minimum capital adequacy ratio, supervisory measures are currently being taken against this bank.

OTP BANKA HRVATSKA d.d.

Domovinskog rata 3, 23000 Zadar
 Phone: + 358 62 20 16 02
 Fax: + 358 23 20 18 59
 BAN 2407000
 www.otpbanka.hr

Shareholders

1. OTP Bank NYRT

**Share in share
 capital (%)**
 100.00

Audit firm for 2010:
 Deloitte d.o.o., Zagreb

Management board

Damir Odak – chairperson, Zorislav Vidović,
 Balazs Pal Bekeffy

Supervisory board

Antal Gyorgy Kovacs – chairperson, Gabor Czikora,
 Laszlo Kecskés, Gabor Kovacs, Csaba Attila Farago,
 Anita Szorad, Zsolt Szabo

**Balance sheet
 as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	1,453,452
Money assets	138,867
Deposits with the CNB	1,314,585
Deposits with banking institutions	673,192
MoF treasury bills and CNB bills	278,184
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	1,193,878
Securities and other financial instruments held to maturity	24,016
Securities and other financial instruments not traded in active markets but carried at fair value	40,517
Derivative financial assets	18
Loans to financial institutions	57,978
Loans to other clients	8,657,383
Investments in subsidiaries and associates	82,211
Foreclosed and repossessed assets	178
Tangible assets (net of depreciation)	198,687
Interest, fees and other assets	263,198
Net of: Collectively assessed impairment provisions	87,258
TOTAL ASSETS	12,835,633

Liabilities and capital	
Loans from financial institutions	745,654
Short-term loans	0
Long-term loans	745,654
Deposits	10,211,971
Giro account and current account deposits	1,328,641
Savings deposits	1,211,028
Time deposits	7,672,302
Other loans	11,133
Short-term loans	0
Long-term loans	11,133
Derivative financial liabilities and other financial liabilities held for trading	17,997
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	37,760
Hybrid instruments issued	0
Interest, fees and other liabilities	327,459
TOTAL LIABILITIES	11,351,974
Capital	1,483,659
TOTAL LIABILITIES AND CAPITAL	12,835,633

**Income statement
 as at 31 December 2010, in thousand HRK**

Net interest income	354,706
Total interest income	730,999
Total interest expenses	376,292
Net income from fees and commissions	101,632
Total income from fees and commissions	140,525
Total expenses on fees and commissions	38,893
Net other non-interest income	38,667
Other non-interest income	64,871
Other non-interest expenses	26,204
Net non-interest income	140,299
General administrative expenses and depreciation	300,970
Net operating income before loss provisions	194,035
Total expenses on loss provisions	99,445
Expenses on value adjustments and provisions for identified losses	109,699
Expenses on collectively assessed impairment provisions	-10,254
Income (loss) before taxes	94,590
Income tax	19,377
Current year profit (loss)	75,213

**Off-balance sheet items
 as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	573,231
Uncovered letters of credit	21,277
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	142,678
Margin credit lines	0
Other credit lines and commitments	791,686
Other standard risky off-balance sheet items	2,570
Total standard off-balance sheet items	1,531,442

Derivative financial instruments	
Options	109,810
Swaps	1,616,214
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1,726,024

**Capital adequacy ratio, in %
 as at 31 December 2010**

14.99

PARTNER BANKA d.d.

Vončinina 2, 10000 Zagreb
Phone: + 358 1 46 02 215
Fax: + 358 1 46 02 289
BAN 2408002
www.paba.hr

Shareholders

1. Metroholding d.d.

Share in share capital (%)

99.99

Audit firm for 2010:
Nexia revizija d.o.o., Zagreb

Management board

Jozo Matas – chairperson, Petar Repušić

Supervisory board

Borislav Škegro – chairperson, Ivan Ćurković,
Božo Čulo

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	95,050
Money assets	11,878
Deposits with the CNB	83,171
Deposits with banking institutions	86,744
MoF treasury bills and CNB bills	19,700
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	110,776
Securities and other financial instruments held to maturity	6,044
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	18
Loans to financial institutions	5,224
Loans to other clients	917,762
Investments in subsidiaries and associates	197
Foreclosed and repossessed assets	14,134
Tangible assets (net of depreciation)	32,526
Interest, fees and other assets	26,568
Net of Collectively assessed impairment provisions	9,093
TOTAL ASSETS	1,305,650

Liabilities and capital	
Loans from financial institutions	242,641
Short-term loans	52,286
Long-term loans	190,356
Deposits	851,613
Giro account and current account deposits	114,011
Savings deposits	39,310
Time deposits	698,292
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	16
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	37,727
TOTAL LIABILITIES	1,131,997
Capital	173,653
TOTAL LIABILITIES AND CAPITAL	1,305,650

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	50,630
Total interest income	98,100
Total interest expenses	47,470
Net income from fees and commissions	6,427
Total income from fees and commissions	10,206
Total expenses on fees and commissions	3,779
Net other non-interest income	6,317
Other non-interest income	8,584
Other non-interest expenses	2,267
Net non-interest income	12,744
General administrative expenses and depreciation	48,909
Net operating income before loss provisions	14,465
Total expenses on loss provisions	11,561
Expenses on value adjustments and provisions for identified losses	12,810
Expenses on collectively assessed impairment provisions	-1,249
Income (loss) before taxes	2,904
Income tax	435
Current year profit (loss)	2,469

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	67,483
Uncovered letters of credit	4,480
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	7,886
Margin credit lines	0
Other credit lines and commitments	10,965
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	90,815

Derivative financial instruments	
Options	18,716
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	18,716

**Capital adequacy ratio, in %
as at 31 December 2010**

13.61

PODRAVSKA BANKA d.d.

Opatička 3, 48300 Koprivnica
 Phone: + 358 48 65 50 00
 Fax: + 358 48 62 25 42
 BAN 2386002
 www.poba.hr

Management board

Julio Kuruc – chairperson, Davorka Jakir,
 Marijan Marušić

Supervisory board

Miljan Todorović – chairperson, Sigilfredo Montinari,
 Dario Montinari, Jurica (Đuro) Predović,
 Dolly Predović, Maurizio Dallochio, Filippo Disertori

Shareholders

	Share in share capital (%)
1. Lorenzo Gorgoni	9.87
2. Antonia Gorgoni	9.77
3. Assicurazioni Generali S.p.A.	9.54
4. Cerere S.R.L.	9.53
5. Miljan Todorović	8.33
6. Andrea Montinari	5.76
7. Dario Montinari	5.76
8. Piero Montinari	5.76
9. Sigilfredo Montinari	5.76
10. Giovanni Semeraro	4.11
11. Luigi Liaci	3.94

Audit firm for 2010:
 Deloitte d.o.o., Zagreb

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	343,726
Money assets	35,027
Deposits with the CNB	308,699
Deposits with banking institutions	289,039
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	417,682
Securities and other financial instruments held to maturity	97,319
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	20,000
Loans to other clients	1,517,672
Investments in subsidiaries and associates	3,570
Foreclosed and repossessed assets	8,605
Tangible assets (net of depreciation)	64,564
Interest, fees and other assets	70,765
Net of: Collectively assessed impairment provisions	23,920
TOTAL ASSETS	2,809,023

Liabilities and capital	
Loans from financial institutions	135,734
Short-term loans	52,200
Long-term loans	83,534
Deposits	2,220,235
Giro account and current account deposits	352,390
Savings deposits	259,983
Time deposits	1,607,862
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	78,430
TOTAL LIABILITIES	2,434,399
Capital	374,624
TOTAL LIABILITIES AND CAPITAL	2,809,023

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	82,794
Total interest income	167,110
Total interest expenses	84,317
Net income from fees and commissions	26,723
Total income from fees and commissions	38,530
Total expenses on fees and commissions	11,806
Net other non-interest income	20,283
Other non-interest income	26,187
Other non-interest expenses	5,904
Net non-interest income	47,006
General administrative expenses and depreciation	100,046
Net operating income before loss provisions	29,754
Total expenses on loss provisions	13,688
Expenses on value adjustments and provisions for identified losses	10,888
Expenses on collectively assessed impairment provisions	2,800
Income (loss) before taxes	16,065
Income tax	3,091
Current year profit (loss)	12,974

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	52,089
Uncovered letters of credit	29,544
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	11,662
Margin credit lines	0
Other credit lines and commitments	172,247
Other standard risky off-balance sheet items	500
Total standard off-balance sheet items	266,042

Derivative financial instruments	
Options	225
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	225

**Capital adequacy ratio, in %
as at 31 December 2010**

15.31

PRIMORSKA BANKA d.d.

Scarpina 7, 51000 Rijeka
 Phone: + 358 51 35 57 77
 Fax: + 358 51 33 27 62
 BAN 4132003
 www.primorska.hr

Management board

Anto Pekić – chairperson, Zdenko Šošić,
 Marko Čičin Šain

Supervisory board

Jože Perić – chairperson, Gordana Pavletić,
 Franco Brunati

Shareholders

	Share in share capital (%)
1. Francesco Signorio	36.17
2. C.I.M. Banque SA	27.06
3. Svetlana Signorio	6.42
4. Carlo Di Dato	6.13
5. Cofisi S.A.	5.48
6. Domenico Petrella	4.17
7. IBS S.R.L.	3.78
8. J.L.L. Marc Jourdan	3.25

Audit firm for 2010:
 HLB Revidicon d.o.o., Varaždin

Balance sheet
as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	17,827
Money assets	3,852
Deposits with the CNB	13,975
Deposits with banking institutions	41,815
MoF treasury bills and CNB bills	10,019
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	23,775
Securities and other financial instruments held to maturity	9,137
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	70,349
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	694
Interest, fees and other assets	5,222
Net of: Collectively assessed impairment provisions	1,161
TOTAL ASSETS	177,677

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	123,309
Giro account and current account deposits	7,528
Savings deposits	9,248
Time deposits	106,534
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	8,500
Interest, fees and other liabilities	6,176
TOTAL LIABILITIES	137,985
Capital	39,692
TOTAL LIABILITIES AND CAPITAL	177,677

Income statement
as at 31 December 2010, in thousand HRK

Net interest income	3,355
Total interest income	9,900
Total interest expenses	6,545
Net income from fees and commissions	221
Total income from fees and commissions	1,008
Total expenses on fees and commissions	787
Net other non-interest income	737
Other non-interest income	1,315
Other non-interest expenses	578
Net non-interest income	959
General administrative expenses and depreciation	10,579
Net operating income before loss provisions	-6,266
Total expenses on loss provisions	652
Expenses on value adjustments and provisions for identified losses	669
Expenses on collectively assessed impairment provisions	-18
Income (loss) before taxes	-6,917
Income tax	0
Current year profit (loss)	-6,917

Off-balance sheet items
as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	2,672
Uncovered letters of credit	1,797
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	1,938
Other standard risky off-balance sheet items	1,875
Total standard off-balance sheet items	8,282

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 2010

42.32

PRIVREDNA BANKA ZAGREB d.d.

F. Račkoga 6, 10000 Zagreb
 Phone: + 358 1 63 60 000
 Fax: + 358 1 63 60 063
 BAN 2340009
 www.pbz.hr

Management board

Božo Prka – predsjednik, Jonathan Charles Locke,
 Ivan Gerovac, Gabriele Pace, Mario Henjak,
 Draženko Kopljar, Dinko Lucić, Andrea Pavlović

Supervisory board

György Surányi – predsjednik, Nora Kocsis,
 Ivan Šramko, Beata Kisné Földi, Branko Jeren,
 Giampiero Trevisan, Massimo Pierdicchi

Shareholders

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

Audit firm for 2010:
 Ernst & Young d.o.o., Zagreb

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	9,400,077
Money assets	1,078,432
Deposits with the CNB	8,321,645
Deposits with banking institutions	6,563,376
MoF treasury bills and CNB bills	2,360,035
Securities and other financial instruments held for trading	30,394
Securities and other financial instruments available for sale	788,922
Securities and other financial instruments held to maturity	633,189
Securities and other financial instruments not traded in active markets but carried at fair value	380,414
Derivative financial assets	2,365
Loans to financial institutions	1,375,833
Loans to other clients	44,866,920
Investments in subsidiaries and associates	374,031
Foreclosed and repossessed assets	21,282
Tangible assets (net of depreciation)	752,130
Interest, fees and other assets	948,473
Net of: Collectively assessed impairment provisions	560,236
TOTAL ASSETS	67,937,204

Liabilities and capital	
Loans from financial institutions	3,057,390
Short-term loans	1,730,996
Long-term loans	1,326,394
Deposits	47,151,168
Giro account and current account deposits	7,431,869
Savings deposits	6,390,648
Time deposits	33,328,650
Other loans	5,357,334
Short-term loans	14,770
Long-term loans	5,342,564
Derivative financial liabilities and other financial liabilities held for trading	86,498
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	1,938,721
TOTAL LIABILITIES	57,591,111
Capital	10,346,094
TOTAL LIABILITIES AND CAPITAL	67,937,204

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	1,881,661
Total interest income	3,433,210
Total interest expenses	1,551,550
Net income from fees and commissions	490,647
Total income from fees and commissions	709,086
Total expenses on fees and commissions	218,439
Net other non-interest income	208,986
Other non-interest income	341,482
Other non-interest expenses	132,496
Net non-interest income	699,633
General administrative expenses and depreciation	1,153,294
Net operating income before loss provisions	1,427,999
Total expenses on loss provisions	392,494
Expenses on value adjustments and provisions for identified losses	357,580
Expenses on collectively assessed impairment provisions	34,914
Income (loss) before taxes	1,035,505
Income tax	175,916
Current year profit (loss)	859,589

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	2,717,115
Uncovered letters of credit	220,133
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	3,720,829
Margin credit lines	0
Other credit lines and commitments	5,166,283
Other standard risky off-balance sheet items	34,461
Total standard off-balance sheet items	11,858,821

Derivative financial instruments	
Options	194,530
Swaps	9,672,854
Forwards	1,691,727
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	11,559,111

**Capital adequacy ratio, in %
as at 31 December 2010**

20.03

RAIFFEISENBANK AUSTRIA d.d.

Petrinjska 59, 10000 Zagreb
 Phone: + 358 1 45 66 466
 Fax: + 358 1 48 11 624
 BAN 2484008
 www.rba.hr

Management board

Zdenko Adrović – chairperson, Vlasta Žubrinić-Pick,
 Jasna Širola, Zoran Koščak, Vesna Ciganek Vuković,
 Mario Žižek

Supervisory board

Peter Lennkh – chairperson, Razvan Munteanu,
 Peter Bazil, František Ježek, Paul Alan Kocher,
 Franz Rogi, Lovorka Penavić

Shareholders

	Share in share capital (%)
1. Raiffeisen International Bank-Holding AG	73.43
2. Raiffeisenbank-Zagreb Beteiligungs GmbH	24.48

Audit firm for 2010:
 Deloitte d.o.o., Zagreb

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	4,611,598
Money assets	454,337
Deposits with the CNB	4,157,262
Deposits with banking institutions	2,312,446
MoF treasury bills and CNB bills	734,455
Securities and other financial instruments held for trading	4,441,784
Securities and other financial instruments available for sale	16,069
Securities and other financial instruments held to maturity	592,904
Securities and other financial instruments not traded in active markets but carried at fair value	453,880
Derivative financial assets	45,936
Loans to financial institutions	1,083,815
Loans to other clients	25,067,161
Investments in subsidiaries and associates	210,745
Foreclosed and repossessed assets	1,047
Tangible assets (net of depreciation)	379,639
Interest, fees and other assets	896,610
Net of: Collectively assessed impairment provisions	313,377
TOTAL ASSETS	40,534,712

Liabilities and capital	
Loans from financial institutions	2,805,694
Short-term loans	1,963,235
Long-term loans	842,459
Deposits	23,433,800
Giro account and current account deposits	4,189,042
Savings deposits	2,890,416
Time deposits	16,354,342
Other loans	6,649,699
Short-term loans	3,806,871
Long-term loans	2,842,828
Derivative financial liabilities and other financial liabilities held for trading	689,125
Debt securities issued	124,283
Short-term debt securities issued	0
Long-term debt securities issued	124,283
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	1,161,413
TOTAL LIABILITIES	34,864,015
Capital	5,670,697
TOTAL LIABILITIES AND CAPITAL	40,534,712

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	1,245,537
Total interest income	2,249,467
Total interest expenses	1,003,929
Net income from fees and commissions	364,616
Total income from fees and commissions	458,553
Total expenses on fees and commissions	93,937
Net other non-interest income	162,622
Other non-interest income	222,171
Other non-interest expenses	59,548
Net non-interest income	527,238
General administrative expenses and depreciation	882,850
Net operating income before loss provisions	889,925
Total expenses on loss provisions	439,968
Expenses on value adjustments and provisions for identified losses	381,791
Expenses on collectively assessed impairment provisions	58,177
Income (loss) before taxes	449,957
Income tax	81,336
Current year profit (loss)	368,621

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	3,662,413
Uncovered letters of credit	127,116
Guaranteed bills of exchange	368
Accepted bills of exchange	0
Revolving loans	620,343
Margin credit lines	0
Other credit lines and commitments	1,709,924
Other standard risky off-balance sheet items	2,087,235
Total standard off-balance sheet items	8,207,398

Derivative financial instruments	
Options	38,334
Swaps	22,301,607
Forwards	6,281,100
Futures	55,683
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	28,676,723

**Capital adequacy ratio, in %
as at 31 December 2010**

17.84

SAMOBORSKA BANKA d.d.

Tomislavov trg 8, 10430 Samobor
 Phone: + 358 1 33 62 530
 Fax: + 358 1 33 61 523
 BAN 2403009
 www.sabank.hr

Shareholders

1. Aquae Vivae d.d.
2. Samoborka d.d.
3. Tigra d.o.o.

Share in share capital (%)

82.91
 5.15
 3.13

Management board

Marijan Kantolić – chairperson, Verica Ljubičić

Audit firm for 2010:

Revizija servis d.o.o., Zabok

Supervisory board

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

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	44,470
Money assets	10,784
Deposits with the CNB	33,686
Deposits with banking institutions	132,338
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	258
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	552
Loans to financial institutions	2,650
Loans to other clients	168,655
Investments in subsidiaries and associates	45
Foreclosed and repossessed assets	5,143
Tangible assets (net of depreciation)	30,950
Interest, fees and other assets	5,642
Net of: Collectively assessed impairment provisions	3,038
TOTAL ASSETS	387,665

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	293,657
Giro account and current account deposits	66,897
Savings deposits	57,856
Time deposits	168,903
Other loans	41
Short-term loans	41
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	9,090
TOTAL LIABILITIES	302,788
Capital	84,876
TOTAL LIABILITIES AND CAPITAL	387,665

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	10,954
Total interest income	18,873
Total interest expenses	7,919
Net income from fees and commissions	2,235
Total income from fees and commissions	4,278
Total expenses on fees and commissions	2,044
Net other non-interest income	1,235
Other non-interest income	1,758
Other non-interest expenses	523
Net non-interest income	3,470
General administrative expenses and depreciation	12,629
Net operating income before loss provisions	1,795
Total expenses on loss provisions	850
Expenses on value adjustments and provisions for identified losses	670
Expenses on collectively assessed impairment provisions	180
Income (loss) before taxes	945
Income tax	227
Current year profit (loss)	718

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	14,235
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	13,471
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	27,706

Derivative financial instruments	
Options	37,438
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	37,438

**Capital adequacy ratio, in %
as at 31 December 2010**

33.69

SLATINSKA BANKA d.d.

Nazorova 2, 33520 Slatina
 Phone: + 358 33 84 04 00
 Fax: + 358 33 55 15 66
 BAN 2412009
 www.slatinska-banka.hr

Management board

Angelina Horvat – chairperson, Elvis Mališ,
 Marko Krajina

Supervisory board

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

Shareholders

	Share in share capital (%)
1. State Agency for Bank Rehabilitation and Deposit Insurance	8.32
2. HBP d.d. (custody account)	7.89
3. Hypo Alpe-Adria-Bank d.d. (custody account)	4.85
4. Velebit osiguranje d.d.	4.76
5. Raiffeisenbank Austria d.d. (custody account)	4.38
6. Vaba d.d. banka	3.81
7. HPB d.d. (custody account)	3.78
8. Josip Galić	3.26
9. Milivoj Mrkoci	3.26
10. Finesa Capital d.d.	3.16
11. Croatia Lloyd d.d.	3.02

Audit firm for 2010:
 BDO Croatia d.o.o., Zagreb

Balance sheet as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	151,667
Money assets	22,883
Deposits with the CNB	128,784
Deposits with banking institutions	176,999
MoF treasury bills and CNB bills	102,133
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	13,087
Securities and other financial instruments held to maturity	69,925
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	24,451
Loans to other clients	641,879
Investments in subsidiaries and associates	5,923
Foreclosed and repossessed assets	5,061
Tangible assets (net of depreciation)	27,076
Interest, fees and other assets	17,296
Net of: Collectively assessed impairment provisions	9,029
TOTAL ASSETS	1,226,469

Liabilities and capital	
Loans from financial institutions	32,723
Short-term loans	0
Long-term loans	32,723
Deposits	959,095
Giro account and current account deposits	127,082
Savings deposits	82,313
Time deposits	749,700
Other loans	17,255
Short-term loans	0
Long-term loans	17,255
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	48,252
TOTAL LIABILITIES	1,057,326
Capital	169,143
TOTAL LIABILITIES AND CAPITAL	1,226,469

Income statement as at 31 December 2010, in thousand HRK

Net interest income	34,830
Total interest income	79,494
Total interest expenses	44,664
Net income from fees and commissions	9,606
Total income from fees and commissions	12,890
Total expenses on fees and commissions	3,284
Net other non-interest income	1,138
Other non-interest income	4,689
Other non-interest expenses	3,551
Net non-interest income	10,744
General administrative expenses and depreciation	36,669
Net operating income before loss provisions	8,905
Total expenses on loss provisions	3,837
Expenses on value adjustments and provisions for identified losses	3,340
Expenses on collectively assessed impairment provisions	497
Income (loss) before taxes	5,068
Income tax	1,454
Current year profit (loss)	3,614

Off-balance sheet items as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	5,193
Uncovered letters of credit	175
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,183
Margin credit lines	0
Other credit lines and commitments	42,731
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	49,282

Derivative financial instruments	
Options	5,612
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	5,612

Capital adequacy ratio, in % as at 31 December 2010

20.89

SOCIÉTÉ GÉNÉRALE-SPLITSKA BANKA d.d.

Boškovićeva 16, 21000 Split
Phone: + 358 21 30 43 04
Fax: + 358 21 30 43 04
BAN 2330003
www.splitskabanka.hr

Shareholders

1. Société Générale

Share in share
capital (%)
100.00

Audit firm for 2010:
Ernst & Young d.o.o., Zagreb

Management board

Pierre Boursot – chairperson, Frederique Guin,
Zvonimir Akrap

Supervisory board

Jean-Didier Reigner – chairperson,
Patrick Pierre Gelin, Patrick Renouvin

Balance sheet as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	3,591,663
Money assets	363,461
Deposits with the CNB	3,228,202
Deposits with banking institutions	3,588,600
MoF treasury bills and CNB bills	296,055
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	299,395
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	5,782
Loans to financial institutions	385,371
Loans to other clients	18,044,546
Investments in subsidiaries and associates	32,238
Foreclosed and repossessed assets	2,128
Tangible assets (net of depreciation)	235,080
Interest, fees and other assets	580,086
Net of: Collectively assessed impairment provisions	210,586
TOTAL ASSETS	26,850,358

Liabilities and capital	
Loans from financial institutions	1,017,726
Short-term loans	41,000
Long-term loans	976,726
Deposits	14,459,845
Giro account and current account deposits	2,437,096
Savings deposits	1,877,505
Time deposits	10,145,243
Other loans	6,568,116
Short-term loans	0
Long-term loans	6,568,116
Derivative financial liabilities and other financial liabilities held for trading	5,008
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	415,097
Hybrid instruments issued	0
Interest, fees and other liabilities	1,064,514
TOTAL LIABILITIES	23,530,307
Capital	3,320,051
TOTAL LIABILITIES AND CAPITAL	26,850,358

Income statement as at 31 December 2010, in thousand HRK

Net interest income	787,435
Total interest income	1,408,720
Total interest expenses	621,284
Net income from fees and commissions	239,030
Total income from fees and commissions	295,698
Total expenses on fees and commissions	56,668
Net other non-interest income	108,089
Other non-interest income	152,003
Other non-interest expenses	43,914
Net non-interest income	347,119
General administrative expenses and depreciation	614,252
Net operating income before loss provisions	520,302
Total expenses on loss provisions	296,280
Expenses on value adjustments and provisions for identified losses	313,410
Expenses on collectively assessed impairment provisions	-17,130
Income (loss) before taxes	224,022
Income tax	53,703
Current year profit (loss)	170,320

Off-balance sheet items as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,945,692
Uncovered letters of credit	68,916
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	3,654,146
Margin credit lines	0
Other credit lines and commitments	354,481
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	6,023,234

Derivative financial instruments	
Options	32,474
Swaps	1,514,436
Forwards	431,369
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1,978,279

Capital adequacy ratio, in % as at 31 December 2010

14.95

ŠTEDBANKA d.d.

Slavonska avenija 3, 10000 Zagreb
 Phone: + 358 1 63 06 620
 Fax: + 358 1 61 87 015
 BAN 2483005
 www.stedbanka.hr

Management board

Ante Babić – chairperson, Krešimir Starčević,
 Christian Panjol-Tuflija

Supervisory board

Ivo Andrijačić – chairperson, Đuro Benček,
 Petar Ćurković

Shareholders

	Share in share capital (%)
1. Šted-Nova d.d.	80.74
2. Željko Udovičić	9.87
3. Paveko 2000 d.o.o.	6.35
4. Redip d.o.o.	3.04

Audit firm for 2010:
 BDO Croatia d.o.o., Zagreb

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	80,051
Money assets	3,567
Deposits with the CNB	76,484
Deposits with banking institutions	112,633
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	120,003
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	2,697
Loans to financial institutions	11,729
Loans to other clients	886,951
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	15,611
Tangible assets (net of depreciation)	9,887
Interest, fees and other assets	11,226
Net of: Collectively assessed impairment provisions	9,628
TOTAL ASSETS	1,241,160

Liabilities and capital	
Loans from financial institutions	95,979
Short-term loans	47,589
Long-term loans	48,390
Deposits	780,201
Giro account and current account deposits	41,196
Savings deposits	52,661
Time deposits	686,343
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	30,328
TOTAL LIABILITIES	906,508
Capital	334,652
TOTAL LIABILITIES AND CAPITAL	1,241,160

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	36,503
Total interest income	74,294
Total interest expenses	37,791
Net income from fees and commissions	7,606
Total income from fees and commissions	9,506
Total expenses on fees and commissions	1,900
Net other non-interest income	14,194
Other non-interest income	16,332
Other non-interest expenses	2,138
Net non-interest income	21,800
General administrative expenses and depreciation	17,820
Net operating income before loss provisions	40,483
Total expenses on loss provisions	6,332
Expenses on value adjustments and provisions for identified losses	5,830
Expenses on collectively assessed impairment provisions	502
Income (loss) before taxes	34,151
Income tax	7,619
Current year profit (loss)	26,533

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	132,369
Uncovered letters of credit	8,060
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	5,724
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	146,152

Derivative financial instruments	
Options	258,313
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	44
Total notional amount of derivative financial instruments	258,357

**Capital adequacy ratio, in %
as at 31 December 2010**

27.58

VABA d.d. banka Varaždin

Aleja kralja Zvonimira 1, 42000 Varaždin
Phone: + 358 42 65 94 00
Fax: + 358 42 65 94 01
BAN 2489004
www.vaba.hr

Management board

Igor Čičak – chairperson, Natalija Jambrečić

Supervisory board

Vladimir Košćec – chairperson, Marina Bača,
Balz Thomas Merkli, Anisur Rehman Khan,
Mensur Jašarević

Shareholders

	Share in share capital (%)
1. Validus d.d.	29.09
2. Balkan Financial Sector	16.54
3. Pluris d.d.	8.99
4. Gara Secundus d.o.o.	4.31
5. Finesa Conceptus d.o.o.	3.53
6. Jozo Kalem	3.53
7. Inter Finance d.o.o.	3.53

Audit firm for 2010:

Grant Thornton revizija d.o.o., Zagreb

Balance sheet as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	175,327
Money assets	18,785
Deposits with the CNB	156,542
Deposits with banking institutions	28,152
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	246,644
Securities and other financial instruments held to maturity	16,935
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	11,203
Loans to other clients	877,275
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	7,996
Tangible assets (net of depreciation)	27,488
Interest, fees and other assets	44,765
Net of: Collectively assessed impairment provisions	8,772
TOTAL ASSETS	1,427,014

Liabilities and capital	
Loans from financial institutions	37,859
Short-term loans	29,000
Long-term loans	8,859
Deposits	1,076,691
Giro account and current account deposits	76,724
Savings deposits	17,144
Time deposits	982,823
Other loans	116,637
Short-term loans	116,637
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	2,954
Interest, fees and other liabilities	45,977
TOTAL LIABILITIES	1,280,118
Capital	146,896
TOTAL LIABILITIES AND CAPITAL	1,427,014

Income statement as at 31 December 2010, in thousand HRK

Net interest income	46,146
Total interest income	101,562
Total interest expenses	55,416
Net income from fees and commissions	4,085
Total income from fees and commissions	6,491
Total expenses on fees and commissions	2,405
Net other non-interest income	6,782
Other non-interest income	10,587
Other non-interest expenses	3,805
Net non-interest income	10,868
General administrative expenses and depreciation	47,422
Net operating income before loss provisions	9,591
Total expenses on loss provisions	12,633
Expenses on value adjustments and provisions for identified losses	13,078
Expenses on collectively assessed impairment provisions	-445
Income (loss) before taxes	-3,042
Income tax	0
Current year profit (loss)	-3,042

Off-balance sheet items as at 31 December 2010, in thousand HRK

Standard off-balance sheet items	
Guarantees	27,655
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	8,243
Margin credit lines	0
Other credit lines and commitments	31,524
Other standard risky off-balance sheet items	1,317
Total standard off-balance sheet items	68,739

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 2010

13.37

VENETO BANKA d.d.

Draškovićeve 58, 10000 Zagreb
 Phone: + 358 1 48 02 666
 Fax: + 358 1 48 02 571
 BAN 2381009
 www.venetobanka.hr

Shareholders

1. Veneto Banca Holding S.C.P.A.

Share in share capital (%)

100.00

Audit firm for 2010:
 KPMG Croatia d.o.o., Zagreb

Management board

Fernando Zavatarelli, Atos Varusio⁷

Supervisory board

Gian-Quinto Perissinotto – predsjednik,
 Pierluigi Ronzani, Innocente Nardi, Gaetano Caberlotto

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	162,999
Money assets	8,000
Deposits with the CNB	154,999
Deposits with banking institutions	41,159
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	367,030
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	58
Loans to financial institutions	38,000
Loans to other clients	472,958
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	1,744
Tangible assets (net of depreciation)	35,001
Interest, fees and other assets	30,733
Net of: Collectively assessed impairment provisions	6,429
TOTAL ASSETS	1,143,253

Liabilities and capital	
Loans from financial institutions	27,155
Short-term loans	1,300
Long-term loans	25,855
Deposits	659,930
Giro account and current account deposits	88,900
Savings deposits	44,305
Time deposits	526,724
Other loans	206,785
Short-term loans	0
Long-term loans	206,785
Derivative financial liabilities and other financial liabilities held for trading	29
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	50,694
TOTAL LIABILITIES	944,592
Capital	198,661
TOTAL LIABILITIES AND CAPITAL	1,143,253

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	30,831
Total interest income	61,256
Total interest expenses	30,424
Net income from fees and commissions	5,704
Total income from fees and commissions	6,715
Total expenses on fees and commissions	1,011
Net other non-interest income	7,014
Other non-interest income	9,177
Other non-interest expenses	2,164
Net non-interest income	12,717
General administrative expenses and depreciation	49,123
Net operating income before loss provisions	-5,574
Total expenses on loss provisions	43,110
Expenses on value adjustments and provisions for identified losses	44,181
Expenses on collectively assessed impairment provisions	-1,071
Income (loss) before taxes	-48,684
Income tax	-174
Current year profit (loss)	-48,510

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	96,077
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	23,448
Other standard risky off-balance sheet items	251
Total standard off-balance sheet items	119,776

Derivative financial instruments	
Options	21,694
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	21,694

**Capital adequacy ratio, in %
as at 31 December 2010**

23.67

⁷ A Supervisory board member acting as vice-chairperson pending election of the new Management board chairperson.

VOLKSBANK d.d.

Varšavska 9, 10000 Zagreb
 Phone: + 358 1 48 01 300
 Fax: + 358 1 48 01 365
 BAN 2503007
 www.volksbank.hr

Shareholders

1. VB International AG

**Share in share
 capital (%)**
 99.18

Audit firm for 2010:
 Ernst & Young d.o.o., Zagreb

Management board

Tomasz Jerzy Taraba – chairperson,
 Andrea Kovacs-Wöhry, Dieter Hornbacher,
 Dubravka Lukić, Peter Szenkurök

Supervisory board

Christophe Marcel Descos – chairperson,
 Gerhard Kriegler, Fausto Maritan, Joerg Poglits,
 David Krepelka, Dragutin Bohuš, Gerhard Wöber

**Balance sheet
 as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	964,385
Money assets	48,306
Deposits with the CNB	916,079
Deposits with banking institutions	1,078,410
MoF treasury bills and CNB bills	104,169
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	68,045
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	2,471
Loans to financial institutions	287,985
Loans to other clients	5,160,134
Investments in subsidiaries and associates	1,950
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	10,835
Interest, fees and other assets	121,315
Net of: Collectively assessed impairment provisions	59,293
TOTAL ASSETS	7,740,406

Liabilities and capital	
Loans from financial institutions	282,818
Short-term loans	230,500
Long-term loans	52,318
Deposits	5,453,050
Giro account and current account deposits	543,237
Savings deposits	448,120
Time deposits	4,461,693
Other loans	69,672
Short-term loans	0
Long-term loans	69,672
Derivative financial liabilities and other financial liabilities held for trading	2,317
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	70,417
Interest, fees and other liabilities	196,597
TOTAL LIABILITIES	6,074,871
Capital	1,665,535
TOTAL LIABILITIES AND CAPITAL	7,740,406

**Income statement
 as at 31 December 2010, in thousand HRK**

Net interest income	233,409
Total interest income	418,949
Total interest expenses	185,540
Net income from fees and commissions	35,531
Total income from fees and commissions	44,916
Total expenses on fees and commissions	9,386
Net other non-interest income	14,768
Other non-interest income	36,690
Other non-interest expenses	21,922
Net non-interest income	50,299
General administrative expenses and depreciation	138,419
Net operating income before loss provisions	145,289
Total expenses on loss provisions	99,911
Expenses on value adjustments and provisions for identified losses	103,361
Expenses on collectively assessed impairment provisions	-3,450
Income (loss) before taxes	45,378
Income tax	11,101
Current year profit (loss)	34,277

**Off-balance sheet items
 as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	137,088
Uncovered letters of credit	3,558
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	7,952
Margin credit lines	0
Other credit lines and commitments	180,709
Other standard risky off-balance sheet items	266
Total standard off-balance sheet items	329,573

Derivative financial instruments	
Options	12,752
Swaps	0
Forwards	3,836,189
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	3,848,941

**Capital adequacy ratio, in %
 as at 31 December 2010**

28.71

ZAGREBAČKA BANKA d.d.

Paromlinska 2, 10000 Zagreb
 Phone: + 358 1 63 05 250
 Fax: + 358 1 61 10 533
 BAN 2360000
 www.zaba.hr

Shareholders

1. Unicredit Bank Austria AG
2. Allianz SE

Share in share capital (%)

84.24
 11.72

Audit firm for 2010:
 KPMG Croatia d.o.o., Zagreb

Management board

Franjo Luković – chairperson, Milivoj Goldštajn,
 Sanja Rendulić, Miljenko Živaljić, Marko Remenar,
 Daniela Roguljić Novak, Mario Agostini

Supervisory board

Erich Hampel – chairperson, Jakša Barbić,
 Franco Andretta, Robert Zadrazil, Fabrizio Onida,
 Manuel Bauer, Christian Sebastian Müller,
 Lyubomir Ignatov Punchev, Francesco Giordano,
 Gianfranco Bisagni

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	10,959,578
Money assets	1,520,612
Deposits with the CNB	9,438,966
Deposits with banking institutions	6,686,376
MoF treasury bills and CNB bills	2,069,488
Securities and other financial instruments held for trading	470,484
Securities and other financial instruments available for sale	4,365,785
Securities and other financial instruments held to maturity	584,830
Securities and other financial instruments not traded in active markets but carried at fair value	91,927
Derivative financial assets	71,126
Loans to financial institutions	1,520,276
Loans to other clients	66,249,675
Investments in subsidiaries and associates	917,890
Foreclosed and repossessed assets	31,478
Tangible assets (net of depreciation)	1,154,983
Interest, fees and other assets	1,692,543
Net of: Collectively assessed impairment provisions	706,494
TOTAL ASSETS	96,159,942

Liabilities and capital	
Loans from financial institutions	2,425,293
Short-term loans	1,361,229
Long-term loans	1,064,064
Deposits	70,239,584
Giro account and current account deposits	10,423,823
Savings deposits	5,813,890
Time deposits	54,001,870
Other loans	6,300,044
Short-term loans	7,260
Long-term loans	6,292,784
Derivative financial liabilities and other financial liabilities held for trading	182,348
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	2,768,425
TOTAL LIABILITIES	81,915,694
Capital	14,244,249
TOTAL LIABILITIES AND CAPITAL	96,159,942

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	2,676,470
Total interest income	5,158,450
Total interest expenses	2,481,980
Net income from fees and commissions	939,396
Total income from fees and commissions	1,092,533
Total expenses on fees and commissions	153,137
Net other non-interest income	359,020
Other non-interest income	461,905
Other non-interest expenses	102,885
Net non-interest income	1,298,416
General administrative expenses and depreciation	1,610,555
Net operating income before loss provisions	2,364,330
Total expenses on loss provisions	805,735
Expenses on value adjustments and provisions for identified losses	851,625
Expenses on collectively assessed impairment provisions	-45,890
Income (loss) before taxes	1,558,596
Income tax	277,219
Current year profit (loss)	1,281,377

**Off-balance sheet items
as at 31 December 2010, in thousand HRK**

Standard off-balance sheet items	
Guarantees	5,109,320
Uncovered letters of credit	553,087
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	3,195,153
Margin credit lines	0
Other credit lines and commitments	9,826,474
Other standard risky off-balance sheet items	221,651
Total standard off-balance sheet items	18,905,685

Derivative financial instruments	
Options	210,776
Swaps	23,814,648
Forwards	412,178
Futures	0
Warrants	0
Other derivative financial instruments	318,924
Total notional amount of derivative financial instruments	24,756,526

**Capital adequacy ratio, in %
as at 31 December 2010**

18.48

HPB STAMBENA ŠTEDIONICA d.d.

Savska 58, 10000 Zagreb
Phone: + 358 1 55 53 903
Fax: + 358 1 55 53 905
www.hpb.hr

Management board

Damir Šprem – chairperson, Tanja Šantek

Supervisory board

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

Shareholders

1. Hrvatska poštanska banka d.d.

Share in share capital (%)

100.00

Audit firm for 2010:
Deloitte d.o.o., Zagreb

Balance sheet as at 31 December 2010, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with banking institutions	4,147
MoF treasury bills and CNB bills	10,237
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	72,321
Securities and other financial instruments held to maturity	44,701
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	83,626
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	30
Interest, fees and other assets	21,774
Net of: Collectively assessed impairment provisions	1,354
TOTAL ASSETS	235,481

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	184,832
Giro account and current account deposits	0
Savings deposits	0
Time deposits	184,832
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	24,045
TOTAL LIABILITIES	208,876
Capital	26,605
TOTAL LIABILITIES AND CAPITAL	235,481

Income statement as at 31 December 2010, in thousand HRK

Net interest income	5,216
Total interest income	9,943
Total interest expenses	4,727
Net income from fees and commissions	3,026
Total income from fees and commissions	3,720
Total expenses on fees and commissions	694
Net other non-interest income	-1,108
Other non-interest income	-30
Other non-interest expenses	1,078
Net non-interest income	1,919
General administrative expenses and depreciation	6,265
Net operating income before loss provisions	870
Total expenses on loss provisions	-15
Expenses on value adjustments and provisions for identified losses	45
Expenses on collectively assessed impairment provisions	-60
Income (loss) before taxes	885
Income tax	0
Current year profit (loss)	885

Off-balance sheet items as at 31 December 2010, 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	2,065
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	2,065

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 2010

44.00

PBZ STAMBENA ŠTEDIONICA d.d.

Radnička cesta 44, 10000 Zagreb
Phone: + 358 1 63 63 730
Fax: + 358 1 63 63 731
www.stambena.pbz.hr

Management board

Mirko Brozović – chairperson, Branimir Čosić

Supervisory board

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

Shareholders

1. Privredna banka Zagreb d.d.

Share in share capital (%)

100.00

Audit firm for 2010:

Ernst & Young d.o.o., Zagreb

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with banking institutions	21,262
MoF treasury bills and CNB bills	74,098
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	261,515
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	1,072,334
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	126
Interest, fees and other assets	33,519
Net of: Collectively assessed impairment provisions	11,722
TOTAL ASSETS	1,451,132

Liabilities and capital	
Loans from financial institutions	164,542
Short-term loans	164,542
Long-term loans	0
Deposits	1,158,100
Giro account and current account deposits	0
Savings deposits	172,845
Time deposits	985,255
Other loans	0
Short-term debt securities issued	0
Long-term debt securities issued	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	10,000
Interest, fees and other liabilities	10,607
TOTAL LIABILITIES	1,343,249
Capital	107,883
TOTAL LIABILITIES AND CAPITAL	1,451,132

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	21,700
Total interest income	66,962
Total interest expenses	45,262
Net income from fees and commissions	7,623
Total income from fees and commissions	9,274
Total expenses on fees and commissions	1,650
Net other non-interest income	157
Other non-interest income	2,174
Other non-interest expenses	2,017
Net non-interest income	7,780
General administrative expenses and depreciation	11,531
Net operating income before loss provisions	17,950
Total expenses on loss provisions	-546
Expenses on value adjustments and provisions for identified losses	0
Expenses on collectively assessed impairment provisions	-546
Income (loss) before taxes	18,496
Income tax	3,271
Current year profit (loss)	15,224

**Off-balance sheet items
as at 31 December 2010, 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	1,805
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	1,805

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 2010**

112.72

PRVA STAMBENA ŠTEDIONICA d.d.

Savska 60-62, 10000 Zagreb
 Phone: + 358 1 60 65 127
 Fax: + 358 1 60 65 120
 www.prva-stambena.hr

Shareholders

1. Zagrebačka banka d.d.

**Share in share
 capital (%)**
 100.00

Audit firm for 2010:
 KPMG Croatia d.o.o., Zagreb

Management board

Katarina Šobat – chairperson, Marija Posavec

Supervisory board

Daniela Roguljić Novak – chairperson, Davor Pavlič,
 Danimir Gulin

**Balance sheet
 as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with banking institutions	3,056
MoF treasury bills and CNB bills	391,419
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	61,430
Securities and other financial instruments held to maturity	192,446
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	33,078
Loans to other clients	1,239,124
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	925
Interest, fees and other assets	152,045
Net of: Collectively assessed impairment provisions	13,977
TOTAL ASSETS	2,059,545

Liabilities and capital	
Loans from financial institutions	77
Short-term loans	0
Long-term loans	77
Deposits	1,720,185
Giro account and current account deposits	0
Savings deposits	3
Time deposits	1,720,182
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	169,609
TOTAL LIABILITIES	1,889,871
Capital	169,674
TOTAL LIABILITIES AND CAPITAL	2,059,545

**Income statement
 as at 31 December 2010, in thousand HRK**

Net interest income	22,677
Total interest income	79,270
Total interest expenses	56,593
Net income from fees and commissions	17,053
Total income from fees and commissions	19,208
Total expenses on fees and commissions	2,154
Net other non-interest income	-6,727
Other non-interest income	1,012
Other non-interest expenses	7,739
Net non-interest income	10,327
General administrative expenses and depreciation	13,723
Net operating income before loss provisions	19,281
Total expenses on loss provisions	-3,474
Expenses on value adjustments and provisions for identified losses	465
Expenses on collectively assessed impairment provisions	-3,938
Income (loss) before taxes	22,755
Income tax	4,594
Current year profit (loss)	18,161

**Off-balance sheet items
 as at 31 December 2010, 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	6,697
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	6,697

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 2010**

16.69

RAIFFEISEN STAMBENA ŠTEDIONICA d.d.

Radnička cesta 47, 10000 Zagreb
 Phone: + 358 1 60 06 100
 Fax: + 358 1 60 06 199
 www2.raiffeisenstambena.hr

Shareholders

1. Raiffeisen Bausparkasse GmbH

**Share in share
 capital (%)**
 100.00

Audit firm for 2010:
 Deloitte d.o.o., Zagreb

Management board

Hans Christian Vallant – chairperson, Franjo Franjić

Supervisory board

Johann Ertl – chairperson, Neven Vranković,
 Christian Ratz

**Balance sheet
 as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	2
Money assets	2
Deposits with the CNB	0
Deposits with banking institutions	139,470
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	230,312
Securities and other financial instruments not traded in active markets but carried at fair value	95,229
Derivative financial assets	0
Loans to financial institutions	19,500
Loans to other clients	1,098,068
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	3,701
Interest, fees and other assets	149,026
Net of: Collectively assessed impairment provisions	12,595
TOTAL ASSETS	1,722,714

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	1,455,068
Giro account and current account deposits	0
Savings deposits	0
Time deposits	1,455,068
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	51,033
Interest, fees and other liabilities	124,811
TOTAL LIABILITIES	1,630,912
Capital	91,802
TOTAL LIABILITIES AND CAPITAL	1,722,714

**Income statement
 as at 31 December 2010, in thousand HRK**

Net interest income	26,195
Total interest income	78,565
Total interest expenses	52,369
Net income from fees and commissions	14,898
Total income from fees and commissions	18,599
Total expenses on fees and commissions	3,701
Net other non-interest income	-18,466
Other non-interest income	1,154
Other non-interest expenses	19,619
Net non-interest income	-3,568
General administrative expenses and depreciation	47,081
Net operating income before loss provisions	-24,454
Total expenses on loss provisions	-3,730
Expenses on value adjustments and provisions for identified losses	-3,005
Expenses on collectively assessed impairment provisions	-724
Income (loss) before taxes	-20,724
Income tax	160
Current year profit (loss)	-20,884

**Off-balance sheet items
 as at 31 December 2010, 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	9,083
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	9,083

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 2010**

17.47

WÜSTENROT STAMBENA ŠTEDIONICA d.d.

Heinzelova 33A, 10000 Zagreb
 Phone: + 358 1 48 03 777
 Fax: + 358 1 48 03 798
 www.wuestenrot.hr

Shareholders

	Share in share capital (%)
1. Bausparkasse Wüstenrot AG	68.58
2. Wüstenrot Bank AG	25.63
3. Wüstenrot Versicherungs AG	5.79

Management board

Zdravko Anđel – chairperson, Ivan Ostojić

Audit firm for 2010:

Ernst & Young d.o.o., Zagreb

Supervisory board

Franz Meingast – chairperson, Marlies Wiest-Jetter,
 Werner Wabscheg, Sigmund Raugust, Rainer Hager

**Balance sheet
as at 31 December 2010, in thousand HRK**

Assets	
Money assets and deposits with the CNB	13
Money assets	13
Deposits with the CNB	0
Deposits with banking institutions	17,035
MoF treasury bills and CNB bills	94,865
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	3,676
Securities and other financial instruments held to maturity	69,599
Securities and other financial instruments not traded in active markets but carried at fair value	6,364
Derivative financial assets	0
Loans to financial institutions	21,000
Loans to other clients	1,195,978
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	2,429
Tangible assets (net of depreciation)	2,429
Interest, fees and other assets	11,945
Net of: Collectively assessed impairment provisions	11,156
TOTAL ASSETS	1,411,747

Liabilities and capital	
Loans from financial institutions	18,463
Short-term loans	18,463
Long-term loans	0
Deposits	1,273,315
Giro account and current account deposits	0
Savings deposits	0
Time deposits	1,273,315
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	35,633
Interest, fees and other liabilities	15,546
TOTAL LIABILITIES	1,342,958
Capital	68,790
TOTAL LIABILITIES AND CAPITAL	1,411,747

**Income statement
as at 31 December 2010, in thousand HRK**

Net interest income	36,324
Total interest income	69,866
Total interest expenses	33,542
Net income from fees and commissions	19,135
Total income from fees and commissions	19,332
Total expenses on fees and commissions	197
Net other non-interest income	440
Other non-interest income	6,137
Other non-interest expenses	5,696
Net non-interest income	19,575
General administrative expenses and depreciation	51,061
Net operating income before loss provisions	4,838
Total expenses on loss provisions	508
Expenses on value adjustments and provisions for identified losses	359
Expenses on collectively assessed impairment provisions	149
Income (loss) before taxes	4,330
Income tax	625
Current year profit (loss)	3,705

**Off-balance sheet items
as at 31 December 2010, 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	7,001
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	7,001

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 2010**

15.66

Attachment I

List of credit institutions by peer groups, end of period						
Ordinal number as at 31 December 2010	Name of credit institution and its registered office	Peer group identifier				
		Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Dec. 2010
1.	A štedna banka malog poduzetništva d.d., Zagreb ¹⁾	–	–	–	S	S
2.	Banco Popolare Croatia d.d., Zagreb ²⁾	S	S	S	S	S
3.	Banka Brod d.d., Slavonski Brod	S	S	S	S	S
4.	Banka Kovanica d.d., Varaždin	S	S	S	S	S
5.	Banka Splitsko-dalmatinska d.d., Split	S	S	S	S	S
6.	BKS Bank d.d., Rijeka ³⁾	S	S	S	S	S
7.	Centar banka d.d., Zagreb	S	S	S	S	S
8.	Credo banka d.d., Split	S	S	S	S	S
9.	Croatia banka d.d., Zagreb	S	S	S	S	S
10.	Erste & Steiermärkische Bank d.d., Rijeka	L	L	L	L	L
11.	Hrvatska poštanska banka d.d., Zagreb	MS	MS	MS	MS	MS
12.	Hypo Alpe-Adria-Bank d.d., Zagreb	L	L	L	L	L
13.	Imex banka d.d., Split	S	S	S	S	S
14.	Istarska kreditna banka Umag d.d., Umag	S	S	S	S	S
15.	Jadranska banka d.d., Šibenik	S	S	S	S	S
16.	Karlovačka banka d.d., Karlovac	S	S	S	S	S
17.	Kreditna banka Zagreb d.d., Zagreb	S	S	S	S	S
18.	Međimurska banka d.d., Čakovec	S	S	S	S	S
19.	Nava banka d.d., Zagreb	S	S	S	S	S
	Obrtnička štedna banka d.d., Zagreb ⁴⁾	–	–	S	S	S
20.	OTP banka Hrvatska d.d., Zadar	MS	MS	MS	MS	MS
21.	Partner banka d.d., Zagreb	S	S	S	S	S
22.	Podravska banka d.d., Koprivnica	S	S	S	S	S
23.	Primorska banka d.d., Rijeka	S	S	S	S	S
24.	Privredna banka Zagreb d.d., Zagreb	L	L	L	L	L
25.	Raiffeisenbank Austria d.d., Zagreb	L	L	L	L	L
26.	Samoborska banka d.d., Samobor	S	S	S	S	S
27.	Slatinska banka d.d., Slatina	S	S	S	S	S
	Slavonska banka d.d., Osijek ⁵⁾	MS	MS	MS	–	–
28.	Société Générale-Splitska banka d.d., Split ⁶⁾	MS	L	L	L	L
29.	Štedbanka d.d., Zagreb	S	S	S	S	S
30.	Vaba d.d. banka Varaždin, Varaždin	S	S	S	S	S
31.	Veneto banka d.d., Zagreb ⁷⁾	S	S	S	S	S
32.	Volksbank d.d., Zagreb	MS	MS	MS	MS	MS
33.	Zagrebačka banka d.d., Zagreb	L	L	L	L	L
1.	HPB stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB
2.	PBZ stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB
3.	Prva stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB
4.	Raiffeisen stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB
5.	Wüstenrot stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB

¹⁾ A štedna banka malog poduzetništva d.d. began operating on 1 April 2009. ²⁾ Banka Sonic d.d., Zagreb changed its name into Banco Popolare Croatia d.d., Zagreb on 23 April 2007. ³⁾ Kvarner banka d.d., Rijeka changed its name into BKS Bank d.d., Rijeka on 22 August 2008. ⁴⁾ Obrtnička štedna banka d.d., Zagreb that had begun operating on 17 July 2008 had its authorisation withdrawn on 22 December 2010. ⁵⁾ Slavonska banka d.d., Osijek merged with Hypo Alpe-Adria-Bank d.d., Zagreb on 1 March 2009. ⁶⁾ HVB Splitska banka d.d., Split changed its name into Société Générale – Splitska banka d.d., Split on 10 July 2006. ⁷⁾ Gospodarsko-kreditna banka d.d., Zagreb changed its name into Veneto banka d.d., Zagreb on 6 April 2007.

Note: L – large bank (share in total bank assets above 5%)

MS – medium-sized bank (share in total bank assets between 1% and 5%)

S – small bank (share in total bank assets below 1%)

HSB – housing savings bank

Attachment II

Credit institution groups subject to reporting to the CNB on a consolidated basis, as at 31 December 2010

Credit institution group	Superordinate credit institution	Group members
1. ERSTE & STEIERMÄRKISCHE BANK	Erste & Steiermärkische Bank d.d., Rijeka	Erste bank AD, Podgorica Erste delta d.o.o., Zagreb MBU d.o.o., Zagreb Erste nekretnine d.o.o., Zagreb S Immorent leasing Zeta d.o.o. za poslovanje nekretninama, Zagreb Erste factoring d.o.o., Zagreb Erste DMD d.o.o. za upravljanje dobrovoljnim mirovinskim fondom, Zagreb Erste d.o.o. za upravljanje obveznim mirovinskim fondom, Zagreb
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-Nekretnine d.o.o., Zagreb Magus d.o.o., Zagreb Projekt nekretnine d.o.o., Zagreb
4. PRIVREDNA BANKA ZAGREB	Privredna banka Zagreb d.d., Zagreb	PBZ CARD d.o.o., Zagreb Međimurska banka d.d., Čakovec PBZ Leasing d.o.o., Zagreb PBZ Invest d.o.o., Zagreb PBZ-NEKRETNINE d.o.o., Zagreb PBZ stambena štedionica d.d., Zagreb PBZ Croatia osiguranje d.d. za upravljanje obveznim mirovinskim fondom, Zagreb
5. RAIFFEISENBANK AUSTRIA	Raiffeisenbank Austria d.d., Zagreb	Raiffeisen Leasing d.o.o., Zagreb Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom d.o.o., Zagreb Raiffeisen upravljanje nekretninama d.o.o., Zagreb Raiffeisen Consulting d.o.o., Zagreb Raiffeisen Invest d.o.o., Zagreb Raiffeisen Factoring d.o.o., Zagreb Raiffeisen mirovinsko osiguravajuće društvo d.o.o., Zagreb
6. SOCIÉTÉ GÉNÉRALE-SPLITSKA BANKA	Société Générale-Splitska banka d.d., Split	SG Consumer Finance d.o.o., Zagreb SG Leasing d.o.o., Zagreb
7. ZAGREBAČKA BANKA	Zagrebačka banka d.d., Zagreb	UniCredit Bank d.d., Mostar Prva stambena štedionica d.d., Zagreb ZB Invest d.o.o., Zagreb Pominvest d.d., Split Zagreb nekretnine d.o.o., 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

Abbreviations

bn	– billion
CBRD	– Croatian Bank for Reconstruction and Development
CNB	– Croatian National Bank
IAS	– International Accounting Standards
m	– million
MoF	– Ministry of Finance
ROAA	– return on average assets
ROAE	– return on average equity
CICR	– currency-induced credit risk

