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1 Review of the New Banking Law

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Less than four years after the enforcement of the former Banking Law (official gazette *Narodne novine*, No. 161/1998), the Croatian Parliament enacted a new Banking Law on 3 July 2002, which was published on 17 July 2002 (official gazette *Narodne novine*, No. 84/2002) and came into force on 25 July 2002.

This text provides a review of some of the changes introduced by the new Banking Law.

1.1 Difference between Banking Services and Other Financial Services

In contrast to the 1998 Banking Law, which made no distinction between banking and other financial services, the 2002 Banking Law separately defines banking services and other financial services.

Banking services comprise accepting monetary deposits and extending loans and other placements from these resources, in the name and for the account of the bank, as well as issuing means of payment in the form of electronic money (Article 3 of the Law).

Other financial services are defined in Article 6 of the Banking Law and include:

1. issuing guarantees or other commitments;
2. factoring;
3. financial leasing;
4. lending, including consumer loans, mortgage loans and financing commercial transactions (including fortfaiting);
5. trading in its name and for its account or in its name and for the account of a client:
   a) in money market instruments and other transferable securities,
   b) in foreign means of payment, including exchange office operations,
   c) in financial futures and options,
   d) in currency and interest rate instruments;
6. performing domestic and foreign payment transactions pursuant to special laws;
7. the collection, analysis and provision of information on the creditworthiness of legal and natural persons that run a private business;
8. intermediation and brokerage in sales of insurance policies, in accordance with the legislation governing insurance and insurance intermediation and brokerage;
9. issuing and administering means of payment;
10. safe custody service;
11. mediation in the conclusion of loan transactions;

12. services in connection with securities, in accordance with the legislation governing the issuance and trading in securities;
13. administering pension or investment funds, in accordance with the legislation governing pension and investment funds;
14. advising on capital structure, corporate strategy and similar matters, as well as the provision of services that relate to the acquisition of shares, equity participation in other companies and other substantial investments;
15. other similar services stated in the operating licence of a bank.

1.2 Who is Eligible to Provide Banking and Other Financial Services on the Territory of the Republic of Croatia?

With prior authorization from the Croatian National Bank, banking services in the Republic of Croatia may be provided by:

- a bank with a head office in the Republic of Croatia,
- a branch of a foreign bank.

In terms of the 2002 Banking Law, a bank is a financial institution that has obtained an operating licence from the Croatian National Bank (a precondition for its entry in the Register of Companies) and has been founded as a joint stock company with its head office in the Republic of Croatia.

A branch of a foreign bank is an organizational unit of a foreign bank that does not have the status of a legal person, and in legal transactions with third parties it may conduct operations pursuant to the authorization of the founder bank, which is responsible for all obligations undertaken in the Republic of Croatia in relation to the operations of the branch.

If, in addition to banking services, a bank or a branch of a foreign bank wants to provide other financial services defined in the 2002 Banking Law, it must obtain an authorization from the Croatian National Bank for the provision of such services. The Croatian National Bank adopts a decision on the authorization for the provision of other financial services at the same time as on the authorization for the provision of banking services, unless the request for issuing the authorization for the provision of other financial services is filed after the bank has obtained the authorization for the provision of banking services.

Thus the provisions of the 2002 Banking Law prescribe that banking services may be provided only by banks and branches of foreign banks, whereas other financial services may be provided not only by banks and branches of foreign banks but also by non-bank companies. A non-bank company that wants to provide other financial services need not obtain authorization from the Croatian National Bank for the provision of these services: it is registered for the provision of other financial services as a company in accordance with the Company Law and other valid regulations, which means that it does not fall under the Banking Law.

1.3 Capital and Shares

The 1998 Banking Law divided banks into three groups with regard to the minimum share capital needed for the establishment of a bank. In the course of establishment, i.e. before entry in the Register of Companies, a bank had to have paid-in share capital of 20, 40 or 60 million kuna depending on the type of services it intended to provide (regardless of whether the 2002 Banking Law categorises them as banking or other financial services).

The 2002 Banking Law sets a uniform minimum amount of share capital required for the establishment of a bank: 40 million kuna. In addition, it prescribes that, during a bank's operations, its regulatory capital (core + supplementary capital) may not fall below this minimum amount of share capital. This means that a bank's regulatory capital may at no time fall below 40 million kuna in the course of its operations. The 1998 Law did not contain this or a similar provision, which raised the question of whether a bank's regulatory capital may fall in the course of its operations below the minimum amount of share capital required for the establishment of a bank if the amount of regulatory capital was sufficient to achieve the minimum capital adequacy ratio of 10%.

The shares of a bank must be registered and fully paid before entry in the Register of Companies of either the establishment of the bank or an increase in the share capital. In addition, a bank may not directly or indirectly extend loans to itself or issue guarantees for the acquisition of its own shares. Although the 1998 Law also contained such or similar provisions, the new Law also prescribes that:

- the shares of a bank must be issued in a non-material form,
- the preference shares in a bank's share capital may not exceed one-fourth (25%) of all issued shares.

The 1998 Law prescribed that it was necessary to obtain approval from the Croatian National Bank prior to the acquisition by one person of bank shares (with voting rights at the bank's general meeting) whose total nominal amount accounted for 10% of the bank's share capital.

The 2002 Banking Law prescribes that approval of the Croatian National Bank is required prior to the direct or indirect acquisition by one person of bank shares or voting rights that results in the acquisition of 10% or more (a qualifying holding), 20% or more, 33% or more, 50% or more, or 75% or more shares.

In contrast to the 1998 Law, the new Law also prescribes a restriction with regard to holding equity in another bank. Thus a bank or another financial institution in which a certain bank has a holding exceeding 10% in capital or voting rights may not acquire shares in that bank which would result in ownership of more than 10% of that bank's capital or voting rights.

1.4 Bank Management Board

The new Law is considerably more comprehensive than the 1998 Law concerning the conditions for membership in a bank management board and the rights and duties of members of a bank management board. Like the 1998 Law, the 2002 Law stipulates that a bank management board shall comprise at least two members, but it also contains a number of new provisions on the rights and duties of members of a bank management board and the conditions for membership in a bank management board in order to stress that the bank management board is the body most responsible for safe and stable bank operation.

1.4.1 New (Added) Provisions

- the members of the bank management board jointly act for and represent the bank;
- the bank management board may not authorize a proxy (one or more of them) to act independently for the bank in the provision of the services that are entered in the Register of Companies;
- the bank's Articles of Association must define the conditions to be fulfilled by a person to whom the power of proxy is to be granted, the type of proxy, the manner in which the proxy is to be granted, and the extent of the powers attached to the proxy;
- at least one member of the bank management board must be resident in the Republic of Croatia;
- the members of the bank management board must be employed by the bank on a permanent and full-time basis;
- a member of the bank management board must be a person against whose property bankruptcy proceedings have not been initiated, who has never managed the operations of a bank or a company against which bankruptcy proceedings have been initiated, who is not a member of the bank supervisory board or the supervisory board of any bank with its head office in the Republic of Croatia, and who is not a member of the management board or a proxy of another company;
- all special benefits enjoyed by members of the bank management board (and other employees of the bank) which do not derive from the collective agreement and the legislation governing employment in the Republic of Croatia cease to apply in the event that the bank comes under special administration (on the day on which the decision is delivered to the bank).

New provisions also prescribe that members of the bank management board shall, in addition to the duties stipulated by the Company Law, ensure that:

- the bank operates in accordance with the rules on risk management as stipulated by this Law and other laws that govern the operations of a bank and the provision of other financial services, and in accordance with other regulations enacted on the basis of this Law and other laws;
- the risks to which the bank is exposed in its operations are monitored and that the bank adopts appropriate procedures for risk management;
- the adequate level of capital with respect to the risks to which the bank is exposed in its operations is attained and maintained on the basis of systemic monitoring, assessment and strategy;
- the system of internal controls functions in all areas of the bank's operations;
- the internal audit is conducted unhindered;
- the bank keeps business books and other books and business documentation, prepares bookkeeping documents, evaluates assets and liabilities in real terms, prepares financial and other statements in accordance with accounting regulations and standards as well as with this Law and the regulations enacted on the basis of this Law;
- the bank reports to and notifies the Croatian National Bank in accordance with this Law and the regulations enacted on the basis of this Law;
- the measures instructed by the Croatian National Bank are implemented.

In addition, new provisions prescribe that the bank management board shall immediately notify in writing the bank supervisory board:

- if the bank's liquidity or solvency is threatened;
- if there are grounds for the expiry or revocation of the authorization for the provision of banking services, or grounds for a ban on providing particular banking services or other financial services;
- if the financial position of the bank changes in such a way that the regulatory capital of the bank falls below the minimum capital amount prescribed or the capital adequacy ratio falls bellow the prescribed minimum;
- if the bank exceeds the large exposure to one person due to a fall in the regulatory capital.

In addition to the rights and duties of the bank management board as a collective body, the 2002 Law requires a member of the bank management board to immediately notify in writing the bank supervisory board concerning:

- the member's appointment to the supervisory bodies of other legal persons, or the cessation of the member's function therein;
- legal arrangements on the basis of which the member of the management board or a close relative thereof has directly or indirectly acquired shares or equity participation in a legal person with the result that the member of the management board, together with the close relative thereof, has acquired a qualifying holding in the legal person, or their equity participation has fallen below the limit for the qualifying holding.

1.4.2 Changed Provisions

Some provisions in the new Law referring to the conditions for membership in the bank management board are presented in a different form compared with the former Banking Law. This mainly refers to the provisions stated below.

Under the 1998 Law, the conditions for membership in the bank management board included:

- university qualifications (economics or law);
- three years' experience in managing the operations of a bank or six years' experience in comparable financial operations;
- passing the state banking examination (prescribed by the Rulebook on the state banking examination enacted on the basis of the Law);
- command of the Croatian language.

The present Law has changed the conditions for membership in a bank management board, which now include:

- a university qualification;
- three years' experience in managing the operations of a bank or six years' experience in managing operations comparable to bank or bank-related activities;
- command of the Croatian language (at least one member of the bank management board).

Passing the state banking examination is no longer a condition to be met by candidates for membership in the bank management board. Their professional qualifications and abilities are evaluated by the CNB on the basis of the documentation enclosed with the request, submitted to the CNB by the bank supervisory board, for approval for a person to perform the function of a member of the bank management board.

1.5 Risk Management

Provisions on risk management hold an important place in the 2002 Banking Law. These provisions regulate:

- the bank's capital adequacy, as the basis for managing the risks to which a bank is exposed;
- other measures for managing risk, which (among others) require that a bank:
  - prescribes in its by-laws the detailed procedures for measuring, assessing and managing all types of risk,
  - measures and assesses the credit and other types of risk,
  - forms reserves for the coverage of identified and unidentified losses arising from credit risk,
  - forms reserves for general banking risks (in accordance with a regulation that the Croatian National Bank may adopt if it establishes that a bank is conducting risky business operations),
  - keeps the credit and other types of exposures within the limits prescribed by law and subordinate legislation,
  - keeps the scope of investment in fixed assets and equity within the prescribed limits.

1.5.1 Capital Adequacy

A bank shall ensure a level of regulatory capital that is adequate for the extent and types of services it provides and the risks to which it is exposed in its operations.

The regulatory capital of a bank consists of core capital and supplementary capital, and the Croatian National Bank is authorized to prescribe its components and the method of their calculation. In this regard, it is interesting to note that Article 15 of the 2002 Law uses the term *share capital* in prescribing the conditions for establishing a bank, whereas Article 62, which defines regulatory capital, uses the term *core capital* instead of share capital. Pursuant to Article 62, a bank's regulatory capital consists of core capital and supplementary capital, as well as other forms of capital the Croatian National Bank may prescribe. This terminological difference is not unintentional because core capital, in addition to share capital (excluding cumulative preference shares) includes other sources of funds (reserves, retained income and the like).

The Law stipulates that the minimum capital adequacy ratio, which is defined as the ratio between the regulatory capital of a bank and risk-weighted assets increased by other risk-weighted items, must amount to at least 10%.

The provisions on the minimum capital adequacy ratio have been taken from the 1998 Banking Law, but with an important new provision. This provision stipulates that the Croatian National Bank may determine a minimum capital adequacy ratio above 10% for a bank if it establishes that the bank has conducted risky business operations.

1.5.2 Limits and Exposures

The Law defines a bank's exposure to one person as the sum of all loan-related and other claims, the value of investments in securities and equity participation of that person, together with the value of the bank' assumed liabilities to that person. One person is a legal or physical person or a group of persons connected in a manner defined in the Banking Law or Company Law. Overall exposure to one person is divided into exposure that is subject to limitations and exposure that is not subject to limitations.

Exposure Not Subject to Limitations

The prescribed limitations on bank exposure do not relate to exposure to:

- the Republic of Croatia,
- the Croatian National Bank,
- persons that constitute a banking group in the Republic of Croatia and are subject to consolidated supervision by the Croatian National Bank.

In addition, the prescribed limitations on exposure do not comprise claims collateralized by:

- a monetary deposit, up to the collateral amount,
- securities of the Republic of Croatia or the Croatian National Bank,
- an irrevocable guarantee of the Republic of Croatia or a competent government institution,
- other collateral prescribed by decision of the Croatian National Bank.

Exposure Subject to Limitations

For the purpose of risk dispersion, all types of bank exposure that cannot be classified among the above-listed exposures are subject to certain limitations. The maximum permissible bank exposure to one person, which also refers to a group of connected persons, is expressed in relative indicators (percentage) in relation to the bank's regulatory capital.

Like the 1998 Law, the 2002 Banking Law stipulates that a bank's exposure to one person may not exceed 25% of the bank's regulatory capital. This is a general limitation on the bank's exposure to one person. However, there are certain exceptions, which are somewhat different than those set by the former Law.

The 1998 Law prescribed that:

- a bank's exposure to a single shareholder that owns more than 3% of the bank's shares and to persons connected with this shareholder may not exceed 5% of the bank's regulatory capital;
- a bank's overall exposure to (all) shareholders that own shares whose nominal amount accounts for more than 5% of the bank's share capital and to persons connected with such shareholders may not exceed 25% of the bank's regulatory capital.

As exceptions to the general limit on bank exposure to one person, the current Law (Article 75 in relation to Article 78) prescribes that:

- a bank's exposure to one person that is in a special relationship with the bank as defined in Article 78 of the Law may not exceed 10% of the bank's regulatory capital;

- a bank's overall exposure to (all) persons controlled by the bank or a person controlling the bank (one of the persons in a special relationship with the bank) may not exceed 20% of the bank's regulatory capital.

1.5.3 Large Exposure

The definition of large exposure in the 2002 Law contains a slight difference from the definition in the 1998 Law.

The 2002 Law defines large exposure of a bank as exposure to one person that equals or exceeds 10% of the bank's regulatory capital. The 1998 Law defined large exposure as exposure to one person that exceeds 10% of the bank's regulatory capital.

The two Laws differ with respect to the provisions on the approval of the bank supervisory board for concluding arrangements resulting in large exposure.

The 1998 Law stipulated that a unanimous decision of the bank supervisory board is required for concluding a legal arrangement that results in a bank exposure that exceeds 10% of its regulatory capital (one decision covered exposure to one person ranging from 10% to 25% of the bank's regulatory capital).

The 2002 Law stipulates that an approval of the bank supervisory board is required for concluding each individual legal arrangement that results in an overall bank exposure to one person of more than:

- 10% of the bank's regulatory capital,
- 15% of the bank's regulatory capital,
- 20% of the bank's regulatory capital.

The 2002 Law stipulates that the sum of all large exposures may not exceed 600% of the regulatory capital, while the 1998 Law stipulated that this sum may not exceed 400% of the regulatory capital.

1.5.4 Limitations on Investment in Fixed Assets and Equity Participation

The 1998 Banking Law did not contain provisions on limitations of investment in fixed assets and equity participation, but the CNB could set limitations.

While the 1998 Law was in force, the CNB prescribed that total investment in fixed assets and equity participation could not exceed 70% of the bank's regulatory capital and investment in fixed assets could not exceed 30% of the bank's regulatory capital.

As an exception, fixed assets and equity participation that a bank had acquired in exchange for its claims in the course of bankruptcy and seizure proceedings were excluded from these limitations during the first year following the acquisition.

According to the CNB decision, if investments in fixed assets amounted to 30% of the regulatory capital (the maximum permissible amount), investments in equity participation (excluding investments in another bank's capital) could not exceed 40% of the regulatory capital. However, if investments in fixed assets were below 30% of the regulatory capital, investments in equity participation could exceed 40% of the regulatory capital, provided that they together did not exceed 70% of the regulatory capital.

These limitations are now regulated by the Law, but in a somewhat different manner than under the CNB decision.

Total investments of a bank in land, buildings and the equipping and furnishing of business premises may not exceed 40% of the bank's regulatory capital. Total investments of a bank in the capital of non-financial institutions may not exceed 30% of the bank's regulatory capital, and investments in the capital of a single non-financial institution may not exceed 15% of the bank's regulatory capital.

The investments that a bank acquires in exchange for its claims in the course of financial restructuring and bankruptcy and seizure proceedings, as well as by activating the instruments of collateral for claims pursuant to the Law on Seizure, are not included in investments subject to the prescribed limitations during the first two years following the acquisition (formerly it was one year following the acquisition).

1.6 Consolidated Supervision of Banks

The 1998 Law did not contain any provision referring to bank supervision on the basis of the consolidated financial statements of banks in a banking group. The 2002 Law, on the other hand, devotes a whole chapter to this issue. The provisions of this chapter define:

- the concept of *a banking group*;
- the duties of the superordinate bank in a banking group with regard to the implementation of the provisions on consolidated supervision;
- the obligation of a banking group to determine the consolidated position of:
  - regulatory capital,
  - capital adequacy,
  - exposure,
  - open items,
  - investments in the capital of non-financial institutions;
- the obligation of the superordinate bank to notify the Croatian National Bank of all facts and circumstances referring to the composition of the banking group (subordinate and superordinate companies);
- the obligation of subordinate companies to submit to the superordinate company all data required for the consolidation of financial statements.

1.7 Internal Control and Audit

The 1998 Banking Law prescribed a bank's obligation to organize its internal control as an independent organizational unit that was functionally and organizationally separated from the other organizational units of the bank and was directly responsible to the bank management board.

In addition, a bank had to have at least one internal auditor, appointed by and responsible to the supervisory board.

The new Banking Law does not contain such or similar provisions on internal control, especially in the sense of prescribing its organizational forms. However, this does not mean that the bank does not need to implement internal control; it just means that the Law does not prescribe an obligatory organizational form of internal control and that it is up to the bank to establish the organizational form that maximises the efficiency of its internal control.

It can be derived from the provisions on the duties and responsibilities of members of the bank management board and the content of internal audit reports that internal control is not treated as a separate organizational unit but as a system of internal controls in all areas of the bank's operations (an integral part of work procedures), whose functioning is (among others) the responsibility of the bank management board, with the internal audit being obliged (among others) to assess the appropriateness and effectiveness of the internal control systems in its report.

With regard to the legal regulation of the internal audit, the new Law stresses the independence of the internal audit with regard to both the management board and supervisory board.

The basis for the operations of the internal audit is its annual work program. This is adopted by the supervisory board, taking into account the prior opinion of the bank management board. The internal audit, on the basis of its annual work program, adopts its operational plans for half year or shorter time periods. It submits reports on its work to the bank management and supervisory board together with its findings and recommendations for improving bank operations.

1.8 External Audit

The 1998 Banking Law prescribed that an audit firm may conduct a maximum of four consecutive audits of the financial statements of a bank.

This provision also exists in the new Law, together with two provisions that additionally restrict the auditing of the financial statements of a bank by the same audit firm.

According to these provisions:

- an audit firm may not conduct, or be entrusted by a bank with conducting, an audit of the financial statements of a bank if, in the previous year, that audit firm derived more than half its income from auditing the financial statements of that bank;
- an audit firm may not simultaneously or in the same year conduct an audit of a bank and provide consulting services to that bank.

1.9 Transitional and Final Provisions

The more important transitional and final provisions concern the time limits within which banks must adjust their operations to the provisions of the new Banking Law. In this regard, the Law prescribes, among others, the following:

A bank must adjust its operations to comply with the provisions of this Law within a year from its entry into force (by 25 July 2003). This includes:

- increasing its share capital (the minimum amount of 40 million kuna);
- adjusting its shares (bank shares must be registered and be issued in a

non-material form, preference shares may not exceed one-fourth of all issued shares, equity participation in another bank's capital must be adjusted to the prescribed limits);
- implementing the provisions of the new Law relating to members of the bank management and supervisory board and proxies;
- permanently maintaining its regulatory capital at an amount not lower than 40 million kuna;
- adjusting its investment in the capital of non-financial institutions (total investments in the capital of non-financial institutions may not exceed 30% of the bank's regulatory capital, and investments in the capital of a single non-financial institution may not exceed 15% of the bank's regulatory capital).

Exceptionally, a former savings bank that had increased its share capital by 31 December 2001 to the minimum of 20 million kuna (in accordance with the 1998 Banking Law) and was granted an operating license as a bank, and whose share capital is lower than 40 million kuna (the new minimum share capital) is obliged to increase its share capital so that it is not below:

- 25 million kuna by 31 December 2003,
- 30 million kuna by 31 December 2004,
- 35 million kuna by 31 December 2005,
- 40 million kuna by 31 December 2006.

In addition, once such a bank reaches the stated level of share capital, it is obliged (in accordance with Article 65 of the Law) to permanently maintain its regulatory capital at an amount not lower than the amount of share capital.

2 Indicators of Banking Institution Operations

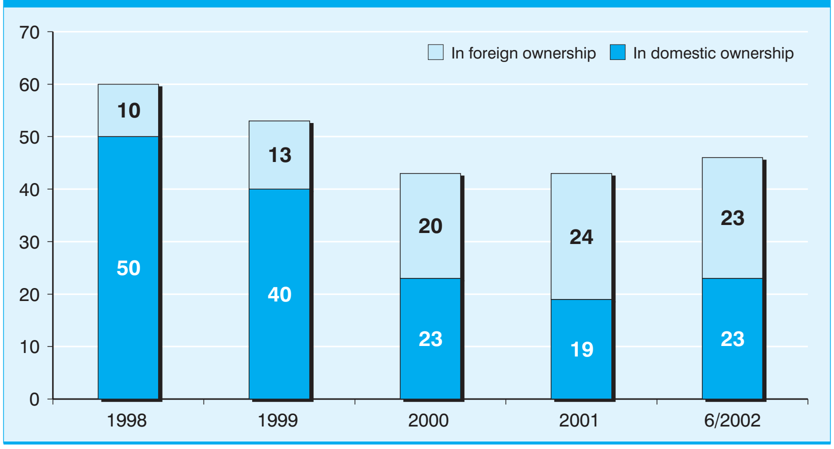
2.1 Banks

2.1.1 Structure of the Banking Sector in the Republic of Croatia

In mid-2002, 47 commercial banks were operating in the Republic of Croatia – 4 more than at end-2001. This increase resulted from: the entry into the banking system of seven new banks, which formerly operated as savings banks and were registered as banks in 2002[1]; the exit of three banks from the system, of which one transferred its operations to another bank[2]; and the merger of two banks with a third bank, which now operates under a new name[3]. However, since Prva obrtnička banka d.d. merged with Hypobanka d.d. at the beginning of July 2002, and its report for the second quarter of 2002 was submitted together with that of Hypobanka, the following analysis comprises data for 46 banks.

1 Banka Brod d.d., Banka Kovanica d.d., Banka Sonic d.d., Križevačka banka d.d., Prva obrtnička banka d.d., Splitsko-dalmatinska banka d.d. and Zagorska banka d.d.
2 Bayerische Hypo- und Vereinsbank AG, Glavna podružnica Zagreb transferred its operations to HVB Bank Croatia d.d.
3 Istarska banka d.d. and Sisačka banka d.d. merged with Dalmatinska banka d.d., and are now operating as Nova banka d.d.

FIGURE 1. Number of Banks



⇦ With respect to ownership structure, the banks in the Republic of Croatia are divided into domestic and foreign banks. A bank is classified as a domestic bank if it is in majority ownership of domestic natural and legal persons. The same rule applies to the classification of a bank into banks in majority foreign ownership. The total number of banks is the sum of the banks in domestic and foreign ownership.
The Croatian National Bank statistics is the source of data on the number of banks.

In the first half of 2002, the number of banks in majority foreign ownership fell from 24 to 23, and was equal to the number of banks in domestic ownership.

Although the number of banks in majority foreign ownership declined, their share in the total assets of the system grew from 89.3% at end-2001 to 90.1% in mid-2002. This continued the growth in the share of foreign banks' assets in total bank assets (6.7% at-end 1998, 39.9% at end-1999 and 84.1% at end-2000).

For the purpose of simplified comparison, the banks are classified into four groups in the text below. The classification criterion was the amount of assets. Group I consists of banks with assets exceeding 5 billion kuna, Group II of banks with assets between 1 billion and 5 billion kuna, Group III of banks with assets between 500 million and 1 billion kuna, and Group IV of banks with assets less than 500 million kuna.

⇨ In accordance with the selected criterion – the size of assets – the table shows the parameters for the classification of banks into individual groups.
Schedule BS is the source of data on the size (amount) of assets (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

TABLE 1. Peer Groups of Banks, end of period, in thousands kuna

Group	Classification criterion	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002
I	Assets (A)>5,000,000	4	5	6	8
II	1,000,000<A<5,000,000	15	13	14	11
III	500,000<A<1,000,000	5	8	7	6
IV	A<500,000	29	17	16	21

In the first half of 2002, the number of banks in Groups I and IV increased by two and five banks respectively, whereas the number of banks in Groups II and III declined by three banks and one bank respectively. Two banks entered Group I: one from Group II due to its steep asset growth, and the other as a result of the merger of two banks (one in Group II and the other in Group III) with a bank in Group II, which then entered Group I. The rise in the number of banks in Group IV resulted from the establishment of new banks, which operated as savings banks in the former reporting period (6 new banks[4]) and the transfer of operations of a Group IV bank to a Group II bank.

4 Prva obrtnička banka d.d., Zagreb merged with Hypobanka d.d., Zagreb in July 2002 so that its report as of 30 June 2002 was submitted together with the reports of Hypobanka d.d., Zagreb.

2.1.2 Territorial Distribution of Banks' Operating Network and Concentration of the Banking System

The operating network has been analyzed in this publication at the county level on the basis of changes in the number of operating units (branches and sub-branches)[5] and the number of ATMs.

By mid-2002, the number of operating units had increased by 44 (5.0%, from 879 to 923) compared to that at end-2001. In this period, 78 new operating units were established, and 34 were closed. The banks which entered the system in the reporting period accounted for more than two thirds of the increase in the number of operating units.

5 A branch is considered here to be a bank's organizational part that is not a legal person (defined in Article 7 of the Company Law).

In the first half of 2002, the largest number of new operating units was established in the County of Zagreb and the City of Zagreb (12), followed by the County of Split-Dalmatia (8), and the County of Sisak-Moslavina and the County of Varaždin with 6 newly established operating units each. In the same period, the number of operating units was reduced in the Counties of

⇨ The total number of branches and sub-branches of all banks in the Republic of Croatia is classified by counties. Data on the County of Zagreb are included in the data on the County of Zagreb.
Banks are the source of data.

TABLE 2. Territorial Distribution of Branches and Sub-Branches, end of period

Counties	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002
County of Zagreb and City of Zagreb	157	140	162	174
County of Krapina-Zagorje	18	18	19	20
County of Sisak-Moslavina	27	24	18	24
County of Karlovac	20	18	19	20
County of Varaždin	26	23	23	29
County of Koprivnica-Križevci	24	23	25	27
County of Bjelovar-Bilogora	22	20	23	27
County of Primorje and Gorski Kotar	55	57	103	106
County of Lika-Senj	8	8	10	11
County of Virovitica-Podravina	18	14	16	15
County of Požega-Slavonija	15	16	16	19
County of Slavonski Brod-Posavina	12	13	17	18
County of Zadar	39	32	41	39
County of Osijek-Baranya	59	47	50	51
County of Šibenik-Knin	28	28	30	29
County of Vukovar-Srijem	22	15	16	14
County of Split-Dalmatia	106	100	111	119
County of Istria	86	85	99	102
County of Dubrovnik-Neretva	55	49	56	54
County of Međimurje	2	26	25	25
Total	822	756	879	923

Vukovar-Srijem (2), Zadar (2), Dubrovnik and Neretva (2), Šibenik-Knin and Virovitica-Podravina.

Six banks were operating in more than 10 counties; 9 were operating in 6 to 10 counties, and 19 in 2 to 5 counties. Nine banks were operating in only a single county, and three banks have neither a branch nor sub-branch.

The ATM network has continued growing. In the first half of 2002, the number of installed ATMs stood at 1106, an increase of 107 units, 10.7%, compared with that at end-2001 when it stood at 999 units. The number of installed ATMs increased in 17 counties, with the sharpest growth recorded in the County of Zagreb and the City of Zagreb (30 units), followed by the County of Split-Dalmatia (17 units) and the Counties of Međimurje and Istria (8 and 7 units, respectively). Increases in the number of installed ATMs were not recorded in only three counties (one of them retained the same number of ATMs, and the other two decreased the number of ATMs by one each). Slightly less than half (41.1%) of the stated increase relates to three banks, which recorded growth rates in the number of installed ATMs ranging from 5.4% to 30.4%. In addition to the previously installed ATMs, two of these three banks installed 14 and one installed 16 new ATMs. Overall, 15 banks have increased the number of installed ATMs.

TABLE 3. Territorial Distribution of ATMs, end of period

Counties	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002
County of Zagreb and City of Zagreb	181	237	307	337
County of Krapina-Zagorje	6	14	19	18
County of Sisak-Moslavina	6	14	20	23
County of Karlovac	12	21	21	22
County of Varaždin	16	23	31	36
County of Koprivnica-Križevci	12	14	16	18
County of Bjelovar-Bilogora	9	18	19	22
County of Primorje and Gorski Kotar	68	95	120	128
County of Lika-Senj	6	7	9	13
County of Virovitica-Podravina	7	8	11	10
County of Požega-Slavonija	4	6	8	8
County of Slavonski Brod-Posavina	4	10	14	16
County of Zadar	17	26	40	43
County of Osijek-Baranya	19	27	48	52
County of Šibenik-Knin	8	13	18	24
County of Vukovar-Srijem	4	5	11	16
County of Split-Dalmatia	31	63	108	125
County of Istria	80	84	102	109
County of Dubrovnik and Neretva	15	32	47	48
County of Međimurje	18	19	30	38
Total	523	736	999	1106

⇦ The total number of installed ATMs of all banks in the Republic of Croatia is classified by counties. Data on the City of Zagreb are included in the data on the County of Zagreb. Banks are the source of data.

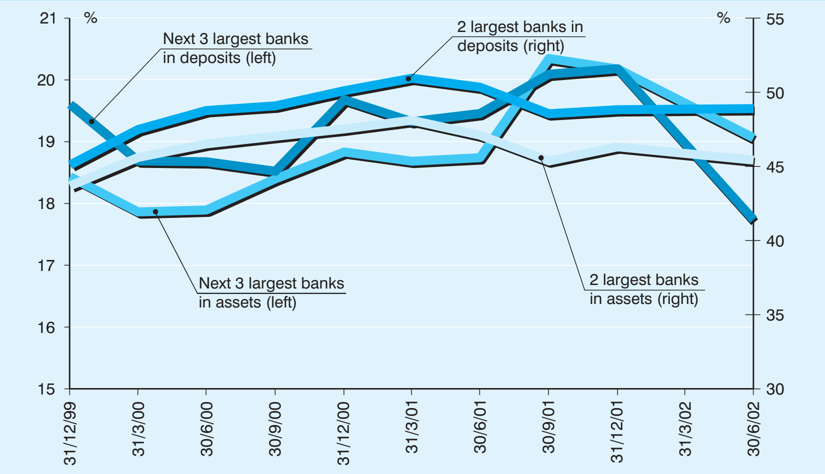
In mid-2002, the share of the two largest banks in total bank assets continued decreasing (from 46.3% to 45.4%). This was the result of slower growth in these two banks' assets than asset growth at the system level (1.5% compared with 3.5%). In contrast, the share of the two largest banks in the total deposits of the system slightly increased, from 48.8% to 48.9%, owing to a 4.9% growth in their deposits (a 4.7% deposit increase was recorded at the system level).

As regards the next three largest banks[6], their share in the total assets and deposits in the system declined. In the period between end-2001 and the end of the first half of 2002, the share of these banks in the total assets of the system fell from 20.2% to 19.1%, and the share of their deposits in the total deposits of the system went down from 20.2% to 17.7%. These three banks also recorded a decline in assets and deposits (2.2% and 7.9%, respectively). In contrast, assets and deposits at the system level grew by 3.5% and 4.7%, respectively.

6 The third, fourth and fifth banks according to asset size.

⇨ The criterion for selecting the two largest and the next three largest banks in the banking system is the size of their assets. The share of assets of the two largest banks (the next three banks) in total assets is calculated as a ratio between the sum of the assets of the two largest banks (the next three banks) and the total assets of all banks, and is stated in percent. Their share of deposits in total deposits of the banking system is calculated in the same manner.
Schedule BS is the source of data on the amount of assets (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001), while Schedule BS/DEP is the source of data on total deposits (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

FIGURE 2. Share of the Largest Banks' Assets (deposits) in Total Assets (total deposits)

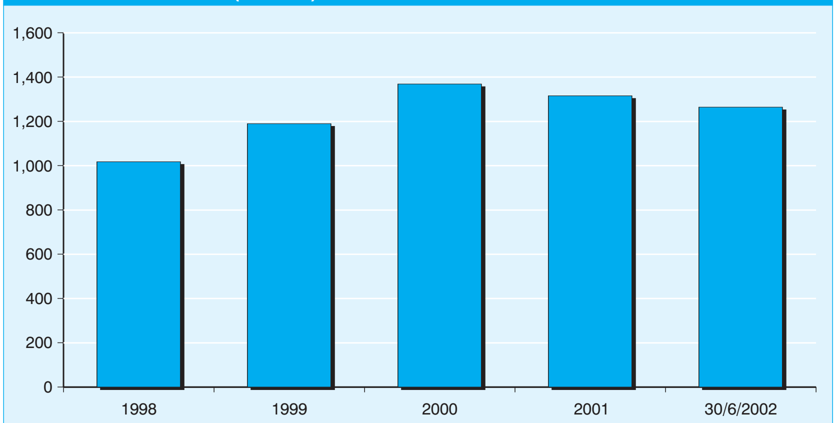


⇨ This index is calculated for each bank on the basis of the following formula:

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

Schedule BS is the source of data on the amount of assets (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

FIGURE 3. Herfindahl Index (all banks)



The value of the Herfindahl index calculated for all banks in the banking system continued falling, which indicates a further decrease in the concentration of the banking system. At the system level, this index stood at 1265 points at the end of the first half of 2002, 50 points less than that at end-2001.

2.1.3 Banks' Balance Sheet

All bank data for the first half of 2002 are based on the unaudited interim financial statements submitted by the banks to the Croatian National Bank[7].

7 See footnote 4.

As at 30 June 2002, total bank assets stood at 153.7 billion kuna, an increase of 5.3 billion kuna. In contrast to the strong growth recorded in 2001, total bank assets recorded a stable 3.5% increase in the first half of 2002 compared to the end 2001 level.

Within bank assets, deposits with the CNB recorded the highest growth rate (22.7%) in the first half of 2002, followed by loans to other clients (17.5%), the trading portfolio of securities (13.0%), loans to financial institutions (11.6%) and investments in subsidiaries and associates (9.7%). Hence, in the reporting period, substantial growth was recorded in the share of loans to other cli-

TABLE 4. Structure of Bank Assets, end of period, in million kuna and %

	Dec. 1999		Dec. 2000			Dec. 2001			Jun. 2001		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	9,733.5	10.4	11,489.3	10.3	18.0	22,196.3	15.0	93.2	19,690.8	12.8	–11.3
1.1. Money assets	1,245.9	1.3	1,506.3	1.3	20.9	7,822.5	5.3	419.3	2,059.9	1.3	–73.7
1.2. Deposits	8,487.6	9.1	9,983.1	8.9	17.6	14,373.9	9.7	44.0	17,630.9	11.5	22.7
2. Deposits with banking institutions	10,312.5	11.0	17,695.3	15.8	71.6	23,900.1	16.1	35.1	18,958.5	12.3	–20.7
3. MoF treasury bills and CNB bills	3,139.5	3.4	6,059.0	5.4	93.0	9,687.2	6.5	59.9	10,326.2	6.7	6.6
4. Trading portfolio of securities	1,067.8	1.1	2,462.4	2.2	130.6	4,795.6	3.2	94.8	5,420.6	3.5	13.0
5. Loans to financial institutions	1,246.2	1.3	1,085.6	1.0	–12.9	1,479.6	1.0	36.3	1,650.6	1.1	11.6
6. Loans to other clients	45,391.5	48.5	50,130.7	44.8	10.4	64,402.5	43.4	28.5	75,664.1	49.2	17.5
7. Investment portfolio of securities	15,477.1	16.5	14,167.5	12.7	–8.5	12,741.3	8.6	–10.1	12,355.8	8.0	–3.0
8. Investments in subsidiaries and associates	1,768.6	1.9	2,411.0	2.2	36.3	2,199.8	1.5	–8.8	2,412.2	1.6	9.7
9. Foreclosed and repossessed assets	447.2	0.5	614.5	0.5	37.4	446.8	0.3	–27.3	368.8	0.2	–17.5
10. Tangible assets and software (net of depreciation)	3,164.6	3.4	3,252.5	2.9	2.8	3,501.2	2.4	7.6	3,640.7	2.4	4.0
11. Interest, fees and other assets	2,518.1	2.7	3,169.2	2.8	25.9	4,273.5	2.9	34.8	4,505.2	2.9	5.4
12. Net of: Specific reserves for unidentified losses	743.6	0.8	699.4	0.6	–6.0	1,195.7	0.8	71.0	1,314.4	0.9	9.9
Total	93,522.9	100.0	111,837.7	100.0	19.6	148,428.3	100.0	32.7	153,679.1	100.0	3.5

⇧ The share of each balance sheet item of assets in total bank assets is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 57/99 and 3/2001 – Schedule BS) and the derived aggregated report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

ents (5.8 percentage points) and deposits with the CNB (1.8 percentage points). Strengthened credit activity led also to a decline in liquid asset items, with the steepest decline recorded in money assets with the CNB (73.7%) and deposits with banking institutions (20.7%), accompanied by foreclosed and repossessed assets (17.5%). In line with their decrease, the share of liquid assets in total assets also decreased. The share of money assets with the CNB in total assets was 3.9 percentage points lower, whereas the share of deposits with banking institutions was 3.8 percentage points lower at the end of the first half of 2002 than that at end-2001.

In the first half of 2002, banks in Groups I and IV increased their share in total assets, whereas banks in Groups II and III decreased their share in total assets.

Group I banks have recorded a steady increase in their asset share in total assets because the number of banks with assets exceeding 5 billion kuna has been continuously increasing since 1999. In the first half of 2002, two banks entered Group I; one of them moved into this group due to its exceptionally high asset growth, and the other entered due to the merger of two banks. Thus, the share of Group I banks in total assets rose by a high 5.4 percentage points in the period between end-2001 and the end of the first half of 2002.

In contrast to Group I banks, whose share in total assets has been steadily growing, the share of Group II banks has been continuously falling. In the first half of 2002, the number of banks in Group II decreased by those two banks that moved into Group I, and one bank that merged with another bank. Hence, the share of Group II banks in total assets fell by a high 5.6% in the reporting period.

At the end of the first half of 2002, the number of Group III banks was reduced by one compared with end-2001 because one bank merged with another bank (in Group I), which resulted in a slight 0.36% decrease in this group's share in total assets.

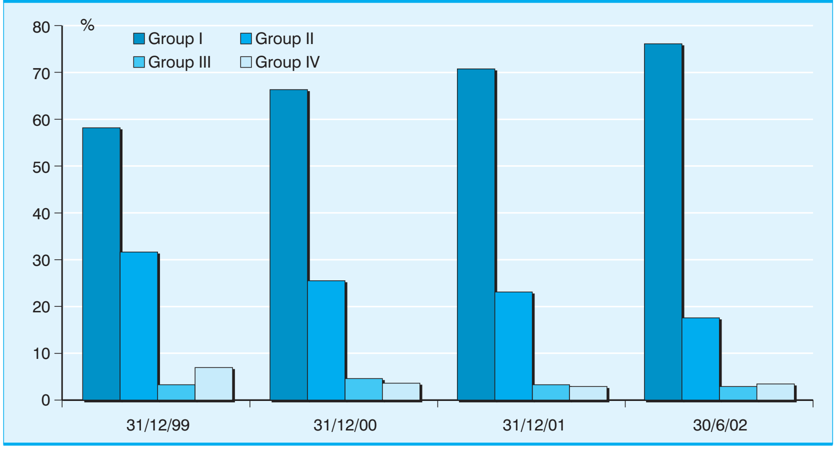
The number of Group IV banks increased in the reporting period by 6 banks[8], which were established as a result of the adjustment of savings banks to the

8 See footnote 4.

provisions of Article 119 of the 1998 Banking Law. In view of the very small asset size of these institutions and the exit of one bank from Group IV, the share of Group IV banks in total assets grew by only 0.55%.

⇨ The share of assets of each stated bank group in total bank assets is calculated in the following manner. First, the total assets of all the banks in the bank group are added up. Second, the sum thus calculated is divided by total bank assets. Shares are stated in percent.
Schedule BS is the source of data on the amount of assets (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

FIGURE 4. Share of Individual Peer Groups of Banks in Total Assets



At the end of the first half of 2002, deposits accounted for the largest share in the structure of bank liabilities (71.4%), of which giro account and current account deposits recorded the highest growth rate (22.0%), and their share in total liabilities rose by 2.0 percentage points. Nevertheless, time deposits still accounted for the largest share in total deposits (42.1%) and grew steadily over the reporting period. They were followed by other loans (e.g. loans from foreign financial institutions) with a 9.8% share, which despite a 5.6% decline in the level of other loans, fell by only 0.9 percentage points in the reporting period. In this period, profit for the current year grew by 160.8%, which led to an increase in its share in total liabilities from 0.4% to 1.0%, the same as at-end 2000.

⇩ Bank liabilities are calculated in the same manner as bank assets in Table 4., i.e. the share of each balance sheet item of liabilities in total bank liabilities is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 57/99 and 3/2001 – Schedule BS) and the derived aggregated report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period. Item Profit/loss for the current year is excluded from item Capital and shown separately.

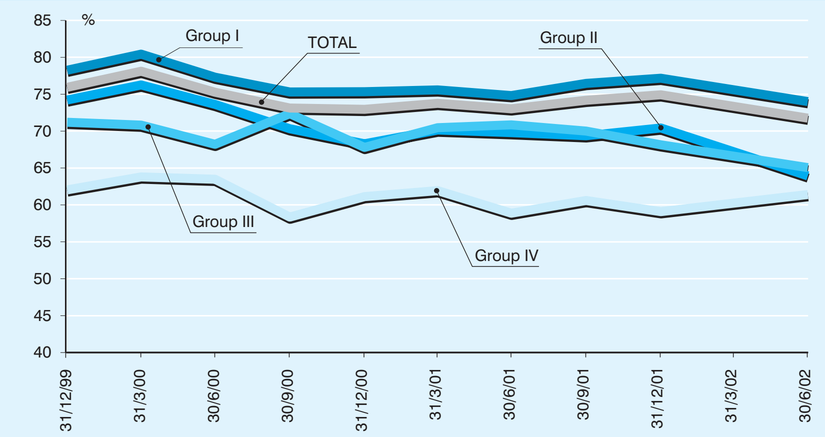
TABLE 5. Structure of Bank Liabilities, end of period, in million kuna and %

	Dec. 1999		Dec. 2000			Dec. 2001			Jun. 2002		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	5,282.3	5.6	3,510.9	3.1	–33.5	3,629.1	2.4	3.4	3,485.9	2.3	–3.9
1.1. Short-term loans	2,088.7	2.2	1,130.8	1.0	–45.9	595.7	0.4	–47.3	603.7	0.4	1.3
1.2. Long-term loans	3,193.7	3.4	2,380.1	2.1	–25.5	3.033.3	2.0	27.4	2,882.2	1.9	–5.0
2. Deposits	56,997.0	60.9	72,683.4	65.0	27.5	104,697.2	70.5	44.0	109,656.2	71.4	4.7
2.1. Giro account and current account deposits	9,216.9	9.9	12,619.0	11.3	36.9	16,548.6	11.1	31.1	20,195.5	13.1	22.0
2.2. Savings deposits	13,678.0	14.6	17,689.3	15.8	29.3	26,373.9	17.8	49.1	24,833.0	16.2	–5.8
2.3. Time deposits	34,102.1	36.5	42,375.1	37.9	24.3	61,774.6	41.6	45.8	64,627.6	42.1	4.6
3. Other loans	15,007.5	16.0	16,329.0	14.6	8.8	15,947.7	10.7	–2.3	15,062.1	9.8	–5.6
3.1. Short-term loans	1,652.8	1.8	503.3	0.4	–69.6	594.0	0.4	18.0	794.0	0.5	33.7
3.2. Long-term loans	13,354.7	14.3	15,825.7	14.2	18.5	15,353.7	10.3	–3.0	14,268.1	9.3	–7.1
4. Debt securities issued	0.0	0.0	0.0	0.0	–	19.4	0.0	–	19.3	0.0	–0.67
4.1. Short-term debt securities issued	0.0	0.0	0.0	0.0	–	0.0	0.0	–	0.0	0.0	
4.2. Long-term debt securities issued	0.0	0.0	0.0	0.0	–	19.4	0.0	–	19.3	0.0	–0.67
5. Supplementary capital	343.1	0.4	520.3	0.5	51.7	2,655.8	1.8	410.4	2,720.0	1.8	2.4
5.1. Subordinated instruments issued	105.5	0.1	282.9	0.3	168.08	339.4	0.2	20.0	484.6	0.3	42.8
5.2. Hybrid instruments issued	237.5	0.3	237.4	0.2	0.0	2,316.4	1.6	875.7	2,235.3	1.5	–3.5
6. Interest, fees and other liabilities	4,849.2	5.2	5,475.5	4.9	12.9	7,783.0	5.2	42.1	7,377.2	4.8	–5.2
7. Profit/loss for the current year	466.4	0.5	1,123.2	1.0	140.8	570.0	0.4	–49.3	1,486.4	1.0	160.8
8. Capital	10,577.3	11.3	12,195.5	10.9	15.3	13,126.3	8.8	7.6	13,872.2	9.0	5.7
Total	93,522.9	100.0	111,837.7	100.0	19.6	148,428.3	100.0	32.7	153,679.1	100.0	3.5

In addition to the increase in profit for the current year, subordinated instruments issued recorded the highest growth rate in the reporting period (42.8%), followed by short-term loans (33.7%) and the already mentioned giro and current account deposits (22.0%).

The share of foreign currency deposits in total deposits stood at 71.8% at the end of the first half of 2002, which is a 3.2 percentage point decrease compared with that at end-2001. This share was the highest in Group I (74.0%), followed by Group III (65.1%), Group II (64.0%) and finally Group IV (61.4%). Nevertheless, the share of foreign currency deposits in total deposits fell in all bank groups except Group IV, which recorded a 2.3 percentage point increase. In the reporting period, this share fell the most in Group II banks (6.5 percentage points), whereas it fell by 3.1 percentage points in Groups I and III.

FIGURE 5. Share of Foreign Currency Deposits with Individual Peer Groups of Banks in Total Deposits



⇦ The share of foreign currency deposits with an individual bank group in total bank deposits is calculated in the following manner. First, the foreign currency deposits of all the banks in the bank group, recorded in the relevant quarter, are added up. Second, total deposits are added up. The sums thus calculated are mutually divided and multiplied by 100.
Schedule BS/DEP is the source of data on foreign currency deposits and total deposits (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

2.1.4 Bank Capital

On 30 June 2002, bank capital stood at 15.4 billion kuna, up 12.1% over that at end-2001. Share capital accounted for the largest share in total capital (61.5%), followed by reserves provided for by the articles of association and other capital reserves (22.0%), profit for the current year (9.7%), legal reserves (5.8%) and retained income (1.1%).

Growth indicators of individual capital items at the end of the first half of 2002 were similar to those recorded at end-2000 when capital recorded a high 20.6% growth (compared with that in 1999) owing to an upturn in profit for the current year (140.8%) and retained income (342.7%). Similarly, capital growth of 12.1% at the end of the first half of 2002 (compared with end-2001 levels) was mostly the result of growth in the same items: profit for the current year (160.8%) and retained income (111.6%). In the same period, other capital items also grew: share capital by 5.3%, legal reserves by 4.1%, reserves

⇩ The capital as one of the items on the liabilities side of the aggregate balance sheet of all banks (Table 5.) is presented in detail. The share of each stated item in total bank capital is calculated as a ratio between each item and total bank capital. The sums thus calculated are multiplied by 100. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

TABLE 6. Structure of Bank Capital, end of period, in million kuna and %

	Dec. 1999		Dec. 2000			Dec. 2001			Jun. 2002		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	8,219.7	74.4	8,549.9	64.2	4.0	8,966.5	65.5	4.9	9,441.8	61.5	5.3
2. Profit/loss for the current year	466.4	4.2	1,123.2	8.4	140.8	570.0	4.2	–49.3	1,486.4	9.7	160.8
3. Retained income/loss	73.7	0.7	326.2	2.4	342.7	77.8	0.6	–76.2	164.6	1.1	111.6
4. Legal reserves	1,540.2	13.9	2,098.8	15.8	36.3	853.3	6.2	–59.3	888.6	5.8	4.1
5. Reserves provided for by the articles of association and other capital reservese	743.8	6.7	1,220.5	9.2	64.1	3,228.7	23.6	164.5	3,377.2	22.0	4.6
Total	11,043.7	100.0	13,318.6	100.0	20.6	13,696.2	100.0	2.8	15,358.6	100.0	12.1

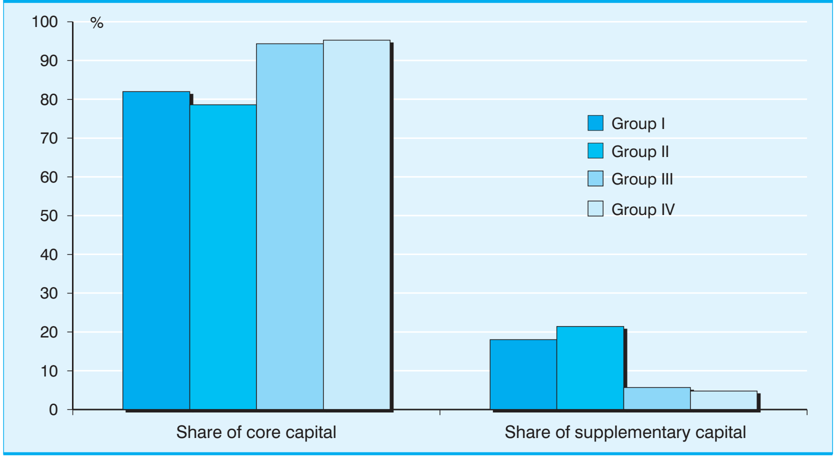
provided for by the articles of association and other capital reserves 4.6%. However, since the share of these items in bank capital decreased compared with 2001 (the share of share capital fell by as much as 4.0 percentage points), it is obvious that the major influence on the change in the balance and structure of total capital was exerted by profit for the current year and retained income, whose shares in total capital grew by 5.5 percentage points and 0.5 percentage points, respectively.

Compared with end-2001, regulatory capital was 9.7% higher at the end of the first half of 2002, thus continuing the upward trend observed in the previous periods. Its structure also changed, again in favor of the share of supplementary capital in gross regulatory capital. On 30 June 2002, core capital accounted for 82.8% of gross regulatory capital, whereas it stood at 84.2% at end-2001. At the same time, supplementary capital accounted for 17.2% of gross regulatory capital, compared with 15.8% at end-2001.

At the end of the first half of 2002, the largest share of core capital in gross regulatory capital was recorded in Group IV banks (95.3%) and Group III banks (94.3%), whereas somewhat lower shares were recorded in Group I banks (82.0%) and Group II banks (78.6%). On the other hand, the share of supplementary capital in gross regulatory capital was the highest in Groups I and II (18.0% and 21.4%, respectively), whereas it was significantly smaller in Groups III and IV (5.7% and 4.7%, respectively).

⇨ The structure of regulatory capital is calculated as a ratio between the sum of the amounts of core capital of all the banks in an individual bank group and the sum of the amounts of gross regulatory capital of the same group of banks. The amount thus calculated is multiplied by 100. The share of the supplementary capital of an individual bank group in its gross regulatory capital is calculated in the same manner.
Schedule CAP, i.e. CAP1 is the source of data on core, supplementary and gross regulatory capital, and it forms an integral part of the Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 36/99 and 123/2000).

FIGURE 6. Structure of Regulatory Capital, as at 30 June 2002



If one compares the shares of regulatory capital of individual bank groups in total regulatory capital at the end of the first half of 2002, Group I definitely had the largest share (65.0%). This group also recorded steady nominal growth in regulatory capital, which led to an increase in the share of its regulatory capital in total regulatory capital of as much as 6.9 percentage points compared with that at end-2001. With regard to the share of regulatory capital in total regulatory capital, Group I was followed by Group II (22.2%), whose share in total regulatory capital fell by 6.7 percentage points in the first half of 2002. In the reporting period, Group IV (accounting for 7.8% of regulatory capital) recorded strong growth in regulatory capital (14.3%), which resulted in a 0.3 percentage point increase in its share in total regulatory capital. Group III accounted for the smallest share in total regulatory capital (4.9%). In addition, this group recorded a 1.4% decrease in the level of regulatory capital, whereas its share in the total regulatory capital of all banks fell by 0.6 percentage points.

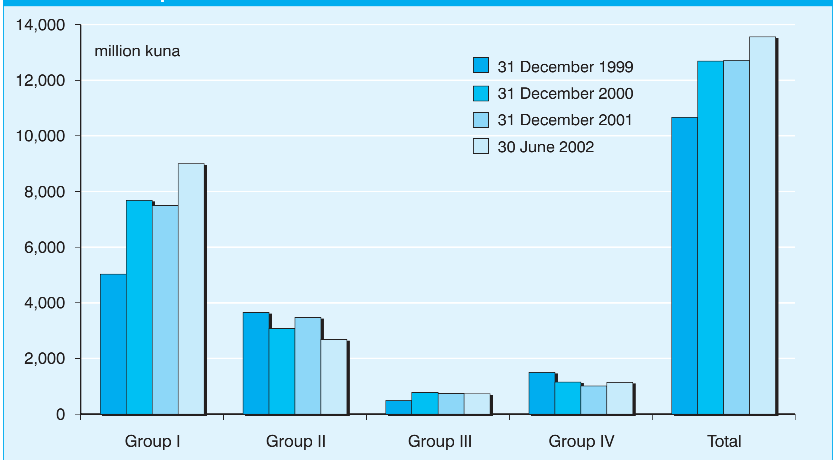
TABLE 7. Changes in Regulatory Capital, end of period, in million kuna and %

	Dec. 1999		Dec. 2000			Dec. 2001			Jun. 2002		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Group I	5,089.8	45.7	7,631.2	59.1	49.9	8,116.5	58.1	6.4	9,966.4	65.0	22.8
Group II	3,834.5	34.5	3,144.6	24.4	–18.0	4,046.2	28.9	28.7	3,409.5	22.2	–15.7
Group III	492.6	4.4	924.5	7.2	87.7	768.0	5.5	–16.9	757.0	4.9	–1.4
Group IV	1,711.9	15.4	1,211.5	9.4	–29.2	1,049.2	7.5	–13.4	1,198.9	7.8	14.3
Total	11,128.8	100.0	12,911.9	100.0	16.0	13,979.7	100.0	8.3	15,331.8	100.0	9.7

⇧ The calculation of regulatory capital is regulated by the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000) and the Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 36/99 and 123/2000). Schedule CAP, i.e. CAP1 is the source of data on regulatory capital, and it forms an integral part of the stated regulation.

The core capital of all banks stood at 13.6 billion kuna on 30 June 2002, 6.6% more than that at end-2001. This increase was caused by the growth in core capital of almost all banks in the first half of 2002. Group I recorded an increase in core capital (20.0%) because two banks joined the group and six out of eight banks in this group increased their core capital. In contrast, Group II recorded a fall in core capital (22.8%) because three banks left the group and two banks decreased their core capital. On the other hand, although all banks in Group III increased their core capital, core capital fell slightly (0.5%) at the group level because one bank left the group. Similarly, Group IV recorded an increase in core capital (12.9%) in the reporting period because six banks entered the group, five banks increased their core capital, six banks decreased their core capital, and four banks retained their core capital at the same level compared with that at end-2001.

FIGURE 7. Core Capital

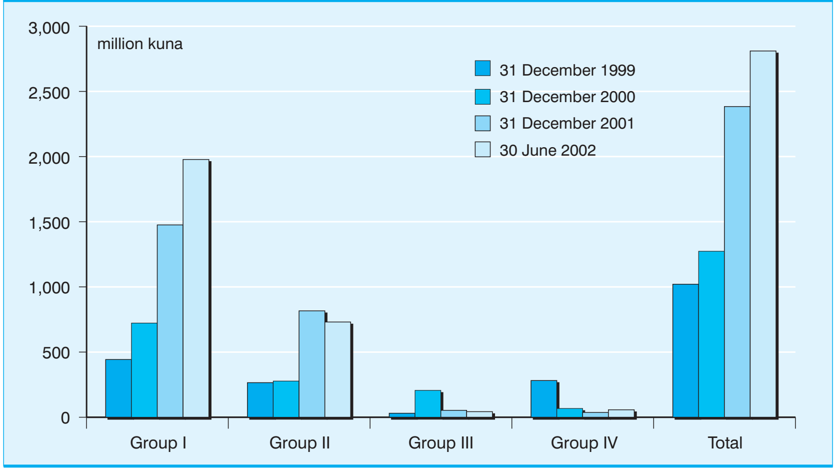


⇦ The calculation of core capital is regulated by the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000) and the Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 36/99 and 123/2000).
This figure shows the changes in core capital in the observed period. The core capital of an individual bank group represents the sum of the amounts of core capital of all the banks in the group. Schedule CAP, i.e. CAP1 is the source of data, and it forms an integral part of the stated regulation.

At the system level, supplementary capital stood at 2.8 billion kuna at the end of the first half of 2002, up 17.9% over that at end-2001. The reason why supplementary capital grew more than core capital in the reporting period is that most banks decided to increase the level of regulatory capital by increasing their supplementary capital. In the reporting period, Group IV banks increased their supplementary capital the most (50.5%). They were followed by Group I banks (34.0%), where all except one bank increased their supplementary capital in the first half of 2002. Supplementary capital decreased in Groups II and III (10.5% and 17.2%, respectively), although all banks in Group III, and almost all in Group II recorded an upturn in supplementary capital. Hence, this decline in supplementary capital is to be attributed to the exit of one bank from Group III, and to the influence of a small number of Group II banks, which decreased their supplementary capital in the observed period.

⇨ The calculation of supplementary capital is regulated by the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000) and the Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 36/99 and 123/2000). This figure shows the changes in supplementary capital in the observed period. The supplementary capital of an individual bank group represents the sum of the amounts of supplementary capital of all the banks in the group. Schedule CAP, i.e. CAP1 is the source of data, and it forms an integral part of the stated regulation.

FIGURE 8. Supplementary Capital



The data on the capital to deposit ratio confirm the fact that, in contrast to smaller banks, the larger banks rely less on their capital and more on their deposit base as the source for financing placements. At the end of the first half of 2002, the capital to deposit ratio stood at 14.0% at the system level, an increase of 0.9 percentage points compared with end-2001. This increase resulted from a stronger total capital growth (12.1%) than total deposit growth (4.7%). The capital/deposit ratio, which fell in all bank groups in 2001, grew in all bank groups except Group IV in the first half of 2002. Group I banks recorded a higher growth in capital than in deposits, while the situation was reversed in Group IV, i.e. there was higher growth in deposits than in capital. However, Groups II and III recorded a fall in both capital and deposits in comparison with end-2001 levels, but the fall in deposits exceeded the fall in capital.

The capital adequacy ratio of the entire banking system fell from 18.51% at end-2001 to 17.51% at the end of the first half of 2002. Although the level of regulatory capital and the level of risk-weighted assets both grew in the reporting period, the capital adequacy ratio declined because of larger growth in risk-weighted assets (15.9%) than in regulatory capital (9.7%).

On 30 June 2002, the capital adequacy ratios were as follows: 33.7% in Group IV, 26.7% in Group III, 22.3% in Group II and 15.1% in Group I. In the reporting period, the capital adequacy ratio fell in all groups except Group II. The

⇨ Each bank group ratio between capital and deposits is calculated in the following manner. First, the amounts of capital of all the banks in the bank group are added up. Second, all deposits of the banks in the group are added up. The sum of capital thus calculated is divided by the sum of deposits and multiplied by 100.
Schedule BS is the source of data on the amount of capital (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).
The deposits used in this calculation are giro and current account deposits, savings deposits and time deposits. Schedule BS/DEP is the source of data (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

FIGURE 9. Capital/Deposits

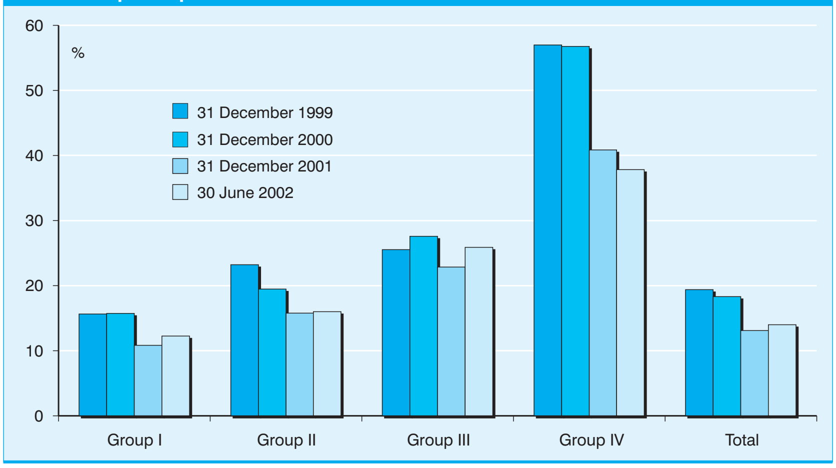
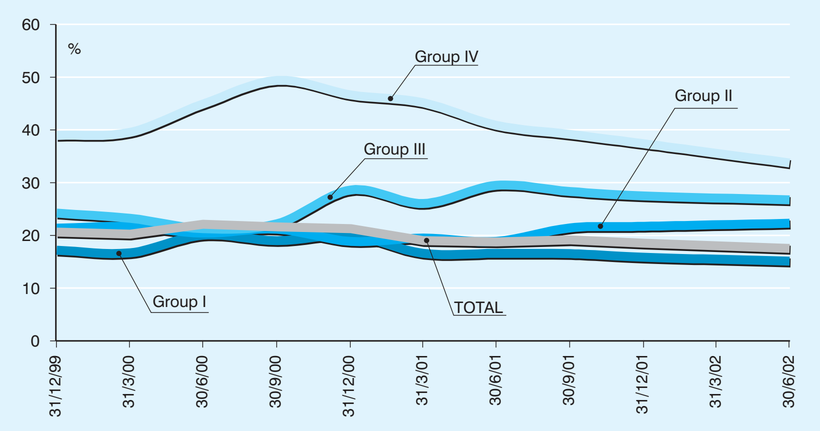


FIGURE 10. Capital Adequacy



⇦ The capital adequacy ratio is calculated as a ratio between the regulatory capital and the risk-weighted assets. In this figure, the capital adequacy ratio for each bank group is calculated in the following manner. First, the amounts of regulatory capital of all the banks in the bank group are added up. Second, the amounts of total risk-weighted assets of all the banks in the group are added up. The calculated sum of regulatory capital is divided by the sum of total risk-weighted assets and multiplied by 100.
The calculation of regulatory capital is regulated by the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000) and the pertaining instruction for its implementation (*Narodne novine*, Nos. 36/99 and 123/2000).
Schedule CAP, i.e. CAP1 is the source of data on regulatory capital, and it forms an integral part of the instruction.
The calculation of total risk-weighted assets is regulated by the Decision on the Methodology for Calculating Capital Adequacy and Risk-Weighted Assets of Banks (*Narodne novine*, Nos. 32/99 and 101/2000) and the pertaining instruction for its implementation (*Narodne novine*, Nos. 36/99 and 123/2000).
Schedule RWA, i.e. RWA1 is the source of data on the risk-weighted assets, and it forms an integral part of the instruction.

trend recorded at the system level was also recorded in Groups I and IV, i.e. their risk-weighted assets grew faster (28.5% in Group I and 26.7% in Group IV) than regulatory capital (22.8% in Group I and 14.3% in Group IV), which resulted in the fall in the capital adequacy ratio (0.7 percentage points in Group I and 3.7 percentage points in Group IV). The capital adequacy ratio declined in Group III banks because their risk-weighted assets grew (1.4%) and regulatory capital fell (1.4%). In the first half of 2002, the capital adequacy ratio grew only in Group II banks (0.6 percentage points) because of a larger decrease in risk-weighted assets (18.0%) than in regulatory capital (15.7%).

2.1.5 Income Statement

In the first half of 2002, the banks earned a total of 1.48 billion kuna after-tax profit at the level of the entire banking system, which is an increase of 0.4 billion kuna, or 36.5% compared with the first half of 2001. This semiannual amount of after-tax profit is even greater than that reported in the audited financial statements of the banks at end-2001, which then stood at 894.2 million kuna[9]. This was mostly the result of a 108.3% plunge in provision expenses (i.e. income from suspended provisions for identified losses and income from the value adjustment of investments in available-for-sale assets) as well as a 30.2% upturn in net non-interest income.

Compared with the first half of 2001, the total operating income of all banks calculated on the net principle (as a sum of net interest income and net non-interest income minus general administrative expenses and depreciation) fell to only 13.7%.

In comparison with the first half of 2001, the downward trend in provision expenses (due to the reduction and suspension of individual provision expenses) was also recorded at the level of individual bank groups. Banks in Groups I and IV, in addition to a stronger increase in after-tax profit, recorded a somewhat lower increase in net operating income (24.4% and 8.9%, respectively). Groups II and III recorded a decline in total net operating income (23.7% and 14.1%, respectively), with Group II banks recording a downturn in after-tax profit, and Group III banks recording the highest growth in after-tax profit (83.3%). The reason for the change in the operating results of Group III banks was not the reduction in the number of banks, but the fact that one bank which had recorded a substantial loss at the end of the first half of last year did not record a loss at the end of the first half of 2002.

9 See *Banks Bulletin* No. 4, p. 22.

TABLE 8. Income Statement, in million kuna

	Group I		Group II		Group III		Group IV		Total	
	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Jun. 2002
1. Net interest income	1,411.9	1,754.1	644.5	437.8	96.2	88.2	100.5	142.2	2,253.2	2,422.3
1.1. Interest income	2,727.9	3,481.1	1,242.5	831.4	169.0	152.0	173.7	239.1	4,313.1	4,703.7
1.2. Interest expenses	1,315.9	1,727.1	598.0	393.7	72.8	63.8	73.2	96.9	2,059.9	2,281.4
2. Net non-interest income	715.6	981.4	104.1	139.8	47.7	35.8	56.8	46.5	924.2	1,203.4
2.1. Non-interest income	893.1	1,377.9	297.4	397.6	62.8	56.2	71.9	82.4	1,325.2	1,914.1
2.2. Non-interest expenses	177.4	396.5	193.4	257.8	15.1	20.4	15.1	36.0	401.0	710.7
3. General administrative expenses and depreciation	1,153.4	1,524.0	511.7	396.7	94.1	81.2	112.1	139.4	1,871.4	2,141.3
4. Net operating income before provisions	974.1	1,211.5	236.9	180.9	49.8	42.8	45.2	49.2	1,306.1	1,484.4
5. Loan loss provision expenses	121.8	–23.0	34.4	7.3	25.2	1.7	13.2	–2.1	194.6	–16.1
6. Pre-tax profit/loss	852.4	1,234.5	202.5	173.5	24.7	41.1	32.0	51.3	1,111.5	1,500.5
7. Income tax	10.5	0.0	12.7	15.9	3.5	2.4	0.1	1.6	26.7	19.8
8. After-tax profit/loss	841.9	1,234.5	189.8	157.7	21.2	38.8	31.9	49.8	1,084.8	1,480.7

⇧ In the observed periods, each item from the reports is stated cumulatively for all banks and for an individual bank group on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 57/99 and 3/2001 – Schedule IS). The total amount for each item is the sum of the same items stated in the reports. Total amounts are calculated both at the level of all banks and at the level of an individual bank group.

Five banks reported losses at the end of the first half of 2002, four in Group IV and one in Group I.

In mid-2002, as in mid-2001, interest income accounted for the major share in the income structure of the banking system (71.1%), with interest income from loans accounting for 54.5% of total income. Still, the share of total interest income in total income was off 5.4 percentage points, whereas the share of non-interest income increased. The share of all items of interest income in total income fell, especially the share of interest income from deposits (3.5 percentage points). However, there was a rise of 4 percentage points in the share of non-interest income from commissions and fees though there was a 2.3 percentage point fall in the share of net loss from exchange rate fluctuations, which resulted from the adjustment of foreign exchange balance sheet items

⇨ The share of each item of income in the total income of an individual bank group is calculated as a ratio between the sum of the amounts of the same items from the reports of the banks in the group (Bank Statistical Report – Schedule IS, *Narodne novine*, Nos. 57/99 and 3/2001) and the total income earned by the group. The sum thus calculated is multiplied by 100. The same principle is applied to the calculation made at the level of all banks, i.e. the amounts of the same items from the reports of all banks are added up and expressed as the ratio between the sum thus calculated and the total income earned by all banks in the observed period. The sum thus calculated is multiplied by 100.

TABLE 9. Structure of Income, in %

	Group I		Group II		Group III		Group IV		Total	
	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Jun. 2002
1. Interest income	75.3	71.6	80.7	67.7	72.9	73.0	70.7	74.4	76.5	71.1
1.1. Interest income from loans	49.8	53.1	64.8	56.1	56.1	57.5	58.6	66.3	54.5	54.5
1.2. Interest income from deposits	11.4	7.1	8.0	6.0	9.2	6.0	7.0	3.1	10.2	6.7
1.3. Interest income from debt securities	12.7	10.6	5.9	4.7	7.1	9.3	5.3	3.4	10.3	9.1
1.4. Income from shares and other equity participation	0.6	0.4	0.1	0.1	0.4	0.0	0.0	0.1	0.5	0.3
1.5. Net balances on exchange rate fluctuations related to interest income	–0.2	–0.1	–0.2	–0.1	0.0	–0.1	–1.5	0.7	–0.2	–0.1
1.6. Interest income from previous years	0.5	0.3	0.4	0.2	0.1	0.2	0.0	0.2	0.4	0.3
1.7. Other interest income	0.5	0.3	1.7	0.7	0.0	0.0	1.3	0.7	0.8	0.4
2. Non-interest income	24.7	28.4	19.3	32.3	27.1	27.0	29.3	25.6	23.5	28.9
2.1. Non-interest income from commissions or fees	14.6	17.0	13.8	25.0	13.3	15.1	14.0	14.1	14.3	18.3
2.2. Net balances on exchange rate fluctuations related to non-interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3. Income/loss from calculated exchange rate fluctuations	–4.0	–2.0	–5.5	–0.7	0.8	–1.4	2.8	1.3	–3.9	–1.6
2.4. Income/loss from purchase/sale of foreign exchange	7.0	7.1	6.1	5.8	8.6	9.8	9.5	7.8	6.9	7.0
2.5. Income/loss from purchase/sale of securities	3.6	3.3	0.3	0.5	0.6	0.7	0.3	0.8	2.4	2.6
2.6. Other income	3.3	2.8	1.7	1.7	2.9	2.6	2.6	1.5	2.8	2.5
2.7. Extraordinary income	0.1	0.1	2.9	0.1	0.8	0.2	0.1	0.2	0.9	0.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

and balance sheet items with a currency clause to the midpoint (contracted) exchange rate.

The mentioned decline in the share of interest income in favor of the share of non-interest income in total income of the banking system held true for Groups I and II, whereas the trend was opposite in the share of the stated income in Groups III and IV. Interest income from loans accounted for over 50% of income at the level of individual bank groups, with Group II recording an 8.7 percentage point decline in this type of income.

At the end of the first half of 2002, interest expenses dominated the structure of expenses at the system level with a share of 44.6%, or 0.9 percentage points less than that at the end of the first half of 2001. They were followed by general administrative expenses and depreciation at 41.8%, and non-interest expenses at 13.9%, which grew by 0.5 percentage points and 5.03 percentage points, respectively, in the period between the end of the first half of 2001 and the end of the first half of 2002. In mid-2002, income was earned at the system level on the basis of suspended provision expenses allocated in the previous years. Interest expenses on deposits were still predominant in total expenses (30.6%), but they showed the opposite trend compared to that regarding the share of total interest expenses. Consequently, the stated decline in the share of total interest expenses resulted from the fall in the share of interest expenses on loans (2.8 percentage points), which was caused by lower bank borrowing. The substantial share of expenses for employees (23.4%) was approximately at the same level as in mid-2001.

TABLE 10. Structure of Expenses, in %

	Group I		Group II		Group III		Group IV		Total	
	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Jun. 2002	Jan.-Jun. 2001	Jan.-Jun. 2002
1. Interest expenses	47.5	47.6	44.7	37.3	35.1	38.2	34.3	35.9	45.5	44.6
1.1. Interest expenses on loans	11.5	10.7	16.4	8.3	5.8	6.9	6.7	3.4	12.5	9.7
1.2. Interest expenses on deposits	32.5	32.6	25.7	24.6	27.6	29.1	22.7	29.0	29.8	30.6
1.3. Interest expenses on debt securities	0.0	1.0	0.1	1.4	0.0	0.0	0.3	0.5	0.1	1.1
1.4. Premiums for the insurance of savings deposits	3.1	3.8	2.3	2.7	1.9	2.3	1.2	1.9	2.7	3.4
1.5. Net balances on exchange rate fluctuations related to interest expenses	–0.1	–0.9	–0.4	–0.1	–0.2	–0.1	1.6	1.0	–0.1	–0.6
1.6. Interest expenses from previous years	0.5	0.3	0.5	0.1	0.1	0.0	1.6	0.0	0.5	0.3
1.7. Other interest expenses	0.0	0.1	0.0	0.2	0.0	0.0	0.1	0.0	0.0	0.1
2. Non-interest expenses	6.4	10.9	14.5	24.4	7.3	12.2	7.1	13.3	8.9	13.9
2.1. Non-interest expenses for commissions or fees	3.1	5.7	7.5	19.8	3.7	7.2	3.4	4.0	4.4	8.6
2.2. Net balances on exchange rate fluctuations related to non-interest expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3. Other expenses	3.3	5.1	6.4	4.6	3.0	5.0	3.6	9.2	4.2	5.2
2.4. Extraordinary expenses	0.0	0.1	0.6	0.0	0.5	0.0	0.1	0.2	0.2	0.1
3. General administrative expenses and depreciation	41.7	42.0	38.3	37.6	45.4	48.6	52.5	51.6	41.3	41.8
3.1. Expenses for employees	25.1	24.6	19.0	18.0	23.0	24.1	28.9	27.1	23.3	23.4
3.2. Depreciation	5.0	4.8	5.6	4.8	5.6	7.0	7.3	6.4	5.3	5.0
3.3. Other expenses	11.6	12.6	13.7	14.8	16.8	17.6	16.2	18.1	12.7	13.5
4. Loan loss provision expenses	4.4	–0.6	2.6	0.7	12.2	1.0	6.2	–0.8	4.3	–0.3
4.1. Provision expenses for identified losses	3.3	–0.5	0.1	–2.4	8.5	–0.8	3.8	–2.3	2.6	–1.0
4.2. Value adjustment of investments in subsidiaries and associates	0.2	0.1	0.0	1.2	0.7	0.5	0.0	0.0	0.2	0.3
4.3. Value adjustment of investments in shares and equity participation in investment portfolio	–1.1	–3.7	0.6	0.1	2.0	0.5	0.3	0.0	–0.4	–2.6
4.4. Provision expenses for unidentified losses	2.0	3.4	1.8	1.8	0.9	0.7	2.1	1.5	1.9	2.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

⇦ The structure of expenses is calculated in the same manner as the structure of income in Table 9., i.e. the share of each item of expenses in the Income Statement of an individual bank group in total expenses of the group is calculated as a ratio between the sum of these items from the report of each bank in the group and total expenses incurred by the group. The sum thus calculated is multiplied by 100. The same principle applies to the calculation made for the banking system as a whole, i.e. the amounts of each item of expenses from the reports of all banks are added up and expressed as the ratio between the sum thus calculated and total expenses incurred by the banking system in the observed period. The sum thus calculated is also multiplied by 100.
Schedule IS is the source of data on expenses (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

With the exception of Group I, whose influence on the share of individual types of expenses in total expenses of the system was the strongest, general administrative expenses and depreciation accounted for the largest share in total expenses in all bank groups. They were followed by interest and non-interest expenses. All bank groups generated income from suspended provision expenses for identified losses, with income from the value adjustments of investments in available-for-sale assets accounting for a major share in the structure of expenses in Group I. In contrast to other groups, this group recorded growth in the share of allocated provision expenses for unidentified losses.

2.1.6 Return Indicators

The average return on gross assets for the entire banking system amounted to 1.9% at the end of the first half of 2002, which is a 1 percentage point increase compared with that at end-2001, and the same as that at the end of the first half of 2001.

For the first half of 2002, this increase can be attributed to a significant upturn in pre-tax profit compared with end-2001 (144.2% at the annual level). Hence, this growth was not significantly influenced by the parallel growth in the average gross assets of 18.1 percentage points.

At the system level, despite a drop in savings deposits (5.8%), the banks have managed to maintain and even increase, the level of total deposits collected (4.7%) owing to a strong rise in giro and current account deposits (22.0%) and an increase in time deposits (4.6%) accompanied by a decrease in bank borrowing based on all types of loans (5.3%). Thanks to the high increase in deposits collected at end-2001, which were later used to extend more liquid placements, the banks have increased the level of higher-interest bearing placements (total loans grew by 17.4%) over 2002.

The average return on equity stood at 20.4% at the end of the first half of 2002, which is the highest return recorded over the last five years. It was 13.7 percentage points higher than that at end-2001 and 4.5 percentage points higher than that in the same period last year. This resulted from the already mentioned strong growth in after-tax profit in the first half of 2002, so that a parallel 7.6% rise in average equity did not significantly influence the increase in return on equity.

⇨ Each bank group ratio between pre-tax profit and average assets is calculated in the following manner. First, the pre-tax profit generated in the relevant period by all the banks in the bank group is added up. Second, the amounts of average assets are added up. The sum of pre-tax profit thus calculated is divided by the sum of average assets and multiplied by 100.
Average assets are calculated as the arithmetic mean of the balance in assets at the beginning and at the end of period for which the average is calculated.
Schedule IS is the source of data on pre-tax profit (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001), while Schedule BS is the source of data on assets (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

FIGURE 11. Return on Assets

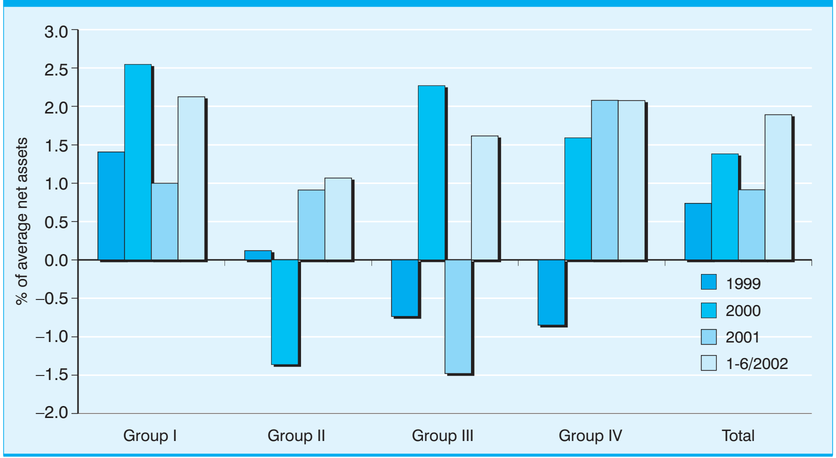
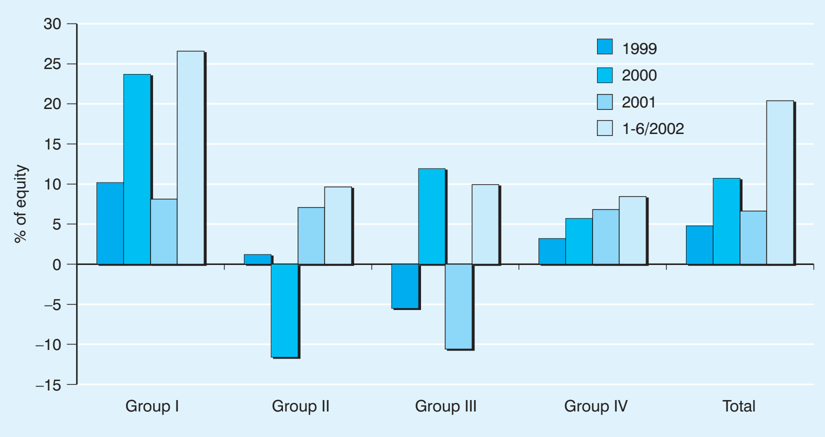


FIGURE 12. Return on Equity

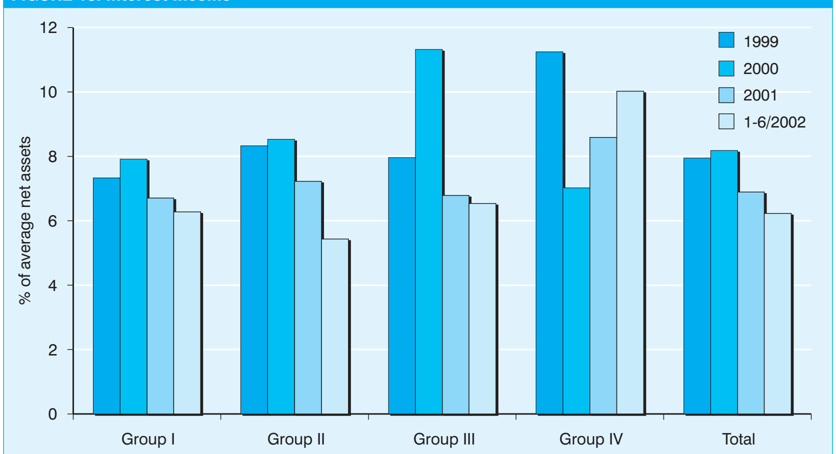


⇦ Each bank group ratio between after-tax profit and average equity capital is calculated in the following manner. First, the after-tax profit generated in the relevant period by all the banks in the bank group is added up. Second, the amounts of average equity capital are added up. The sum of after-tax profit thus calculated is divided by the sum of average equity capital and multiplied by 100.
Average equity capital is calculated as the arithmetic mean of the balance in equity capital at the beginning and at the end of period for which the average is calculated.
Schedule IS is the source of data on after-tax profit (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001), while Schedule BS is the source of data on equity capital (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

Compared with end-2001, the return on average gross assets and the return on equity rose in all bank groups (the return on average gross assets remained static only in Group IV) in the first half of 2002. The return on average gross assets was the highest in Group I (2.1%), and the lowest in Group II (1.1%). Compared with the same period of 2001, the return on average gross assets declined in Groups I and II (0.1 percentage point and 0.3 percentage points, respectively). The decline in Group I was the consequence of a strong upturn in average gross assets, whereas the decline in Group III resulted from the decline in the number of banks, which led to the reduction of the numerator and denominator in the formula used in the calculation of the stated indicator. The return on average equity was the highest in Group I (26.6%), and the lowest in Group IV (8.4%). Fo the same reason as that for the return on average gross assets, Group II was the only group that recorded a decrease in the return on average equity in comparison with that from the first half of last year (1.3 percentage points).

The downward trend in the ratio between interest income and average net assets and the ratio between interest expenses and average net assets continued in the first half of 2002. This decline was half of the decline recorded at end-2001, with a further 0.7 percentage decline in the interest income ratio, and a 0.3 percentage point fall in the interest expenses ratio.

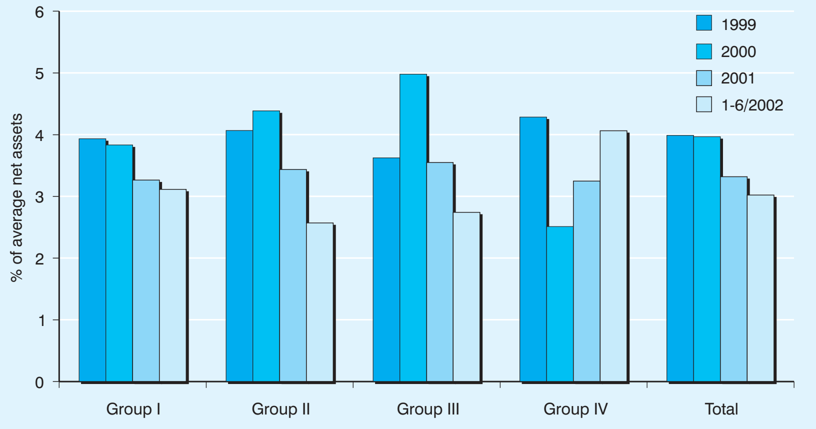
FIGURE 13. Interest Income



⇦ Each bank group ratio between interest income and average assets is calculated in the following manner. First, the interest income generated in the relevant period by all the banks in the bank group is added up. Second, the amounts of average assets of each bank group are also added up. The sum of interest income thus calculated is divided by the sum of average assets and multiplied by 100.
Average assets are calculated as the arithmetic mean of the balance in assets at the beginning and at the end of period for which the average is calculated.
Schedule IS is the source of data on interest income, while Schedule BS is the source of data on the amount of assets (both Schedules form an integral part of the Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

⇨ Each bank group ratio between interest expenses and average assets is calculated in the following manner. First, the interest expenses incurred in the relevant period by all the banks in the bank group are added up. Second, the amounts of average assets of each bank group are also added up. The sum of interest expenses thus calculated is divided by the sum of average assets and multiplied by 100.
Average assets are calculated as the arithmetic mean of the balance in assets at the beginning and at the end of period for which the average is calculated.
Schedule IS is the source of data on interest expenses, while Schedule BS is the source of data on the amount of assets (both Schedules form an integral part of the Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

FIGURE 14. Interest Expenses



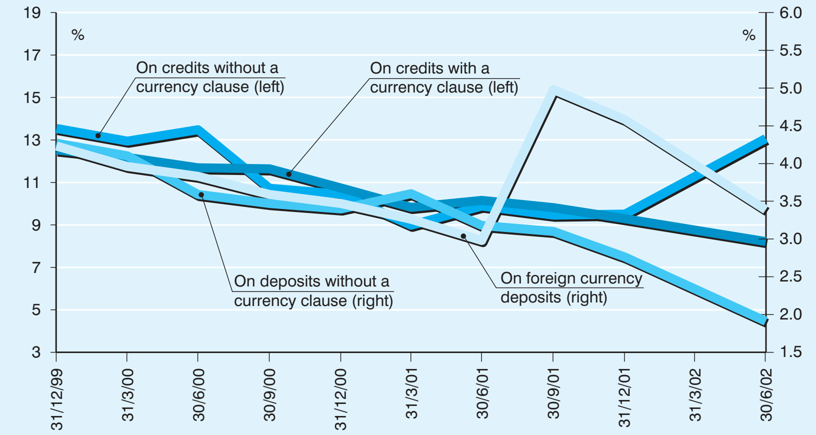
Bank Groups I-III and the entire banking system recorded a decline in both these indicators (the interest income ratio and the interest expenses ratio) at the end of the first half of 2002 compared to end-2001. The strongest downturn in both indicators was recorded in Group II, which was also the group with the lowest level of these two ratios. This was the consequence of a much stronger decline in interest income and interest expenses than in average net assets. In addition, this group's interest income ratio fell more than its interest expenses ratio.

A similar, but less pronounced trend (triggered by the same factors) was recorded in Group III, whose interest income to average net assets ratio fell at a slower rate than the interest expenses to average net assets ratio.

Bank Groups I and IV recorded an upturn in average net assets. The decline in both ratios in Group I was caused by a lesser increase in interest income and interest expenses than in average net assets. However, this group recorded a faster decline in the interest income to average net assets ratio than in the interest expenses to average net assets ratio. Only Group IV recorded a growth in both indicators, which resulted from a stronger growth in interest income and interest expenses than in average net assets. Although these two ratios are higher in Group IV than in the first three bank groups, its interest income to average net assets ratio grew at a faster rate than the interest expenses to average net assets ratio.

⇨ The basis for calculating the weighted averages is the amount of credits granted at a certain interest rate in the reporting month, with the exception of interest rates on overdraft facilities based on giro and current accounts. The weighted averages for such credits are calculated on the basis of their balances at the end of the reporting month.
Kuna deposits without a currency clause (sight deposits, savings and time deposits) and foreign currency deposits are reported as weighted averages of monthly interest rates. The basis for calculating the weighted averages is the balance in deposits at the end of the reporting month. The exceptions are kuna savings and time deposits, whose weighted averages are calculated (since July 1995) on the basis of the amounts of deposits received in the reporting month. When the average interest rates on total kuna deposits are calculated, all components are weighted on the basis of the balance in the relevant deposits at the end of reporting period.

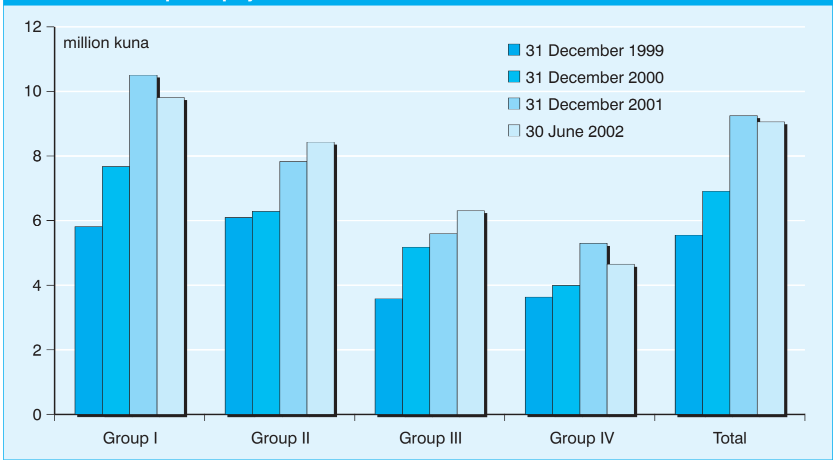
FIGURE 15. Interest Rates



In the first half of 2002, average interest rates in the banking system stood at 13.1% on loans without a currency clause, 8.2% on loans with a currency clause, 1.9% on deposits without a currency clause and 3.4% on foreign currency deposits.

In comparison with end-2001 figures, the average interest rates on loans without a currency clause grew by a high 3.6 percentage points, whereas the average interest rates on loans with a currency clause and on deposits without a currency clause continued to fall. In 2001, the average interest rates on foreign currency deposits reached their highest level in the last three years and started to fall in 2002 (1.2 percentage points in comparison with that at end-2001).

FIGURE 16. Assets per Employee



⇦ The amounts of assets of all the banks in an individual bank group are added up and then expressed as the ratio between the amount thus calculated and the total number of persons employed by the banks in the group. The same procedure is applied to the calculation of this indicator for all banks.
Schedule BS is the source of data on the amount of assets (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001), while banks are the source of data on the number of persons employed.

At mid-2002, the banking system employed 16,968 persons, an increase of 917 (5.7%) over that at end-2001, of which 283 were employees of former savings banks which entered the system in the observed period and were not included in the previous analyses of the number of employees. At the end of the first half of 2002, the number of persons employed in the banking system was the highest in the last three years (since this indicator has been monitored), thus ending its moderate two-year falling trend.

Despite the growth in assets, efficiency measured by assets per employee declined at the banking system level, standing at 9.1 million kuna. At the individual bank group level, Groups I and IV recorded a decline in this indicator owing to an increase in the number of employees in the first six months of 2002. The downward trend in the number of employees continued in Groups II and III, which resulted in a further increase in efficiency, as measured by this indicator.

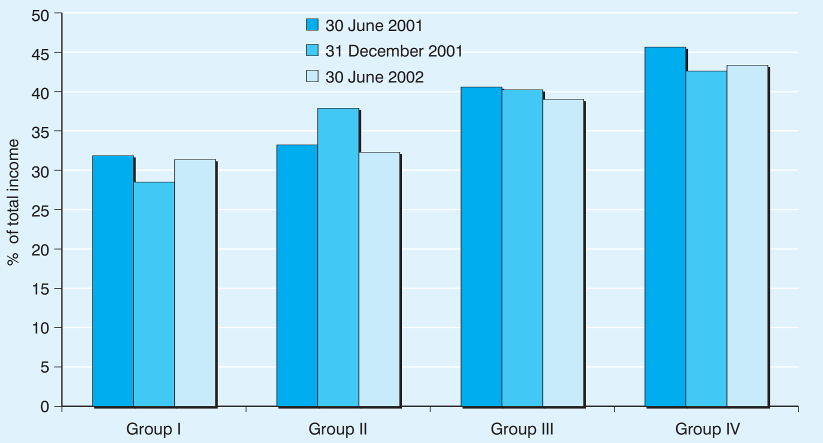
In mid-2002, the operating expenses to total income ratio stood at 32.4% at the banking system level. Despite its 0.6 percentage point increase over the end-2001 level, this ratio was lower than in the same period last year.

In the first six months of 2002, for Groups I and IV this indicator rose, whereas for Groups II and III, despite lower revenues than at end-2001, this indicator improved by the banks managing to lower their operating expenses.

Efficiency measured by assets per employee and the operating expenses to total income ratio remained highest in Group I (9.8 million kuna in assets per

⇨ Each bank group ratio between operating expenses and total income is calculated in the following manner. First, the operating expenses incurred in the relevant period by all the banks in the bank group are added up. Second, the amounts of total income of all the banks in the bank group are added up. The sum of operating expenses thus calculated is divided by the sum of total income and multiplied by 100. The same procedure is applied to the calculation of this indicator for all banks.
Schedule IS is the source of data on operating expenses (general administrative expenses and depreciation) and the source of data on total income (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

FIGURE 17. Operating Expenses



employee with an operating expenses to total income ratio of 31.4%), while the lowest was in Group IV (4.7 million kuna in assets per employee with an operating expenses to total income ratio of 43.4%).

2.1.7 Credit Activity

At the end of the first half of 2002, the total placements of the banking system amounted to 162.4 billion kuna. In comparison with that at the end of 2001, this was an increase of 7.1%.

In *Banks Bulletin* No. 4., it was explained that the analysis of credit risk had been changed since the end of 2001 owing to the application of IAS 39. This change should be noted in the analysis of credit risk in the first half of 2002[10]. This IAS classifies placements into three groups: fully recoverable placements, partly recoverable placements and irrecoverable placements, which is different from the former categorization into risk categories A, B, C, D and E, i.e. the classification of placements into performing assets (A and B) and non-performing assets (C, D and E). Instead of the term “provisions for identified losses”, IAS 39 introduced the term “impairment loss”. In accordance with IAS 39, impairment loss on financial assets is determined as the difference between the asset’s carrying amount and its recoverable amount, which equals the present value of expected future cash flows discounted at the financial instrument’s original effective interest rate. Reserves for identified losses, in contrast, were until 2001 calculated by applying an appropriate percentage to the principal amount, depending on the risk category of the placement.

10 See “IAS 39: Financial Instruments – Recognition and Measurement” in *Banks Bulletin* No. 4.

On 30 June 2002, fully recoverable placements accounted for the largest share in total placements (93.5%), according to the 2001 categorization of placements, whereas partly recoverable placements and irrecoverable placements accounted for 4.0% and 2.5%, respectively. The upward trend in the share of fully recoverable placements, which began at end-2000, continued in the first half of 2002 (0.8 percentage points in 2000, 2.2 percentage points in 2001 and 0.7 percentage points in the first half of 2002) thanks to their continued growth in nominal terms (16.2% in 2000, 25.3% in 2001 and 8.0% in the first half of 2002). As a result of their continued decline in nominal terms, partly recoverable placements continued their (downward) trend, and their share in total placements has been steadily declining since end-2000. In the first six months of 2002, they declined by 3.8%, and their share in total placements fell by 0.4 percentage points compared with end-2001. In the same pe-

TABLE 11. Classification of Placements by Risk Categories, end of period, in million kuna and %

Placements	Dec. 1999		Dec. 2000		Dec. 2001		Jun. 2002	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements	96,568.5	89.73	112,198.3	90.54	140,586.6	92.74	151,773.6	93.48
1.1. Category A	92,061.5	85.55	108,489.8	87.55	137,195.6	90.50	147,881.9	91.09
1.2. Category B	4,507.0	4.19	3,708.5	2.99	3,391.0	2.24	3,891.8	2.40
2. Partly recoverable placements	7,143.6	6.64	6,923.1	5.59	6,719.5	4.43	6,466.9	3.98
2.1. Category C	3,749.9	3.48	3,090.3	2.49	3,193.3	2.11	3,279.5	2.02
2.2. Category D	3,393.6	3.15	3,832.8	3.09	3,526.2	2.33	3,187.4	1.96
3. Irrecoverable placements	3,903.3	3.63	4,803.1	3.88	4,287.3	2.83	4,113.2	2.53
3.1. Category E	3,903.3	3.63	4,803.1	3.88	4,287.3	2.83	4,113.2	2.53
Total	107,615.4	110.27	123,924.5	100.00	151,593.3	100.00	162,353.7	100.00

riod, the level of irrecoverable placements fell by even 4.1%, which was also reflected in a drop in their share in total placements of 0.3 percentage points. However, the share and level of irrecoverable placements started to fall as late as in 2001. They were 23.1% higher at end-2000 than at end-1999, whereas their share in total placements grew by 0.2 percentage points.

The improved quality of bank placements, i.e. the continued growth in the share of performing assets, has led to a persistent decline in the relative ratio between total provisions for losses and the total placements of banks, as well as a drop in total provisions. At the end of the first half of 2002, this ratio stood at 5.6%, or 0.6 percentage points less than that at end-2001, whereas the level of total provisions fell by 2.9% despite a 7.1% increase in total placements. It should be noted that the relative ratio between total provisions and total placements of 5.6% at the end of the first half of 2002 is the lowest ratio recorded since end-1999. In this period, this ratio fell by a total of 3.2 percentage points.

⇧ Table 11. contains the amounts of placements classified by risk categories, as well as their shares in total placements that are classified. Schedule C is the source of data, and it forms an integral part of the Instruction for the Uniform Implementation of the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (*Narodne novine*, Nos. 36/99 and 123/2000). When compiling financial statements for 2001, banks were required not to apply the provisions of the Instruction for the Uniform Implementation of the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (*Narodne novine*, Nos. 36/99 and 123/2000) that were not in compliance with a particular International Accounting Standard and that were superseded by the Decision on the Method of Improving the Compliance of the Croatian National Bank Subordinate Legislation with the International Accounting Standards (*Narodne novine*, No. 107/2001).

TABLE 12. Total Provision to Total Placement Ratio, end of period, in million kuna and %

	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002
1. Total provisions for losses	9,486.2	10,176.6	9,326.7	9,051.7
1.1. Placement value impairment (loss)	8,694.7	9,355.4	7,912.1	7,481.7
1.2. Provisions for unidentified losses	791.5	821.2	1,414.6	1,570.0
2. Total placements	107,615.4	123,924.5	151,593.3	162,353.7
3. Relative ratio of total provisions to total placements	8.8%	8.2%	6.2%	5.58%

⇦ The ratio between total provisions and total placements that are classified in risk categories is calculated in the following manner. The specific reserves for identified losses, i.e. placement value impairment (loss) and provisions for unidentified losses are added up and the sum thus calculated is divided by the amount of total placements and multiplied by 100.
Schedule SR, i.e. SR1 is the source of data on the amounts of specific reserves for identified losses, i.e. placement value impairment (loss) and provisions for unidentified losses, and it forms an integral part of the Instruction for the Uniform Implementation of the Decision on the Amount and Method of Forming Specific Reserves to Ensure Against Potential Losses of Banks (*Narodne novine*, Nos. 36/99 and 123/2000), passed on the basis of the Decision on the Amount and Method of Forming Specific Reserves to Ensure Against Potential Losses of Banks (*Narodne novine*, No. 32/99).
Schedule C is the source of data on total placements, and it forms an integral part of the Instruction for the Uniform Implementation of the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (*Narodne novine*, Nos. 36/99 and 123/2000).
When compiling financial statements for 2001, banks were required not to apply the provisions of the Instruction for the Uniform Implementation of the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (*Narodne novine*, Nos. 36/99 and 123/2000) that were not in compliance with a particular International Accounting Standard and that were superseded by the Decision on the Method of Improving the Compliance of the Croatian National Bank Subordinate Legislation with the International Accounting Standards (*Narodne novine*, No. 107/2001).

The share of impairment loss in total provisions stood at 82.7% at the end of the first half of 2002, 2.2 percentage points less than that at end-2001. This is in line with the decline in the share of partly and fully recoverable placements to which this impairment loss refers. On the other hand, in line with the increase in the share of fully recoverable placements in total placements, the share of provisions for unidentified losses grew from 15.2% at end-2001 to 17.3% at the end of the first half of 2002.

At the end of the first half of 2002, there were 77.3 billion kuna placed in loans granted at the level of the banking system, or as much as 17.4% more than at end-2001. In the observed period, a growth in loans was recorded in all institutional sectors, with the highest increase recorded in loans to non-residents (42.1%), followed by loans to public enterprises (26.2%), household loans (22.3%), loans to non-profit institutions (16.4%), loans to other enterprises (13.0%), loans to financial institutions (11.6%) and, with the lowest growth, loans to government units (8.7%). With the exception of loans to government units, other enterprises and financial institutions whose shares decreased, the share of other loan categories in total loans increased, whereas the share of loans to non-profit institutions remained the same in the observed period.

On 30 June 2002, loans made to households and other enterprises accounted for the majority of loans placed by all banks (44.3% and 41.9%, respectively), accounting together for 86.1% of total loans.

⇩ The credit exposure to an individual institutional sector is reported for each bank group as well as for all banks.
Schedule BS/LOA is the source of data (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001).

The structure of loans by individual bank groups is similar to the structure of loans at the banking system level. This means that loans to other enterprises and household loans accounted for the major share in loans granted. In the first six months of 2002, Group I recorded growth, and Group II recorded a decline, in both these categories. In the same period, for Group III there was an increase in the share of loans to other enterprises, and a drop in household loans, whereas the situation was the reverse in Group IV.

TABLE 13. Structure of Loans by Institutional Sectors, end of period, in million kuna

	Group I		Group II		Group III		Group IV		Total	
	Dec. 2001	Jun. 2002	Dec. 2001	Jun. 2002	Dec. 2001	Jun. 2002	Dec. 2001	Jun. 2002	Dec. 2001	Jun. 2002
1. Government units	3,257.7	3,329.7	1,035.7	1,359.7	45.8	28.8	2.8	1.7	4,342.0	4,719.9
2. Financial institutions	788.1	1,102.7	599.5	494.3	17.7	19.5	74.3	34.0	1,479.6	1,650.6
3. Public enterprises	2,507.0	3,180.8	346.3	456.1	33.2	40.9	34.2	8.0	2,920.8	3,685.7
4. Other enterprises	17,902.9	23,272.0	7,998.5	6,052.8	1,242.6	1,372.3	1,500.5	1,664.7	28,644.5	32,361.8
5. Non-profit institutions	108.3	151.7	43.4	23.9	13.2	16.5	2.3	2.4	167.1	194.5
6. Households	19,679.0	26,419.0	6,702.2	5,487.5	800.6	850.2	805.7	1,461.5	27,987.5	34,218.3
7. Non-residents	257.8	327.3	63.1	100.1	1.3	26.0	18.3	30.6	340.6	483.9
Total	44,500.8	57,783.2	16,788.9	13,974.4	2,154.4	2,354.2	2,438.0	3,202.9	65,882.1	77,314.7

2.1.8 Liquidity Ratios

The amount of CNB and central government bills purchased by the banks increased from 9.5 billion kuna at end-2001 to 9.9 billion kuna at mid-2002, an increase of 4.2%. At the same time, the share of purchased CNB and central government bills in total bank assets rose by 0.2 percentage points. Concerning the structure of all CNB and central government bills purchased, kuna CNB bills and Ministry of Finance treasury bills accounted for the largest shares (43.7% and 41.8%, respectively). They were followed by foreign currency CNB bills (14.5%), whereas other money market instruments were not used at all. In the structure of total CNB and central government bills purchased by Groups I and II, kuna CNB bills and Ministry of Finance treasury bills also accounted for the largest share, whereas the structure of bills purchased by Groups III and IV indicates that Ministry of Finance treasury bills accounted for the largest share of total bills purchased by these two groups, followed by foreign currency CNB bills.

Comparing the bank groups' shares of total placement in these securities, Group II made the largest relative placement[11] in kuna denominated CNB bills (46.4%); Group III made the largest relative placement in foreign currency CNB bills (47.5%) and Ministry of Finance treasury bills (50.2%).

11 The largest relative placement is considered here to be the share of investment of an individual bank group in a certain type of security that is the largest compared to the shares of the other bank groups.

⇨ The stock of CNB bills denominated in domestic and foreign currency and purchased on a certain date and the stock of central government bills held by banks are reported in accordance with the statistical sources of the Croatian National Bank.
CNB bills are purchased on the basis of the Decision on Issuing Croatian National Bank Bills Denominated in Kuna (*Narodne novine*, No. 48/98) and the Decision on Issuing Croatian National Bank Bills Denominated in Foreign Currency (*Narodne novine*, Nos. 48/98 and 7/99).

TABLE 14. Purchased CNB and Central Government Bills, in million kuna and %, stock on 30 June 2002

	Group I		Group II		Group III		Group IV		Total	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. CNB bills denominated in kuna	3,074.5	45.9	1,192.6	46.4	9.9	2.5	63.5	23.3	4,340.5	43.7
2. CNB bills denominated in foreign currency	791.6	11.8	370.8	14.4	190.1	47.4	91.8	33.7	1,444.3	14.5
3. Ministry of Finance treasury bills	2,831.2	42.3	1,006.2	39.2	201.2	50.2	117.2	43.0	4,155.7	41.8
4. Other money market instruments of the central government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	6,697.2	100.0	2,569.6	100.0	401.1	100.0	272.5	100.0	9,940.5	100.0

In the first half of 2002, the total borrowing of all banks from the CNB (annual average) decreased by 39.3% and amounted to 71.4 million kuna. This resulted primarily from a decline in Lombard loans (81.2%) and repo CNB bills (100.0%). In this period, there was no need for repo CNB bills. In contrast, demand for short-term liquidity loans was recorded in Group I, whereas the other bank groups did not report the need for these loans. Also, the amount of 12.3 million kuna of Lombard loans used in the first half of 2002 mostly relates to banks in Group I (95.9%). In this period, Group III had no need for CNB loans, and Groups II and IV used only a small amount of Lombard loans (0.2 million kuna each).

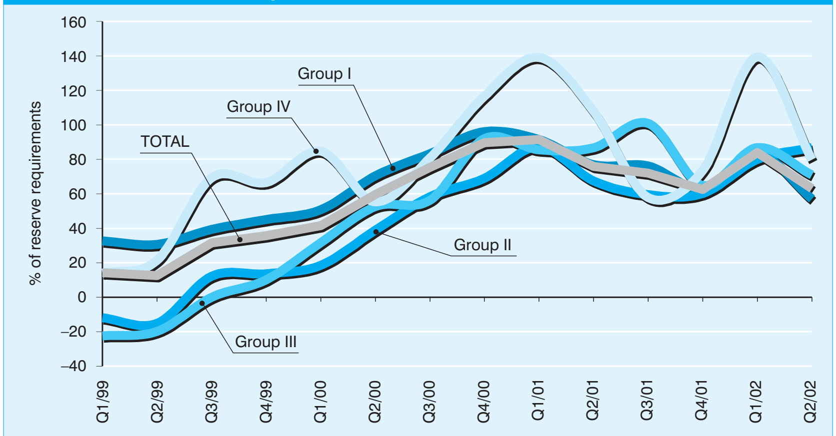
TABLE 15. CNB Loans, in million kuna, annual/semi-annual average

	Group I		Group II		Group III		Group IV		Total	
	2001	Jun. 2002	2001	Jun. 2002	2001	Jun. 2002	2001	Jun. 2002	2001	Jun. 2002
1. Lombard loans	60.5	11.8	4.2	0.2	0.4	0.0	0.3	0.2	65.4	12.3
2. Liquidity loans	0.0	59.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	59.2
3. Repo CNB bills	42.7	0.0	5.1	0.0	1.6	0.0	0.2	0.0	49.7	0.0
Total	103.3	71.0	9.3	0.2	2.1	0.0	3.1	0.2	117.7	71.4

⇧ The quarterly and annual averages of used secondary liquidity sources of the CNB are reported for each bank group and for all banks. These sources include Lombard loans, liquidity loans, intervention loans and funds borrowed at CNB repo auctions.
The utilization of the stated secondary liquidity sources is regulated by the following decisions of the CNB: 1) Decision on the Terms and Conditions for Granting Short-Term Loans on the Basis of Pledged Securities (Lombard Loan) (*Narodne novine*, Nos. 160/98, 28/99, 32/99, 38/99, 131/2000 and 53/2001), 2) Decision on the Short-Term Liquidity Loan (*Narodne novine*, Nos. 132/99 and 53/2001) and 3) Decision on the Terms and Conditions for Granting Short-Term Intervention Loans (*Narodne novine*, No. 32/99).

In the period between the end of 2001 and the end of the first quarter of 2002, all bank groups and the entire banking system recorded an increase in the ratio between free reserves and reserve requirements (21.5 percentage points). In contrast, this ratio fell in the second quarter of 2002, both at the system level and in all bank groups (21.0 percentage points) except Group II, which recorded a 6.9 percentage point increase in this ratio. This is the result of a greater growth in free reserves than in required reserves in the first quarter of 2002 both with regard to individual bank groups and the entire banking system. In contrast, the trend reversed in the second quarter of 2002; free reserves declined both at the level of the entire banking system and in all bank groups (24.0%), whereas reserve requirements grew slightly at the system level (1.4%) and in all bank groups except Group II, which recorded a 23.9% fall in reserve requirements.

FIGURE 18. Free Reserves, end-quarter balance

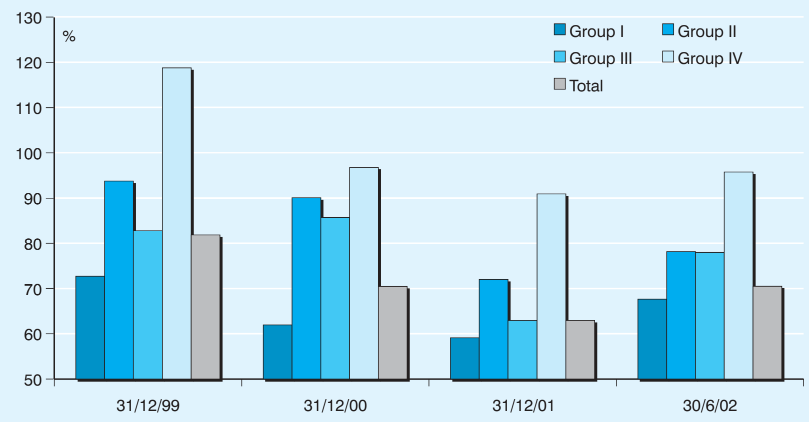


⇦ Each bank group ratio between free reserves and reserve requirements is calculated in the following manner. First, the free reserves allocated in a certain quarter by the banks in the bank group are added up and then the amounts of reserve requirements of each bank group are added up. The sum of free reserves thus calculated is divided by the sum of reserve requirements and multiplied by 100.
Free reserves are calculated on the basis of the following formula:
free reserves = (actual kuna reserves + actual foreign currency reserves + additional reserves) – (prescribed kuna reserves + prescribed foreign currency reserves) – borrowed reserves
actual kuna reserves = balance in giro accounts + balance in the vault + allocated reserves
actual foreign currency reserves = liquid foreign currency claims (including CNB bills in foreign currency) + allocated reserves
additional reserves = CNB bills in domestic currency + treasury bills of the MoF of the Republic of Croatia + promissory notes of the MoF of the Republic of Croatia + short-term placements in the money market
borrowed reserves = Lombard loan + repurchased CNB bills + intervention loan + special loans + pre-rehabilitation loan + overnight loan + other loans with maturity up to 7 days
The Croatian National Bank statistics is the source of data.

In the first half of 2002, the loans to deposits ratio grew by 7.6 percentage points at the system level due to much faster loan growth (17.4%) than deposit growth (4.7%). The steep growth in loans may be explained by the time lag in the placement of deposits collected at end-2001 when the deposit growth (which mostly occurred just before the introduction of the euro on 1 January 2002) was the main reason for the decline in the loans to deposits ratio. In the first half of 2002, this ratio increased both at the system level and at the level of individual bank groups due to a faster rate of loan growth than deposit growth recorded in Groups I and IV. This ratio increased in Group II owing to a more rapid decline in deposits than in loans, whereas Group III recorded a further loan growth accompanied by a deposit decline.

⇨ Each bank group ratio between total credits granted and total deposits received is calculated in the following manner. First, the total credits granted by all the banks in the bank group at a certain date are added up. Second, the amounts of total deposits received by each bank group are also added up. The sum of granted credits thus calculated is divided by the sum of received deposits and multiplied by 100. The same procedure is applied to the calculation of this indicator for all banks.
Credits include kuna and foreign currency credits in net amounts, i.e. decreased by the amount of formed specific reserves for identified losses. Deposits also include the frozen foreign currency savings deposits of individuals. Deposits received from the CNB are not included since are considered liabilities based on credits.
Schedule BS/LOA is the source of data on credits (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001), while Schedule BS/DEP is the source of data on deposits (Bank Statistical Report).

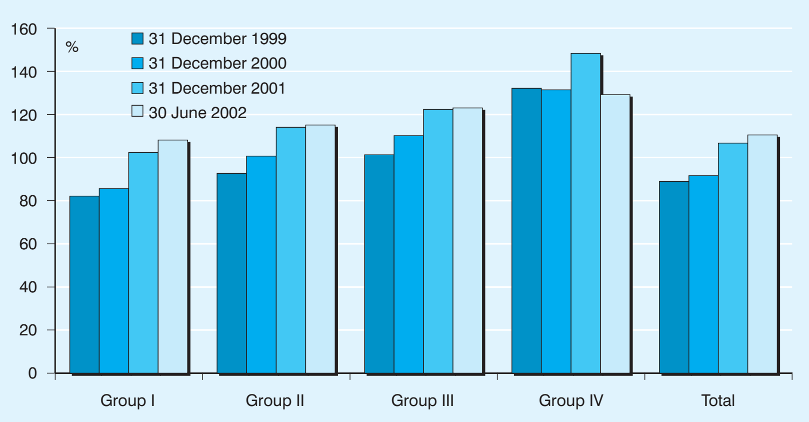
FIGURE 19. Credits/Deposits



At the end of the first half of 2002, the ratio between short-term assets and short-term liabilities stood at 110.5%, which is an increase of 3.9 percentage points compared with that at end-2001. This ratio grew in all bank groups (in percentage points Group I: 5.8; Group II: 1.0; Group III: 0.7) except Group IV, which recorded a 19.1 percentage point decline in this ratio owing to a faster growth in short-term liabilities (32.6%) than in short-term assets (15.5%).

⇨ Each bank group ratio between short-term assets and short-term liabilities is calculated in the following manner. First, the short-term assets of all the banks in the bank group in a certain quarter are added up. Second, the short-term liabilities are added up in the same manner. The sum of short-term assets thus calculated is divided by the sum of short-term liabilities and multiplied by 100.
Schedule BS and Schedule BS/CM are the source of data on short-term assets (Bank Statistical Report – *Narodne novine*, Nos. 57/99 and 3/2001), while Schedule BS and Schedule BS/DBM are the source of data on short-term liabilities (Bank Statistical Report).

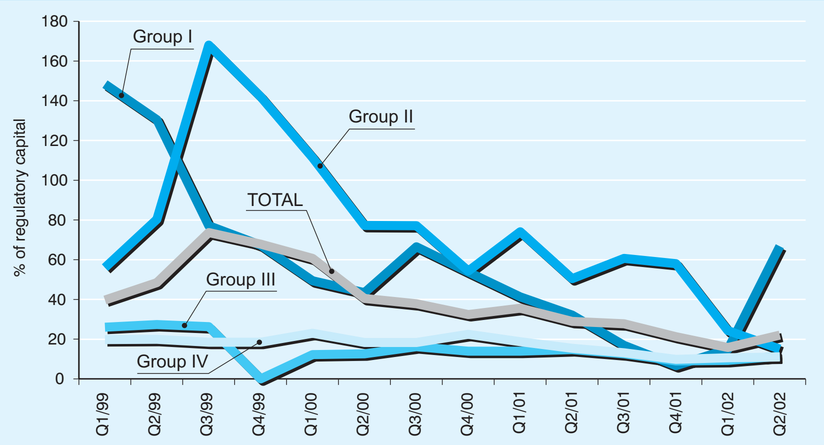
FIGURE 20. Short-Term Assets/Short-Term Liabilities



2.1.9 Currency Adjustment of Assets and Liabilities

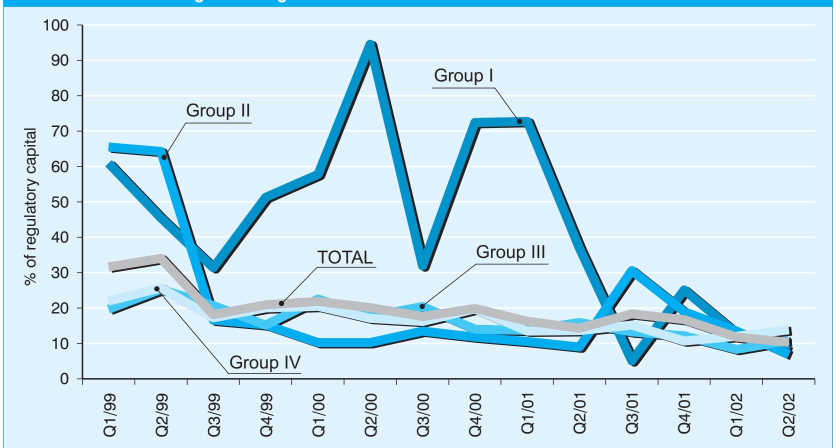
The long foreign exchange position of all banks stood at 6.3% of the regulatory capital of all banks at the end of the first half of 2002. At the banking system level and in all bank groups except Group II, the long foreign exchange position grew in the first six months of 2002. In the same period, the long position in Group II banks declined by as much as 9.3 percentage points. The short position declined at the banking system level and in Groups I and II, whereas it rose in Groups III and IV.

FIGURE 21. Long Foreign Exchange Position



⇦ Each bank group ratio between the long foreign exchange position (f/c claims exceeding f/c liabilities) and the regulatory capital is calculated in the following manner. First, the long foreign exchange positions reported in a certain quarter by all the banks in the bank group are added up. Second, the amounts of regulatory capital are added up in the same manner. The sums thus calculated are mutually divided and the amount thus obtained is multiplied by 100.
The reports submitted by banks on the basis of the Decision on the Prevention of Authorized Banks' and Savings Banks' Foreign Exchange Position Exposure to Currency Risk (*Narodne novine*, Nos. 134/97 and 94/2000) are the source of data.
The calculation of regulatory capital is regulated by the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000) and the Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine,* Nos. 36/99 and 123/2000). Schedule CAP, i.e. CAP1 is the source of data on regulatory capital, and it forms an integral part of the stated Instruction.

FIGURE 22. Short Foreign Exchange Position



⇦ Each bank group ratio between the short foreign exchange position (f/c liabilities exceeding f/c claims) and the regulatory capital is calculated in the following manner. First, the short foreign exchange positions reported in a certain quarter by all the banks in the bank group are added up. Second, the amounts of regulatory capital are added up in the same manner. The sums thus calculated are mutually divided and the amount thus obtained is multiplied by 100.
The reports submitted by banks on the basis of the Decision on the Prevention of Authorized Banks' and Savings Banks' Foreign Exchange Position Exposure to Currency Risk (*Narodne novine*, Nos. 134/97 and 94/2000) are the source of data.
The calculation of regulatory capital is regulated by the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine*, Nos. 32/99 and 101/2000) and the Instruction for the Uniform Implementation of the Decision on the Methodology for Calculating Bank's Capital (*Narodne novine,* Nos. 36/99 and 123/2000). Schedule CAP, i.e. CAP1 is the source of data on regulatory capital, and it forms an integral part of the stated Instruction.

2.2 Savings Banks

At the end of the first half of 2002, only 5 savings banks, including 3 housing savings banks, were operating, or 13 savings banks less than that at end-2001. In this period, savings banks consolidated their operations, i.e. they adjusted their operations with the provision of Article 119 of the (then valid) Banking Law of 1998. After the adjustment, six savings banks registered as banks, and are now included in the analysis of bank operations. Of the remaining seven savings banks which exited the system of savings banks, one housing savings bank merged with another housing savings bank, three savings banks merged with two banks, and three savings banks began the liquidation proceedings. These changes had major impact on indicators of savings bank operations in the first six months of 2002.

2.2.1 Balance Sheet Structure

On 30 June 2002, savings bank assets amounted to 1.7 billion kuna, a 28.9% decrease compared to the total assets of savings banks at the end of 2001. Housing savings banks accounted for a high 86.8% of the total assets of savings banks in mid-2002, which is a 32.3 percentage point increase compared to that at the end of 2001. Hence, statistical indicators on all savings bank operations at end-June 2002 mostly relate to housing savings bank operations, whereas the indicators of change[12] were mostly influenced by the decrease in the number of savings banks in the observed period. Hence, if we observe only the growth indicator of the total savings bank assets, we perceive asset growth of a high 13.3% in the first six months of 2002 (from 1.3 billion kuna at end-2001 to 1.5 billion kuna at the end of the first half of 2002), instead of a decline in assets at the level of all savings banks.

12 These statistical indicators include indicators of the balances of certain items and the share of these items on a certain day, whereas the indicators of change relate to growth indicators, i.e. changes in their share in a certain period.

At the end of the first half of 2002, the trading portfolio of securities dominated the savings bank assets structure, amounting to 32.9%. It was followed by Ministry of Finance treasury bills and CNB bills with 26.7% and the investment portfolio of securities with 20.7%. Securities accounted for 80.3% of the total savings bank assets, whereas loans to other clients accounted for only 10.5%. In the first six months of 2002, the structure of savings bank assets substantially changed owing to a large reduction in the number of savings banks and the prevailing impact of housing savings banks on the indicators for savings bank operations. Hence, the share of items which dominate housing savings bank assets in total savings bank assets recorded a substantial increase: securities (28.8 percentage points) and loans to financial institutions (0.5 percentage points), which is in line with the increase in the level of these items in the reporting period.

⇨ The share of each balance sheet item of assets in total assets is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 57/99 and 3/2001 – Schedule BS) and the derived aggregated report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

TABLE 16. Structure of Savings Bank Assets, end of period, in million kuna and %

	Dec. 2000			Dec. 2001			Jun. 2002		
	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	91.61	5.81	2.06	156.77	6.57	71.12	15.94	0.94	–89.83
1.1. Money assets	34.52	2.19	42.07	54.73	2.29	58.53	5.57	0.33	–89.82
1.2. Deposits	57.09	3.62	–12.80	102.04	4.28	78.74	10.37	0.61	–89.84
2. Deposits with banking institutions	98.95	6.27	6.27	123.52	5.18	24.83	45.83	2.70	–62.90
3. Treasury bills and CNB bills	237.33	15.04	87.69	418.90	17.56	76.51	451.86	26.66	7.87
4. Trading portfolio of securities	144.37	9.15	4,605.57	472.61	19.81	227.36	558.15	32.93	18.10
5. Loans to financial institutions	10.75	0.68	–78.70	14.44	0.61	34.35	18.66	1.10	29.20
6. Loans to other clients	625.65	39.66	–5.53	701.20	29.40	12.08	177.63	10.48	–74.67
7. Investment portfolio of securities	190.88	12.10	488.42	337.00	14.13	76.55	350.21	20.66	3.92
8. Investements in subsidiaries and associates	1.40	0.09	2.57	1.14	0.05	–18.11	1.17	0.07	2.19
9. Foreclosed and repossessed assets	17.73	1.12	–31.33	16.39	0.69	–7.52	6.44	0.38	–60.72
10. Tangible assets and software (net of depreciation)	57.17	3.62	–13.98	56.24	2.36	–1.63	27.19	1.60	–51.66
11. Interest, fees and other assets	109.62	6.95	–23.08	96.07	4.03	–12.36	44.28	2.61	–53.90
12. Net of: Specific reserves for unidentified losses	7.90	0.50	4.59	8.99	0.38	13.82	2.26	0.13	–74.83
Total	1,577.55	100.00	22.65	2,385.28	100.00	51.20	1,695.10	100.00	–28.94

At the end of the first half of 2002, the largest share in the structure of savings bank liabilities was in deposits (90.9%), of which 90.3% were time deposits. Capital had the second-largest share at 6.7%, whereas the shares of other liability items were negligible. With the exception of loans from financial institutions, the level of all liability items declined in the observed period. Consequently, the share of many liability items in total liabilities declined, whereas the share of other items recorded an increase despite the decrease in their amount. For example, the share of deposits rose by 8.5 percentage points (the share of time deposits grew by 10.2 percentage points), and profit for the current year grew by 1.2 percentage points.

TABLE 17. Structure of Savings Bank Liabilities, end of period, in million kuna and %

	Dec. 2000			Dec. 2001			Jun. 2002		
	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	13.60	0.86	–52.85	3.53	0.15	–74.08	3.70	0.22	4.96
1.1. Short-term loans	12.38	0.78	–50.05	2.50	0.10	–79.81	3.70	0.22	48.00
1.2. Long-term loans	1.22	0.08	–69.93	1.03	0.04	–15.91	–	–	–100.00
2. Deposits	1,197.03	75.88	44.87	1,964.82	82.37	64.14	1,541.12	90.92	–21.56
2.1. Giro account and current account deposits	6.97	0.44	5.49	6.72	0.28	–3.54	0.72	0.04	–89.35
2.2. Savings deposits	46.87	2.97	21.41	47.21	1.98	0.74	9.40	0.55	–80.12
2.3. Time deposits	1,143.19	72.47	46.36	1,910.88	80.11	67.15	1,531.01	90.32	–19.88
3. Other loans	4.40	0.28	–47.96	2.02	0.08	–53.97	–	–	–100.00
3.1. Short-term loans	3.83	0.24	–51.20	2.02	0.08	–47.18	–	–	–100.00
3.2. Long-term loans	0.57	0.04	–5.52	–	–	–100.00	–	–	–
4. Debt securities issued	–	–	–	–	–		–	–	–
4.1. Short-term debt securities issued	–	–	–	–	–		–	–	–
4.2. Long-term debt securities issued	–	–	–	–	–		–	–	–
5. Supplementary capital	52.55	3.33	1.15	28.01	1.17	–46.69	10.05	0.59	–64.13
5.1. Subordinated instruments issued	7.87	0.50	–38.36	3.83	0.16	–51.36	–	–	–100.00
5.2. Hybrid instruments issued	44.68	2.83	14.02	24.19	1.01	–45.87	10.05	0.59	–58.45
6. Interest, fees and other liabilities	64.53	4.09	21.72	85.15	3.57	31.95	26.11	1.54	–69.34
7. Profit/loss for the current year	–66.14	–4.19	59.61	–29.45	–1.23	–55.48	–0.03	–0.00	–99.89
8. Capital (excl. profit/loss for the current year)	311.60	19.75	–13.23	331.20	13.89	6.29	114.16	6.73	–65.53
Total	1,577.56	100.00	22.65	2,385.28	100.00	51.20	1,695.10	100.00	–28.94

⇦ These are calculated in the same manner as in Table 16., i.e. the share of each balance sheet item of liabilities in total liabilities is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 57/99 and 3/2001 – Schedule BS) and the derived aggregated report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period. Item Profit/loss for the current year is excluded from item Capital and shown separately.

In line with the decrease in the number of savings banks included in the analysis, the total capital of savings banks decreased by 62.2%, from 301.8 million kuna at end-2001 to 114.1 billion kuna at the end of the first half of 2002. All capital items recorded a decline (share capital: 52.24%; loss for the current year: 99.9%, legal reserves: 76.1%, reserves provided for by the articles of association and other capital reserves: 0.5%). The only exception was retained loss, which grew by 13.1%. These changes in items of savings bank capital were also reflected in the capital structure. At the end of the first half of 2002, share capital accounted for the largest share in the total capital of savings banks (152.1%), and its share grew by 26.4 percentage points despite the decline in its level. This was followed by retained loss (64.1%), whose share in the total capital grew by 42.7 percentage points. The share of reserves provided for by the articles of association and other capital reserves grew from 4.3% at end-2001 to 11.3% at the end of the first half of 2002. The share of the loss for the current year (0.03%) and legal reserves (0.76%) in the total capital declined in the reporting period by 9.7 percentage points and 0.4 percentage points, respectively.

TABLE 18. Structure of Savings Bank Capital, end of period, in million kuna and %

	Dec. 2000			Dec. 2001			Jun. 2002		
	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	339.53	138.33	–8.09	379.35	125.72	11.73	173.60	152.12	–54.24
2. Profit/loss for the current year	–66.14	–26.95	59.77	–29.45	–9.76	–55.48	–0.03	–0.03	–99.89
3. Retained income/loss	–52.88	–21.54	14.67	–64.72	–21.45	22.39	–73.19	–64.14	13.10
4. Legal reserves	3.95	1.61	–71.04	3.64	1.21	–7.90	0.87	0.76	–76.06
5. Reserves provided for by the articles of association and other capital reserves	20.99	8.55	–5.31	12.93	4.28	–38.41	12.87	11.28	–0.45
Total	245.45	100.00	–22.74	301.76	100.00	22.94	114.12	100.00	–62.18

⇦ The capital as one of the items stated on the liabilities side of the aggregated balance sheet of all savings banks (Table 17.) is presented in detail. The share of each stated item in the total capital of savings banks in the observed periods is calculated as a ratio between each item and the total capital of savings banks. The sums thus calculated are multiplied by 100. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

The capital adequacy ratio of savings banks stood at 34.0% at the end of the first half of 2002, which is a decline of 2.4 percentage points compared to end-2001. This resulted from a larger decline in regulatory capital (63.6%) than in risk-weighted assets (60.9%) in the observed period. Only one savings bank had a capital adequacy ratio below the legally prescribed minimum of 10%.

2.2.2 Income Statement

In the first half of 2002, savings banks incurred total losses of only 30 thousand kuna, which represents a reduction in losses of almost 18.97 million kuna or 99.8% compared with the same period of 2001. Out of the five savings banks operating at end-June 2002, only two reported losses at the end of the first half of 2002. One housing savings bank accounted for 97.3% of total losses, whereas the remaining percentage relates to one savings bank.

The structure of savings banks' income and expenses shows that at the end of the first half of 2002, as in mid-2001, interest income accounted for the largest share in income (70.4%). This share was 0.7 percentage points higher than that at mid-2001, and there was a corresponding 0.7 percentage point decrease in the share of non-interest income. In this period, net interest income (29.5%) fell by more than net non-interest income (25.1%), which indicates that the final operating results of savings banks at the end of the first half of 2002 were mostly influenced by the fall in general administrative expenses and depreciation (44.6%) and the decline in provision expenses (39.0%), which also led to a 99.8% drop in the loss for the current year in comparison with that at mid-2001.

⇨ In the observed periods, each item from the reports is stated cumulatively for all savings banks on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 57/99 and 3/2001 – Schedule IS). The total amount for each item is the sum of the same items stated in the reports. Total amounts are calculated at the level of all savings banks.

TABLE 19. Savings Bank Income Statement, in million kuna

	Jan.–Jun. 2001	Jan.–Jun. 2002
1. Net interest income	44.12	31.11
1.1. Interest income	110.27	84.15
1.2. Interest expenses	66.15	53.04
2. Net non-interest income	22.95	17.18
2.1. Non-interest income	48.03	35.37
2.2. Non-interest expenses	25.07	18.19
3. General administrative expenses and depreciation	74.15	41.06
4. Net operating income before provisions	–7.10	7.23
5. Loan loss provision expenses	11.90	7.26
6. Pre-tax profit/loss	–19.00	–0.03
7. Income tax	0.85	0.00
8. After-tax profit/loss	–19.84	–0.03

2.2.3 Credit Activity

At the end of the first half of 2002, the total placements of all savings banks amounted to 990.5 million kuna, a decrease of as much as 44.0% compared with end-2001. This resulted from the above-mentioned decrease in the number of savings banks.

This reduction in the number of savings banks crucially influenced the analysis of the structure of placements at 30 June 2002, whereas IAS 39 crucially influenced the changes that occurred during 2001[13]. Hence, the shares of all placements declined in line with the fall in the amount of total placements. However, despite the decline in their amount, the share of fully recoverable placements in total placements grew by 4.1 percentage points, whereas the

13 See *Banks Bulletin* No. 4.

share of partly recoverable placements and irrecoverable placements declined (2.8 percentage points and 1.3 percentage points, respectively), which is in line with the decrease in their amounts.

TABLE 20. Classification of Savings Bank Placements by Risk Categories, end of period, in million kuna and %

Placements	Dec. 2000		Dec. 2001		Jun. 2002	
	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements	1,239.06	90.47	1,653.80	93.44	966.19	97.54
1.1. Category A	1,177.70	85.99	1,582.85	89.43	910.12	91.88
1.2. Category B	61.36	4.48	70.95	4.01	56.06	5.66
2. Partly recoverable placements	86.80	6.34	79.52	4.49	16.48	1.66
2.1. Category C	50.70	3.70	59.81	3.38	11.84	1.20
2.2. Category D	36.11	2.64	19.71	1.11	4.64	0.47
3. Irrecoverable placements	43.76	3.19	36.64	2.07	7.84	0.79
3.1. Category E	43.76	3.19	36.64	2.07	7.84	0.79
Total	1,369.62	100.00	1,769.96	100.00	990.51	100.00

⇦ Table 20. contains the amounts of placements classified by risk categories, as well as their shares in the total placements that are classified. Schedule C is the source of data, and it forms an integral part of the Instruction for the Uniform Implementation of the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (*Narodne novine*, Nos. 36/99 and 123/2000).
When compiling financial statements for 2001, banks were required not to apply the provisions of the Instruction for the Uniform Implementation of the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (*Narodne novine*, Nos. 36/99 and 123/2000) that were not in compliance with a particular International Accounting Standard and that were superseded by the Decision on the Method of Improving the Compliance of the Croatian National Bank Subordinate Legislation with the International Accounting Standards (*Narodne novine*, No. 107/2001).

The changes in the structure of savings bank placements also influenced the ratio between total provisions for losses and total placements, which fell from 4.7% at end-2001 to 2.1% at the end of the first half of 2002. This resulted from a faster decline in the level of total provisions (74.3%) than in the total placements of savings banks (44.0%) during the first half of 2002. At the same time, the share of impairment for identified losses stood at 89.3%, which is an increase of only 0.2 percentage points compared with that at end-2001. In the same period, there was a corresponding 0.2 percentage point decrease in the share of provisions for unidentified losses, which accounted for 10.7% of total provisions for losses at the end of the first half of 2002.

TABLE 21. Total Provision to Total Placement Ratio of Savings Banks, end of period, in million kuna and %

	Dec. 2000	Dec. 2001	Jun. 2002
1. Total provisions for losses	94.94	82.46	21.16
1.1. Placement value impairment (loss)	87.20	73.45	18.90
1.2. Provisions for unidentified losses	7.73	9.01	2.26
2. Total placements	1,369.62	1,769.96	990.51
3. Relative ratio of total provisions to total placements	6.93%	4.66%	2.14%

⇦ The ratio between savings banks' total provisions and total placements that are classified in risk categories is calculated in the following manner. The specific reserves for savings banks' identified losses, i.e. placement value impairment (loss) and provisions for unidentified losses are added up and the sum thus calculated is divided by the amount of savings banks' total placements classified in risk categories and multiplied by 100.
Schedule SR, i.e. SR1 is the source of data on amounts of specific reserves for identified losses, i.e. placement value impairment (loss) and provisions for unidentified losses, and it forms an integral part of the Instruction for the Uniform Implementation of the Decision on the Amount and Method of Forming Specific Reserves to Ensure Against Potential Losses of Banks (*Narodne novine*, Nos. 36/99 and 123/2000), passed on the basis of the Decision on the Amount and Method of Forming Specific Reserves to Ensure Against Potential Losses of Banks (*Narodne novine*, No. 32/99).
Schedule C is the source of data on total placements, and it forms an integral part of the Instruction for the Uniform Implementation of the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (*Narodne novine*, Nos. 36/99 and 123/2000).
When compiling financial statements for 2001, banks were required not to apply the provisions of the Instruction for the Uniform Implementation of the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (*Narodne novine*, Nos. 36/99 and 123/2000) that were not in compliance with a particular International Accounting Standard and that were superseded by the Decision on the Method of Improving the Compliance of the Croatian National Bank Subordinate Legislation with the International Accounting Standards (*Narodne novine*, No. 107/2001).

3 List of Banks

Data on individual banks' addresses, telephone numbers, fax numbers, members of management and supervisory boards, shareholders who hold 3% or more of share in the bank's share capital, and on bank auditors for 2001.

Data on shareholders who hold 3% or more of share in the bank's share capital are as at 30 June 2002.

Data on members of management and supervisory boards are as at 30 September 2002.

BANKA BROD d.d.
Zajčeva 21, 35000 Slavonski Brod
Phone: +385 35 445-711
Fax: +385 35 445-755
BAN[1] 4124003
www.banka-brod.hr

Management Board
Zdenko Vidaković – chairman, Mićo Tomičić

Supervisory Board
Damir Kreso – chairman, Mara Tomičić, Maja Vidaković

Shareholders	Share in share capital (%)
1. Mićo Tomičić	9.89
2. Mara Tomičić	9.89
3. Karlo Tomičić	9.89
4. Zdenko Vidaković	9.89
5. Maja Vidaković	9.89
6. Mirko Vidaković	9.89
7. Slobodanka Kreso	9.89
8. Razija Kreso	9.89
9. Damir Kreso	9.89
10. Željko Rački	5.00
11. Višnja Rački	5.00

Audit firm for 2001: Alfa Revizija d.o.o., Slavonski Brod

1 Bank account number.

BANKA KOVANICA d.d.
P. Preradovića 29, 42000 Varaždin
Phone: +385 42 403-403
Fax: +385 42 212-148
BAN 4133006
www.kovanica.hr

Management Board
Lidija Hočurščak – chairwoman, Katarina Kuhanec

Supervisory Board
Josip Samaržija – chairman, Božica Samaržija, Milan Štimac, Ivan Majdak, Franjo Valjak

Shareholders	Share in share capital (%)
1. Josip Samaržija	45.00
2. Veljko Bukarica	9.00
3. Branko Turić	9.00
4. Božica Samaržija	8.00
5. Gaj grupa d.o.o.	7.00
6. Posmrtna pripomoć d.o.o.	4.00
7. Karbon d.d. u stečaju	4.00

Audit firm for 2001: Revidicon d.o.o., Zagreb

BANKA SONIC d.d.
Savska cesta 131, 10000 Zagreb
Phone: +385 1 6345-666
Fax: +385 1 6190-615
BAN 4115008
www.sonic.hr

Management Board
Jasna Končarević – chairwoman, Vlasta Zaninović

Supervisory Board
Branko Ostović– chairman, Tatjana Ostović, Robert Solomun

Shareholders	Share in share capital (%)
1. Branko Ostović	33.07
2. Ljiljana Ostović	5.20
3. Tatjana Ostović	5.19
4. Mirjana Ostović	5.00
5. Krešimir Štimac	4.20

Audit firm for 2001: Revidicon d.o.o., Zagreb

BRODSKO-POSAVSKA BANKA d. d.
Trg pobjede 29, 35000 Slavonski Brod
Phone: +385 35 445-700
Fax: +385 35 445-900
BAN 2489004

2 Ms Marica Orlović was appointed the member of the Management Board on 1 October 2002.

Management Board[2]
Gabrijel Sentić – chairman, Anka Olić

Supervisory Board
Antun Milović – chairman, Bartol Jerković, Vlatko Blekić, Mika Mimica, Josip Galić

Shareholders	Share in share capital (%)
1. Brodsko-posavska banka d. d.	11.90
2. Jurves d.o.o.	7.99
3. Nova Immobilia d.o.o.	7.95
4. Mikser beton d.o.o.	7.35
5. Đuro Đaković – Poljoprivredni strojevi i uređaji d.d.	6.76
6. Kaptol banka d.d. u likvidaciji	5.10
7. Telecomp d.o.o.	4.26
8. Šoštarić d.o.o.	4.07
9. Đuro Đaković holding d.d.	3.35
10. Croatia osiguranje d.d.	3.07
11. Đuro Đaković – Termoenergetska postrojenja d.d.	3.07

Audit firm for 2001: Revicon Zagreb d.o.o., Zagreb

CASSA DI RISPARMIO DI TRIESTE – BANCA d.d.
Smičiklasova 23, 10000 Zagreb
Phone: +385 1 4552-610
Fax: +385 1 4614-347
BAN 2499000

Management Board
Adriano Carisi – chairman, Jasna Mamić

Supervisory Board
Giovanni Battista Ravida – chairman, Giorgio Cerutti, Giorgio Covacich, Tito Favaretto, Milan Travan, Fulvio Soldati, Adalberto Donaggio

Shareholders	Share in share capital (%)
1. Cassa di Risparmio di Trieste – Banca S.p.A.	72.06
2. International Finance Corporation	14.00
3. Finest S.p.A.	7.50
4. Simest-Societa Italiana Per Le Imprese Miste All'Estero-Simest S.p.A.	4.40

Audit firm for 2001: PricewaterhouseCoopers d.o.o., Zagreb

CENTAR BANKA d.d.
Jurišićeva 3, 10000 Zagreb
Phone: +385 1 4803-400
Fax: +385 1 4803-441
BAN 2382001
www.centarbanka.hr

Management Board
Gordana Zrinšćak – chairwoman, Ljiljana Podhraški, Ružica Vađić

Supervisory Board
Dragutin Biondić – chairman, Igor Knežević, Irena Kovačević, Žarko Kraljević, Željko Lalić

Shareholders	Share in share capital (%)
1. Heruc d.d.	58.36
2. Heruc – izrada odjeće d.o.o.	6.02
3. Lipa Mill d.d.	6.02
4. Heruc Zug AG	4.22
5. Diners Club Adriatic d.d.	4.13

Audit firm for 2001: Deloitte & Touche d.o.o., Zagreb

CONVEST BANKA d.d.

Gajeva 33, 10000 Zagreb
Phone: +385 1 4922-333
Fax: +385 1 4819-153
BAN 2496001

Management Board
Ivan Maljevac – chairman, Ferenc Müller

Supervisory Board
Janos Müller – chairman, Imre Balogh, Ferenc Müller[3]

Shareholders	Share in share capital (%)
1. Magyar Külkereskedelmi Bank R. t.	100.00

Audit firm for 2001: KPMG Croatia d.o.o., Zagreb

3 Since 1 February 2002, the membership in the Supervisory Board has been temporarily suspended in accordance with Article 261, paragraph 2 of the Company Law, due to his appointment to the Management Board.

CREDO BANKA d.d.

Zrinsko-Frankopanska 58, 21000 Split
Phone: +385 21 380-660
Fax: +385 21 380-685
BAN 2491005
www.credobanka.com

Management Board
Šime Luketin – chairman, Mato Mišić

Supervisory Board
Mirko Vuković – chairman, Boris Barać, Dražen Bilić

Shareholders	Share in share capital (%)
1. Darko Gaurina	9.98
2. Uvel d.o.o.	9.52
3. Prima-auto d.o.o.	8.94
4. Bedem d.o.o.	8.00
5. Berman d.o.o.	7.47
6. Plastald.o.o.	7.04
7. Credo banka d. d.	6.03
8. Arca Merkatus d.o.o.	4.98
9. Boris Barać	4.98

Audit firm for 2001: PricewaterhouseCoopers d.o.o., Zagreb

CROATIA BANKA d.d.

Kvaternikov trg 9, 10000 Zagreb
Phone: +385 1 2391-120
Fax: +385 1 2391-470
BAN 2485003
www.croatiabanka.hr

Management Board
Vedran Kuiš – chairman, Nataša Marendić

Supervisory Board
Niko Šeremet – chairman, Ivan Tomljenović, Jure Šimović, Maja Petvajdić, Joško Miliša

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

Audit firm for 2001: Deloitte & Touche d.o.o., Zagreb

DRESDNER BANK CROATIA d.d.

Gajeva 1, 10000 Zagreb
Phone: +385 1 4866-704
Fax: +385 1 4866-779
BAN 2504000
www.dresdner-bank.hr

Management Board
Hans-Joachim Gersmann – chairman, Mato Karačić

Supervisory Board
Erich Brogl – chairman, Gisbert Jockenhöfer, Felix Friedrich Carl von Joest

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

Audit firm for 2001: PricewaterhouseCoopers d.o.o., Zagreb

DUBROVAČKA BANKA d.d.

Put Republike 9, 20000 Dubrovnik
Phone: +385 20 356-788
Fax: +385 20 356-778
BAN 2401003
www.dubank.hr

Management Board
Vlaho Sutić – chairman, Krešimir Krile, Dražen Božić

Supervisory Board
Robert Hans van Griethuysen – chairman, Hubert Steffen Leendert, Ronald Oliver Drake, David Mc Mahon, David Curl

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

Audit firm for 2001: PricewaterhouseCoopers d.o.o., Zagreb

ERSTE & STEIERMÄRKISCHE BANK d.d.
Varšavska 3 – 5, 10000 Zagreb
Phone: +385 1 4561-823
Fax: +385 1 4561-900
BAN 2402006
www.esb.hr

4 Since 12 July 2002, the membership in the Supervisory Board has been temporarily suspended in accordance with Article 261, paragraph 2 of the Company Law, due to his appointment to the Management Board.

Management Board
Tomislav Vuić – chairman, Borislav Centner, Dragutin Bohuš

Supervisory Board
Reinhard Ortner – chairman, August Jost, Josef Kassler, Herbert Martinetz, Reinhold Schuster, Franz Mally, Ivan Ljubanović, Vladimir Jurašić, Kristijan Schellander, Karin Svoboda, Dragutin Bohuš[4]

Shareholders	Share in share capital (%)
1. Erste Bank der Österreichischen Sparkassen AG	41.57
2. Steiermärkische Bank und Sparkassen AG	41.20

Audit firm for 2001: Ernst & Young Audit d.o.o., Zagreb

GOSPODARSKO KREDITNA BANKA d.d.
Draškovićeva 58, 10000 Zagreb
Phone: +385 1 4802-666
Fax: +385 1 4802-571
BAN 2381009

Management Board
Izidor Sučić – chairman, Suzana Sučić, Branka Andrassy

Supervisory Board
Branko Josipović – chairman, Lovre Božina, Zdenko Prohaska

Shareholders	Share in share capital (%)
1. Kristina Sučić	9.22
2. Željko Krznarić	7.44
3. Josip Bašić	7.43
4. Krešimir Jerin	7.40
5. Kata Šparica	7.38
6. Darko Gojčić	7.33
7. Faktor banka d.d.	7.28
8. Vesna Mijović	6.75
9. Cobalt Investments International	6.23
10. Milan Zec	5.54
11. Gospodarsko kreditna banka d.d.	4.91
12. Branko Josipović	3.67

Audit firm for 2001: Revicon Zagreb d.o.o., Zagreb

HRVATSKA POŠTANSKA BANKA d.d.
Jurišićeva 4, 10000 Zagreb
Phone: +385 1 4804-574
Fax: +385 1 4810-791
BAN 2390001
www.hpb.hr

Management Board
Josip Slade – chairman, Slavko Durmiš

Supervisory Board
Mato Crkvenac – chairman, Božidar Pankretić, Ivan Videka, Zita Nikolorić, Željko Pecek, Hrvoje Vojković, Srećko Vuković

Shareholders	Share in share capital (%)
1. Croatian Privatization Fund	37.00
2. Hrvatska pošta d.d.	33.56
3. Croatian Pension Insurance Institute	28.01

Audit firm for 2001: KPMG Croatia d.o.o., Zagreb

HVB BANK CROATIA d.d.
Jurišićeva 2, 10000 Zagreb
Phone: +385 1 4800-817
Fax: +385 1 4800-891
BAN 2502004
www.hvb.hr

Management Board
Goran Gazivoda – chairman, Ivo Bilić

Supervisory Board
Anton Knett – chairman, Willibald Cernko, Günther Ettenauer, Heinz Meidlinger, Alistair Bruce Turnbull, Günther Wabnig, Wolfgang Edelmüller

Shareholders	Share in share capital (%)
1. Bank Austria Creditanstalt International AG	80.02
2. European Bank for Reconstruction and Development	19.98

Audit firm for 2001: Ernst & Young Audit d.o.o., Zagreb

HYPO ALPE-ADRIA-BANK d.d.
Koturaška 47, 10000 Zagreb
Phone: +385 1 6103-589
Fax: +385 1 6103-555
BAN 2500009
www.hypo-alpe-adria.hr

Management Board
Heinz Truskaller – chairman, Igor Kodžoman

Supervisory Board
Wolfgang Kulterer – chairman, Günter Striedinger, Othmar Ederer, Roberto Marzanati, Gerd Penkner

Shareholders	Share in share capital (%)
1. Hypo Alpe-Adria-Bank AG	93.61
2. European Bank for Reconstruction and Development	6.39

Audit firm for 2001: Ernst & Young Audit d.o.o., Zagreb

HYPOBANKA d.d.
Tkalčićeva 11, 10000 Zagreb
Phone: +385 1 4800-111
Fax: +385 1 4800-144
BAN 2426005

Management Board
Zdenka Batinić – chairwoman, Doroteja Juras

Supervisory Board
Siegfried Rudolf Einhellig – chairman, Zoran Parać, Vlado Ravlić

Shareholders	Share in share capital (%)
1. Siegfried Rudolf Einhellig	99.99

Audit firm for 2001: Revicon Zagreb d.o.o., Zagreb

IMEX BANKA d.d.
Tolstojeva 6, 21000 Split
Phone: +385 21 357-015
Fax: +385 21 583-849
BAN 2492008

Management Board
Branko Buljan – chairman, Milivoj Delač, Ivka Mijić, Ružica Šarić

Supervisory Board
Marita Urlić-Radić – chairwoman, Mara Delale, Nevenka Buljan, Jure Svetić, Ante Čulić

Shareholders	Share in share capital (%)
1. Imex trgovina d.o.o.	47.10
2. Branko Buljan	23.20
3. Trajektna luka d.d.	22.18
4. Imex banka d.d.	4.99

Audit firm for 2001: Maran d.o.o., Split

ISTARSKA KREDITNA BANKA UMAG d.d.
Ernesta Miloša 1, 52470 Umag
Phone: +385 52 702-359
Fax: +385 52 741-275
BAN 2380006
www.ikb.hr

Management Board
Miro Dodić – chairman, Anton Belušić

Supervisory Board
Milan Travan – chairman, Edo Ivančić, Marijan Kovačić, Marko Martinčić, Klaudio Belušić, Đenio Radić, Vlado Kraljević

Shareholders	Share in share capital (%)
1. Intercommerce, d.o.o.	16.86
2. Tvornica cementa d.d.	15.04
3. Hempel, d.d.	15.00
4. Montpellier finance S.A.	10.00
5. Medias S.p.A.	7.63
6. Plava laguna d.d.	3.56

Audit firm for 2001: PricewaterhouseCoopers d.o.o., Zagreb

JADRANSKA BANKA d.d.
Ante Starčevića 4, 22000 Šibenik
Phone: +385 22 242-100
Fax: +385 22 335-881
BAN 2411006
www.jadranska-banka.hr

5 Resigned member.

Management Board
Ivo Šinko – chairman, Željko Kardum, Anka Bandalović

Supervisory Board
Branko Malenica – chairman, Mirjana Škugor, Josip Huljev,[5] Miro Petric, Josip Stojanović,[5] Roko Gracin,[4] Ante Kulušić

Shareholders	Share in share capital (%)
1. Croatia osiguranje d.d.	9.75
2. Jadranska banka d.d.	9.20
3. Alfa d.d.	7.89
4. Tiskara Kačić d.d.	4.23
5. Vodovod i odvodnja d.o.o.	4.20

Audit firm for 2001: PricewaterhouseCoopers d.o.o., Zagreb

KARLOVAČKA BANKA d.d.
I. G. Kovačića 1, 47000 Karlovac
Phone: +385 47 614-201
Fax: +385 47 614-206
BAN 2400008
www.kaba.hr

Management Board
Sanda Cvitešić – chairwoman, Stjepan Poljak, Marijana Trpčić-Reškovac

Supervisory Board
Želimir Feitl – chairman, Suzana Brenko, Ivan Podvorac, Helena Lenac, Terezija Barbarić

Shareholders	Share in share capital (%)
1. Croatian Privatization Fund	9.54
2. Lanzville Investments	5.37
3. Karlovačka pivovara d.d.	4.47
4. Ante Županović	3.41
5. PIF Pleter d.d.	3.14

Audit firm for 2001: KPMG Croatia d.o.o., Zagreb

KREDITNA BANKA d.d.
Ulica grada Vukovara 74, 10000 Zagreb
Phone: +385 1 6167-373
Fax: +385 1 6116-466
BAN 2481000
www.kbz.hr

Management Board
Ivan Purgar – chairman, Željko Jakuš

Supervisory Board
Rudo Mikulić – chairman, Ivica Sertić, Tomislav Lucić

Shareholders	Share in share capital (%)
1. Agrokor, d.d.	18.83
2. Crodel d.o.o.	11.38
3. Ledo d.d.	8.54
4. Jamnica d.d.	8.44
5. Investco vrijednosnice d.o.o.	7.41
6. Konzum d.d.	7.09
7. Litograf d.o.o.	5.85
8. Zvijezda d.d.	5.66
9. Solana Pag d.d.	5.61
10. Ivalim d.o.o.	5.61

Audit firm for 2001: Deloitte & Touche d.o.o., Zagreb

KRIŽEVAČKA BANKA d.d.
Preradovićeva 14, 48260 Križevci
Phone: +385 48 681-018
Fax: +385 48 711-938
BAN 4101001

Management Board
Ivan Šaško – chairman, Časlav Stošić

Supervisory Board
Dubravka Horvat – chairwoman, Željko Gagro, Marija Keleković

Shareholders	Share in share capital (%)
1. Goran Delić	8.79
2. Jelena Benčak	8.68
3. Željko Gagro	8.68
4. Marin Kolega	8.68
5. Darko Sukalić	8.68
6. Siniša Delić	8.68
7. Boris Brčić	8.68
8. Leopold Kolega	8.68
9. Josipa Kolega	8.68
10. Đurđa Jakovljev	8.68
11. Grozdana Borčić	8.68

Audit firm for 2001: Revidicon d.o.o., Varaždin

KVARNER BANKA d.d.

Jadranski trg 4/I, 51000 Rijeka
Phone: +385 51 353-577
Fax: +385 51 353-566
BAN 2488001
www.kvarnerbanka.hr

Management Board
Goran Rameša – chairman, Milivoj Debelić

Supervisory Board
Nikola Pavletić – chairman, Mirjana Petkovć, Ivan Prpić, Marijan Ključariček, Vito Svetina

Shareholders	Share in share capital (%)
1. Adria Consulting S.R.L.	50.00
2. Riječka banka d.d.	31.85
3. Transadria d.d.	14.77

Audit firm for 2001: Iris nova d.o.o., Rijeka

MEĐIMURSKA BANKA d.d.

V. Morandinija 37, 40000 Čakovec
Phone: +385 40 314-658
Fax: 40 370-623
BAN 2392007
www.mb.hr

Management Board
Mladenka Gombar – chairwoman, Marija Ribić, Gordan Miler

Supervisory Board
Mislav Blažić – chairman, Tomislav Lazarić, Davorin Rimac, Stjepan Varga, Dragutin Lončarić

Shareholders	Share in share capital (%)
1. Privredna banka Zagreb d.d.	96.38

Audit firm for 2001: Arthur Andersen d.o.o., Zagreb

NAVA BANKA d.d.

Tratinska 27, 10000 Zagreb
Phone: +385 1 3656-777
Fax: +385 1 3656-700
BAN 2495009
www.navabanka.hr

Management Board
Stipan Pamuković – chairman, Željko Škalec

Supervisory Board
Jakov Gelo – chairman, Ivan Gudelj, Daniel Hrnjak, Anđelko Ivančić, Višnjica Mališa

Shareholders	Share in share capital (%)
1. Kemika d.d.	21.65
2. GIP Pionir d.d.	8.86
3. Stipan Pamuković	5.85
4. Željko Škalec	5.85
5. Aling J.T.D.	4.92
6. Ivan Gudelj	4.33
7. Ivan Leko	3.14
8. Ante Pamuković	3.14
9. Ante Samodol	3.14

Audit firm for 2001: Rudan d.o.o., Zagreb

NOVA BANKA d.d.

Divka Budaka 1 d, 10000 Zagreb
Phone: +385 1 2352-856; +385 52 527-292
Fax: +385 1 2352-886; +385 52 527-241
BAN 2407000
www.novabanka.hr

Management Board
Davorka Jakir – chairwoman, Helena Banjad, Zorislav Vidović

Supervisory Board
Robert Hans van Griethuysen – chairman, Hubert Steffen Leendert, Ronald Oliver Drake, David Mc Mahon, David Curl

Shareholders	Share in share capital (%)
1. Reginter d.o.o.	66.75
2. Seef holding Ltd.	23.18
3. SWR Investment Ltd.	4.84

Audit firm for 2001: KPMG Croatia d.o.o., Zagreb

PARTNER BANKA d.d.
Vončinina 2, 10000 Zagreb
Phone: +385 1 4602-215
Fax: +385 1 4602-289
BAN 2408002
www.partner-banka.hr

Management Board
Marija Šola – chairwoman, Branka Oštrić

Supervisory Board
Borislav Škegro – chairman, Igor Oppenheim, Joseph Pehar

Shareholders	Share in share capital (%)
1. Metroholding d.d.	75.90
2. Serica Bank AG	9.62
3. INGRA d.d.	5.94
4. Josip Kovač	4.07

Audit firm for 2001: PricewaterhouseCoopers d.o.o., Zagreb

PODRAVSKA BANKA d.d.
Opatička 3, 48300 Koprivnica
Phone: +385 48 655-126
Fax: +385 48 622-542
BAN 2386002
www.poba.hr

Management Board
Julio Kuruc – chairman, Marijan Marušić

Supervisory Board
Sigilfredo Montinari – chairman, Nevenka Cerovsky, Ivan Pavliček, Ivan Henezi, Jurica (Đuro) Predović, Miljan Todorović, Dario Montinari

Shareholders	Share in share capital (%)
1. Cerere S.R.L.	9.35
2. Antonia Gorgoni	9.35
3. Lorenzo Gorgoni	9.34
4. Jurica (Đuro) Predović	8.74
5. Miljan Todorović	7.32
6. Giovani Semerano	4.11
7. Andrea Montinari	3.36
8. Dario Montinari	3.36
9. Piero Montinari	3.36
10. Sigilfredo Montinari	3.36

Audit firm for 2001: Revidicon d.o.o., Zagreb i Deloitte & Touche d.o.o., Zagreb

POŽEŠKA BANKA d.d.
Republike Hrvatske 1b, 34000 Požega
Phone: +385 34 254-304
Fax: +385 34 254-258
BAN 2405004
www.pozeska-banka.hr

Management Board
Vinko Matijević – chairman, Mihovil Petrović, Goran Matanović

Supervisory Board
Vlado Zec – chairman, Željko Glavić, Luka Balenović, Đurđa Babić, Vlado Krauthaker

Shareholders	Share in share capital (%)
1. Požeška banka d.d.	7.40
2. JP Hrvatske šume p.o.	6.04
3. Zvonko Potnik	4.59
4. Croatia osiguranje d.d.	4.38
5. Kutjevo d.d.	4.06

Audit firm for 2001: Deloitte & Touche d.o.o., Zagreb

PRIMORSKA BANKA d.d.
Scarpina 7, 51000 Rijeka
Phone: +385 51 355-777
Fax: +385 51 332-762
BAN 4132003
www.primorska.hr

Management Board
Ante Županić – chairman, Duško Miculinić

Supervisory Board
Francesco Signorio – chairman, Domenico Petrella, Gordana Pavletić, Senad Uzelac, Milan Holjevac

Shareholders	Share in share capital (%)
1. Francesco Signorio	41.17
2. Carlo Di Dato	10.85
3. Svitlana Bondareva	7.63
4. J.L.L. Marc Jourdan	7.51
5. Domenico Petrella	7.39
6. Franco Guidantoni	5.02
7. Gordana Pavletić	4.30
8. Cofisi S.A.	4.21

Audit firm for 2001: Revidicon d.o.o., Zagreb

PRIVREDNA BANKA – LAGUNA BANKA d.d.
Prvomajska 4a, 52440 Poreč
Phone: +385 52 416-711
Fax: +385 52 416-770
BAN 2497004

Management Board
Zdravka Cukon – chairwoman, Roberto Drandić

Supervisory Board
Tomislav Lazarić – chairman, Ljiljana Horvat, Draženko Pavlinić

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

Audit firm for 2001: Arthur Andersen d.o.o., Zagreb

PRIVREDNA BANKA ZAGREB d.d.
Račkoga 6, 10000 Zagreb
Phone: +385 1 4723-878
Fax: +385 1 4723-131
BAN 2340009
www.pbz.hr

Management Board
Božo Prka – chairman, Franjo Filipović, Davor Holjevac, Ivan Gerovac, Ivan Krolo, Zvonko Agičić, Nediljko Matić

Supervisory Board
Gyorgy Suranyi – chairman, Adriano Bisogni, Gianfranco Mandelli, Adriano Arietti, Marijan-Marinko Filipović, Leonardo Attanasio, Arna Bušljeta

Shareholders	Share in share capital (%)
1. Intesa Bci Holding International S.A.	66.30
2. State Agency for Bank Rehabilitation and Deposit Insurance	25.00

Audit firm for 2001: Arthur Andersen d.o.o., Zagreb

RAIFFEISENBANK AUSTRIA d.d.
Petrinjska 59, 10000 Zagreb
Phone: +385 1 6006-900
Fax: +385 1 4811-624
BAN 2484008
www.rba.hr

Management Board
Zdenko Adrović – chairman, Lovorka Penavić, Velimir Šonje, Vlasta Žubrinić-Pick

Supervisory Board
Herbert Stepic – chairman, Heinz Hoedl, Franz Rogi

Shareholders	Share in share capital (%)
1. Raiffeisen International Beteiligungs AG	72.46
2. Raiffeisenbank-Zagreb-Beteiligungsgesellschaft mbH	25.00

Audit firm for 2001: KPMG Croatia d.o.o., Zagreb

RIADRIA BANKA d.d.
Đure Šporera 3, 51000 Rijeka
Phone: +385 51 356-700
Fax: +385 51 211-093
BAN 2325004
www.riab.hr

Management Board
Vesna Badurina – chairwoman, Branka Juričev

Supervisory Board
Tomislav Lazarić – chairman, Hrvoje Matezović, Mislav Blažić, Snježana Kaponja, Marinko Dumanić

Shareholders	Share in share capital (%)
1. Privredna banka Zagreb d.d.	77.98
2. Riadria banka d.d.	7.96

Audit firm for 2001: Arthur Andersen d.o.o., Zagreb

RIJEČKA BANKA d.d.
Jadranski trg 3a, 51000 Rijeka
Phone: +385 51 208-441
Fax: +385 51 330-525
BAN 2300007
www.rbri.hr

Management Board
Petar Radaković– chairman, Slađana Jagar, Sava Dalbokov

Supervisory Board
Reinhard Ortner – chairman, Christian Coreth, Manfred Wimmer, August Jost, Karin Svoboda, Herbert Martinetz, Kristijan Schellander

Shareholders	Share in share capital (%)
1. Erste Bank der Österreichischen Sparkassen AG	92.92

Audit firm for 2001: KPMG Croatia d.o.o., Zagreb

SAMOBORSKA BANKA d.d.
Tomislavov trg 8, 10430 Samobor
Phone: +385 1 3362-530
Fax: +385 1 3361-523
BAN 2403009

Management Board
Marijan Trusk – chairman, Verica Lindić, Višnja Jednačak

Supervisory Board
Želimir Kodrić – chairman, Džemal Mešinović, Ante Tustonjić, Zvonko Palameta, Antun Štimac, Milan Penava, Ignacije Marđetko, Vladimir Mučnjak, Anica Vrbančić

Shareholders	Share in share capital (%)
1. Samoborka d.d.	9.35
2. JP Hrvatske šume p.o.	6.86
3. V. H. Trade d.o.o.	5.84
4. Sant d.o.o.	4.96
5. Tigra d.o.o.	4.96
6. Chromos d.d.	4.92
7. Vajda elvit d.o.o.	4.34
8. Končar d.d.	3.46

Audit firm for 2001: M.Z. Auditors d.o.o., Zagreb

SLATINSKA BANKA d.d.
Vladimira Nazora 2, 33520 Slatina
Phone: +385 33 551-354
Fax: +385 33 551-566
BAN 2412009
www.slatinska-banka.hr

Management Board
Ante Šimara – chairman,[6] Angelina Horvat

Supervisory Board
Josip Koleno – chairman, Marija Maleković, Ljiljana Katavić, Ružica Šimara, Sandra Šimara, Ante Šimara[7]

Shareholders	Share in share capital (%)
1. Lustrin d.o.o.	17.98
2. State Agency for Bank Rehabilitation and Deposit Insurance	7.93
3. Ante Šimara	7.40
4. Pronekinvest d.d.	7.00
5. Ljiljana Katavić	5.78
6. Nova banka d.d.	3.11

Audit firm for 2001: PricewaterhouseCoopers d.o.o., Zagreb

6 The request for obtaining the approval for performing the function of a member of the Management Board in accordance with Article 26 of the Banking Law is being considered by the CNB.
7 Since 17 September 2001, the membership in the Supervisory Board has been temporarily suspended in accordance with Article 261, paragraph 2 of the Company Law, due to his appointment to the Management Board.

SLAVONSKA BANKA d.d.
Kapucinska 29, 31000 Osijek
Phone: +385 31 231-115
Fax: +385 31 201-039
BAN 2393000
www.slbo.hr

Management Board
Ivan Mihaljević – chairman, Tadija Vrdoljak

Supervisory Board
Günter Striedinger – chairman, Wolfgang Kulterer, Othmar Ederer, Roberto Marzanati, Gerd Penkner

Shareholders	Share in share capital (%)
1. Hypo Alpe-Adria-Bank AG	71.53
2. European Bank for Reconstruction and Development	15.93
3. Slavonska banka d.d.	3.76

Audit firm for 2001: Ernst & Young Audit d.o.o., Zagreb

SPLITSKA BANKA d.d.
R. Boškovića 16, 21000 Split
Phone: +385 21 312-609
Fax: +385 21 312-586
BAN 2330003
www.splitskabanka.hr

Management Board
Tomo Bolotin – chairman, Stjepan Kolovrat, Darko Medak

Supervisory Board
Anton Knett – chairman, Christian Bruckner, Willibald Cernko, Wolfgang Edelmüller, Wolfgang Helpa, Friedrich Kadrnoska, Heinz Meidlinger

Shareholders	Share in share capital (%)
1. Bank Austria Creditanstalt International AG	90.08
2. Splitska banka d.d.	9.60

Audit firm for 2001: PricewaterhouseCoopers d.o.o., Zagreb

SPLITSKO-DALMATINSKA BANKA d.d.
Matice hrvatske 1, 21000 Split
Phone: +385 21 540-280
Fax: +385 21 540-290
BAN 4109006

Management Board
Ivan Malada – chairman, Joško Vukušić

Supervisory Board
Juroslav Buljubašić – chairman, Nataša Vuković, Mirko Vukušić

Shareholders	Share in share capital (%)
1. Juroslav Buljubašić	73.71
2. Joško Dvornik	6.57
3. Toma Buljubašić	3.92
4. Nataša Vuković	3.86
5. Ivan Marković	3.39

Audit firm for 2001: SD Nika d.o.o., Split

ŠTEDBANKA d.d.
Slavonska avenija 3, 10000 Zagreb
Phone: +385 1 6306-620
Fax: +385 1 6187-015
BAN 2483005

Management Board
Željko Udovičić – chairman, Ante Babić, Josip Ševerdija

Supervisory Board
Ivo Andrijanić – chairman, Đuro Benček, Franjo Škoda

Shareholders	Share in share capital (%)
1. Šted – Invest d.d.	89.71
2. Paveko 2000 d.o.o.	4.16
3. Redip d.o.o.	4.05

Audit firm for 2001: Revizija Zagreb d.o.o., Zagreb

VARAŽDINSKA BANKA d.d.
Kapucinski trg 5, 42000 Varaždin
Phone: +385 42 400-166
Fax: +385 42 400-112
BAN 2391004
www.banka.hr

Management Board
Mato Lukinić – chairman, Borna Zane, Pavao Parat

Supervisory Board
Tea Martinčić – chairwoman, Renata Babić, Duilio Belić

Shareholders	Share in share capital (%)
1. Zagrebačka banka d.d.	93.80

Audit firm for 2001: KPMG Croatia d.o.o., Zagreb

VOLKSBANK d.d.
Varšavska 9, 10000 Zagreb
Phone: +385 1 4801-300
Fax: +385 1 4801-365
BAN 2503007

Management Board
Heinrich Angelides – chairman,[8] Julio Krevelj, Andrea Kovacs

Supervisory Board
Klaus Thalhammer – chairman, Hans Janeschitz, Ralf Weingartner, Fausto Maritan, Pierre-Yves Tarneaud, Christian-Georg Kaltenbrunner, Herbert Hartl

8 Mr Tomasz Jerzy was apointed the new chairman of the Management Board on 1 October 2002, and the membership of Mr Angelides and Mr Krevelj in the Management Board ceased.

Shareholders	Share in share capital (%)
1. VBB International holding AG	70.00
2. Banque Federale des Banques Populaires	10.00
3. GZ-Bank AG	6.66
4. WGZ-Bank AG	3.33

Audit firm for 2001: KPMG Croatia d.o.o., Zagreb

ZAGORSKA BANKA d.d.

Trg Lj. Gaja 6-7, 49230 Krapina
Phone: +385 49 370-627
Fax: +385 49 370-545
BAN 4114005

Management Board
Marijan Kantolić – chairman, Ivan Krklec

Supervisory Board
Dragutin Plahutar – chairman, Branko Kunštek, Ivan Krklec[8]

Shareholders	Share in share capital (%)
1. Strahinjčica d.d.	86.62
2. Stražaplastika d.d.	7.27
3. Dekor d.d.	3.60

Audit firm for 2001: Revidicon d.o.o., Varaždin

8 Since 11 October 2001, the membership in the Supervisory Board has been temporarily suspended in accordance with Article 261, paragraph 2 of the Company Law, due to his appointment to the Management Board.

ZAGREBAČKA BANKA d.

Paromlinska 2, 10000 Zagreb
Phone: +385 1 6305-250
Fax: +385 1 6110-533
BAN 2360000
www.zaba.hr

Management Board
Franjo Luković – chairman, Nikola Kalinić, Milivoj Goldštajn, Zvonimir Jurjević, Sanja Rendulić, Damir Odak, Tomica Pustišek

Supervisory Board
Roberto Nicastro – chairman, Marina Monassi, Milan Ujević, Klaus Junker, Ante Vlahović, Andrea Moneta, Alois Steinbichler, Guiseppe Vovk, Torsten Leue

Shareholders	Share in share capital (%)
1. UniCredito Italiano S.p.A.	82.19
2. Allianz AG	13.67

Audit firm for 2001: KPMG Croatia d.o.o., Zagreb

Attachment

List of Banks by Peer Groups, end of period

Bank name and headquarter	Peer group number			
	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002
AGROOBRTNIČKA BANKA d.d., Zagreb[1]	IV	–	–	–
ALPE JADRAN BANKA d.d., Split[1]	IV	–	–	–
BANKA BROD d.d., Slavonski Brod	–	–	–	IV
BANKA KOVANICA d.d., Varaždin	–	–	–	IV
BANKA SONIC d.d., Zagreb	–	–	–	IV
BAYERISCHE HYPO– UND VEREINSBANK AG, Glavna podružnica Zagreb[2]	–	IV	IV	–
BJELOVARSKA BANKA d.d., Bjelovar[3]	II	–	–	–
BRODSKO-POSAVSKA BANKA d.d., Slavonski Brod	IV	IV	IV	IV
CASSA DI RISPARMIO DI TRIESTE – BANCA d.d., Zagreb	IV	IV	IV	IV
CENTAR BANKA d.d., Zagreb	IV	IV	IV	IV
CIBALAE BANKA d.d., Vinkovci[1]	IV	–	–	–
CONVEST BANKA d.d., Zagreb	IV	IV	IV	IV
CREDO BANKA d.d., Split	IV	IV	IV	IV
CROATIA BANKA d.d., Zagreb	II	II	II	II
ČAKOVEČKA BANKA d.d., Čakovec[3]	IV	–	–	–
DALMATINSKA BANKA d.d., Zadar[4]	II	II	II	–
DRESDNER BANK CROATIA d.d., Zagreb	IV	III	III	III
DUBROVAČKA BANKA d.d., Dubrovnik	II	II	II	II
ERSTE & STEIERMÄRKISCHE BANK d.d., Zagreb	–	II	II	I
GOSPODARSKO KREDITNA BANKA d.d., Zagreb	IV	IV	IV	IV
HRVATSKA GOSPODARSKA BANKA d.d., Zagreb[1]	IV	–	–	–
HRVATSKA POŠTANSKA BANKA d.d., Zagreb	II	II	II	II
HVB BANK CROATIA d.d., Zagreb	II	II	II	II
HYPO ALPE-ADRIA-BANK d.d., Zagreb	II	II	I	I.
HYPOBANKA d.d., Zagreb[5]	IV	IV	IV	IV
IMEX BANKA d.d., Split	IV	IV	IV	IV
ISTARSKA BANKA d.d., Pula[4]	II	II	II	–
ISTARSKA KREDITNA BANKA UMAG d.d., Umag	III	III	II	II
JADRANSKA BANKA d.d., Šibenik	II	II	II	II
KAPTOL BANKA d.d., Zagreb[6]	IV	IV	–	–
KARLOVAČKA BANKA d.d., Karlovac	III	III	III	III
KRAPINSKO-ZAGORSKA BANKA d.d., Krapina[7]	IV	–	–	–
KREDITNA BANKA ZAGREB d.d., Zagreb	III	III	III	III
KRIŽEVAČKA BANKA d.d., Križevci	–	–	–	IV
KVARNER BANKA d.d., Rijeka	IV	IV	IV	IV
MEĐIMURSKA BANKA d.d., Čakovec	II	II	II	II
0NAVA BANKA d.d., Zagreb	IV	IV	IV	IV
NOVA BANKA d.d., Zagreb	–	–	–	I
PARTNER BANKA d.d., Zagreb	IV	IV	IV	IV
PODRAVSKA BANKA d.d., Koprivnica	IV	IV	III	III
POŽEŠKA BANKA d.d., Požega	IV	IV	IV	IV
PRIMORSKA BANKA d.d., Rijeka	–	–	IV	IV
PRIVREDNA BANKA – LAGUNA BANKA d.d., Poreč	IV	IV	IV	IV
PRIVREDNA BANKA ZAGREB d.d., Zagreb	I	I	I	I
RAIFFEISENBANK AUSTRIA d.d., Zagreb	II	I	I	I
RAZVOJNA BANKA "DALMACIJA" d.o.o., Split[1]	IV	–	–	–
RIADRIA BANKA d.d., Rijeka	II	II	II	II
RIJEČKA BANKA d.d., Rijeka	I	I	I	I
SAMOBORSKA BANKA d.d., Samobor	IV	IV	IV	IV
SISAČKA BANKA d.d., Sisak[4]	III	III	III	–
SLATINSKA BANKA d.d., Slatina	III	III	III	III
SLAVONSKA BANKA d.d., Osijek	II	II	II	II
SOCIETE GENERALE d.d. PARIS, Zagreb[8]	IV	–	–	–
SPLITSKA BANKA d.d., Split	I	I	I	I
SPLITSKO-DALMATINSKA BANKA d.d., Split	–	–	–	IV
ŠTEDBANKA d.d., Zagreb	IV	III	III	III
TRGOVAČKA BANKA d.d., Zagreb[3]	IV	–	–	–
TRGOVAČKO-TURISTIČKA BANKA d.d., Split[1]	IV	–	–	–
VARAŽDINSKA BANKA d.d., Varaždin	II	II	II	II
VOLKSBANK d.d., Zagreb	IV	III	II	II
ZAGORSKA BANKA d.d., Krapina	–	–	–	IV
ZAGREBAČKA BANKA – POMORSKA BANKA SPLIT d.d., Split[9]	II	–	–	–
ZAGREBAČKA BANKA d.d., Zagreb	I	I	I	I

1 Banks in bankruptcy proceedings.
2 Bayerische Hypo- und Vereinsbank AG, Glavna podružnica Zagreb transferred its operations to HVB Bank Croatia d.d.
3 Trgovačka banka d.d., Zagreb and Čakovečka banka d.d., Čakovec merged with Bjelovarska banka d.d., Bjelovar, and are now operating as Erste & Steiermärkische Bank d.d., Zagreb.
4 Istarska banka d.d., Pula and Sisačka banka d.d., Sisak merged with Dalmatinska banka d.d., Zadar, and are now operating as Nova banka d.d., Zagreb.
5 Prva obrtnička banka d.d., Zagreb merged with Hypobanka d.d., Zagreb in July 2002 so that its report as of 30 June 2002 was submitted together with the reports of Hypobanka d.d., Zagreb.
6 Its operating license was revoked on 7 March 2001.
7 Merged with Privredna banka d.d., Zagreb.
8 It was sold, and its operations were transferred to Bayerische Hypo- und Vereinsbank AG, Glavna podružnica Zagreb.
9 Merged with Zagrebačka banka d.d., Zagreb.

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