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Contents

1 Banking Institutions' Business Operations Indicators / 7

1.1 Banks / 7

1.1.1 Structure of Banks in the Republic of Croatia / 7

1.1.2 Territorial Distribution of Banking Business Networks and Concentration in the Banking Sector / 9

1.1.3 Banks' Balance Sheet and Off-Balance Sheet Items / 12

1.1.4 Banks' Capital / 17

1.1.5 Banks' Income Statement / 22

1.1.6 Indicators of Banks' Returns / 25

1.1.7 Banks' Exposure to Credit Risk / 28

1.1.7.1 Banks' Exposure to Currency-Induced Credit Risk / 33

1.1.8 Banks' Exposure to Liquidity Risk / 34

1.1.9 Currency Adjustment of Banks' Assets and Liabilities / 37

1.2 Housing Savings Banks / 38

1.2.1 Housing Savings Banks' Balance Sheet / 38

1.2.2 Housing Savings Banks' Income Statement / 41

1.2.3 Housing Savings Banks' Exposure to Credit Risk / 42

2 Notes on Methodology / 45

3 List of Banks and Housing Savings Banks / 55

Attachment I / 94

Attachment II / 95

Abbreviations / 96

1 Banking Institutions' Business Operations Indicators

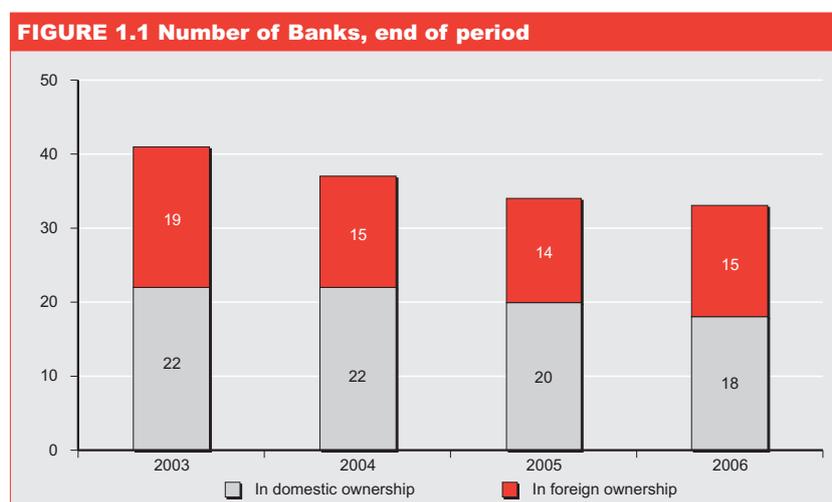
Data on the business operations of banks and housing savings banks for 2006, shown below, are based on unconsolidated audited financial reports which banks and housing savings banks have submitted to the Croatian National Bank.

At the end of 2006, the banking sector of the Republic of Croatia comprised 33 banks and 5 housing savings banks. The banking sector's total assets were HRK 311.0bn. The share of banks' assets in the total assets of the banking sector was 98.0%, while housing savings banks' asset share was 2.0%.

1.1 Banks

1.1.1 Structure of Banks in the Republic of Croatia

Compared with the end of 2005, the number of banks fell by one.¹ As a result, there were 33 banks operating in the Republic of Croatia at the end of 2006.



At the end of 2006, there were 6 large, 4 medium-sized and 23 small banks operating in Croatia. The share of large banks' assets in total bank assets fell from 81.9% at the end of the previous year to 80.2% at the end of 2006 (Table 1.1). Large banks' assets increased by 14.7% compared with end-2005, while medium-sized banks' assets increased by 35.3% during that period. Fast growth of

¹ Požeška banka d.d. merged with Podravska banka d.d. on 1 July 2006.

medium-sized banks' assets led to an increase in the share of medium-sized banks' assets from 10.4% in 2005 to 12.1% in 2006 and a decrease in the share of large banks' assets in total bank assets. Small banks' assets also rose notably (17.5%), though their share in total bank assets rose only slightly.

TABLE 1.1 Bank Peer Groups and Their Share in Total Bank Assets, end of period

	Dec. 2003		Dec. 2004		Dec. 2005		Dec. 2006	
	Number of banks	Share						
Large banks	6	77.6	6	81.7	6	81.9	6	80.2
Medium-sized banks	6	12.5	4	9.9	4	10.4	4	12.0
Small banks	29	9.9	27	8.4	24	7.7	23	7.8
Total	41	100.0	37	100.0	34	100.0	33	100.0

The number of banks in majority domestic ownership fell from 20 in 2005 to 18 at the end of 2006 (Table 1.2), after two small banks were taken over by foreign financial institutions in 2006. In addition, the number of banks in majority foreign ownership rose by one as a result of the above-stated merger of a bank which was in indirect foreign ownership with another bank in foreign ownership. The number of domestically-owned state banks remained unchanged.

All large, three medium-sized and six small banks were under the majority ownership of foreign shareholders. Despite the growth of foreign-owned banks' assets by 16.4% at the end of 2006 compared with end-2005, their share in total bank assets fell, mostly as a result of an increase in the share of assets of banks in state ownership. Assets of state-owned banks rose by a high 46.3%, increasing their share in total bank assets from 3.4% in 2005 to 4.0% at end-2006.

TABLE 1.2 Ownership Structure of Banks and Their Share in Total Bank Assets, end of period

	Dec. 2003		Dec. 2004		Dec. 2005		Dec. 2006	
	Number of banks	Share						
Domestic ownership	22	9.0	22	8.7	20	8.7	18	8.9
Domestic private ownership	20	5.6	20	5.6	18	5.3	16	4.9
Domestic state ownership	2	3.4	2	3.1	2	3.4	2	4.0
Foreign ownership	19	91.0	15	91.3	14	91.3	15	91.1
Total	41	100.0	37	100.0	34	100.0	33	100.0

A decline in the number of banks and slower growth of assets of privately-owned domestic banks (9.8%) led to a fall in the share of this group's assets in total bank assets.

Compared with the end of the previous year, the number of banking groups with an obligation to report to the Croatian National Bank through their superordinate banks, under the Decision on consolidated financial reports of a banking group,² rose from six to eight.

² For the composition of individual banking groups see Attachment II, Banking Groups, as at 31 December 2006

1.1.2 Territorial Distribution of Banking Business Networks and Concentration in the Banking Sector

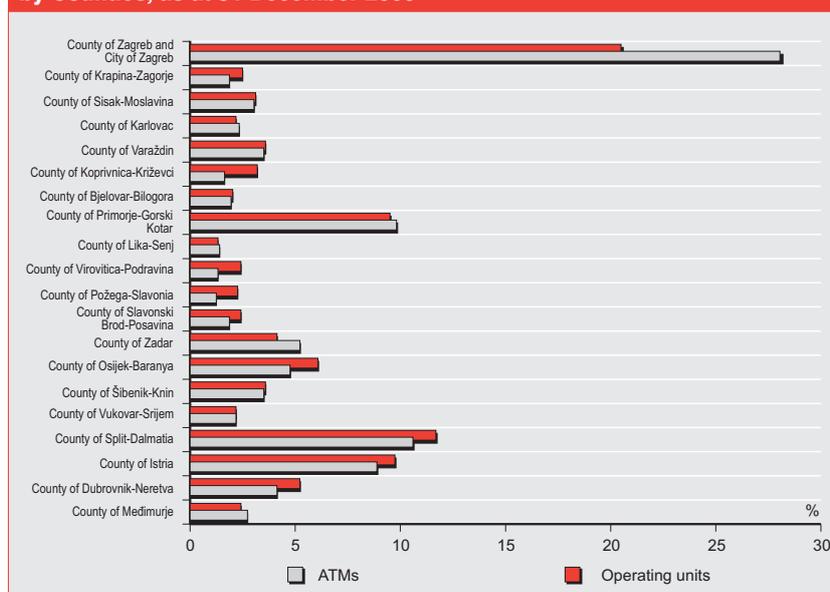
The number of operating units of banks rose by 4 in the past year, with a total of over 1 118 operating units operating towards the end of 2006. During the same period, the number of ATMs rose by 334, with a total number of ATMs owned by banks standing at 2 641.

TABLE 1.3 Territorial Distribution of Operating Units and ATMs, end of period

County	Dec. 2003		Dec. 2004		Dec. 2005		Dec. 2006	
	Operating units	ATMs						
County of Zagreb and City of Zagreb	190	464	201	552	224	656	229	740
County of Krapina-Zagorje	23	27	24	32	25	36	28	50
County of Sisak-Moslavina	29	36	29	47	35	59	35	80
County of Karlovac	24	30	27	42	25	50	24	61
County of Varaždin	33	54	38	67	40	82	40	93
County of Koprivnica-Križevci	28	31	31	35	51	40	36	44
County of Bjelovar-Bilogora	27	39	27	45	26	53	23	52
County of Primorje-Gorski Kotar	124	177	114	199	111	224	106	260
County of Lika-Senj	14	22	14	24	14	33	15	38
County of Virovitica-Podravina	23	15	26	19	25	25	27	36
County of Požega-Slavonia	23	17	24	22	25	24	25	32
County of Slavonki Brod-Posavina	21	24	23	31	28	38	27	49
County of Zadar	39	67	44	92	45	114	46	137
County of Osijek-Baranya	55	74	56	87	72	110	68	125
County of Šibenik-Knin	33	61	33	65	32	80	40	92
County of Vukovar-Srijem	18	29	22	38	23	51	24	57
County of Split-Dalmatia	124	188	121	214	124	251	131	279
County of Istria	110	141	103	170	107	218	109	234
County of Dubrovnik-Neretva	56	64	54	74	55	97	58	110
County of Međimurje	28	51	26	58	27	66	27	72
Total	1.022	1.611	1.037	1.913	1.114	2.307	1.118	2.641

The County of Zagreb and the City of Zagreb boasted the largest concentration of bank operating units, with 20.5% of the total number of operating units being situated in these two regions in 2006.

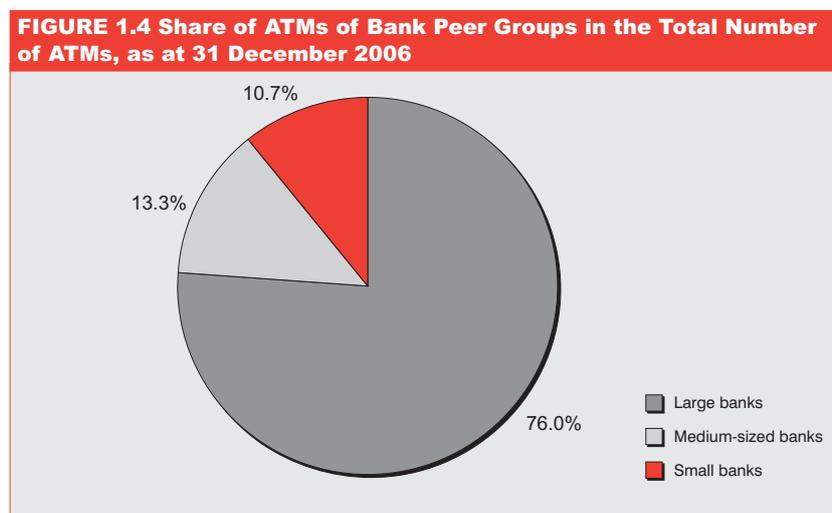
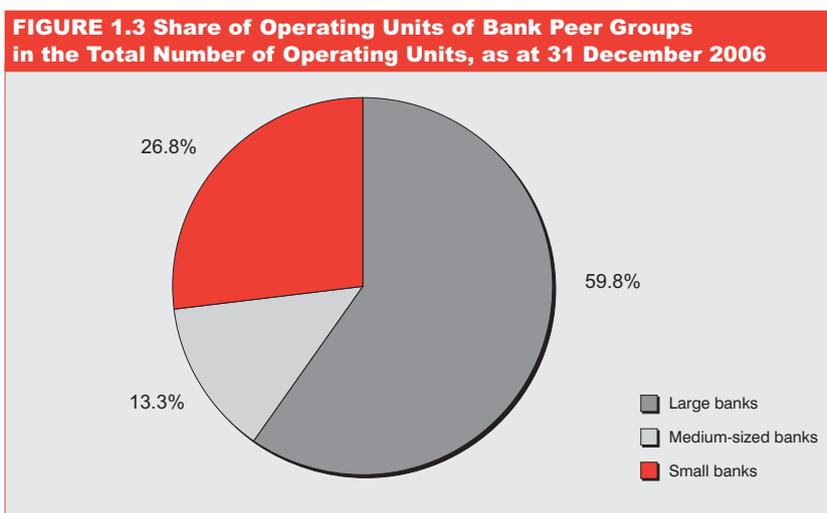
FIGURE 1.2 Concentration of Banks' Operating Units and ATMs by Counties, as at 31 December 2006



Twenty seven banks did business in 229 operating units in these two regions. In terms of concentration, the County of Split-Dalmatia followed with 11.7% of the total number of operating units. None of the concentrations in other counties exceeded 10%. As in the previous periods, the County of Lika-Senj had the smallest number of operating units (15), as well as the smallest number of banks operating (4).

The greatest concentration of ATMs was also in the County of Zagreb and the City of Zagreb. In this area, the ATMs of 27 banks were present, which made up 28.0% of the total number of ATMs. Compared with the end of 2005, the number of banks with ATMs in these two regions rose by nine. The County of Požega-Slavonija had the smallest number of ATMs (32). Five banks had ATMs in all counties, while six small banks did not offer ATM services at all.

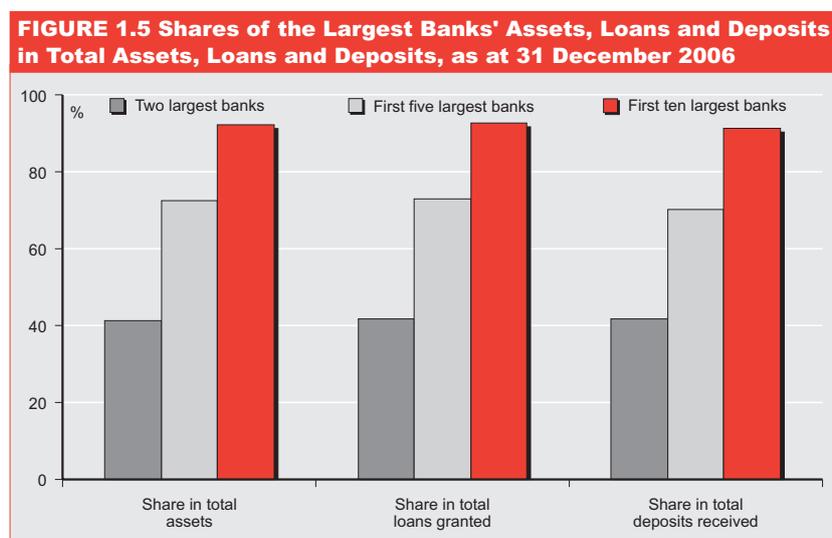
With 669 operating units, large banks had the largest number of operating units, comprising 59.8% of the total number of operating units. Similarly, large banks had the largest number of own ATMs, accounting for 76.0% of the total number of ATMs (Figure 1.3 and Figure 1.4)



For the purpose of analysing the concentration of shares of assets, loans and deposits in the banking sector, data on the asset levels of the ten largest banks are monitored. At the end of 2006, these belonged to the group of large and medium-sized banks. In the concentration analysis, banks are divided into three groups. The first group consists of the two largest banks, the second of the five largest banks, while the third group consists of the ten largest banks. Concentration is defined as the share of the amounts of assets, loans and deposits for individual bank groups in the total amount of the respective on-balance sheet items of all banks.

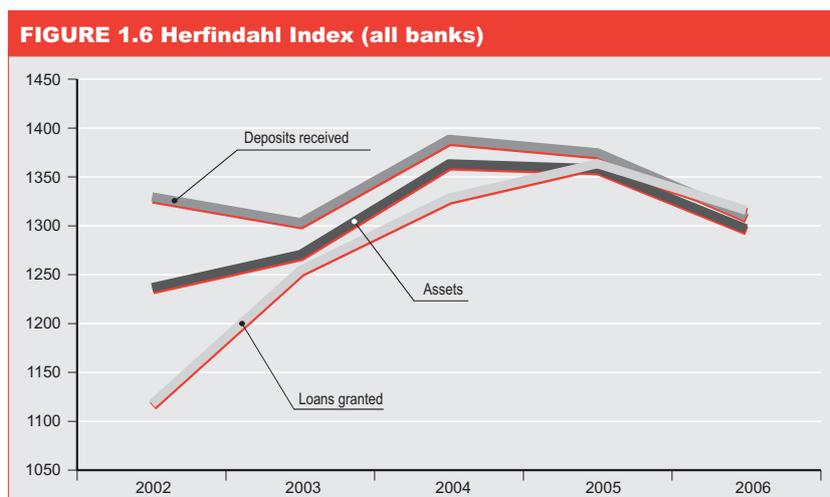
During 2006, the share of assets, loans and deposits of the first two largest banks in total assets, loans and deposits of all banks fell compared with the end of 2005. At the end of 2006, the two largest banks accounted for 41.3% of total assets, 41.9% of total net loans and 42.3% of total deposits (Figure 1.5). The first two banks saw the most significant change in total deposits, down 2.2 percentage points compared with end-2005. The decrease in the observed shares is attributed to a slower growth of these items in the two largest banks than in other bank groups and all banks combined at the end of 2006 than at the end of 2005.

In terms of asset levels, the first five largest banks also saw a decline in the share of all the three observed items in the total amount of these items of all banks. In the same way as the first two largest banks, the first five largest banks saw a smaller than average growth of assets, loans and deposits. At end-2006, this group accounted for 72.6% of total assets, 73.0% of total net loans and 70.2% of total bank deposits.



The growth rates of the observed items of the first ten largest banks were almost equal to the growth rates of all the banks together, due to rapid growth of medium-sized banks which compensated for the slower growth of the first two and the five largest banks, respectively. Due to this change, the share of assets, net loans and deposits of the first ten banks held steady at end-2005 level, accounting for 92.2% of total assets, 92.6% of total net loans and 91.2% of total deposits at end-2006.

All concentration indicators, measured by the Herfindahl index, at the end of 2006 were lower compared to the balance at the end of 2005. This was mainly due to a decrease in the concentration of the largest banks in the banking sector, whose asset, loan and deposit levels had the biggest effect on



the value of the Herfindahl index. The value of the Herfindahl index for asset concentration was 1293 units, for deposit concentration 1309 units, and for loan concentration 1316 units.

1.1.3 Banks' Balance Sheet and Off-Balance Sheet Items

The total assets of banks were HRK 304.6bn at end-2006. Compared to the balance at the end of end-2005, all banks saw assets growth, with total bank assets increasing by 17.0%.

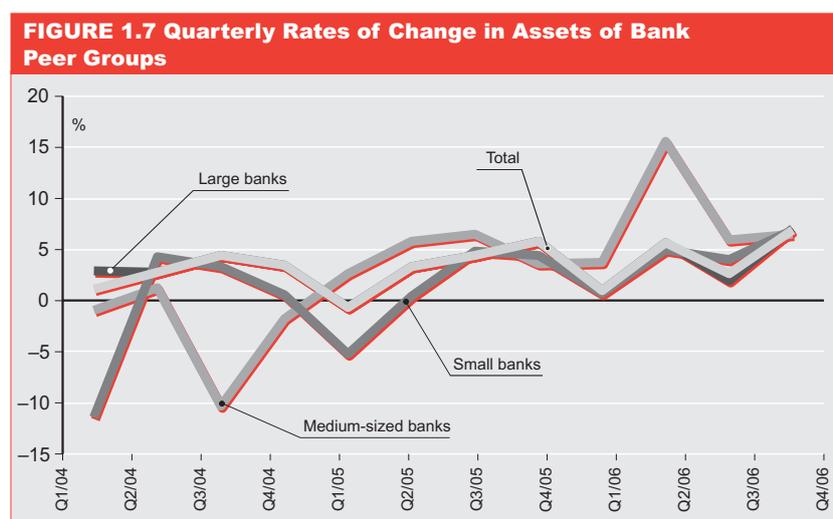
TABLE 1.4 Structure of Banks' Assets, end of period, in million HRK and %

	Dec. 2003		Dec. 2004			Dec. 2005			Dec. 2006		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	28,002.6	13.7	34,891.3	15.2	24.6	42,900.8	16.5	23.0	49,615.2	16.3	15.7
1.1. Money assets	2,955.6	1.4	3,062.1	1.3	3.6	3,347.1	1.3	9.3	3,931.0	1.3	17.4
1.2. Deposits with the CNB	25,047.0	12.3	31,829.2	13.9	27.1	39,553.7	15.2	24.3	45,684.2	15.0	15.5
2. Deposits with banking institutions	31,186.6	15.3	33,351.2	14.5	6.9	23,155.9	8.9	-30.6	26,005.6	8.5	12.3
3. MoF treasury bills and CNB bills	7,820.7	3.8	3,580.6	1.6	-54.2	7,007.2	2.7	95.7	8,077.2	2.7	15.3
4. Securities and other financial instruments held for trading	7,784.9	0.0	6,566.1	2.9	-15.7	8,285.5	3.2	26.2	7,730.4	2.5	-6.7
5. Securities and other financial instruments available for sale	0.0	0.0	9,918.6	4.3	-	11,820.8	4.5	19.2	12,678.2	4.2	7.3
6. Securities and other financial instruments held to maturity	10,773.3	0.0	6,557.3	2.9	-39.1	5,106.0	2.0	-22.1	3,311.9	1.1	-35.1
6.1. Securities and other financial instruments bought on issue directly from the issuer*	-	-	994.3	0.4	-	-	-	-	-	-	-
7. Securities and other financial instruments not traded in active markets but carried at fair value	-	-	-	-	-	1,101.4	0.4	-	460.1	0.2	-
8. Derivative financial assets	0.0	0.0	152.0	0.1	-	147.3	0.1	-3.1	280.9	0.1	90.7
9. Loans to financial institutions	3,057.0	1.5	3,289.5	1.4	7.6	3,867.3	1.5	17.6	4,035.4	1.3	4.3
10. Loans to other clients	106,730.6	52.3	121,912.6	53.2	14.2	148,089.7	56.9	21.5	183,743.9	60.3	24.1
11. Investments in subsidiaries and associates	2,456.0	1.2	1,687.5	0.7	-31.3	1,601.8	0.6	-5.1	1,675.5	0.6	4.6
12. Foreclosed and repossessed assets	355.4	0.2	358.1	0.2	0.7	356.3	0.1	-0.5	445.6	0.1	25.1
13. Tangible assets (net of depreciation)	4,094.6	2.0	3,786.9	1.7	-7.5	4,198.8	1.6	10.9	4,434.1	1.5	5.6
14. Interest, fees and other assets	3,603.6	1.8	4,255.4	1.9	18.1	4,901.6	1.9	15.2	4,788.2	1.6	-2.3
15. Net of: Collectively assessed impairment provisions	1,750.2	0.9	1,996.1	0.9	14.0	2,263.1	0.9	13.4	2,672.7	0.9	18.1
TOTAL ASSETS	204,115.0	100.0	229,305.2	100.0	12.3	260,277.2	100.0	13.5	304,609.4	100.0	17.0

* This category of financial assets is not stated in the revised IAS 39. It has been included in the above table due to its balance as at 31 December 2004.

Medium-sized banks had the greatest relative influence on the annual rate of change in bank assets, with their assets increasing by 35.3%. Small banks' assets grew at the rate of 17.5%, while the rate of change of large banks' assets was 14.7%, lower than the growth rate of the total bank assets.

The growth in medium-sized banks' assets marked the year 2006 and was particularly pronounced in the first half of the year. In the second half of the year, it approached the values of other groups of banks, i.e. of all banks together (Figure 1.7).



Assets of banks rose by HRK 44.3bn in 2006, compared with end-2005. Almost one half of the increase took place in the last quarter of 2006, when assets of banks rose by HRK 19.7bn. The main sources of asset growth in 2006 were the increase in received deposits and the increase in capital which had the most significant rate of change in banks' liabilities.

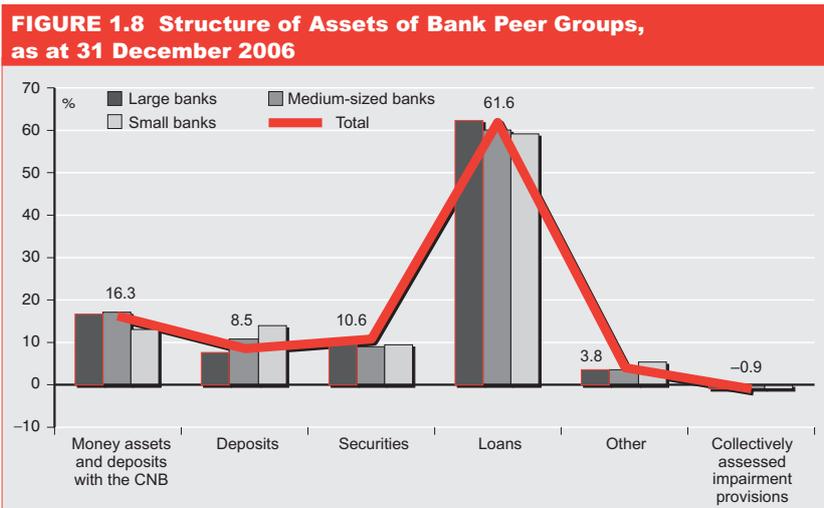
A large boost to the growth of assets and off-balance sheet items of banks was provided in the last quarter of 2006 by the Decision on the purchase of compulsory CNB bills which the central bank³ adopted at the end of the year. The growth in placements was partly channelled into increasing the base for the calculation of the amount of subscription of compulsory CNB bills.

Another regulatory change which had an influence on banks' operations in 2006 was the amendment to the Decision on the minimum required amount of foreign currency claims.⁴ The base for the calculation of required coverage of foreign currency liabilities of banks by their foreign currency claims was extended to include kuna liabilities with a currency clause, resulting in an increase in bank deposits placed to other banking institutions and currency restructuring of assets and liabilities.

In 2006, the growth in assets was to a large extent the result of an increase in the total amount of loans granted, which rose by HRK 35.8bn compared with the end of 2005, reaching HRK 187.8bn. Rapid growth of loans granted, which were up 23.6% compared with the end of 2005, caused their share in total assets to increase from 58.4% to 61.6% at the end of 2006.

³ Official Gazette 142/2006, 23/2007 and 59/2007.

⁴ Official Gazette 104/2006.



Medium-sized banks had the highest growth rate of net loans granted. Compared with end-2005, they grew by 48.1%, causing the share of loans in medium-sized banks' assets to increase from 54.9% to 60.1% at end-2006. After this change, the share of medium-sized banks' loans in total net loans of banks rose by 1.9 percentage points, standing at 11.7% at the end of 2006. Their lowest loan growth rate notwithstanding (20.7%), large banks continued to have the largest share of loans in assets (62.2%), while their share in total net loans of banks shrank by 1.9 percentage points. Granted loans were the least represented segment (58.9%) in the assets of small banks which throughout the year increased the amount of loans granted by 23.7%.

The structure of the sources of financing of banks, with received loans again accounting for their significant part, and the amendment to the Decision on the marginal reserve requirement⁵ which provided for the extended calculation base, led to an increase in deposits allocated with the CNB. Money assets and deposits with the CNB increased by a total of HRK 6.7bn or 15.7% compared with the end of 2005, mainly due to a 79.2% increase in the amount of deposits allocated based on marginal reserve requirements, compared with the end of 2005.

The banks reduced their total investment in securities by 2.8% compared with end-2005, so securities were HRK 32.3bn at the end of 2006. The fall in total securities was mainly the result of a 35.1% reduction in the held-to-maturity securities portfolio compared with end-2005. Over one half of total securities went to bonds and other debt instruments, which accounted for 56.3% of banks' securities. In terms of the amount of investment, banks' investments into T-bills of the Ministry of Finance followed, accounting for 25.0% of securities. Looking at securities investment by institutional sectors, it is evident that the bulk of bank investment went into foreign government debt securities. These investments accounted for 25.5% of total securities investments.

Banks' deposits placed to other banking institutions were up 12.3% compared with the end of 2005. The increase in deposits can mainly be attributed to an increase in time deposits in foreign banks which rose by 12.6% compared with the end of 2005.

⁵ Official Gazette 146/2005 and 69/2006.

TABLE 1.5 Structure of Banks' Liabilities, end of period, in million HRK and %

	Dec. 2003		Dec. 2004			Dec. 2005			Dec. 2006		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	7,112.9	3.5	8,462.0	3.7	19.0	13,844.2	5.3	63.6	15,102.5	5.0	9.1
1.1. Short-term loans	3,689.1	1.8	3,592.1	1.6	-2.6	7,346.5	2.8	104.5	7,286.7	2.4	-0.8
1.2. Long-term loans	3,423.8	1.7	4,869.9	2.1	42.2	6,497.7	2.5	33.4	7,815.8	2.6	20.3
2. Deposits	143,692.8	70.4	155,277.9	67.7	8.1	171,742.0	66.0	10.6	202,949.0	66.6	18.2
2.1. Giro account and current account deposits	25,285.1	12.4	25,561.2	11.1	1.1	29,175.2	11.2	14.1	37,696.5	12.4	29.2
2.2. Savings deposits	24,770.7	12.1	25,223.3	11.0	1.8	26,124.5	10.0	3.6	26,601.4	8.7	1.8
2.3. Time deposits	93,637.0	45.9	104,493.4	45.6	11.6	116,442.2	44.7	11.4	138,651.0	45.5	19.1
3. Other loans	25,080.3	12.3	31,368.3	13.7	25.1	36,191.2	13.9	15.4	39,762.9	13.1	9.9
3.1. Short-term loans	3,429.0	1.7	5,265.3	2.3	53.6	8,213.9	3.2	56.0	10,028.1	3.3	22.1
3.2. Long-term loans	21,651.3	10.6	26,103.0	11.4	20.6	27,977.3	10.7	7.2	29,734.8	9.8	6.3
4. Derivative financial liabilities and other financial liabilities held for trading	0.0	0.0	238.8	0.1		223.7	0.1	-6.3	221.6	0.1	-0.9
5. Debt securities issued	97.0	0.0	3,535.1	1.5	3,543.9	3,396.9	1.3	-3.9	3,583.4	1.2	5.5
5.1. Short-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2. Long-term debt securities issued	97.0	0.0	3,535.1	1.5	3,543.9	3,396.9	1.3	-3.9	3,583.4	1.2	5.5
6. Subordinated instruments issued	813.6	0.4	818.3	0.4	0.6	770.7	0.3	-5.8	758.1	0.2	-1.6
7. Hybrid instruments issued	2,261.6	1.1	1,642.8	0.7	-27.4	886.6	0.3	-46.0	552.4	0.2	-37.7
8. Interest, fees and other liabilities	6,899.4	3.4	8,280.3	3.6	20.0	9,778.3	3.8	18.1	10,413.5	3.4	6.5
TOTAL LIABILITIES	185,957.6	91.1	209,623.4	91.4	12.7	236,833.6	91.0	13.0	273,343.4	89.7	15.4
TOTAL CAPITAL	18,157.3	8.9	19,681.8	8.6	8.4	23,443.6	9.0	19.1	31,266.0	10.3	33.4
TOTAL LIABILITIES AND CAPITAL	204,115.0	100.0	229,305.2	100.0	12.3	260,277.2	100.0	13.5	304,609.4	100.0	17.0

The most significant item of total liabilities and capital of banks at the end of 2006 were received deposits which stood at HRK 202.9bn and accounted for 66.6% of total liabilities. Compared with the end of 2005, their share increased by a slight 0.6 percentage points, as the rate of growth of received deposits (18.2%) was somewhat higher than the growth rate of total liabilities. Received deposits in medium-sized banks grew much faster than average deposits. Compared with the end of 2005, they rose by 38.6%. This contributed to the biggest change that took place in medium-sized banks in terms of the share of deposits in total liabilities which rose from 69.7% at end-2005 to 71.4% at end-2006. Small banks continued to have the largest share of received deposits in liabilities. At the end of 2006, this share amounted to 75.6%.

The largest boost to total deposits growth was provided by time deposits growth. In 2006, banks collected HRK 22.2bn more in time deposits than was their balance at the end of 2005. Of the total time deposits growth, the largest share can be attributed to household deposits which increased by HRK 9.6bn, or 14.2% compared with their end-2005 balance. Total household deposits at the end of 2006 were HRK 110.3bn. Though they increased compared with their end-2005 balance, their growth was much slower than total deposits growth, with the result that their share in total deposits shrank from 56.7% at end-2005 to 54.4% at end-2006.

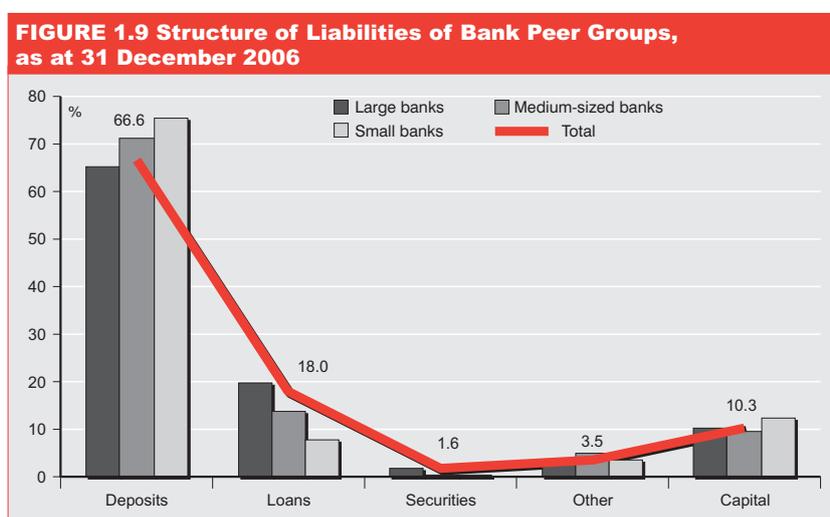
Enterprises' deposits rose by HRK 8.9bn, mainly as a result of an increase in time deposits of a high 33.8%, or HRK 5.4bn. Non-residents' deposits rose by 20.5% or HRK 5.4bn primarily due to a 22.4% increase in received deposits from majority foreign owners of banks. As a result, majority foreign owners of banks accounted for 11.1% of total deposits at end-2006. Significant were also the relative and nominal changes in deposits of financial institutions, which rose by HRK 3.3bn or 41.5%.

Banks' received loans rose by 9.7% compared with the end of 2005. In the last ten months of December alone, banks' liabilities arising from loans received rose by 13.0% and banks' liabilities towards

the CNB arising from reverse repo operations increased by 50%, attributable to the Decision on the purchase of compulsory CNB bills and attempts of banks to increase their base for placement growth. In the mentioned 10-day period, the biggest sources of financing of banks were their majority foreign owners, with banks' loan-related liabilities towards these owners rising by HRK 6.7bn or 41.4%.

The banks received the largest share of loans at end-2006, amounting to HRK 39.5bn, from non-residents. These loans accounted for 72.0% of total loans received. Compared with the end of 2005, loans received from non-residents rose by 10.9%. Over one half of non-resident loans and 41.8% of total loans were received from the majority foreign owner.

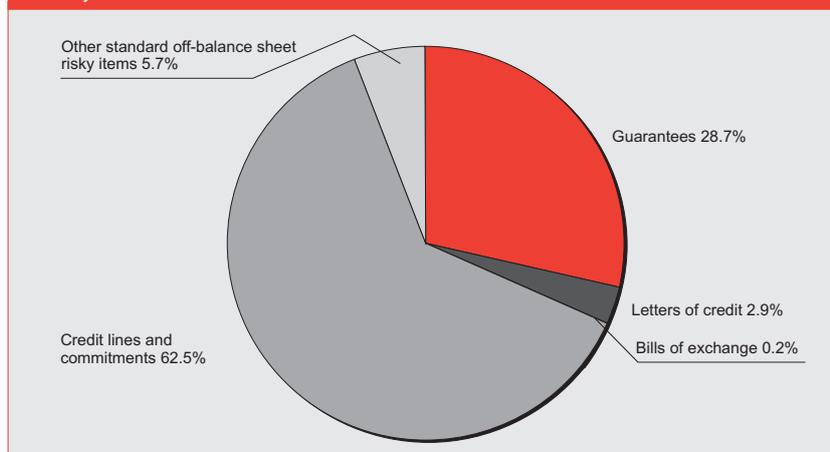
Hybrid instruments, following their conversion into capital, fell by 37.7% compared with their end-2005 balance. Issued debt securities rose by 5.5% at end-2006 compared with end-2005, as a result of an increase in the amount of long-term issued debt securities of banks.



The structure of liabilities of peer groups of banks suggested different sources of financing. While small banks continued to rely on deposits and capital to finance their business, the liability structure of large banks shows received loans as a significant item which accounts for 19.6% of their total liabilities. Recapitalisation of large banks caused a 1.7 percentage point increase in the share of capital in this group of banks, with capital accounting for 10.2% of these banks' liabilities at the end of 2006.

Standard off-balance sheet risky items were HRK 61.3bn at end-2006. Compared with the end of 2005, off-balance sheet items rose by HRK 14.3bn, or 30.4%. Almost the entire increase in standard off-balance sheet risky items was due to the growth of credit lines and commitments whose growth of HRK 13.6bn or 55.5% was the fastest of all off-balance sheet items. At the end of 2006, credit lines and commitments were HRK 38.3bn. The value of issued guarantees also rose. They grew at the rate of 14.4% and stood at HRK 17.6bn. The total contracted value of derivatives at the end of 2006 was twice higher than that at the end of 2005. It increased by 92.7%, reaching HRK 74.5bn.

Large banks accounted for 85.6%, medium-sized banks for 8.9% and small banks for 5.5% of all standard off-balance sheet items of banks. Large banks accounted for an even greater share (95.0%)

FIGURE 1.10 Structure of Banks' Standard Off-Balance Sheet Risky Items, as at 31 December 2006

of the total contracted value of derivatives. Medium-sized banks accounted for 3.8% and small banks for only 1.3% of the total contracted value of derivatives.

1.1.4 Banks' Capital

Total capital of banks at the end of 2006 was HRK 31.3bn and constituted 10.3% of total liabilities of banks. Total capital of banks increased by HRK 7.8bn or 33.4% (Table 1.6) compared with the end of 2005. Total capital of large banks increased by 38.2%, or more than total capital of banks, while that of medium-sized banks and small banks increased by 20.6% and 14.3% respectively. The increase in total capital of banks was mainly the result of an increase in the banks' share capital.

Banks' share capital increased by HRK 5.1bn, or 43.9%, compared with the end of 2005. During 2006, 14 banks increased their share capital, mainly through new shares issues for recapitalisation, and to a lesser extent by converting hybrid and subordinate instruments into share capital.

Large banks accounted for the largest share of the total increase in share capital. Compared with the end of 2005, they increased share capital by HRK 4.4bn, or 59.1%. Medium-sized banks increased their share capital by 19.7% and small banks increased their share capital by 13.6%.

The increase in the share capital led to a change in the structure of total capital of banks, with the share of share capital of banks increasing by 3.9 percentage points compared with the end of 2005 and standing at 53.0%. Though large banks increased their share capital the most, their share capital continued to account for the smallest share of their total capital and accounted for 47.3% of total capital of banks. The share capital of medium-sized and small banks was much higher and stood at 75.7% and 74.3%, respectively, of the total capital of banks. Compared with end-2005, their shares did not change much.

Total capital of large banks accounted for the largest share of total capital of banks at the end of 2006. It constituted 79.3% of the total capital. This was followed by medium-sized banks' total capital of 11.3% and small banks' total capital of 9.4%.

Distribution of 2005 profits increased legal reserves, reserves provided for by the articles of association and other capital reserves by HRK 1.4bn. In addition, retained earnings rose by HRK 1.2bn, and HRK 0.6bn were paid out in dividends. Except for the share of retained earnings, the shares of all the stated items in the structure of total capital of banks shrank compared with the end of 2005, due to a significant increase in the share capital of banks. The share of current year profits also fell, from 13.9% at the end of 2005 to 10.9% at the end of 2006. The reason for this lay in the slower growth rate of current year profits compared with the growth rate of total capital.

TABLE 1.6 Structure of Banks' Total Capital, end of period, in million HRK and %

	Dec. 2003		Dec. 2004			Dec. 2005			Dec. 2006		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	9,945.6	54.8	10,113.1	51.4	1.7	11,523.3	49.2	13.9	16,584.2	53.0	43.9
2. Current year profit/loss	2,351.6	13.0	3,036.8	15.4	29.1	3,247.8	13.9	6.9	3,400.5	10.9	4.7
3. Retained earnings (loss)	1,415.0	7.8	1,899.0	9.6	34.2	2,499.9	10.7	31.6	3,716.8	11.9	48.7
4. Legal reserves	711.2	3.9	718.1	3.6	1.0	798.4	3.4	11.2	882.4	2.8	10.5
5. Total reserves provided for by the articles of association and other capital reserves	3,824.0	21.1	3,915.5	19.9	2.4	5,374.0	22.9	37.3	6,684.9	21.4	24.4
5.1. Reserves provided for by the articles of association and other capital reserves	0.0	0.0	3,918.2	19.9	-	5,350.4	22.8	36.6	6,662.0	21.3	24.5
5.2. Unrealised gains/losses on value adjustments of financial assets available for sale	0.0	0.0	-2.8	0.0	-	23.7	0.1	-960.7	14.6	0.0	-38.2
5.3. Reserves arising from hedging transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.3	0.0	0.0
6. Previous year profit/loss	-90.1	-0.5	-0.7	0.0	-99.2	0.2	0.0	0.0	-2.7	0.0	0.0
TOTAL CAPITAL	18,157.3	100.0	19,681.8	100.0	8.4	23,443.6	100.0	19.1	31,266.0	100.0	33.4

Total regulatory capital of banks at the end of 2006 was HRK 32.2bn, which is an increase of 30.8% compared with its balance as at 31 December 2005 (Table 1.7) Regulatory capital of large banks rose by 33.5% compared with its end-2005 balance and at HRK 25.6bn accounted for 79.4% of total regulatory capital of banks. Regulatory capital of medium-sized banks rose by 27.9% during the observed period, while that of small banks rose by 14.4%. At the end of 2006, medium-sized banks accounted for 11.5% of total regulatory capital of banks, while small banks accounted for 9.2% of the total.

TABLE 1.7 Changes in Banks' Regulatory Capital, end of period, in million HRK and %

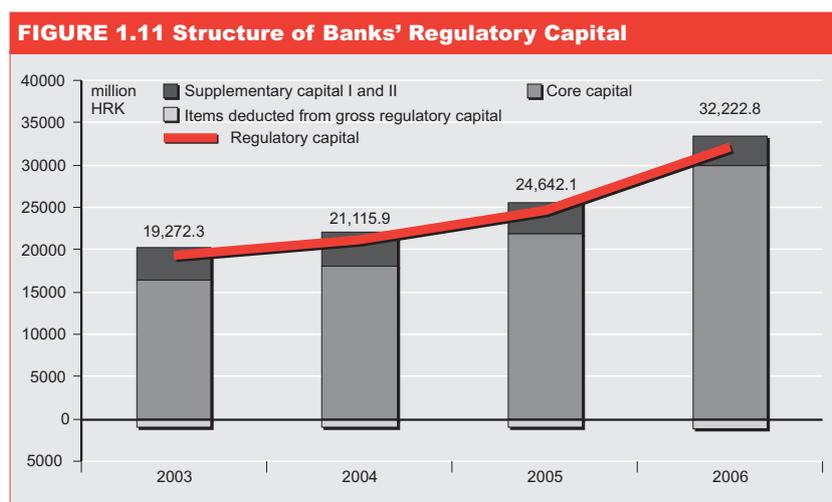
	Dec. 2003		Dec. 2004			Dec. 2005			Dec. 2006		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Large banks	13,524.1	70.2	15,870.3	75.2	17.3	19,160.5	77.8	20.7	25,577.9	79.4	33.5
Medium-sized banks	2,859.9	14.8	2,569.7	12.2	-10.1	2,888.8	11.7	12.4	3,693.6	11.5	27.9
Small banks	2,888.0	15.0	2,675.9	12.7	-7.3	2,580.7	10.5	-3.6	2,951.4	9.2	14.4
Total	19,272.0	100.0	21,115.9	100.0	9.6	24,630.0	100.0	16.6	32,222.8	100.0	30.8

The increase in regulatory capital was caused by an increase in core capital which, after deductions, compared to the balance at the end of 2005, stood at HRK 7.9bn or 36.2%. The increase in core capital in 2006 was the result of the already mentioned bank recapitalisation efforts made largely on the basis of new shares issues.

The nominal increase in core capital after deductions led to an increase in its share in the structure of gross regulatory capital. From 85.8% at the end of 2005, the share of core capital in gross regulatory capital rose to 89.5% at the end of 2006.

As the recapitalisation of banks was also done through conversion of hybrid and subordinate instruments into share capital, hybrid instruments declined by 38.0% and subordinate instruments by 3.3%

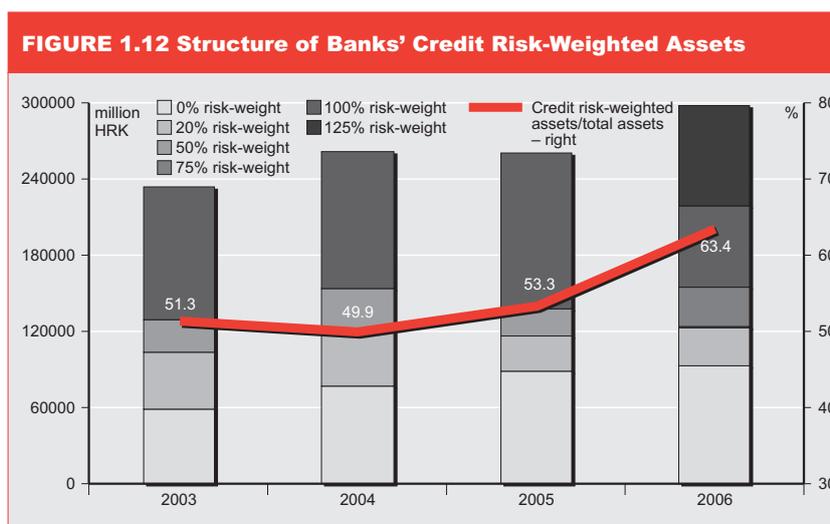
compared with end-2005. Despite a significant fall in hybrid instruments, supplementary capital I which is included in regulatory capital fell by 3.6% due to an 18.5% increase in the risk-weighted assets of banks (which serve as a base for the calculation of the permissible level of inclusion of collectively assessed impairment provisions into supplementary capital I) and consequently collectively assessed impairment provisions which are included in regulatory capital. After these changes, supplementary capital I which is included in regulatory capital fell by 3.6% and its share in gross regulatory capital fell to 10.5% from 14.2% at end-2005. Supplementary capital II which is included in regulatory capital fell by 72.2% during the observed period causing its otherwise also negligible share in the structure of gross regulatory capital to fall below 0.01%.



At the end of 2006, 23 banks reported their general banking risks reserve allocation obligation as amounting to HRK 984.9m. This is directly attributable to an increase in on-balance and off-balance sheet items and off-balance sheet activities, and amendments to the Decision on the classification of placements and contingent liabilities of banks. In accordance with the Decision, the base for general banking risks is no longer associated with the amount of capital adequacy but exclusively with annual exposure growth, and the growth threshold for allocation is decreased from 20% to 15%. Due to insufficient profit needed to meet the prescribed reserve allocation, five banks transferred their reserve allocation obligation partly or wholly into 2007, while one bank transferred its reserve allocation obligation into 2007 because of its operating loss. These six banks, of which one is a medium-sized bank and five are small banks, plan to cover the balance of the prescribed amount of reserves obligation for 2006 from their 2007 profits. The balance to be covered totals HRK 22.7bn.

The nominal value of banks' assets weighted by risk rose by HRK 44.2bn or 17.4% compared with the end of 2005, while the the weighted assets amount rose by HRK 55.1bn or 39.8%. In addition to the nominal increase of assets, a contribution to the increase in the weighted assets amount was also provided by the obligation to monitor and measure currency-induced credit risk.⁶ The banks submitted their first reports on the application of the currency-induced credit risk to the CNB for the period ending with the balance as at 30 June 2006.

6 Decision on the classification of placements and contingent liabilities of banks (Official Gazette 17/2003, 149/2005 and 74/2006).



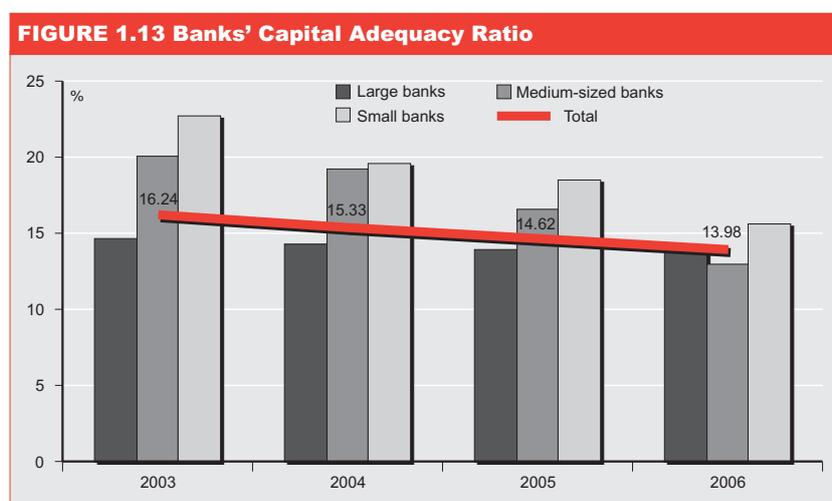
Under the amended regulation, new risk weights of 75% and 125% have been introduced in the calculation of credit risk-weighted assets.⁷ A 75% risk weighting is assigned to foreign currency loans and loans with a currency clause fully covered by mortgages, most notably loans granted to debtors who do not have adjusted foreign exchange positions. A 125% risk weighting is assigned to foreign currency claims and claims with a currency clause which are not covered by bank deposits or mortgaged property, most notably claims on debtors who do not have adjusted foreign exchange positions.

The introduction of new risk weights led to a change in the structure of credit-risk weighted assets (Figure 1.12). Assets weighted by a newly-introduced 75% risk weight stood at HRK 31.4bn at the end of 2006, mainly as a result of a fall from HRK 21.9bn at end-2005 to HRK 1.4bn, or 93.5%, in assets weighted by a 50% weight. As banks rated almost all loans with a currency clause, which are fully covered by mortgages, as placements to debtors with an unadjusted foreign exchange position, their risk weights have been raised from 50% to 75%. Equally noteworthy was also a fall in the share of assets weighted by risk weight 100%. They fell from HRK 122.0bn at end-2005 to HRK 63.4bn or 48.1% at end-2006, while assets weighted by the weight 125% stood at HRK 79.9bn at the end of 2006. Hence, the majority of other inadequately insured placements, approved in foreign currency or with a currency clause, were approved by banks to debtors with non-adjusted foreign exchange positions.

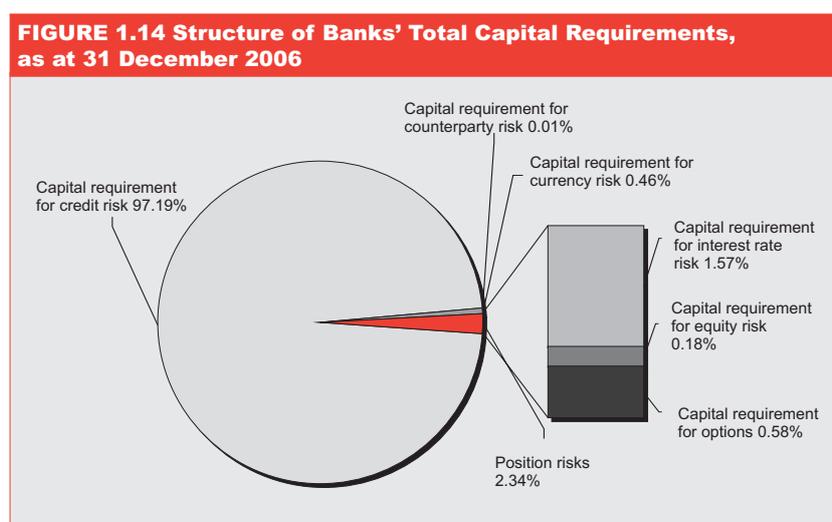
Recapitalisation and increase in regulatory capital notwithstanding, much faster growth of risk-weighted assets had a negative effect on the capital adequacy ratio. The capital adequacy ratio fell from 14.62% at the end of 2005 to 13.98% at the end of 2006 (Figure 1.13). However, a positive turn of events took place at the end of 2006 compared with the end of the first half of 2006, when the capital adequacy ratio fell to 12.88%, influenced by the stated regulatory amendments to the currency-induced credit risk. The capital adequacy ratio of medium-sized banks was lower than the average ratio for banks as a whole (12.96%), while that of large banks was only slightly lower than the average ratio (13.97%). By contrast, the capital adequacy ratio of small banks continued to be the highest. At end-2006, it stood at 15.66%.

⁷ Decision on amendments to the decision on the capital adequacy of banks (Official Gazette 149/2005).

While the capital adequacy of medium-sized and small banks fell by 3.66 percentage points and 2.87 percentage points, respectively, large banks kept their capital adequacy ratios at end-2005 level.



Total capital requirements amounted to HRK 23.0bn at the end of 2006 and were 36.7% greater than at the end of 2005. This was mostly due to the effect of the introduction of currency-induced credit risk. There were no significant changes in the structure of total capital requirements (Figure 1.14). Capital requirement for credit risk again accounted for the predominant share of total capital requirements and even increased additionally, reaching 97.2% at the end of 2006. In terms of their share in total capital requirements, position risks followed with 2.3%, with capital requirement for interest rate risk as their most significant component. Capital requirement for currency risk accounted for 0.5% of the total and capital requirement for counterparty risk accounted for only 0.01% of total capital requirements. Large banks accounted for the largest share (79.5%) of total capital requirements, while medium-sized and small banks accounted for 12.4% and 8.2% respectively of the total.



1.1.5 Banks' Income Statement

At the end of 2006, banks' income after tax was HRK 3400.5m, which is an increase of 4.7% compared with income realised at the end of the previous year (Table 1.8). Total income before tax made by thirty-two banks was HRK 3406.8m, while one small bank reported a loss of HRK 6.3m. This bank accounted for 0.3% of total bank assets at end-2006.

Total expenses of banks grew faster than total income. Compared with end-2005, total expenses of banks rose 15.5%, and total income rose 13.2%. Net operating income before loss provisions was HRK 4.9bn which is an increase of 7.9% compared with the end of the previous year.

TABLE 1.8 Banks' Income Statement, in million HRK

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.–Dec. 2005	Jan.–Dec. 2006	Jan.–Dec. 2005	Jan.–Dec. 2006	Jan.–Dec. 2005	Jan.–Dec. 2006	Jan.–Dec. 2005	Jan.–Dec. 2006
1. Net interest income	5,460.6	5,890.3	817.3	990.2	726.4	810.3	7,004.2	7,690.7
1.1. Total interest income	10,261.9	11,694.5	1,351.1	1,737.6	1,301.3	1,455.8	12,914.3	14,887.9
1.2. Total interest expenses	4,801.3	5,804.2	533.9	747.4	574.9	645.5	5,910.0	7,197.2
2. Net income from fees and commissions	1,574.3	1,792.6	193.5	249.5	170.3	181.6	1,938.1	2,223.8
2.1. Total income from fees and commissions	2,283.5	2,513.1	754.6	790.2	285.0	294.8	3,323.1	3,598.1
2.2. Total expenses on fees and commissions	709.3	720.5	561.0	540.7	114.7	113.1	1,385.0	1,374.3
3. Net other non-interest income	799.4	800.6	90.7	52.6	155.6	145.2	1,045.7	998.5
3.1. Other non-interest income	1,299.0	1,485.1	215.7	166.7	250.8	246.0	1,765.4	1,897.8
3.2. Other non-interest expenses	499.6	684.5	125.0	114.1	95.2	100.7	719.8	899.3
4. Net non-interest income	2,373.6	2,593.2	284.2	302.1	325.9	326.9	2,983.8	3,222.2
5. General administrative expenses and depreciation	4,031.1	4,396.7	679.8	830.3	719.1	769.0	5,430.1	5,996.1
6. Net operating income before loss provisions	3,803.0	4,086.8	421.7	462.0	333.2	368.1	4,558.0	4,916.9
7. Total expenses on loss provisions	368.8	520.4	66.4	98.6	92.5	55.8	527.7	674.8
7.1. Expenses on value adjustments and provisions for identified losses	81.2	184.1	33.9	3.9	74.0	10.1	189.1	198.1
7.2. Collectively assessed impairment provisions	287.7	336.3	32.5	94.7	18.5	45.7	338.6	476.7
8. Income/loss before taxes	3,434.2	3,566.3	355.3	363.5	240.7	312.3	4,030.2	4,242.0
9. Income tax	652.7	706.1	70.7	74.0	58.9	61.4	782.4	841.5
10. Current year profit/loss	2,781.5	2,860.2	284.6	289.5	181.8	250.8	3,247.8	3,400.5

Despite the fact that total interest expenses rose by HRK 1287.1m (21.8%) during the observed period and grew faster than total interest income (which rose by 15.3% or HRK 1972.7m), total net interest income nevertheless rose by 9.8%. Higher interest expenses compared with the same period previous year were mainly the result of a 21.4% growth in interest expenses on deposits and a 29.5% growth in interest expenses on loans received. The largest increase in interest expenses on deposits (HRK 392.8m or 16.3%) was seen in household deposits. The increase in interest expense on loans received was mainly due to growing obligations towards foreign banks for loans received. As a result, expenses on loans received from these institutions rose by 30.6%.

At the end of 2006, banks reported an 18.4% increase in interest income from loans granted compared with the end of 2005. The largest share of the increase in interest income went to loans granted to enterprises (HRK 894.3m or 25.5%) and loans granted to households (HRK 843.1m or 13.5%). Compared with the same period in 2005, interest income from housing and other household loans rose the most, while interest income from mortgages and car loans fell. A fall in the share of bank deposits placed to other financial institutions in total assets of banks and a fall in securities investment caused a fall in associated interest income of 0.7% and 0.9% respectively. The growth of interest

income in the observed period was positively affected by the growth of interest income from previous years, but also by lower negative exchange rate differences.

Net income from fees and commissions rose by 14.7% compared with the end of 2005. The increase in net income from fees and commissions was, in addition to an increase in income from fees and commissions (8.3%), also due to a simultaneous fall in expenses on fees and commissions of 0.8% at the end of 2006 over the end of 2005. The largest contribution to the increase in income from fees and commissions came from income from other banking services which rose by HRK 235.3m. On the expense side, expenses on fees and commissions fell by HRK 26.7m.

As the 25.1% growth of other non-interest expenses at the end of 2006 was higher than the growth of other non-interest income (7.8%), net other non-interest income declined by 4.2%. Banks' income from trading declined by HRK 125.3m or 10.5%. Their loss in securities trading amounted to HRK 42.4m.

TABLE 1.9 Structure of Banks' Income, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.-Dec. 2005	Jan.-Dec. 2006	Jan.-Dec. 2005	Jan.-Dec. 2006	Jan.-Dec. 2005	Jan.-Dec. 2006	Jan.-Dec. 2005	Jan.-Dec. 2006
1. INTEREST INCOME	74.1	74.5	58.2	64.5	70.8	72.9	71.7	73.0
1.1. Interest income from loans granted	61.4	63.2	44.4	53.4	60.3	62.4	59.1	61.8
1.2. Interest income from deposits	5.1	4.1	4.4	4.9	3.9	4.7	4.9	4.3
1.3. Interest income from debt securities	7.3	6.6	8.5	6.1	6.1	5.6	7.4	6.4
1.4. Interest income from interest rate swaps	0.3	0.2	0.0	0.0	0.0	0.0	0.2	0.2
1.5. Net balances on exchange rate fluctuations related to interest income	-0.2	-0.1	-0.1	0.0	0.0	0.0	-0.1	-0.1
1.6. Interest income from previous years	0.1	0.4	1.0	0.1	0.6	0.2	0.3	0.4
2. INCOME FROM FEES AND COMMISSIONS	16.5	16.0	32.5	29.3	15.5	14.8	18.5	17.7
2.1. Income from fees for payment operations services	7.7	7.2	26.3	21.8	8.2	7.5	10.1	9.1
2.2. Income from fees for other banking services	8.8	8.9	6.2	7.5	7.3	7.3	8.3	8.5
2.3. Net balances on exchange rate fluctuations related to claims based on fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. OTHER NON-INTEREST INCOME	9.4	9.5	9.3	6.2	13.7	12.3	9.8	9.3
TOTAL INCOME	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The increase in income from loans granted led to a change in the structure of total banks' income (Table 1.9) at the end of 2006 compared with the end of 2005. Due to the growth of interest income from loans and the decline in income from deposits and securities, the share of interest income in total income rose from 71.7% to 73.0% during the observed period. By contrast, the share of income from commissions and fees and other non-interest income in total income fell by 0.8% and 0.5% respectively.

General administrative expenses and depreciation rose by HRK 566.0m or 10.4% compared with the end of the previous year, mainly as a result of growing employee expenses (10.3%) and other administrative expenses (11.8%).

Total loss provision expenses rose by 27.9% compared with the end of 2005. With only a slight change in the amount of provisions for identified losses, the increase in total loss provision expenses can largely be attributed to an increase in collectively assessed impairment provisions. Boosted by considerable placements growth in 2006, they rose by 40.8% compared with the end of the previous year.

TABLE 1.10 Structure of Banks' Expenses, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.–Dec. 2005	Jan.–Dec. 2006	Jan.–Dec. 2005	Jan.–Dec. 2006	Jan.–Dec. 2005	Jan.–Dec. 2006	Jan.–Dec. 2005	Jan.–Dec. 2006
1. INTEREST EXPENSES	46.1	47.9	27.2	32.1	36.0	38.3	42.3	44.6
1.1. Interest expenses on loans received	10.8	11.9	3.7	5.0	3.3	2.9	8.9	10.0
1.2. Interest expenses on deposits	30.6	31.5	21.1	25.1	30.7	33.1	29.3	30.8
1.3. Interest expenses on debt securities	2.1	1.8	0.5	0.2	0.3	0.4	1.7	1.4
1.4. Interest expenses on interest rate swaps	0.7	0.8	0.0	0.0	0.0	0.0	0.5	0.6
1.5. Savings deposits insurance premiums	2.0	1.8	1.8	1.6	1.8	1.9	2.0	1.8
1.6. Net balances on exchange rate fluctuations related to interest expenses	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	-0.2	-0.1
1.7. Interest expenses from previous years	0.1	0.2	0.2	0.1	0.0	0.1	0.1	0.2
2. EXPENSES ON FEES AND COMMISSIONS	6.8	5.9	28.5	23.2	7.2	6.7	9.9	8.5
2.1. Expenses on fees/commissions for banking services of residents	5.7	4.8	27.9	22.5	6.9	6.5	8.9	7.6
2.2. Expenses on fees/commissions for banking services of non-residents	1.2	1.1	0.7	0.7	0.2	0.2	1.0	1.0
2.3. Net balances on exchange rate fluctuations related to liabilities based on fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. OTHER NON-INTEREST EXPENSES	4.8	5.6	6.4	4.9	6.0	6.0	5.2	5.6
4. GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION	38.7	36.3	34.6	35.6	45.0	45.7	38.9	37.1
5. LOSS PROVISION EXPENSES	3.5	4.3	3.4	4.2	5.8	3.3	3.8	4.2
5.1. Expenses on value adjustments and provisions for identified losses	0.8	1.5	1.7	0.2	4.6	0.6	1.4	1.2
5.2. Collectively assessed impairment provisions	2.8	2.8	1.7	4.1	1.2	2.7	2.4	3.0
TOTAL EXPENSES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Owing to the rise in interest expenses, the share of interest expenses in total operating expenses grew from 42.3% at the end of 2005 to 44.6% at the end of 2006 (Table 1.10). In the structure of total expenses, the share of general administrative expenses and depreciation fell the most (1.7 percentage points), despite this item's nominal increase. It accounted for 37.1% of total expenses. The share of expenses on fees and commissions fell by 1.4 percentage points, while the share of other non-interest expenses and provision expenses rose almost equally (0.4 percentage points).

Income after taxes of large banks rose at a below average rate. At the end of 2006, it was 2.8% higher compared with that at the end of 2005 (Table 1.8). Income of large banks accounted for 84.1% of total income after taxes of banks. While total operating expenses of large banks rose by 16.5%, their income rose at the rate of 13.4%. Despite an increase in interest income of 14.0%, which is below the rate of increase of all banks, diversification in the banks' offer of goods and services boosted large banks' growth in income from commissions and fees (10.1%) and other non-interest income (14.3%) to exceed that of other groups and banks combined. The increase in total expenses of large banks came largely from the increase in interest expenses, up by 20.9% compared with the end of 2005.

Robust growth of medium-sized banks in 2006 led to the increase in their after-taxes income of 1.7%. Total income of medium-sized banks rose by 16.1%, while their total expenses rose by 18.6%, with the most significant share of the increase in income and expenses relating to interest income and expenses. Interest income of medium-sized banks rose by 28.6% compared with the end of 2005, primarily due to higher income from granted loans and deposits. Income from commissions and fees rose by 4.7%, while other non-interest income fell by 22.7%. Medium-sized banks, more than any other bank groups and more than all banks combined, increased their administrative expenses and depreciation by 22.1% and total provision expenses by 48.5%. Increased provision expenses were due

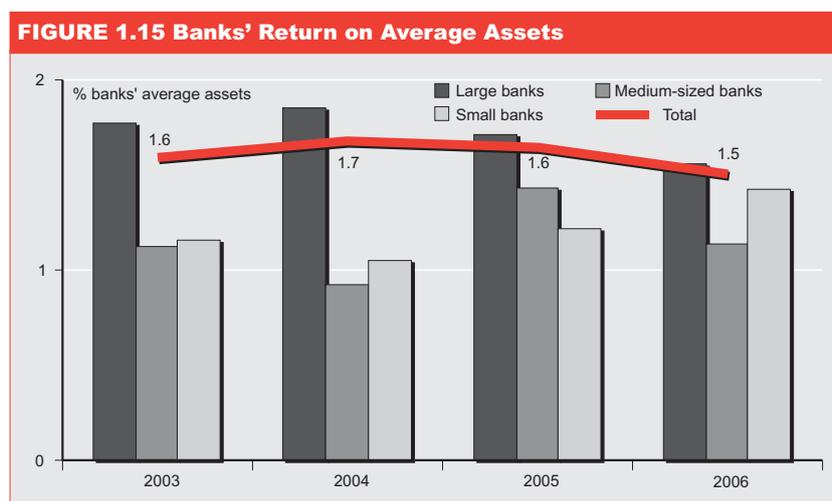
to the growth in collectively assessed impairment provisions, while expenses on value adjustments and provisions for identified losses fell by HRK 30.1m or 88.6%.

Small banks had the highest rate of increase in after-taxes income. It rose by 38.0% at the end of 2006 due to an increase in interest income and a fall in total provision expenses, most notably value adjustments and provisions for identified losses.

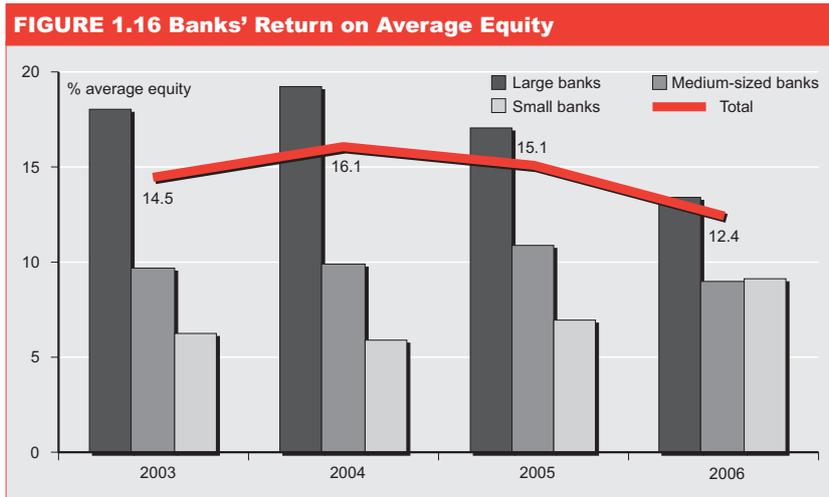
1.1.6 Indicators of Banks' Returns

Slower growth of income compared with the growth of asset and liability items in 2006 had an impact on indicators of banks' returns which fell compared with 2005. However, developments in indicators of peer bank groups' returns were different from those of all banks combined.

The return on the average assets of all banks stood at 1.5% at the end of 2006 (Figure 1.15), which is a fall of 0.1 percentage points compared with the end of 2005. This decrease was due to a more than three-fold fall in the growth of income before taxes compared with the growth of bank assets. The largest contribution to the fall in return on the average assets of banks was provided by changes in the group of medium-sized banks which saw the highest growth of assets and the slowest growth of income. As a result of these changes, the fall in returns of medium-sized banks was bigger than average (0.3 percentage points) and lagged 1.1% behind that of other groups and all banks combined. Large banks' return on average assets fell by 0.1 percentage point, while the value of the indicator of 1.6% was somewhat higher than the value of the indicator for all the banks combined. Small banks were the only ones that increased their return on average assets. From 1.2% at end-2005, it rose to 1.4% at end-2006 and that owing to a bigger increase in income of this group of banks compared with other groups and all banks combined.

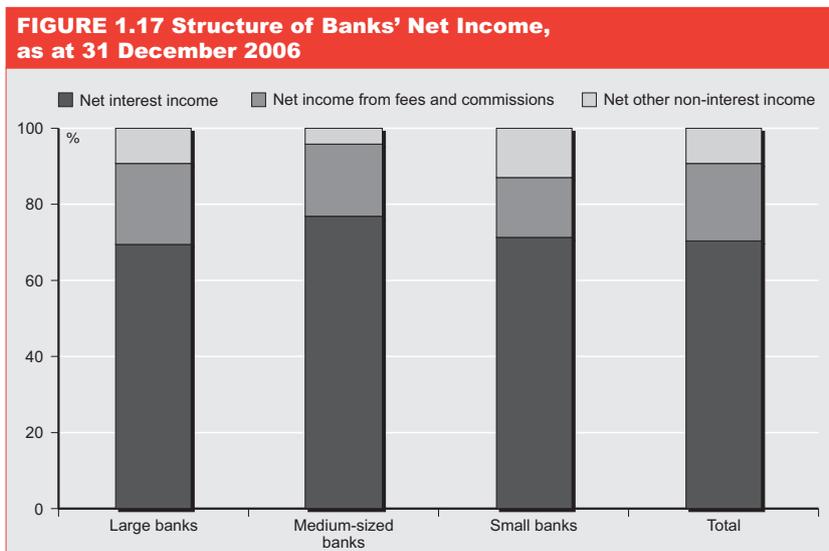


Banks' return on average equity was 12.4% (Figure 1.16), which is a decline of 2.6 percentage points compared with the end of 2005. This is due to a considerable increase in equity in 2006. Its biggest fall notwithstanding, large banks maintained the highest rate of return (13.4%). They were followed by small banks whose rate of return on average equity rose by 2.2 percentage points and reached



9.1%. The rate of return of medium-sized banks declined by 1.9 percentage points and stood at 9.0%.

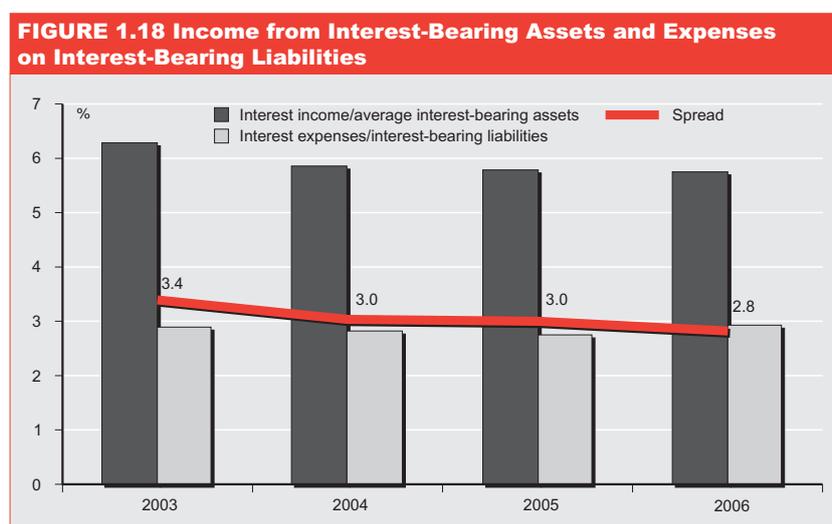
The structure of banks' net income underwent small changes in terms of the share of non-interest income, which fell, and the share of net interest income, which rose only slightly thus accounting for 70.5% of net income at the end of 2006 (Figure 1.17). The share of net income from commissions and fees rose by 1.0 percentage points, reaching 20.4% of banks' net income. The remaining 9.1% of net income related to net other non-interest income whose share fell by 1.3 percentage points in the observed period. These changes were due to the growth of net income from commissions and fees and a simultaneous fall in net other non-interest income. The structure of net income of large banks was almost equal to that of all banks combined. The most prominent changes were seen in the group of medium-sized banks, whose share of net interest income and net income from commissions and fees rose the most. At end-2006, medium-sized banks accounted for 74.2%, or the largest share of net interest income in net income. Small banks increased their share of net interest income, which, although at 69.3% of net income, was still below the banks' average. At the same time, the share of other net income of small banks fell.



According to end-2006 data, the trend of mild decline in the average interest income to average interest assets ratio present for several years continued into that year. The ratio fell by 0.1 percentage point compared with the end of the previous year (Figure 1.18) and stood at 5.7%. Small banks again had the largest average interest income to average interest assets ratio which stood at 7.2%, almost the same as their end-2005 ratio. The ratios of large and medium-sized banks changed only slightly during this period.

The ratio of average interest expense to average interest liabilities of all banks combined at the end of 2006 was only slightly higher (0.2 percentage points) compared with the previous year and stood at 2.9%. Small banks achieved a higher-than-average ratio (3.5%), and large and medium-sized banks achieved a ratio which was equal or lower than the average ratio (2.9% and 2.8%).

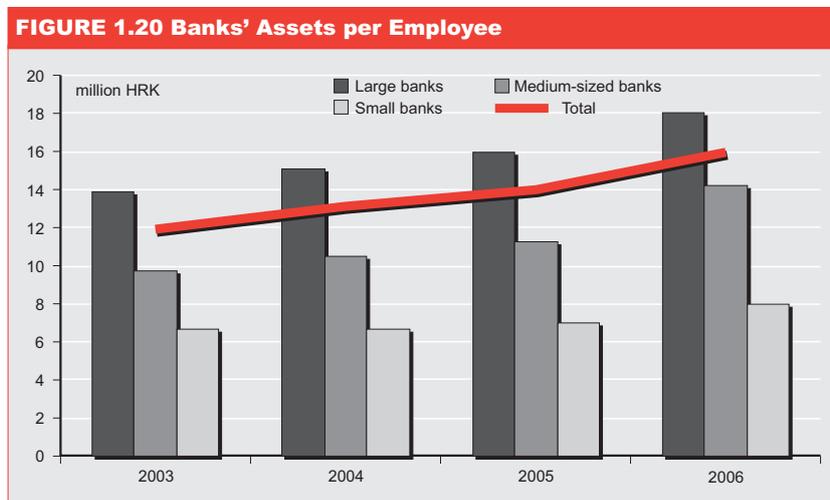
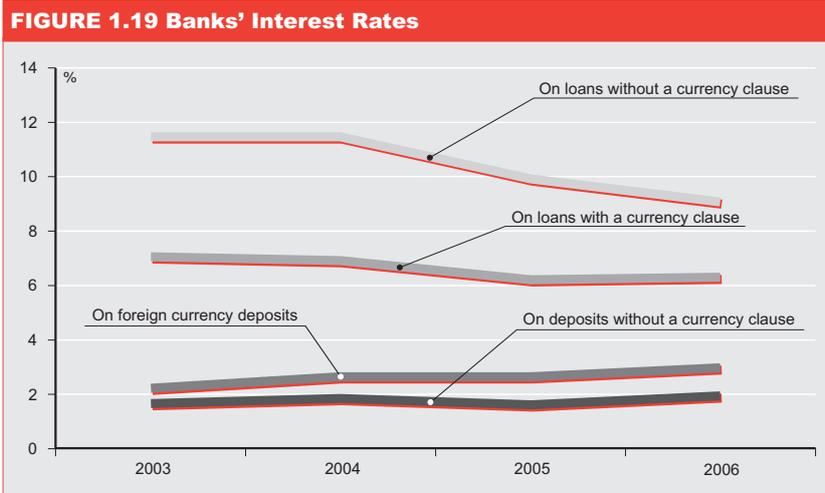
At the end of 2006, banks' spread⁸ was 2.8%, which is a fall of 0.2 percentage points compared with the same period previous year. In terms of groups of peer banks, large banks saw the biggest fall in their spread (0.2 percentage points), while the spread of medium-sized banks fell by 0.1 percentage point and that of small banks held steady at its end-2005 level.



Interest rates on foreign currency deposits and kuna deposits without a currency clause rose by 0.3 percentage points compared with the end of 2005. Interest rates on loans with a currency clause fell from 9.9% to 9.1%, while interest rates on loans with a currency clause rose from 6.2% to 6.3% or by 0.1 percentage point.

The trend of increase in the number of bank employees continued, with the number of employees totalling 19 096 persons at the end of 2006, which is an increase of 2.5% compared with the end of 2005. All groups of banks have increased the number of their employees, large banks most of all (by 187 or 1.4%). Medium-sized banks have increased their number of employees by 171 or 7.1%, and small banks by 114 or 4.0%.

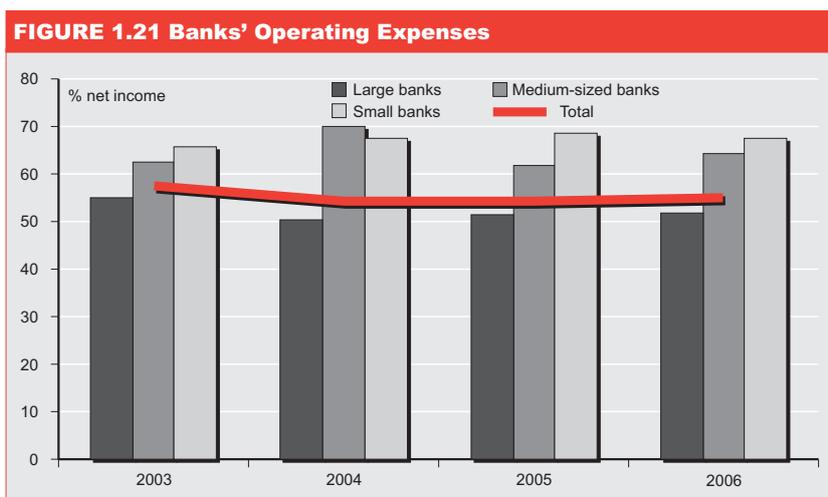
⁸ Spread was calculated as the difference between interest income earned on average interest-bearing assets and interest expenses incurred on average interest liabilities



Banks' assets per employee also rose steadily, reaching HRK 16.0m at the end of 2006, an increase of HRK 2.0m compared with the end of 2005 (Figure 1.20). This indicator increased in all groups of peer banks. Despite a relatively large increase in the number of employees, the asset growth of medium-sized banks caused the most significant change in assets per employee (almost HRK 3.0m). Large banks remained the most efficient peer group of banks with HRK 18.0m in assets per employee. Medium-sized banks followed with HRK 14.2m in assets per employee, while small banks with HRK 7.7m in assets per employee had a twice lower asset per employee level compared with the banks' average.

The ratio of operating expenses to net income of all banks, after a two-year decline, recovered at the end of 2006, reaching 54.9% (Figure 1.21). Efficiency worsening at the end of 2006 was due to growing expenses of large and medium-sized banks.

Although small banks again achieved the highest value of the indicator, i.e. remained the least efficient peer group, they were the only ones that reduced their operating expenses to net income ratio. The reduction amounted to 0.9 percentage points, bringing the group's ratio to 68.5%. Large banks' ratio rose from 51.5% to 51.8%, while that of medium-sized banks worsened by 4.1 percentage point, i.e. rose from 61.7% to 64.2%.



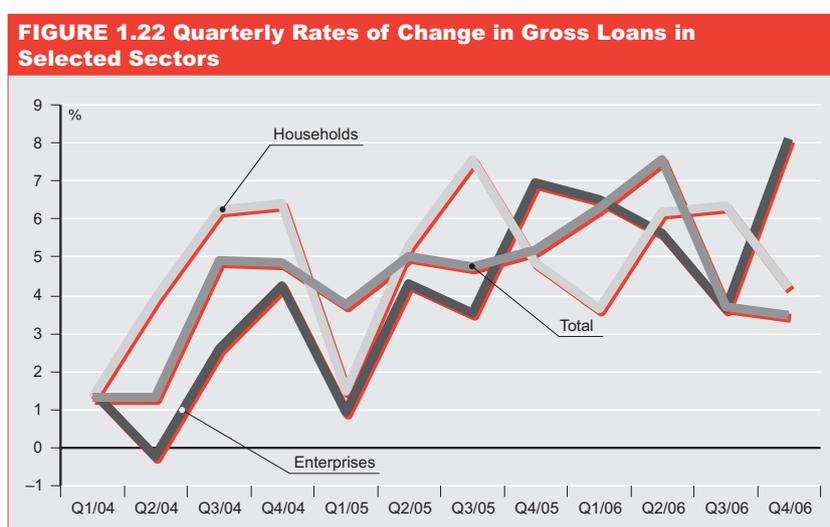
1.1.7 Banks' Exposure to Credit Risk

In 2006, total placements and contingent liabilities rose by 25.4% and stood at HRK 349.6bn at the end of the year (Table 1.11). The largest contribution to total placements and contingent liabilities growth was provided by the growth of gross loans granted. They rose by HRK 35.7bn or 22.6%. The reallocation of available-for-sale debt securities into the portfolio which is subject to credit risk evaluation and allocation into risk groups, in accordance with the revised IAS 39, caused an increase in this category of financial assets of HRK 14.7bn. With respect to the amount of change, the next items were off-balance sheet contingent liabilities, which rose by HRK 14.3bn or 30.4%, and deposits, which rose by HRK 8.9bn or 14.2%, compared with the end of 2005. Debt securities and other held-to-maturity assets fell by HRK 2.5bn or 42.2% compared with the end of 2005 and other claims fell by HRK 391.7m or 19.4%.

These changes did not make any significant contribution to total placements and contingent liabilities structure. Despite the growth in loans and deposits (the most significant placements items), these items' share in total placements and contingent liabilities shrank by 1.2 and 2.0 percentage points, respectively, and reached 55.3% or 20.3%. The reason for this change lay in the previously mentioned reallocation of available-for-sale debt securities whose share thus rose from 0.7% at end-2005 to 4.7% at the end of 2006. A smaller share of the increase (0.7%) can be attributed to the fast growth rate of the off-balance sheet contingent liabilities during the observed period, with their share accounting for 17.5% of total placements and contingent liabilities. This item's increase was mainly due to a HRK 9.1bn or 45.1% increase in unused credit lines. The remaining 2.1% of total placements went to all other items.

Of all loans, gross loans granted to households rose the most in 2006 (HRK 17.1bn or 21.9%). Due to an increase of HRK 16.2bn, loans granted to enterprises grew at a higher rate than gross loans to households, up by 26.1% compared with the end of 2005. Despite the uniform annual growth of loans to the major sectors, the growth divergence is visible on the quarterly level (Figure 1.22). After growing strongly in the first half of 2006, gross loans to households slowed down in the last quarter when they amounted to 4.2%. However, viewed quarterly, the growth rate of loans granted to enterprises stood at 8.1% during that period, representing these loans' largest increase in the past

three years. In addition to a fall in loans to government units of HRK 2.5bn, it was a fall in loans to households which influenced the quarterly growth rate of gross loans bringing it to 3.5% in the last quarter and thus breaking a year-long trend of quarterly growth of gross loans, which ranged from 5% to 7.5%.



Large placements growth which took place in 2006 caused fully recoverable placements and contingent liabilities of banks to rise by 26.3%, thus additionally increasing their share in total placements and contingent liabilities. They were up from 96.0% at end-2005 to 96.8% at end-2006. At end-2006, partly recoverable placements and contingent liabilities were up 4.8% compared with the end of the previous year, though their share in total placements and contingent liabilities fell to 2.0%. Irrecoverable placements and contingent liabilities shrank by 1.5% compared with the end of 2005, thus reducing their share in total placements and contingent liabilities to 1.2%.

TABLE 1.11 Classification of Banks' Placements and Contingent Liabilities by Risk Categories, in million HRK and %

	Dec. 2003		Dec. 2004		Dec. 2005		Dec. 2006	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	200,166.3	94.9	231,225.3	95.4	267,835.4	96.0	338,327.5	96.8
2. Partly recoverable placements (category B)	7,475.8	3.5	6,722.6	2.8	6,801.6	2.4	7,129.1	2.0
3. Irrecoverable placements (category C)	3,371.5	1.6	4,386.2	1.8	4,238.5	1.5	4,173.1	1.2
Total	211,013.6	100.0	242,334.1	100.0	278,875.5	100.0	349,629.8	100.0

Changes in the quality structure of placements and contingent liabilities were most prominent in medium-sized banks, which realised the greatest growth rates of gross placements (41.7%), category A placements (44.1%) and category B placements (18.4%) and the greatest decrease in the category C placements (16.2%). All bank peer groups increased the quality of their placements. Large banks had the largest share of fully recoverable placements (97.2%) in total placements and contingent liabilities, increasing it by additional 0.2 percentage points. As for medium-sized banks, their share also increased from 94.2% to 95.8%, while small banks increased this share from 91.6% to 93.3%.

Strong growth of fully recoverable placements decreased the coverage of total placements and contingent liabilities with total value adjustments for placements and provisions for contingent liabilities from 3.2% in 2005 to 2.6% in 2006. At the end of 2006, value adjustments for placements and provisions for contingent liabilities totalled HRK 9.2bn, up 2.7% on the end of the previous year (Table

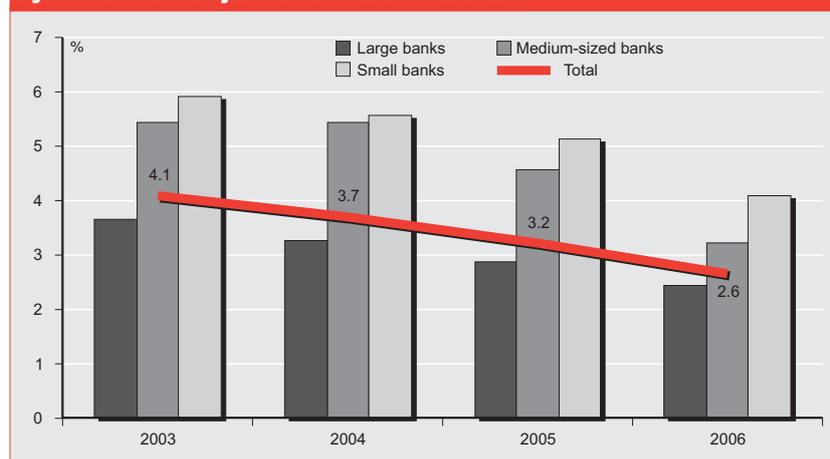
1.12). The main reason for this increase was the growth in fully recoverable placements as well as an increase in the base for allocation of collectively assessed impairment provisions, raising them by HRK 476.5m or 18.5% on the end of the previous year. In the same period, total value adjustments for placements and provisions for contingent liabilities declined by HRK 231.9m or 3.6%. The above changes affected the structure of total provisions, reducing the share of value adjustments for placements and provisions for contingent liabilities from 71.4% to 67.0%, while the share of collectively assessed impairment provisions increased from 28.6% to 33.0%.

TABLE 1.12 Ratio of Banks' Total Value Adjustments and Provisions to Total Placements and Contingent Liabilities, end of period, in million HRK and %

Placements	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006
1. Total value adjustments against placements and provisions for contingent liabilities	8,611.5	8,909.9	9,002.3	9,246.9
1.1. Value adjustments against placements and provisions for contingent liabilities	6,573.8	6,672.5	6,427.8	6,195.9
1.2. Collectively assessed impairment provisions	2,037.7	2,237.3	2,574.5	3,051.0
2. Total placements and contingent liabilities	211,013.6	242,334.1	278,875.5	349,629.8
3. Relative ratio: total value adjustments and provisions/total placements and contingent liabilities	4.1%	3.7%	3.2%	2.6%

The increase in the level of total value adjustments of placements and provisions for contingent liabilities was affected solely by large banks, as the only group which raised their amount, by 3.9%. In the same period, medium-sized and small banks reduced the amount of total provisions by 0.4% and 0.8% respectively. All bank peer groups reduced the ratio of total value adjustments and provisions to total placements and contingent liabilities. Changes in the coverage were most significant with medium-sized banks. The above ratio for this group reduced by 1.4 percentage points to 3.2%. The coverage for small banks reduced by 1.0 percentage point, from 5.1% to 4.1%, and despite the increase in total provisions the coverage for large banks decreased from 2.9% to 2.4%.

FIGURE 1.23 Coverage of Total Placements and Contingent Liabilities by Total Value Adjustments and Provisions



In 2006, banks increased the amount of net loans granted by HRK 35.8bn or 23.6% (Table 1.13). Viewed by bank peer groups, net loans of medium-sized banks grew at the fastest annual growth rate (48.1%), followed by small banks (23.6%), while net loans granted by large banks went up at a rate of 20.7%, which was below the average growth rate of net loans granted of all banks.

Although banks increased the amount of loans to all institutional sectors, the increase in loans to households and enterprises accounted for over 90% of the total increase. Loans to households increased

by HRK 17.0bn and loans to enterprises by HRK 16.4bn compared with the end of 2005. Although net loans to households grew the most in nominal terms, at the rate of 22.4%, net loans to enterprises grew at a faster rate of 27.9%. The result of this change was a slight decrease in the share of household sector in total net loans, from 49.8% at the end of 2005 to 49.4% at the end of 2006. In the same period, having risen by 1.4 percentage points, loans granted to enterprises reached 40.0% of total net loans.

Net loans to non-residents (which grew by 88.5%) had the highest growth rate, although their share in total net loans continued to be relatively small, totalling 0.5%. Even following the 15.7% increase, loans to non-residents continued to account for only 0.3% of total net loans. Loans granted to government units went up by 13.8%, while their share in total net loans reduced to 7.7%. The remaining share of total net loans was accounted for by the financial institutions sector, which also registered a 4.3% increase in the amount of granted loans and their share shrinking to 2.1% of total net loans.

The growth of net loans to households was a consequence of the growth in all types of loans, although the greatest contribution came from housing loans both by the amount of increase and the rate of growth. They went up by HRK 9.4bn or 34.4% on the end of 2005, reaching HRK 36.6bn. Next to follow by the amount of the increase were other household loans which rose by HRK 6.4bn or 18.7%. Growth rates of other loans to households were lower. Credit card loans increased by 16.5%, car purchase loans by 6.3% and mortgage loans by 5.8%. Among bank peer groups, medium-sized banks again realised above-average growth rates of most significant types of loans – housing and other loans. Housing loans granted by medium-sized banks increased by 38.9%, housing loans granted by small banks by 34.4% and housing loans granted by large banks by 33.9%. Other loans to households granted by medium-sized banks increased by 37.9%, which was double the average growth rate of 18.7% for all banks. Credit card loans went up by 16.5%. Although large banks accounted for the largest share of the increase, the total amount of these loans granted by medium-sized banks went up by 147.7% on the end of 2005. Car purchase loans and mortgage loans went up at sizeably lower rates, of 6.3% and 5.8%, than the average growth rate of total net loans.

TABLE 1.13 Sectoral Structure of Banks' Net Loans, end of period, in million HRK

	Large banks		Medium-sized banks		Small banks		Total	
	Dec. 2005	Dec. 2006	Dec. 2005	Dec. 2006	Dec. 2005	Dec. 2006	Dec. 2005	Dec. 2006
1. Government units	12,496.5	13,638.2	229.4	813.2	32.7	66.1	12,758.6	14,517.4
2. Financial institutions	3,315.4	3,130.3	141.9	481.9	410.0	423.2	3,867.3	4,035.4
3. State-owned enterprises	6,136.2	7,352.1	168.2	480.0	92.2	108.6	6,396.6	7,940.6
4. Other enterprises	40,605.0	50,870.8	6,191.8	9,210.6	5,486.5	7,051.8	52,283.2	67,133.2
5. Non-profit institutions	380.5	438.6	27.3	27.6	28.7	39.1	436.5	505.3
6. Households	62,386.9	75,446.1	8,104.4	10,989.1	5,214.4	6,247.3	75,705.8	92,682.5
7. Non-residents	500.5	943.1	4.8	21.2	6.5	0.6	511.8	964.9
Total	125,820.9	151,819.2	14,867.8	22,023.6	11,271.1	13,936.5	151,959.8	187,779.3

At the end of 2006, 42.1% of net placements were covered by quality insurance instruments. Quality insurance instruments are lien or transfer of ownership of residential or business property, deposits, certain guarantees or securities and all other instruments deemed as quality insurance instruments in a bank's bylaws.⁹

⁹ Decision on supervisory reports of banks (Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Property insurance accounted for the lion's share of banks' receivables covered by quality insurance instruments, totalling 34.7%. Business property accounted for the second largest share of quality insurance instruments, totalling 28.2%. The category of other quality insurance instruments made up a share of 18.4%, guarantees and securities a share of 13.7% and deposits a share of 5.0%. The largest share of covered placements in total net placements was that of large banks (44.5%), followed by small banks with a share of 34.2% and medium-sized banks with the smallest share of 31.2%.

1.1.7.1 Banks' Exposure to Currency-Induced Credit Risk

The obligation to increase the weight of currency-induced credit risk in the capital requirement for credit risk, which was introduced at the end of the first half of 2006, contributed to the reduction of the capital adequacy ratio, from 14.62% at the end of 2005 to 12.88% at the end of 2006. The increase in the level of regulatory capital following recapitalisations in the second half of 2006 reduced the negative effect of currency-induced credit risk on capital adequacy, although the capital adequacy ratio of 13.98% at the end of 2006 was still lower than the one seen at the end of 2005.

Banks' net placements and contingent liabilities totalled HRK 343.4bn at the end of 2006. Of that amount, HRK 209.5bn, or 61.0% were exposed to currency-induced credit risk. Small banks had the smallest share of placements exposed to currency-induced credit risks in net placements and contingent liabilities, totalling 47.3%, while at medium-sized banks this share amounted to 51.6% and at large banks to 63.6%.

Net placements and contingent liabilities exposed to currency-induced credit risk were to a great extent unhedged against its influence. Banks declared HRK 160.2bn, or 76.5%, unhedged against currency-induced credit risk, while the remaining HRK 49.3bn, or 23.5%, was hedged. Small banks had the greatest share of hedged items in placements exposed to currency-induced credit risk, totalling 27.7%, which could partly be the consequence of their relatively greater share of placements which are not subject to evaluation as net placements. The smallest share of hedged items (19.5%) was declared by medium-sized banks, while for large banks this share almost averaged, standing at 23.7%.

Although loans made up more than a half of banks' placements at the end of 2006, they were the least hedged financial instrument, with banks declaring only 9.8% of loans exposed to currency-induced credit risk as hedged. This was partly a result of a large share of household loans in the structure of total loans granted because this is the sector with the least balanced foreign exchange position.

Viewed by institutional sectors, placements granted to non-profit institutions were almost fully unhedged, i.e. 96.9%. In terms of unhedged items, household loans followed, their share of unhedged items being 95.6%. Of all loans granted to household clients, banks declared housing loans as the least hedged (1.8%), while the most hedged were car purchase loans (11.8%). Bank placements to non-residents were the most hedged against currency-induced credit risk (75.0%), while placements to other financial institutions were slightly less hedged (70.9%).

1.1.8 Banks' Exposure to Liquidity Risk

Banks' sources of financing (received deposits, received loans, issued debt securities and issued subordinated and hybrid instruments) grew by HRK 35.9bn, or 15.8%, on the end of 2005. The majority of this growth was accounted for by the increase in received deposits, which went up by HRK 31.2bn, or 18.2%. The remainder was accounted for by the growth of received loans (HRK 4.8bn or 9.7%) and the growth of issued long-term securities (HRK 186.5m or 5.5%). Issued hybrid and subordinated instruments decreased by HRK 346.7m and HRK 20.9m respectively.

Until the end of 2006, banks used repo loans of the Croatian National Bank worth HRK 3.9bn pledged with MoF treasury bills, which was below the amount of loans used in 2005 (HRK 4.2bn).

TABLE 1.14 Structure of Banks' Sources of Financing, end of period, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Dec. 2005	Dec. 2006	Dec. 2005	Dec. 2006	Dec. 2005	Dec. 2006	Dec. 2005	Dec. 2006
Deposits	73.5	75.1	83.3	83.5	90.3	90.0	75.7	77.3
Loans	23.9	22.7	16.1	16.1	9.3	9.4	22.1	20.9
Debt securities	1.8	1.7	0.0	0.0	0.0	0.0	1.5	1.4
Hybrid and subordinated instruments issued	0.8	0.5	0.6	0.4	0.4	0.6	0.7	0.5
Total sources of financing	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Deposits and loans of majority foreign owner	16.6	18.2	21.5	22.0	0.0	0.0	15.9	17.3

Deposits and loans received from majority foreign owners totalled HRK 45.5bn at the end of 2006, up HRK 9.4bn on the end of the previous year. The increase in the amount of funds from the majority foreign ownership sources of financing, raised their share in total received deposits and loans from 16.3% at the end of 2005 to 17.6% at the end of 2006. Large banks accounted for the largest share of used total deposits and loans received from majority foreign owners (84.8%), increasing their share by HRK 7.4bn, or 23.7%. The share of financing from majority foreign ownership sources used by medium-sized banks grew by HRK 2.0bn, or 41.4%, while only one small bank used the sources of financing from the majority foreign owner, totalling HRK 372 thousand.

The household sector remained the most important source of financing,¹⁰ as it accounted for 44.1% of the total amount of banks' deposits and loans. Non-residents followed, with a 27.2% share, from which banks received HRK 39.5bn of loans and HRK 32.1bn of deposits. Enterprises accounted for a 16.5% share of total loans and deposits and financial institutions for a 10.1% share. Government units participated in banks' financing sources with 1.7%, while non-profit institutions had the smallest share (0.9%).

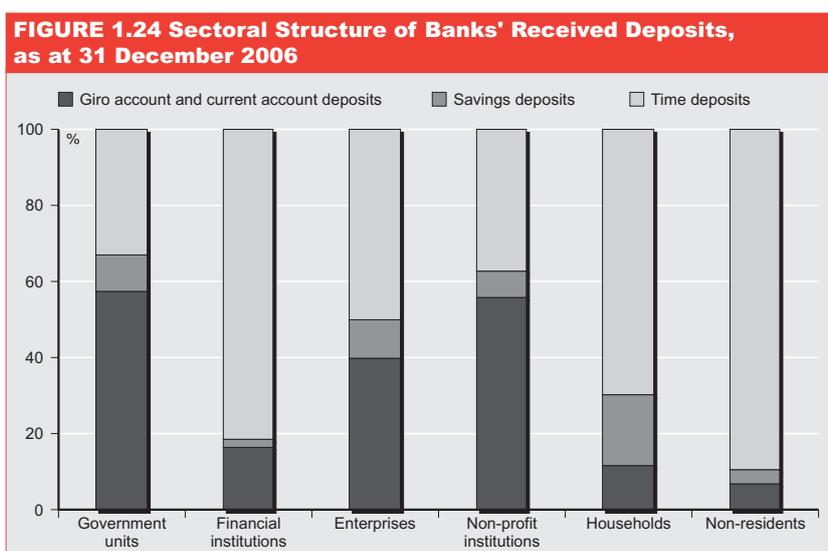
TABLE 1.15 Sectoral Structure of Banks' Received Loans, end of period, in million HRK and %

	Dec. 2003		Dec. 2004			Dec. 2005			Dec. 2006		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from government units	961.6	3.0	679.2	1.7	-29.4	528.0	1.1	-22.3	272.9	0.5	-48.3
Loans from financial institutions	7,112.9	22.1	8,462.0	21.2	19.0	13,843.8	27.7	63.6	15,102.5	27.5	9.1
Loans from enterprises	90.5	0.3	40.3	0.1	-55.5	40.8	0.1	1.2	0.0	0.0	-99.9
Loans from foreign financial institutions	22,869.3	71.0	30,081.9	75.5	31.5	35,143.1	70.2	16.8	39,129.4	71.3	11.3
Loans from other non-residents	1,158.9	3.6	566.8	1.4	-51.1	479.3	1.0	-15.4	360.5	0.7	-24.8
TOTAL LOANS RECEIVED	32,193.3	100.0	39,830.3	100.0	23.7	50,035.0	100.0	25.6	54,865.4	100.0	9.7
Loans from majority foreign owner	-	-	12,131.2	30.5	-	17,705.0	35.4	45.9	22,925.5	41.8	29.5

¹⁰ Issued debt securities (which participate in the total structure of financing sources with approximately 1.5%) were not classified by sector for analysis purposes.

As at the end of 2005, deposits remained the most significant financing source for all groups of banks. They made up the greatest share of financing sources of small banks, which are almost exclusively oriented towards deposits. Large banks had the largest share of loans in total financing sources (22.7%), while the greatest increase in total financing sources was achieved by medium-sized banks (38.3%).

In 2006, deposits grew by 18.2%, primarily due to the growth in household deposits, which went up by HRK 13.0bn, or 13.3%, accounting for more than a third of the total increase in deposits. Corporate deposits also went up substantially, by HRK 8.9bn, or 26.4%. A high rate of growth of non-resident deposits (20.5%) and deposits from financial institutions (41.5%) also contributed to the growth in total deposits.



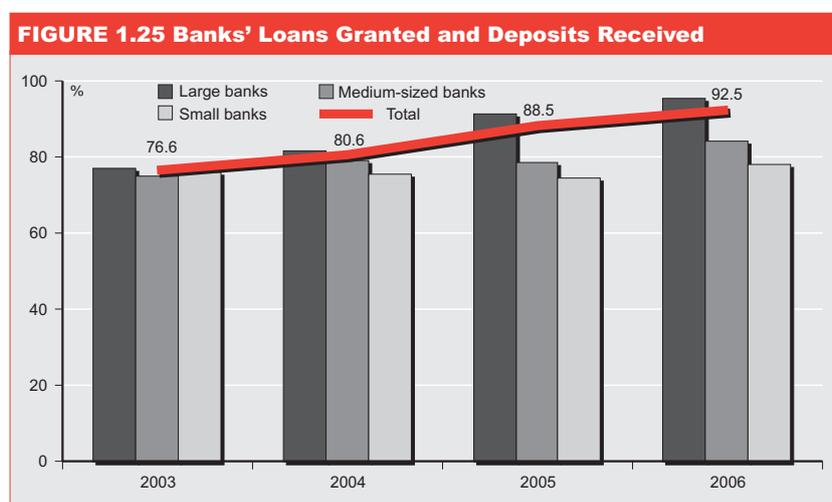
A more substantial change in the structure of deposits with respect to institutional sectors was observed in the household sector, whose share in total deposits reduced by 2.3 percentage points, ending the year at 54.4%. At the same time, the share of the corporate sector increased by 1.4 percentage points, reaching 21.0%. Deposit shares of other sectors in total deposits have not changed much.

The structure of deposits with respect to their maturity showed a declining trend of the share of savings deposits, which made up 13.1% of total deposits at the end of 2006, while a year before their share totalled 15.2%. The share of time deposits mildly increased, making up 68.3% of total deposits, while the share of deposits on giro and current accounts was 18.6% of total deposits.

Deposits on giro and current accounts grew by 29.2% (HRK 8.5bn). Both deposits of the household sector and the corporate sector contributed evenly to this increase, with the latter increasing by HRK 3.3bn. Savings deposits went up by a mere 1.8%. Time deposits went up by 19.1%, or HRK 22.2bn. Viewed by sector, growth was almost primarily generated by time deposits of the household sector, which grew by HRK 9.6bn, and corporate deposits which went up HRK 5.4bn. The growth of time deposits of non-residents (HRK 3.7bn) and financial institutions (HRK 2.8bn) was also noticeable.

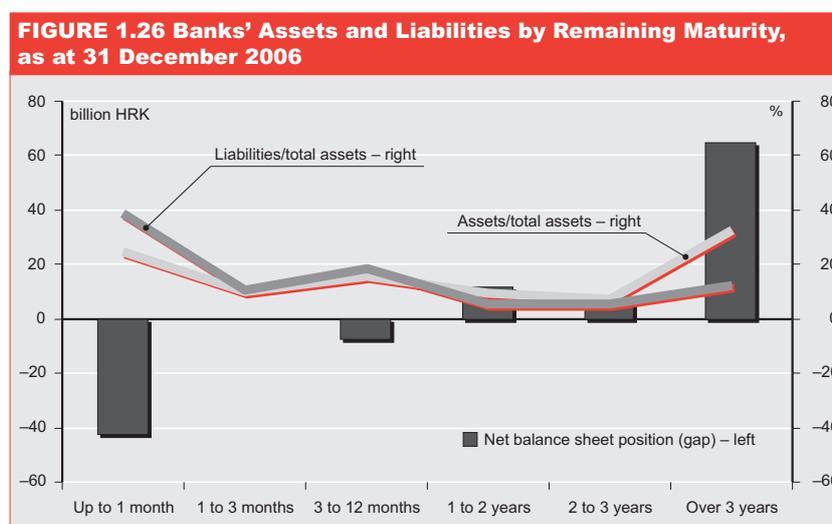
The ratio of loans granted and deposits received has been on the rise since the end of 2003. At the end of 2006, it went up by 4.0 percentage points compared to the end of 2005 (Figure 1.25). This

was the result of the increase in net loans granted, which went up 5.4 percentage points faster than the deposits received (23.6% compared to 18.2%). The said ratio increased the most in medium-sized banks, by 5.4 percentage points, and to a lesser extent in large and small banks (4.2 and 3.5 percentage points).



The ratio between short-term assets and short-term liabilities (up to one year), calculated on the basis of data on remaining maturity, was 75.4% at the end of 2006, which was somewhat lower than at the end of 2005, when this ratio totalled 86.8%. The reason for this was faster growth of short-term liabilities than short-term assets. Liabilities went up at the rate of 15.6%, while assets went up at 11.1%.

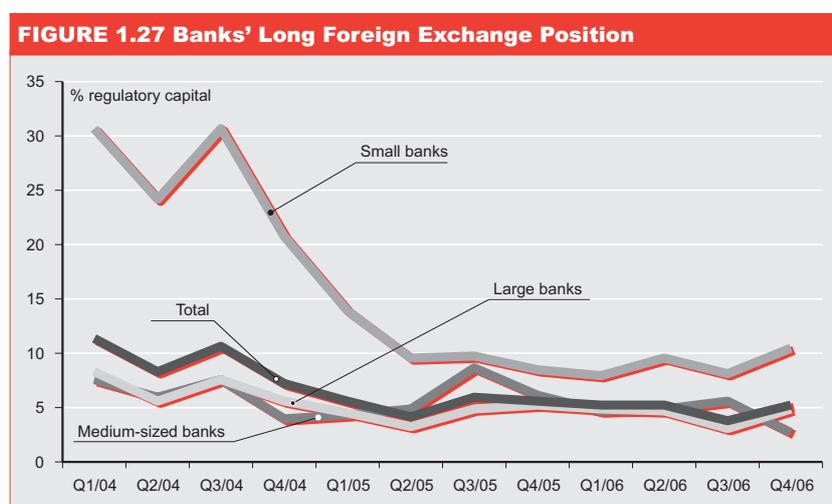
The balance sheet structure of banks' assets and liabilities by remaining maturity did not change much compared to the previous years (Figure 1.26). A deficiency of assets over liabilities (a so-called cumulative mismatch or negative gap) was characteristic for all maturities up to one year. It was most pronounced in the category of remaining maturity of up to one month (HRK 42.6bn) and slightly smaller in the remaining two categories, the remaining maturity of three and twelve months (HRK 0.4bn and 7.6bn respectively). The total cumulative negative gap for the short-term maturity (up



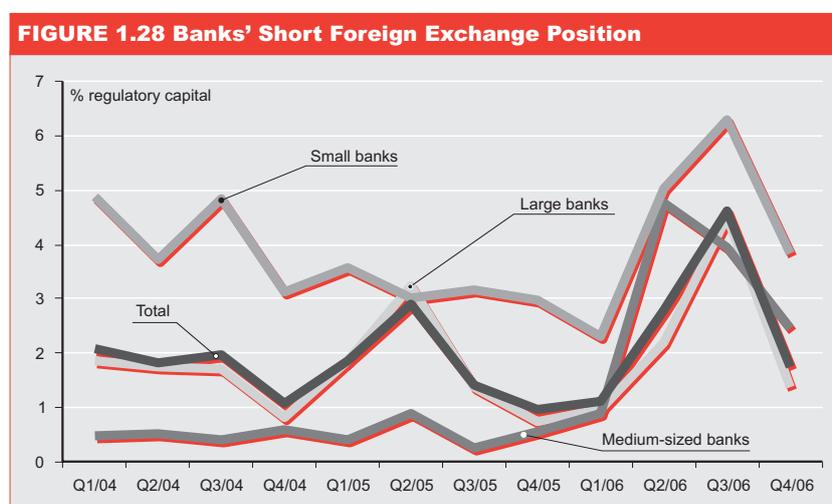
to one year) reached HRK 50.6bn. In the category of longer remaining maturities the negative gap started narrowing due to the surplus of assets over liabilities. It also no longer includes the category of remaining maturity which exceeds three years.

1.1.9 Currency Adjustment of Banks' Assets and Liabilities

The ratio between the average long position and regulatory capital of all banks was 5.2% at the end of 2006, slightly down from 5.7% at the end of 2005 (Figure 1.27). Small banks had the highest average quarterly long foreign exchange position expressed as a percentage of regulatory capital at the end of 2006 (10.5%), followed by large banks (4.9%) and medium-sized banks (2.7%).



The ratio between the average short foreign exchange position and regulatory capital of all banks (1.8%) remained lower than the ratio of the average long foreign exchange position and regulatory capital of all banks. However, compared to the end of 2005 this ratio increased for all bank peer groups (Figure 1.28). The increase was most pronounced at medium-sized banks, where the ratio



between the average short foreign exchange position and banks' regulatory capital increased from 0.6% to 2.4% in the observed period. A growth in the said ratio from 0.7% to 1.4% was registered in the observed period at large banks, while small banks saw an increase from 3.0% to 3.8%.

1.2 Housing Savings Banks

Five housing savings banks operated in the territory of the Republic of Croatia at the end of 2006. Their number increased by one compared to the end of the previous year.¹¹ Despite the increase in number, the share of housing savings banks in total banking sector assets reduced from 2.3% at the end of 2005 to some 2.0% at the end of 2006.

Four housing savings banks were under majority foreign shareholder ownership, either directly or indirectly, with their assets accounting for 99.4% of total housing savings banks' assets, while the recently established housing savings bank, which was under majority domestic state ownership, accounted for the remaining 0.6%.

1.2.1 Housing Savings Banks' Balance Sheet

Housing savings banks' assets totalled HRK 6.4bn at the end of 2006, up 3.8% compared to the end of 2005. Total assets of two housing savings banks increased, while the assets of two housing savings banks narrowed. Although total housing savings banks' assets have increased, almost doubling in the past four years, their growth rate has reflected a declining trend (Table 1.16).

A slowdown in the growth of household deposits, as almost the sole source of financing of housing savings banks, contributed to this slowdown in the growth of housing savings banks' assets. As a result, the movement of growth rate of housing savings banks' assets followed the pattern of changes in deposits. Despite their increase in nominal terms, the growth of household deposits also slowed down in the past four years. Capital, as the second and a less important source of housing savings banks' financing, narrowed compared to the end of 2005 under the influence of their investments structure, which is dominated by securities, and the loss realised in 2006 on the basis of the said investments.

The investments of housing savings banks in securities totalled HRK 4.3bn at the end of 2006, accounting for the lion's share of the total housing savings banks' assets with a share of 66.8%. Although the structure of the securities portfolio changed substantially compared to the end of the previous year, total investments went up by only 3.0%. Housing savings banks had only two types of securities in their portfolios at the end of 2006: the MoF treasury bills and the Republic of Croatia bonds. The MoF treasury bills made up 8.2% of the total amount of securities, reducing by a half compared to the end of 2005. Investments in the Republic of Croatia bonds, which went up by 16.6% compared to the end of the previous year and totalled HRK 3.9bn, accounted for the remaining 91.8% of investments in securities.

¹¹ HPB stambena štedionica d.d. Zagreb started operating in April 2006.

The largest share of housing savings banks' securities was placed in the portfolio of securities and other financial instruments held to maturity (33.4%), followed by the portfolio of securities and financial instruments which are not traded on active markets but carried at fair value (32.3%), while 27.1% and 7.3% of total securities were placed in the portfolios of securities and other financial instruments available for sale and held for trading.

Total loans granted went up 79.9% on the end of 2005, reaching HRK 1.8bn. An important factor of this increase was the restructuring of the housing savings banks' assets based on the reduction of deposits to other banking institutions by 84.5%. Of the total increase in granted loans, special attention should be given to the increase in loans granted to other clients, i.e. households and central government funds, which increased by 135.4%. This was made possible also by the decrease in loans granted to financial institutions. With the increase in the amount of loans their share in total assets also went up, to 28.0% at the end of 2006 from 16.2% at the end of 2005. As a result of the above-mentioned changes, housing savings banks came closer to fulfilling their initial purpose, i.e. participating in the financing of home purchases and providing loans to households, which were granted HRK 1.3bn-worth of loans in 2006.

TABLE 1.16 Structure of Housing Savings Banks' Assets, end of period, in million HRK and %

	Dec. 2003		Dec. 2004			Dec. 2005			Dec. 2006		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	0.01	0.00	0.01	0.00	100.00	0.02	0.00	42.86	0.01	0.00	-75.00
1.1. Money assets	0.01	0.00	0.01	0.00	100.00	0.02	0.00	42.86	0.01	0.00	-75.00
1.2. Deposits with the CNB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Deposits with banking institutions	25.86	0.73	332.36	6.21	1,185.48	720.52	11.74	116.79	111.51	1.75	-84.52
3. MoF treasury bills and CNB bills	748.89	21.27	780.79	14.59	4.26	781.98	12.74	0.15	347.66	5.46	-55.54
4. Securities and other financial instruments held for trading	766.81	21.78	250.18	4.68	-	390.64	6.36	56.14	284.39	4.46	-27.20
5. Securities and other financial instruments available for sale	-	-	2,147.96	40.14	-	706.82	11.51	-67.09	1,058.33	16.61	49.73
6. Securities and other financial instruments held to maturity	1,527.89	43.40	548.19	10.24	-	869.63	14.17	58.64	1,303.26	20.45	49.86
6.1. Securities and other financial instruments bought on issue directly from the issuer	-	-	74.96	1.40	-	-	-	-	-	-	-
7. Securities and other financial instruments not traded in active markets but carried at fair value	-	-	-	-	-	1,382.46	22.52	-	1,260.63	19.79	-8.81
8. Derivative financial assets	-	-	0.00	0.00	-	0.00	0.00	0.00	5.40	0.08	100.00
9. Loans to financial institutions	211.39	6.00	468.95	8.76	121.85	263.70	4.30	-43.77	69.87	1.10	-73.50
10. Loans to other clients	187.78	5.33	372.94	6.97	98.61	727.58	11.85	95.09	1,713.04	26.89	135.44
11. Investments in subsidiaries and associates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12. Foreclosed and repossessed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13. Tangible assets (net of depreciation)	18.98	0.54	8.72	0.16	-54.04	8.17	0.13	-6.35	7.00	0.11	-14.36
14. Interest, fees and other assets	39.10	1.11	389.35	7.28	895.68	323.77	5.27	-16.84	250.78	3.94	-22.54
15. Net of: Collectively assessed impairment provisions	6.27	0.18	23.13	0.43	269.10	36.93	0.60	59.69	40.45	0.63	9.52
TOTAL ASSETS	3,520.43	100.00	5,351.29	100.00	52.01	6,138.35	100.00	14.71	6,371.41	100.00	3.80

Housing savings banks' liabilities increased by 4.4% in the observed period, primarily as a result of the rise in time deposits of households. Household deposits totalled HRK 5.8bn at the end of 2006, up HRK 5.2% on the previous year. Housing savings banks' liabilities reflect a substantial increase in issued hybrid instruments which went up by 497.5% on the end of 2005, accounting for 1.0% of total housing savings banks liabilities. Deposits together with interest, fees and other liabilities made up 97.0% of total housing savings banks' liabilities (Table 1.17).

TABLE 1.17 Structure of Housing Savings Banks' Liabilities, end of period, in million HRK and %

	Dec. 2003		Dec. 2004			Dec. 2005			Dec. 2006		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	0.4	0.0	0.0	0.0	-100.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1. Short-term loans	0.4	0.0	0.0	0.0	-100.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Long-term loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Deposits	3,265.1	92.7	4,728.2	88.4	44.8	5,514.7	89.8	16.6	5,803.6	91.1	5.2
2.1. Giro account and current account deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Savings deposits	0.1	0.0	0.1	0.0	-32.8	0.0	0.0	-71.6	0.0	0.0	32.0
2.3. Time deposits	3,265.0	92.7	4,728.2	88.4	44.8	5,514.7	89.8	16.6	5,803.6	91.1	5.2
3. Other loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.1. Short-term loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2. Long-term loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Derivative financial liabilities and other financial liabilities held for trading	-	-	4.9	0.1	-	4.1	0.1	-15.2	0.0	0.0	-100.0
5. Debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.1. Short-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2. Long-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Subordinated instruments issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. Hybrid instruments issued	10.7	0.3	10.7	0.2	0.3	10.3	0.2	-3.9	61.7	1.0	497.5
8. Interest, fees and other liabilities	89.4	2.5	452.6	8.5	406.3	389.0	6.3	-14.1	312.5	4.9	-19.7
TOTAL LIABILITIES	3,365.6	95.6	5,196.5	97.1	54.4	5,918.1	96.4	13.9	6,177.8	97.0	4.4
TOTAL CAPITAL	154.8	4.4	154.8	2.9	0.0	220.2	3.6	42.2	193.6	3.0	-12.1
TOTAL LIABILITIES AND CAPITAL	3,520.4	100.0	5,351.3	100.0	52.0	6,138.4	100.0	14.7	6,371.4	100.0	3.8

At the end of 2006, housing savings banks' total capital was HRK 193.6m, down 12.1% from the end of 2005. Although three housing savings banks increased their share capital in 2006 by HRK 84.1m, or 41.4%, the reduction in total capital was affected by negative financial results, which outstripped the increase in share capital. In addition to the current year loss, housing savings banks reported retained loss from previous years and unrealised losses on the basis of value adjustments of financial assets available for sale (Table 1.18).

TABLE 1.18 Structure of Housing Savings Banks' Total Capital, end of period, in million HRK and %

	Dec. 2003		Dec. 2004			Dec. 2005			Dec. 2006		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	193.36	124.91	203.36	131.36	5.17	203.36	92.35	0.00	287.48	148.51	41.37
2. Current year profit/loss	-9.33	-6.03	11.40	7.37	-222.22	52.28	23.74	358.47	-54.50	-28.15	0.00
3. Retained earnings (loss)	-51.46	-33.24	-63.44	-40.98	23.28	-53.64	-24.36	-15.44	-37.12	-19.18	-30.79
4. Legal reserves	1.50	0.97	3.48	2.25	132.07	1.94	0.88	-44.21	2.32	1.20	19.62
5. Total reserves provided for by the articles of association and other capital reserves	20.73	13.39	0.00	0.00	-100.00	29.88	13.57	0.00	-13.12	-6.78	0.00
5.1. Reserves provided for by the articles of association and other capital reserves	-	-	0.00	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00
5.2. Unrealised gains/losses on value adjustments of financial assets available for sale	-	-	0.00	0.00	-	29.88	13.57	0.00	-13.12	-6.78	0.00
5.3. Reserves arising from hedging transactions	-	-	0.00	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00
6. Previous year profit/loss	0.00	0.00	0.00	0.00	0.00	-13.61	-6.18	0.00	8.52	4.40	0.00
TOTAL CAPITAL	154.81	100.00	154.81	100.00	0.00	220.21	100.00	42.25	193.58	100.00	-12.09

Despite the negative changes pertaining to total capital, housing savings banks' regulatory capital totalled HRK 246.0m at the end of 2006, which is HRK 50.8m, or 26.0%, more than at the end of 2005. Core capital which, after deductions, is included in regulatory capital increased by 5.7%. Due to the increase in issued hybrid instruments, supplementary capital I, which is included in regulatory capital, went up by 225.5%, thus becoming predominant cause of the rise in regulatory capital.

The capital adequacy ratio was reduced from 23.78% at the end of 2005 to 18.66% at the end of 2006. Although regulatory capital increased, the substantial increase in total credit risk-weighted assets (82.3%) contributed to a decline in capital adequacy. The rise in credit risk-weighted assets was affected by the rise in household loans and currency-induced credit risk. Of the HRK 1.2bn of risk-weighted assets, as much as HRK 1.1bn falls on placements with a reported mismatch which are weighted with risk weights of 75% and 125%. A total of 93.1% of net placements and contingent liabilities of housing savings banks were exposed to currency-induced credit risk, with only 4.8% of the exposed placements being hedged.

1.2.2 Housing Savings Banks' Income Statement

Housing savings banks' current year loss reached HRK 54.5m at the end of 2006 (Table 1.19), while in the same period last year they reported income of HRK 52.3m. Three housing savings banks reported losses totalling HRK 67.1m, while two reported income totalling HRK 12.6m. Losses generated by housing savings banks resulted from the 23.4% decrease in total income combined with the parallel 5.8% increase in total operating costs, including administrative expenses and depreciation, and expenses on loss provisions.

As compared to the end of 2005, net interest income went up by 9.5%. Interest income and interest expenses increased at much the same rates of 9.9% and 10.1%. The increase in the volume of household loans affected a rise in interest income, primarily in the income from granted housing loans, which went up at the rate of 93.8%, reaching HRK 52.2bn. An even more substantial increase in relative terms (192.6%) was realised by the income from loans granted to government units. Despite changes in the balance of interest income being more favourable than the changes in the balance of loans, interest income from deposits fell by a substantial 68.9% due to the decrease in deposits placed to other financial institutions. Thus, the growth rate of total interest income (9.9%) was lower than the growth rate of interest income from loans (79.3%).

	Jan.–Dec. 2005	Jan.–Dec. 2006
1. Net interest income	71.30	78.04
1.1. Total interest income	240.97	264.87
1.2. Total interest expenses	169.67	186.84
2. Net income from fees and commissions	67.93	68.58
2.1. Total income from fees and commissions	75.91	78.58
2.2. Total expenses on fees and commissions	7.98	9.99
3. Net other non-interest income	34.23	-84.83
3.1. Other non-interest income	65.29	-50.51
3.2. Other non-interest expenses	31.05	34.32
4. Net non-interest income	102.16	-16.25
5. General administrative expenses and depreciation	108.85	113.71
6. Net operating income before loss provisions	64.61	-51.92
7. Total expenses on loss provisions	14.89	6.69
7.1. Expenses on value adjustments and provisions for identified losses	0.67	2.94
7.2. Collectively assessed impairment provisions	14.21	3.75
8. Income/loss before taxes	49.73	-58.62
9. Income tax	-2.56	-4.12
10. Current year profit/loss	52.28	-54.50

Net income from fees and commissions increased by only 1.0%, because the growth of expenses on fees and commissions (25.2%) substantially outstripped the growth of income (3.5%).

On the basis of other net-interest income housing savings banks realised negative results of HRK 84.8m. The loss from assets not traded on active markets but carried at fair value of HRK 54.5m contributed the most to such a great amount of loss, followed by the losses from trading in securities worth HRK 20.7m, which were largely a consequence of unfavourable movements in the prices of the Republic of Croatia bonds since they make up more than a half of housing savings banks' total assets. Profit realised on the basis of assets available for sale, totalling HRK 9.0m and hedging transactions, totalling HRK 9.5m, was not sufficient to cover the losses arising from managing other securities portfolios.

Total expenses on loss provisions were below 55.0%, as a consequence of a substantial decline in expenses on collectively assessed impairment provisions (73.6%), primarily due to slower balance sheet growth. At the same time, expenses on value adjustments and provisions for identified losses went up by 338.5%.

1.2.3 Housing Savings Banks' Exposure to Credit Risk

At the end of 2006, housing savings banks' total placements and contingent liabilities totalled HRK 4.5bn, increasing by 30.1% on the end of 2005. The reallocation of debt securities available for sale into a portfolio subject to credit risk evaluation and allocation into risk categories increased this item by HRK 1.0bn. The result of this change was a different structure of housing savings banks' total placements and contingent liabilities, with the share of assets available for sale increasing from 2.7% at the end of the previous year to 24.4% at the end of 2006.

Other components of total placements and contingent liabilities also changed significantly. Due to the increase in the amount of loans granted their share in the structure of total placements went up to 39.3%, i.e. by 10.9 percentage points compared with the end of 2005. The share of deposits declined from 20.6% to 2.5% of total placements and so did the share of debt securities and other assets held to maturity, which went down from 44.1% to 30.4%.

At the end of 2006, total placements and contingent liabilities almost completely consisted of placements from risk category A, i.e. fully recoverable placements, whose share totalled 99.8%. Partly recoverable and irrecoverable placements made up only a minor part of placements and contingent liabilities (to the total amount of some HRK 7.1m and with a share in total placements and contingent liabilities of less than 0.2%).

TABLE 1.20 Classification of Housing Savings Banks' Placements and Contingent Liabilities by Risk Categories, end of period, in million HRK and %

Placements	Dec. 2003		Dec. 2004		Dec. 2005		Dec. 2006	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	2,717.31	99.99	2,648.84	99.97	3,493.99	99.93	4,540.66	99.84
2. Partly recoverable placements (category B)	0.24	0.01	0.68	0.03	2.11	0.06	5.67	0.12
3. Irrecoverable placements (category C)	0.00	0.00	0.05	0.00	0.36	0.01	1.44	0.03
Total	2,717.54	100.00	2,649.57	100.00	3,496.46	100.00	4,547.77	100.00

Total value adjustments of placements and provisions for contingent liabilities totalled HRK 44.8m. Due to the large share of fully recoverable placements in total placements and contingent liabilities, almost the entire amount of total value adjustments and provisions for contingent liabilities pertained to collectively assessed impairment provisions. Since the growth of total placements outstripped the increase of total value adjustments and provisions, the relative ratio of housing savings banks' total value adjustments and provisions to total placements and contingent liabilities reduced to less than 1% (Table 1.21).

TABLE 1.21 Ratio of Housing Savings Banks' Total Value Adjustments and Provisions to Total Placements and Contingent Liabilities, end of period, in million HRK and %

	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006
1. Total value adjustments against placements and provisions for contingent liabilities	6.50	23.48	38.36	44.79
1.1. Value adjustments against placements and provisions for contingent liabilities	0.13	0.22	0.89	3.56
1.2. Collectively assessed impairment provisions	6.37	23.26	37.47	41.23
2. Total placements and contingent liabilities	2,717.54	2,649.57	3,496.46	4,547.77
3. Relative ratio: total value adjustments and provisions/total placements and contingent liabilities	0.24%	0.89%	1.10%	0.98%

2 Notes on Methodology

Figure 1.1 Number of Banks

With respect to ownership structure, the banks in the Republic of Croatia are divided into domestic and foreign-owned banks. A bank is classified as a domestic bank if it is in majority ownership of domestic natural and legal persons or as a foreign-owned bank if it is in majority ownership of foreign natural and legal persons. The total number of banks is the sum of the banks in domestic and foreign ownership. The CNB statistics is the source of data on the number of banks.

Table 1.1 Bank Peer Groups and Their Share in Total Bank Assets

In accordance with the selected criterion – the relative share of assets of an individual bank in total bank assets – Table 1.1 shows the peer groups of banks.

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

Table 1.2 Ownership Structure of Banks and Their Share in Total Bank Assets

With respect to ownership structure, the banks in the Republic of Croatia are divided into domestic and foreign-owned banks. Banks in domestic ownership are divided into banks in domestic private ownership and banks in domestic state ownership. A bank is classified as a bank in domestic private ownership if it is in majority ownership of domestic natural and legal persons or as a bank in domestic state ownership if it is in majority ownership of government units. A bank is classified as a foreign-owned bank if it is in majority ownership of foreign natural and legal persons. The share of each bank's assets in total bank assets is calculated and shown by the type of ownership. The total number of banks is the sum of the banks in domestic ownership (i.e. domestic private and state ownership) and the banks in foreign ownership.

The CNB statistics and Schedule BS1-2 (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on the number of banks.

Table 1.3 Territorial Distribution of Operating Units and ATMs

The total number of operating units and the total number of installed ATMs of all banks in the Republic of Croatia are classified by counties. The County of Zagreb includes the data on the City of Zagreb. The reports set forth in the Decision on the obligation to submit the report on payment operations data (Official Gazette 189/2004) are the source of data.

Figure 1.2 Concentration of Banks' Operating Units and ATMs by Counties

The bars in Figure 1.2 show the relative share of the number of operating units and ATMs by counties at the end of period.

The reports set forth in the Decision on the obligation to submit the report on payment operations data (Official Gazette 189/2004) are the source of data.

Figure 1.3 Share of Operating Units of Bank Peer Groups in the Total Number of Operating Units

The number of operating units of an individual bank peer group is the sum of operating units of all

banks classified into the respective peer group. The relative share of operating units in the total number of operating units is shown for each bank peer group.

The reports set forth in the Decision on the obligation to submit the report on payment operations data (Official Gazette 189/2004) are the source of data.

Figure 1.4 Share of ATMs of Bank Peer Groups in the Total Number of ATMs

The number of ATMs of an individual bank peer group is the sum of ATMs of all banks classified into the respective peer group. The relative share of ATMs in the total number of ATMs is shown for each bank peer group.

The reports set forth in the Decision on the obligation to submit the report on payment operations data (Official Gazette 189/2004) are the source of data.

Figure 1.5 Shares of the Largest Banks' Assets, Loans and Deposits in Total Assets, Loans and Deposits

The criterion for selecting the two largest banks, the first five largest banks and the first ten largest banks in the banking sector is the size of their assets. The share of assets of the selected bank groups in total assets is calculated as a ratio between the sum of assets of the selected bank groups and total assets of all banks, and is stated in percent. The share of deposits and the share of loans in total deposits and total loans of all banks is calculated in the same manner.

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

Figure 1.6 Herfindahl Index (all banks)

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

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

The Herfindahl index can vary from 0 (perfectly competitive industry) to 10 000 (monopoly).

Granted loans/received deposits concentration indices are calculated by applying the same formula.

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

Table 1.4 Structure of Banks' Assets

The share of each balance sheet item of assets in total assets of all banks is calculated on the basis of data from the balance sheets of banks and the aggregate balance sheet of all banks 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.

Schedule BS1-2 is the source of data on the structure of banks' assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.7 Quarterly Rates of Change in Assets of Bank Peer Groups

The rate of change in assets of bank peer groups is calculated as a ratio between assets of an individual bank peer group, i.e. total assets of all banks at the end of the reporting period and assets of an individual bank peer group, i.e. total assets of all banks at the end of the previous reporting period.

Schedule BS1-2 is the source of data on the quarterly rates of change in assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.8 Structure of Assets of Bank Peer Groups

The share of individual asset items in total assets is calculated as a ratio between individual asset items and total assets of bank peer groups, i.e. total assets of all banks at the end of the reporting period. Individual asset items comprise currency and deposits with the CNB, deposits (with banking institutions), securities (including T-bills), loans (loans to financial institutions and other clients), other assets (derivative financial assets, investments in subsidiaries, associates and joint ventures, foreclosed and repossessed assets, tangible assets net of depreciation, and interest, fees and other assets) and collectively assessed impairment provisions.

Schedule BS1-2 is the source of data on the structure of assets of bank peer groups (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.5 Structure of Banks' Liabilities

Banks' liabilities are calculated in the same manner as banks' assets in Table 1.4, i.e. the share of each balance sheet item of liabilities in total liabilities of all banks is calculated on the basis of data from the balance sheets of banks and the aggregate balance sheet of all banks 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.

Schedule BS1-2 is the source of data on the structure of banks' liabilities (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.9 Structure of Liabilities of Bank Peer Groups

The share of individual liability items in total liabilities is calculated as a ratio between individual liability items and total liabilities of bank peer groups, i.e. total liabilities of all banks at the end of the reporting period. Individual liability items comprise deposits (giro account and current account deposits, savings deposits and time deposits), loans (loans from financial institutions and other loans), securities (issued debt securities, issued subordinated instruments and issued hybrid instruments), other liabilities (derivative financial liabilities and other financial liabilities held for trading, and interest, fees and other liabilities) and capital.

Schedule BS1-2 is the source of data on the structure of liabilities of bank peer groups (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.10 Structure of Banks' Standard Off-Balance Sheet Risky Items

The share of an individual standard off-balance sheet risky item in total standard off-balance sheet risky items is calculated as a ratio between an individual standard off-balance sheet risky item and total standard off-balance sheet risky items.

Schedule BS/IBS1-3 is the source of data on the structure of banks' standard off-balance sheet risky items (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.6 Structure of Banks' Total Capital

Banks' capital, as one of the liability items shown in Table 1.5, is presented in detail in Table 1.6 and the share of each stated capital item in total capital of all banks is calculated as a ratio between each capital item and total capital of all banks. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Schedule BS1-2 is the source of data on the structure of banks' total capital (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.7 Changes in Banks' Regulatory Capital

The regulatory capital is calculated in accordance with the Decision on the capital adequacy of banks (Official Gazette 17/2003, 120/2003, 149/2005 and 130/2006) and the Instruction for the uniform implementation of the decision on the capital adequacy of banks (Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006).

Schedule JK2 is the source of data on the changes in banks' regulatory capital (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006).

Figure 1.11 Structure of Banks' Regulatory Capital

The columns in Figure 1.11 show the regulatory capital components at the end of the reporting period. The core capital is the amount of core capital decreased by the amount of deduction items, while supplementary capital I and II represent those amounts of supplementary capital I and II that are included in the regulatory capital. Items deducted from gross regulatory capital are the amount of total items deducted from gross regulatory capital.

Schedule JK2 is the source of data on the structure of banks' regulatory capital (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006).

Figure 1.12 Structure of Banks' Credit Risk-Weighted Assets

The columns in Figure 1.12 show the net value of assets weighted by risk at the end of the reporting period. Ratio is used to determine the proportion of total credit risk-weighted assets to total assets at the end of the reporting period.

Schedule PBA1 (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006) and Schedule BS1-2 (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on the structure of banks' credit risk-weighted assets.

Figure 1.13 Banks' Capital Adequacy Ratio

The capital adequacy ratio is calculated as a ratio between regulatory capital and credit risk-weighted assets increased by total foreign exchange position exposure to currency risk, capital requirement for position risks (multiplied by 10), capital requirement for settlement risk and capital requirement for counterparty risk (multiplied by 10) and capital requirement for exceeding the permissible exposure limits (multiplied by 10). The capital adequacy ratio is calculated for individual bank peer groups and for all banks together.

Schedule SAK is the source of data on the banks' capital adequacy ratio (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006).

Figure 1.14 Structure of Banks' Total Capital Requirements

The total capital requirements are the sum of capital requirement for credit risk, capital requirement for currency risk, capital requirement for interest rate risk, capital requirement for equity risk, capital requirement for commodity risk, capital requirement for options, capital requirement for settlement risk, capital requirement for counterparty risk and capital requirement for exceeding the permissible exposure limits. Position risks based on interest rate risk and equity risk are divided into specific and general risk.

Schedule PKZ is the source of data on the structure of banks' total capital requirements (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006).

Table 1.8 Banks' Income Statement

Each income statement item is shown cumulatively for all banks and individual bank peer groups on the basis of data from the income statements of banks in the observed periods. Total amount of each income statement item represents the sum of the same income statement items stated in the income statements of banks. Total amounts are calculated for all banks and for individual bank peer groups. Schedule RDG1-1 is the source of data on the banks' income statement (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.9 Structure of Banks' Income

The share of each income item in total income of an individual bank peer group is calculated as a ratio between the sum of the same income items from the income statements of an individual bank peer group and total income earned by the respective peer group. The share of each income item in total income of all banks is calculated in the same manner.

Schedule RDG1-1 is the source of data on the structure of banks' income (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.10 Structure of Banks' Expenses

The structure of expenses is calculated in the same manner as the structure of income in Table 1.9, i.e. the share of each expense item in total expenses of an individual bank peer group is calculated as a ratio between the sum of the same expense items from the income statements of an individual bank peer group and total expenses incurred by the respective peer group. The share of each expense item in total expenses of all banks is calculated in the same manner.

Schedule RDG1-1 is the source of data on the structure of banks' expenses (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.15 Banks' Return on Average Assets

The return on average assets of bank peer groups is calculated as a ratio between income before taxes and average assets. The average assets of bank peer groups are calculated as the arithmetic mean of the balance in assets at the end of the reporting period and the balance in assets at the end of the previous year.

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

Figure 1.16 Banks' Return on Average Equity

The return on average equity of bank peer groups is calculated as a ratio between income after taxes and average equity. The average equity of bank peer groups is calculated as the arithmetic mean of the balance in equity at the end of the reporting period and the balance in equity at the end of the previous year.

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

Figure 1.17 Structure of Banks' Net Income

The columns in Figure 1.17 show the share of net interest income, net income from fees and commissions and net other non-interest income in total net income of individual bank peer groups and all banks together at the end of the reporting period.

Schedule RDG1-1 is the source of data on the structure of banks' net income (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.18 Income from Interest-Bearing Assets and Expenses on Interest-Bearing Liabilities

Income from interest-bearing assets is the ratio between total interest income and average interest-bearing assets. Expenses on interest-bearing liabilities are the ratio between total interest expenses and average interest-bearing liabilities. The spread is the difference between the share of interest income in the average interest-bearing assets and the share of interest expenses in the average interest-bearing liabilities. Interest-bearing assets comprise deposits with the CNB (excl. other deposits with the CNB in foreign currency), deposits with banking institutions, debt securities (excl. debt securities held for trading), loans to financial institutions and loans to other clients. The average interest-bearing assets are calculated as the arithmetic mean of the balance in interest-bearing assets at the end of the reporting period and the balance in interest-bearing assets at the end of the previous year.

Interest-bearing liabilities comprise received loans, received deposits, issued debt securities, issued subordinated instruments and issued hybrid instruments. The average interest-bearing liabilities are calculated as the arithmetic mean of the balance in interest-bearing liabilities at the end of the reporting period and the balance in interest-bearing liabilities at the end of the previous year.

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

Figure 1.19 Banks' Interest Rates

The basis for calculating the weighted averages is the amount of loans 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 overdraft facilities 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 the weighted averages of the 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 deposits and time deposits, whose weighted averages are calculated (since July 1995) on the basis 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.

The CNB statistics is the source of data.

Figure 1.20 Banks' Assets per Employee

Assets of all banks in an individual bank peer group are added up and then divided by the total number of persons employed by the banks in the peer group. The same procedure is applied to the calculation of this indicator for all banks.

Schedule BS1-2 (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006) and Schedule PD3 (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006) are the source of data on the banks' assets per employee.

Figure 1.21 Banks' Operating Expenses

Operating expenses of bank peer groups and all banks together are shown as a ratio between general and administrative expenses to net interest income and net non-interest income at the end of the reporting period.

Schedule RDG1-1 is the source of data on the banks' operating expenses (Decision relating to the

bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.22 Quarterly Rates of Change in Gross Loans in Selected Sectors

The rates of change in gross loans in selected sectors (enterprises and households) are calculated as a ratio between the amount of gross loans to selected sectors at the end of the reporting period and the amount of gross loans to selected sectors at the end of the previous quarter.

Schedule RS1 is the source of data on the quarterly rates of change in gross loans (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 1.11 Classification of Banks' Placements and Contingent Liabilities by Risk Categories

Placements and contingent liabilities are classified by risk categories. The share of placements and contingent liabilities in total placements and contingent liabilities that are classified into risk categories is calculated for each risk category.

Schedule RS1 is the source of data on the classification of banks' placements and contingent liabilities by risk categories (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 1.12 Ratio of Banks' Total Value Adjustments and Provisions to Total Placements and Contingent Liabilities

The ratio between total value adjustments and provisions and total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. The placement value adjustments, provisions for contingent liabilities and collectively assessed impairment provisions are added up and the sum thus calculated is divided by the amount of total placements and contingent liabilities.

Schedule PIV1 and Schedule RS1 are the source of data on these ratio indicators (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Figure 1.23 Coverage of Total Placements and Contingent Liabilities by Total Value Adjustments and Provisions

The ratio between total value adjustments and provisions and total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. The value adjustments and provisions for contingent liabilities of all banks in an individual bank peer group are added up and the sum thus calculated is divided by the amount of total placements and contingent liabilities of the banks in the respective peer group.

Schedule RS1 is the source of data on these coverage indicators (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 1.13 Sectoral Structure of Banks' Net Loans

The net credit exposure by an individual institutional sector is reported for each bank peer group, as well as for all banks together.

Schedule BS/KRED1-7 is the source of data on the sectoral structure of banks' net loans (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.14 Structure of Banks' Sources of Financing

The structure of sources of financing is shown for all bank peer groups and for all banks together. The share of individual sources of financing in total sources of financing is calculated as a ratio between individual sources of financing and total sources of financing. The share of deposits and loans of majority foreign owner is shown under separate line item and calculated in the same manner as above. Schedule BS1-2, Schedule BS/DEP1-8 and Schedule BS/OK1-9 are the source of data on the structure of banks' sources of financing (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.15 Sectoral Structure of Banks' Received Loans

The amount of loans received from institutional sectors and their shares in total received loans are shown for all banks. The share of loans received from an individual institutional sector in total received loans is calculated as a ratio between the amount of loans received from an individual institutional sector and total received loans. The amount and the share of loans from majority foreign owner in total received loans are shown under separate line item.

Schedule BS/OK1-9 is the source of data on the sectoral structure of banks' received loans (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.24 Sectoral Structure of Banks' Received Deposits

Total deposits of an individual institutional sector include giro account and current account deposits, savings deposits and time deposits. The share of deposits of an individual institutional sector in total deposits of the respective institutional sector at the end of the reporting period is calculated for each deposit type.

Schedule BS/DEP1-8 is the source of data on the sectoral structure of banks' received deposits (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.25 Banks' Loans Granted and Deposits Received

Total net loans granted by individual bank peer groups and all banks together are calculated as a ratio between total net granted loans and total received deposits at the end of the reporting period.

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

Figure 1.26 Banks' Assets and Liabilities by Remaining Maturity

The adjustment between the structure of assets and the structure of liabilities is shown by the remaining maturity and on a net basis. The structure of assets by the remaining maturity is calculated as a ratio between assets classified by an individual maturity term and total assets at the end of the reporting period. The ratio between liabilities classified by an individual maturity term and total assets is calculated in the same manner. The net balance sheet position (gap) shows the mismatch between the maturity structures of assets and liabilities and represents the difference between assets and liabilities classified by individual maturity terms.

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

Figure 1.27 Banks' Long Foreign Exchange Position

Each bank peer group ratio between its long foreign exchange position (f/c claims exceeding f/c

liabilities) and its regulatory capital is calculated in the following manner. First, the average long foreign exchange positions reported in a certain quarter by all banks in an individual bank peer group are added up. Second, regulatory capitals of all banks in the group are added up. The sums thus calculated are mutually divided.

Schedule JK2 (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006) and Schedule VR-2 (Decision on the limitation of banks' exposure to foreign exchange risk – Official Gazette 17/2003 and 39/2006) are the source of data on the banks' long foreign exchange position.

Figure 1.28 Banks' Short Foreign Exchange Position

Each bank peer group ratio between its short foreign exchange position (f/c liabilities exceeding f/c claims) and its regulatory capital is calculated in the following manner. First, the average short foreign exchange positions reported in a certain quarter by all banks in an individual bank group are added up. Second, regulatory capitals of all banks in the group are added up. The sums thus calculated are mutually divided.

Schedule JK2 (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006) and Schedule VR-2 (Decision on the limitation of banks' exposure to foreign exchange risk – Official Gazette 17/2003 and 39/2006) are the source of data on the banks' short foreign exchange position.

Table 1.16 Structure of Housing Savings Banks' Assets

The share of each balance sheet item of assets in total assets of all housing savings banks is calculated on the basis of data from the balance sheets of housing savings banks and the aggregate balance sheet of all housing savings banks 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.

Schedule BS1-2 is the source of data on the structure of housing savings banks' assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.17 Structure of Housing Savings Banks' Liabilities

Housing savings banks' liabilities are calculated in the same manner as housing savings banks' assets in Table 1.16, i.e. the share of each balance sheet item of liabilities in total liabilities of all housing savings banks is calculated on the basis of data from the balance sheets of housing savings banks and the aggregate balance sheet of all housing savings banks 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.

Schedule BS1-2 is the source of data on the structure of housing savings banks' liabilities (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.18 Structure of Housing Savings Banks' Total Capital

Housing savings banks' capital, as one of the liability items shown in Table 1.17, is presented in detail in Table 1.18 and the share of each stated capital item in total capital of all housing savings banks is calculated as a ratio between each capital item and total capital of all housing savings banks. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Schedule BS1-2 is the source of data on the structure of housing savings banks' total capital (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.19 Housing Savings Banks' Income Statement

Each income statement item is shown cumulatively for all housing savings banks on the basis of data from the income statements of housing savings banks in the observed periods.

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

Table 1.20 Classification of Housing Savings Banks' Placements and Contingent Liabilities by Risk Categories

Placements and contingent liabilities are classified by risk categories. The share of placements and contingent liabilities in total placements and contingent liabilities that are classified into risk categories is calculated for each risk category.

Schedule RS1 is the source of data on the classification of housing savings banks' placements and contingent liabilities by risk categories (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 1.21 Ratio of Housing Savings Banks' Total Value Adjustments and Provisions to Total Placements and Contingent Liabilities

The ratio between total value adjustments and provisions and total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. The placement value adjustments, provisions for contingent liabilities and collectively assessed impairment provisions are added up and the sum thus calculated is divided by the amount of total placements and contingent liabilities of housing savings banks.

Schedule PIV1 and Schedule RS1 are the source of data on these ratio indicators (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

3 List of Banks and Housing Savings Banks

Data on individual banks' and housing savings banks' addresses, telephone numbers, fax numbers, members of management and supervisory boards, shareholders and auditors are shown in the list of banks and housing savings banks. The balance sheets and income statements of individual banks and housing savings banks are also enclosed.

Data on members of management and supervisory boards, and on shareholders who hold 3% or more of share in the share capital of a bank or housing savings bank are as at 31 March 2007.

Data on auditors relate to bank/housing savings bank auditors for 2006.

BANCO POPOLARE CROATIA d.d.

Savska cesta 131, 10000 Zagreb
 Phone: +385 1/6345-666
 Fax: +385 1/6190-615
 BAN¹ 4115008
 www.bpc.hr

Shareholders

1. Banco Popolare di Verona
 e Novara S.C.A.R.L.

**Share in share
capital (%)**

78.43

Audit firm for 2006:
 Ernst & Young d.o.o., Zagreb

Management Board

Goran Gazivoda – chairperson, Samuele Friazzoli

Supervisory Board

Domenico De Angelis – chairperson, Lorenzo
 Chiappini, Massimo Minolfi, Marco Franceschini, Tin
 Dolički

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	50,984
1.1. Total interest income	93,585
1.2. Total interest expenses	42,601
2. Net income from fees and commissions	11,485
2.1. Total income from fees and commissions	13,490
2.2. Total expenses on fees and commissions	2,006
3. Net other non-interest income	-402
3.1. Other non-interest income	7,582
3.2. Other non-interest expenses	7,984
4. Net non-interest income	11,083
5. General administrative expenses and depreciation	46,693
6. Net operating income before loss provisions	15,374
7. Total expenses on loss provisions	7,614
7.1. Expenses on value adjustments and provisions for identified losses	4,362
7.2. Expenses on provisions for unidentified losses	3,252
8. Income/loss before taxes	7,760
9. Income tax	1,453
10. Current year profit/loss	6,307

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	109,986
1.1. Money assets	18,641
1.2. Deposits with the CNB	91,346
2. Deposits with banking institutions	236,905
3. MoF treasury bills and CNB bills	5,928
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	659,093
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	875
13. Tangible assets (net of depreciation)	19,936
14. Interest, fees and other assets	27,845
15. Net of: Specific reserves for unidentified losses	9,887
TOTAL ASSETS	1,050,682

Structure of Liabilities	
1. Loans from financial institutions	8,096
1.1. Short-term loans	7,000
1.2. Long-term loans	1,096
2. Deposits	868,579
2.1. Giro account and current account deposits	22,876
2.2. Savings deposits	25,826
2.3. Time deposits	819,877
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	8
7. Hybrid instruments issued	29,645
8. Interest, fees and other liabilities	68,029
9. CAPITAL	76,325
TOTAL LIABILITIES AND CAPITAL	1,050,682

1 Bank Account Number.

BANKA BROD d.d.

Ivana pl. Zajca 21, 35000 Slavonski Brod
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 BAN 4124003
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Management Board

Zdenko Vidaković – chairperson, Mićo Tomičić

Supervisory Board

Damir Kreso – chairperson, Mara Tomičić, Maja Vidaković

Shareholders

	Share in share capital (%)
1. Damir Kreso	6.79
2. Slobodanka Kreso	6.79
3. Mara Tomičić	6.79
4. Mićo Tomičić	6.79
5. Maja Vidaković	6.79
6. Zdenko Vidaković	6.79
7. Neđo Jelčić	6.30
8. Razija Kreso	5.96
9. Karlo Tomičić	5.96
10. Mirko Vidaković	5.96
11. Ante Zdilar	5.90
12. Željko Rački	3.29
13. Višnja Rački	3.26

Audit firm for 2006:
 Alfa Revizija d.o.o., Slavonski Brod

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	15,423
1.1. Total interest income	25,902
1.2. Total interest expenses	10,479
2. Net income from fees and commissions	842
2.1. Total income from fees and commissions	2,019
2.2. Total expenses on fees and commissions	1,177
3. Net other non-interest income	1,812
3.1. Other non-interest income	2,502
3.2. Other non-interest expenses	690
4. Net non-interest income	2,654
5. General administrative expenses and depreciation	9,495
6. Net operating income before loss provisions	8,582
7. Total expenses on loss provisions	2,763
7.1. Expenses on value adjustments and provisions for identified losses	2,096
7.2. Expenses on provisions for unidentified losses	667
8. Income/loss before taxes	5,819
9. Income tax	1,159
10. Current year profit/loss	4,660

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	49,267
1.1. Money assets	15,561
1.2. Deposits with the CNB	33,706
2. Deposits with banking institutions	34,292
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	3,785
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	3,000
10. Loans to other clients	167,350
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	3,278
14. Interest, fees and other assets	4,458
15. Net of: Specific reserves for unidentified losses	2,072
TOTAL ASSETS	263,358

Structure of Liabilities	
1. Loans from financial institutions	7,345
1.1. Short-term loans	0
1.2. Long-term loans	7,345
2. Deposits	199,506
2.1. Giro account and current account deposits	19,464
2.2. Savings deposits	2,037
2.3. Time deposits	178,006
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	9,399
9. CAPITAL	47,108
TOTAL LIABILITIES AND CAPITAL	263,358

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Shareholders

1. Josip Samaržija	88.83
2. Iliina Fuzul	3.48
3. Miroslav Fuzul	3.38

Share in share capital (%)**Management Board**

Lidija Hočurščak – chairperson, Ratko Špirelja

Audit firm for 2006:

Revidicon d.o.o., Varaždin

Supervisory Board

Josip Samaržija – chairperson, Darko Horvatin, Ivan Majdak, Božica Samaržija, Milan Štimac

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	38,675
1.1. Total interest income	85,711
1.2. Total interest expenses	47,036
2. Net income from fees and commissions	1,348
2.1. Total income from fees and commissions	2,425
2.2. Total expenses on fees and commissions	1,077
3. Net other non-interest income	2,772
3.1. Other non-interest income	10,108
3.2. Other non-interest expenses	7,336
4. Net non-interest income	4,119
5. General administrative expenses and depreciation	30,381
6. Net operating income before loss provisions	12,413
7. Total expenses on loss provisions	18,669
7.1. Expenses on value adjustments and provisions for identified losses	17,599
7.2. Expenses on provisions for unidentified losses	1,070
8. Income/loss before taxes	-6,256
9. Income tax	0
10. Current year profit/loss	-6,256

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	123,977
1.1. Money assets	19,026
1.2. Deposits with the CNB	104,951
2. Deposits with banking institutions	83,207
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	13,633
6. Securities and other financial instruments held to maturity	73,784
7. Securities and other financial instruments not traded in active markets but carried at fair value	6,230
8. Derivative financial assets	1
9. Loans to financial institutions	0
10. Loans to other clients	582,247
11. Investments in subsidiaries and associates	75
12. Foreclosed and repossessed assets	268
13. Tangible assets (net of depreciation)	23,268
14. Interest, fees and other assets	25,305
15. Net of: Specific reserves for unidentified losses	7,192
TOTAL ASSETS	924,802

Structure of Liabilities	
1. Loans from financial institutions	37,675
1.1. Short-term loans	37,100
1.2. Long-term loans	575
2. Deposits	745,265
2.1. Giro account and current account deposits	9,252
2.2. Savings deposits	30,823
2.3. Time deposits	705,189
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	16
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	34,989
8. Interest, fees and other liabilities	41,442
9. CAPITAL	65,413
TOTAL LIABILITIES AND CAPITAL	924,802

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Management Board

Ivan Filipović – chairperson, Ivo Krolo

Supervisory Board

Juroslav Buljubašić – chairperson, Miljenko Validžić,
 Mirko Vukušić

Shareholders

	Share in share capital (%)
1. Juroslav Buljubašić	31.57
2. Blue Line	9.83
3. Hypo Alpe-Adria-Bank d.d.	9.76
4. Mirko Vukušić	5.84
5. Joško Dvornik	5.75
6. Jozo Vukušić	3.93
7. Nataša Vuković	3.92
8. Venči Čulić Meić	3.84
9. Jakša Međić	3.02

Audit firm for 2006:
 Veritas d.o.o., Split

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	11,252
1.1. Total interest income	16,855
1.2. Total interest expenses	5,603
2. Net income from fees and commissions	382
2.1. Total income from fees and commissions	943
2.2. Total expenses on fees and commissions	560
3. Net other non-interest income	-1,425
3.1. Other non-interest income	1,466
3.2. Other non-interest expenses	2,891
4. Net non-interest income	-1,043
5. General administrative expenses and depreciation	7,341
6. Net operating income before loss provisions	2,867
7. Total expenses on loss provisions	453
7.1. Expenses on value adjustments and provisions for identified losses	89
7.2. Expenses on provisions for unidentified losses	364
8. Income/loss before taxes	2,414
9. Income tax	503
10. Current year profit/loss	1,911

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	16,630
1.1. Money assets	3,507
1.2. Deposits with the CNB	13,122
2. Deposits with banking institutions	21,556
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	1,425
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	5,000
10. Loans to other clients	116,713
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	230
13. Tangible assets (net of depreciation)	10,841
14. Interest, fees and other assets	4,942
15. Net of: Specific reserves for unidentified losses	1,555
TOTAL ASSETS	175,781

Structure of Liabilities	
1. Loans from financial institutions	4,746
1.1. Short-term loans	4,500
1.2. Long-term loans	246
2. Deposits	111,068
2.1. Giro account and current account deposits	489
2.2. Savings deposits	3,148
2.3. Time deposits	107,431
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	8,855
9. CAPITAL	51,112
TOTAL LIABILITIES AND CAPITAL	175,781

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Management Board

Ružica Vađić – chairperson, Fran Renko, Darko
 Kosovec, Marko Brnić

Supervisory Board

Dragutin Biondić – chairperson, Igor Knežević, Irena
 Kovačević, Žarko Kraljević, Gordana Zrinščak

Shareholders

	Share in share capital (%)
1. Heruc d.d.	41.23
2. PBZ d.d. (omnibus custody account)	9.14
3. Heruc Euroholding LTD	3.85

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	39,316
1.1. Total interest income	66,818
1.2. Total interest expenses	27,502
2. Net income from fees and commissions	12,539
2.1. Total income from fees and commissions	18,731
2.2. Total expenses on fees and commissions	6,192
3. Net other non-interest income	5,439
3.1. Other non-interest income	7,864
3.2. Other non-interest expenses	2,424
4. Net non-interest income	17,978
5. General administrative expenses and depreciation	34,628
6. Net operating income before loss provisions	22,666
7. Total expenses on loss provisions	7,275
7.1. Expenses on value adjustments and provisions for identified losses	4,707
7.2. Expenses on provisions for unidentified losses	2,569
8. Income/loss before taxes	15,391
9. Income tax	3,147
10. Current year profit/loss	12,244

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	123,977
1.1. Money assets	7,903
1.2. Deposits with the CNB	116,074
2. Deposits with banking institutions	75,522
3. MoF treasury bills and CNB bills	39,765
4. Securities and other financial instruments held for trading	18,951
5. Securities and other financial instruments available for sale	940
6. Securities and other financial instruments held to maturity	108,959
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	5
9. Loans to financial institutions	0
10. Loans to other clients	650,279
11. Investments in subsidiaries and associates	1,520
12. Foreclosed and repossessed assets	6,663
13. Tangible assets (net of depreciation)	5,878
14. Interest, fees and other assets	13,733
15. Net of: Specific reserves for unidentified losses	10,009
TOTAL ASSETS	1,036,183

Structure of Liabilities	
1. Loans from financial institutions	187,925
1.1. Short-term loans	29,296
1.2. Long-term loans	158,628
2. Deposits	626,798
2.1. Giro account and current account deposits	177,569
2.2. Savings deposits	23,891
2.3. Time deposits	425,339
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	68
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	9,420
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	32,992
9. CAPITAL	178,981
TOTAL LIABILITIES AND CAPITAL	1,036,183

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Management Board

Šime Luketin – chairperson, Mato Mišić

Supervisory Board

Boris Barać – chairperson, Mirko Vuković, Dražen Bilić

Shareholders

	Share in share capital (%)
1. Boris Barać	24.97
2. Mirko Vuković	9.98
3. Bedem d.o.o.	9.50
4. Simag d.o.o.	9.31
5. Alkom d.o.o. za graditeljstvo	8.36
6. Uvel d.o.o.	4.98
7. Plastal d.o.o.	3.52

Audit firm for 2006:

Šibenski Revicon d.o.o., Šibenik

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	34,932
1.1. Total interest income	74,422
1.2. Total interest expenses	39,490
2. Net income from fees and commissions	10,377
2.1. Total income from fees and commissions	13,340
2.2. Total expenses on fees and commissions	2,962
3. Net other non-interest income	3,206
3.1. Other non-interest income	7,607
3.2. Other non-interest expenses	4,401
4. Net non-interest income	13,583
5. General administrative expenses and depreciation	35,060
6. Net operating income before loss provisions	13,455
7. Total expenses on loss provisions	1,414
7.1. Expenses on value adjustments and provisions for identified losses	-343
7.2. Expenses on provisions for unidentified losses	1,757
8. Income/loss before taxes	12,041
9. Income tax	2,778
10. Current year profit/loss	9,263

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	156,701
1.1. Money assets	12,365
1.2. Deposits with the CNB	144,336
2. Deposits with banking institutions	132,080
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	1,966
6. Securities and other financial instruments held to maturity	49,882
7. Securities and other financial instruments not traded in active markets but carried at fair value	57
8. Derivative financial assets	38
9. Loans to financial institutions	0
10. Loans to other clients	785,261
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	18,385
13. Tangible assets (net of depreciation)	16,016
14. Interest, fees and other assets	23,834
15. Net of: Specific reserves for unidentified losses	10,881
TOTAL ASSETS	1,173,339

Structure of Liabilities	
1. Loans from financial institutions	181,353
1.1. Short-term loans	44,119
1.2. Long-term loans	137,234
2. Deposits	824,386
2.1. Giro account and current account deposits	171,191
2.2. Savings deposits	54,028
2.3. Time deposits	599,168
3. Other loans	1,513
3.1. Short-term loans	0
3.2. Long-term loans	1,513
4. Derivative financial liabilities and other financial liabilities held for trading	228
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	12,771
8. Interest, fees and other liabilities	63,526
9. CAPITAL	89,562
TOTAL LIABILITIES AND CAPITAL	1,173,339

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Shareholders

1. State Agency for Bank Rehabilitation and Deposit Insurance

Share in share capital (%)

100.00

Management Board

Ivan Purgar – chairperson, Marko Gabela

Audit firm for 2006:

Revizija Zagreb d.o.o., Zagreb

Supervisory Board

Ivan Pažin – chairperson, Kamilo Vrana, Ivan Tomljenović, Branka Grabovac, Ivan Bukarica

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	47,448
1.1. Total interest income	88,350
1.2. Total interest expenses	40,902
2. Net income from fees and commissions	2,726
2.1. Total income from fees and commissions	12,657
2.2. Total expenses on fees and commissions	9,931
3. Net other non-interest income	1,259
3.1. Other non-interest income	12,430
3.2. Other non-interest expenses	11,170
4. Net non-interest income	3,986
5. General administrative expenses and depreciation	67,133
6. Net operating income before loss provisions	-15,700
7. Total expenses on loss provisions	-16,467
7.1. Expenses on value adjustments and provisions for identified losses	-18,516
7.2. Expenses on provisions for unidentified losses	2,049
8. Income/loss before taxes	767
9. Income tax	283
10. Current year profit/loss	484

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	159,719
1.1. Money assets	24,759
1.2. Deposits with the CNB	134,960
2. Deposits with banking institutions	214,064
3. MoF treasury bills and CNB bills	26,614
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	93,746
6. Securities and other financial instruments held to maturity	16,538
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	64
9. Loans to financial institutions	9,701
10. Loans to other clients	887,759
11. Investments in subsidiaries and associates	440
12. Foreclosed and repossessed assets	45,422
13. Tangible assets (net of depreciation)	39,056
14. Interest, fees and other assets	42,566
15. Net of: Specific reserves for unidentified losses	12,501
TOTAL ASSETS	1,523,188

Structure of Liabilities	
1. Loans from financial institutions	181,944
1.1. Short-term loans	1,534
1.2. Long-term loans	180,410
2. Deposits	1,126,899
2.1. Giro account and current account deposits	229,336
2.2. Savings deposits	130,385
2.3. Time deposits	767,178
3. Other loans	8,821
3.1. Short-term loans	3,673
3.2. Long-term loans	5,148
4. Derivative financial liabilities and other financial liabilities held for trading	147
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	55,592
9. CAPITAL	149,784
TOTAL LIABILITIES AND CAPITAL	1,523,188

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Management Board

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

Supervisory Board

Reinhard Ortner – chairperson, Franz Kerber, Claudia Hoeller, Kristijan Schellander, Gerhard Maier, Helmut Payer, Peter Nemschak, Herbert Juranek, Andreas Klingner

Shareholders

	Share in share capital (%)
1. Erste Bank der Österreichischen Sparkassen AG	54.69
2. Die Steiermärkische Bank und Sparkassen AG	40.98

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

Income Statement as at 31 December 2006, in thousand HRK

1. Net interest income	871,129
1.1. Total interest income	1,779,892
1.2. Total interest expenses	908,763
2. Net income from fees and commissions	202,922
2.1. Total income from fees and commissions	324,526
2.2. Total expenses on fees and commissions	121,604
3. Net other non-interest income	85,813
3.1. Other non-interest income	145,262
3.2. Other non-interest expenses	59,449
4. Net non-interest income	288,735
5. General administrative expenses and depreciation	564,561
6. Net operating income before loss provisions	595,302
7. Total expenses on loss provisions	89,314
7.1. Expenses on value adjustments and provisions for identified losses	23,126
7.2. Expenses on provisions for unidentified losses	66,188
8. Income/loss before taxes	505,988
9. Income tax	102,639
10. Current year profit/loss	403,350

Balance Sheet as at 31 December 2006, in thousand HRK

Structure of Assets	
1. Money assets and deposits with the CNB	6,352,866
1.1. Money assets	303,405
1.2. Deposits with the CNB	6,049,461
2. Deposits with banking institutions	4,116,760
3. MoF treasury bills and CNB bills	759,699
4. Securities and other financial instruments held for trading	165,659
5. Securities and other financial instruments available for sale	833,830
6. Securities and other financial instruments held to maturity	563,396
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	33,736
9. Loans to financial institutions	306,106
10. Loans to other clients	21,835,901
11. Investments in subsidiaries and associates	66,662
12. Foreclosed and repossessed assets	14,035
13. Tangible assets (net of depreciation)	555,484
14. Interest, fees and other assets	383,771
15. Net of: Specific reserves for unidentified losses	301,661
TOTAL ASSETS	35,686,242

Structure of Liabilities	
1. Loans from financial institutions	1,124,721
1.1. Short-term loans	129,865
1.2. Long-term loans	994,856
2. Deposits	25,302,959
2.1. Giro account and current account deposits	3,279,037
2.2. Savings deposits	2,982,302
2.3. Time deposits	19,041,620
3. Other loans	4,402,164
3.1. Short-term loans	4,397
3.2. Long-term loans	4,397,768
4. Derivative financial liabilities and other financial liabilities held for trading	20,416
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	697,783
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,312,578
9. CAPITAL	2,825,620
TOTAL LIABILITIES AND CAPITAL	35,686,242

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Shareholders

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

Management Board

Josip Protega – chairperson, Ivan Sladonja

Audit firm for 2006:

KPMG Croatia d.o.o., Zagreb

Supervisory Board

Ante Žigman – chairperson, Dragan Kovačević, Drago Jakovčević, Vera Babić, Grga Ivezić, Jadranko Mijalić, Miro Kovač

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	321,743
1.1. Total interest income	513,170
1.2. Total interest expenses	191,428
2. Net income from fees and commissions	80,924
2.1. Total income from fees and commissions	554,655
2.2. Total expenses on fees and commissions	473,731
3. Net other non-interest income	17,846
3.1. Other non-interest income	72,169
3.2. Other non-interest expenses	54,323
4. Net non-interest income	98,771
5. General administrative expenses and depreciation	275,823
6. Net operating income before loss provisions	144,690
7. Total expenses on loss provisions	12,842
7.1. Expenses on value adjustments and provisions for identified losses	-25,914
7.2. Expenses on provisions for unidentified losses	38,756
8. Income/loss before taxes	131,848
9. Income tax	30,723
10. Current year profit/loss	101,125

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	1,584,883
1.1. Money assets	288,683
1.2. Deposits with the CNB	1,296,200
2. Deposits with banking institutions	1,180,600
3. MoF treasury bills and CNB bills	1,431,696
4. Securities and other financial instruments held for trading	372,353
5. Securities and other financial instruments available for sale	297,243
6. Securities and other financial instruments held to maturity	150
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	573
9. Loans to financial institutions	32,529
10. Loans to other clients	5,999,587
11. Investments in subsidiaries and associates	35,050
12. Foreclosed and repossessed assets	46,405
13. Tangible assets (net of depreciation)	173,754
14. Interest, fees and other assets	229,812
15. Net of: Specific reserves for unidentified losses	86,407
TOTAL ASSETS	11,298,227

Structure of Liabilities	
1. Loans from financial institutions	1,378,386
1.1. Short-term loans	479,673
1.2. Long-term loans	898,714
2. Deposits	7,860,760
2.1. Giro account and current account deposits	1,865,557
2.2. Savings deposits	1,413,653
2.3. Time deposits	4,581,550
3. Other loans	25,708
3.1. Short-term loans	0
3.2. Long-term loans	25,708
4. Derivative financial liabilities and other financial liabilities held for trading	930
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,192,362
9. CAPITAL	840,081
TOTAL LIABILITIES AND CAPITAL	11,298,227

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Management Board

Radojka Olić – chairperson, Igor Kodžoman, Zoran Sikirica, Krešimir Starčević

Supervisory Board

Wolfgang Kulterer – chairperson, Josef Kircher, Othmar Ederer, Gerd Penkner, Wolfgang Peter

Shareholders

- Hypo Alpe-Adria-Bank International AG

Share in share capital (%)

100.00

Audit firm for 2006:

Confida revizija d.o.o., Zagreb

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	479,392
1.1. Total interest income	1,057,308
1.2. Total interest expenses	577,916
2. Net income from fees and commissions	193,426
2.1. Total income from fees and commissions	239,206
2.2. Total expenses on fees and commissions	45,780
3. Net other non-interest income	27,035
3.1. Other non-interest income	90,847
3.2. Other non-interest expenses	63,812
4. Net non-interest income	220,461
5. General administrative expenses and depreciation	379,310
6. Net operating income before loss provisions	320,543
7. Total expenses on loss provisions	130,539
7.1. Expenses on value adjustments and provisions for identified losses	78,281
7.2. Expenses on provisions for unidentified losses	52,258
8. Income/loss before taxes	190,004
9. Income tax	38,913
10. Current year profit/loss	151,091

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	3,403,012
1.1. Money assets	148,872
1.2. Deposits with the CNB	3,254,140
2. Deposits with banking institutions	659,799
3. MoF treasury bills and CNB bills	845,321
4. Securities and other financial instruments held for trading	606,397
5. Securities and other financial instruments available for sale	2,383,247
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	15,780
9. Loans to financial institutions	238,658
10. Loans to other clients	14,500,170
11. Investments in subsidiaries and associates	8,659
12. Foreclosed and repossessed assets	16,363
13. Tangible assets (net of depreciation)	137,423
14. Interest, fees and other assets	363,241
15. Net of: Specific reserves for unidentified losses	189,710
TOTAL ASSETS	22,988,361

Structure of Liabilities	
1. Loans from financial institutions	1,283,124
1.1. Short-term loans	383,825
1.2. Long-term loans	899,299
2. Deposits	16,507,130
2.1. Giro account and current account deposits	1,984,949
2.2. Savings deposits	1,444,891
2.3. Time deposits	13,077,289
3. Other loans	1,818,116
3.1. Short-term loans	1,799,123
3.2. Long-term loans	18,992
4. Derivative financial liabilities and other financial liabilities held for trading	259
5. Debt securities issued	30,489
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	30,489
6. Subordinated instruments issued	0
7. Hybrid instruments issued	362,231
8. Interest, fees and other liabilities	655,666
9. CAPITAL	2,331,347
TOTAL LIABILITIES AND CAPITAL	22,988,361

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Shareholders

1. Imex trgovina d.o.o.	53.73
2. Trajektna luka Split d.d.	41.14
3. Ivka Mijić	3.88

Share in share capital (%)**Management Board**

Branko Buljan – chairperson, Ružica Šarić

Audit firm for 2006:
 Maran d.o.o., Split

Supervisory Board

Anđelko Matić – chairperson, Branka Žaja, Marija Buljan

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	29,677
1.1. Total interest income	52,530
1.2. Total interest expenses	22,852
2. Net income from fees and commissions	2,049
2.1. Total income from fees and commissions	3,310
2.2. Total expenses on fees and commissions	1,261
3. Net other non-interest income	-3,054
3.1. Other non-interest income	2,275
3.2. Other non-interest expenses	5,329
4. Net non-interest income	-1,005
5. General administrative expenses and depreciation	18,527
6. Net operating income before loss provisions	10,146
7. Total expenses on loss provisions	4,837
7.1. Expenses on value adjustments and provisions for identified losses	2,680
7.2. Expenses on provisions for unidentified losses	2,156
8. Income/loss before taxes	5,309
9. Income tax	1,150
10. Current year profit/loss	4,159

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	114,432
1.1. Money assets	14,509
1.2. Deposits with the CNB	99,923
2. Deposits with banking institutions	96,863
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	37,061
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	20,000
10. Loans to other clients	433,708
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	14,086
14. Interest, fees and other assets	12,328
15. Net of: Specific reserves for unidentified losses	6,775
TOTAL ASSETS	721,703

Structure of Liabilities	
1. Loans from financial institutions	25,518
1.1. Short-term loans	24,768
1.2. Long-term loans	750
2. Deposits	590,053
2.1. Giro account and current account deposits	96,017
2.2. Savings deposits	32,553
2.3. Time deposits	461,482
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	17,150
9. CAPITAL	88,983
TOTAL LIABILITIES AND CAPITAL	721,703

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Management Board

Miro Dodić – chairperson, Marina Vidič

Supervisory Board

Milan Travan – chairperson, Edo Ivančić, Marijan
 Kovačić, Vlado Kraljević, Vlatko Reschner

Shareholders

	Share in share capital (%)
1. Intercommerce d.o.o.	16.86
2. Tvornica cementa Umag d.o.o.	15.04
3. Hempel d.o.o.	15.00
4. Serfin d.o.o.	9.66
5. Assicurazioni Generali Spa	5.08
6. Plava laguna d.d.	3.57

Audit firm for 2006:

PricewaterhouseCoopers d.o.o., Zagreb

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	56,964
1.1. Total interest income	96,374
1.2. Total interest expenses	39,410
2. Net income from fees and commissions	12,715
2.1. Total income from fees and commissions	20,974
2.2. Total expenses on fees and commissions	8,260
3. Net other non-interest income	8,642
3.1. Other non-interest income	11,533
3.2. Other non-interest expenses	2,891
4. Net non-interest income	21,357
5. General administrative expenses and depreciation	51,398
6. Net operating income before loss provisions	26,923
7. Total expenses on loss provisions	-395
7.1. Expenses on value adjustments and provisions for identified losses	-2,357
7.2. Expenses on provisions for unidentified losses	1,962
8. Income/loss before taxes	27,319
9. Income tax	5,823
10. Current year profit/loss	21,495

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	312,875
1.1. Money assets	33,015
1.2. Deposits with the CNB	279,860
2. Deposits with banking institutions	303,933
3. MoF treasury bills and CNB bills	106,995
4. Securities and other financial instruments held for trading	5,572
5. Securities and other financial instruments available for sale	47,596
6. Securities and other financial instruments held to maturity	35,494
7. Securities and other financial instruments not traded in active markets but carried at fair value	48,648
8. Derivative financial assets	0
9. Loans to financial institutions	19,000
10. Loans to other clients	966,372
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	14,939
13. Tangible assets (net of depreciation)	28,547
14. Interest, fees and other assets	19,327
15. Net of: Specific reserves for unidentified losses	14,952
TOTAL ASSETS	1,894,366

Structure of Liabilities	
1. Loans from financial institutions	25,082
1.1. Short-term loans	1,900
1.2. Long-term loans	23,182
2. Deposits	1,678,296
2.1. Giro account and current account deposits	283,442
2.2. Savings deposits	359,432
2.3. Time deposits	1,035,423
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	32,358
9. CAPITAL	158,630
TOTAL LIABILITIES AND CAPITAL	1,894,366

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Management Board

Ivo Šinko – chairperson, Marija Trlaja

Supervisory Board

Ante Kulušić – chairperson, Duje Stančić, Ivana Lemac, Mile Paić, Miro Petrić

Shareholders

	Share in share capital (%)
1. Croatia osiguranje d.d.	9.75
2. Alfa d.d.	7.89
3. PBZ d.d. (custody account)	6.64
4. Ugo oprema i građenje d.o.o.	4.92
5. Vinoplod-Vinarija d.d.	4.92
6. Jolly JBS d.o.o.	4.90
7. Importanne d.o.o.	4.81
8. Tiskara Malenica d.o.o.	4.23
9. Vodovod i odvodnja d.o.o.	4.20
10. Soci�t� G�n�rale – Splitska banka d.d. (custody account)	3.67
11. Zagreb-Montaža d.o.o.	3.49

Audit firm for 2006:
 Šibenski Revicon d.o.o., Šibenik

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	37,126
1.1. Total interest income	87,705
1.2. Total interest expenses	50,579
2. Net income from fees and commissions	10,527
2.1. Total income from fees and commissions	18,694
2.2. Total expenses on fees and commissions	8,167
3. Net other non-interest income	40,034
3.1. Other non-interest income	50,226
3.2. Other non-interest expenses	10,193
4. Net non-interest income	50,561
5. General administrative expenses and depreciation	43,938
6. Net operating income before loss provisions	43,749
7. Total expenses on loss provisions	5,519
7.1. Expenses on value adjustments and provisions for identified losses	6,354
7.2. Expenses on provisions for unidentified losses	-835
8. Income/loss before taxes	38,230
9. Income tax	7,576
10. Current year profit/loss	30,654

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	268,216
1.1. Money assets	35,089
1.2. Deposits with the CNB	233,127
2. Deposits with banking institutions	302,226
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	13,639
6. Securities and other financial instruments held to maturity	257,799
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	11
9. Loans to financial institutions	30,000
10. Loans to other clients	769,629
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	97,054
13. Tangible assets (net of depreciation)	29,302
14. Interest, fees and other assets	27,306
15. Net of: Specific reserves for unidentified losses	14,097
TOTAL ASSETS	1,781,086

Structure of Liabilities	
1. Loans from financial institutions	110,795
1.1. Short-term loans	0
1.2. Long-term loans	110,795
2. Deposits	1,445,576
2.1. Giro account and current account deposits	177,403
2.2. Savings deposits	342,555
2.3. Time deposits	925,618
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	25
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	11,784
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	22,572
9. CAPITAL	190,334
TOTAL LIABILITIES AND CAPITAL	1,781,086

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Management Board

Sandi Šola – chairperson, Sanda Cvitešić, Siniša Žanetić, Marijana Trpčić-Reškovac

Supervisory Board

Danijel Žamboki – chairperson, Boris Vidić, Darrell Peter Saric, Ivan Podvorac, Goran Vukšić

Shareholders

	Share in share capital (%)
1. Goran Ivanišević	9.63
2. Mate Šarić	9.63
3. Dario Šimić	9.63
4. Batheja Pramod	5.47
5. Marijan Šarić	4.94
6. Petar Šola	4.69
7. Croatian Privatisation Fund	3.96
8. Comparo d.o.o.	3.93
9. Ivan Jaime Guerrero Devlahovic	3.01

Audit firm for 2006:
 Revidicon d.o.o., Varaždin

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	51,600
1.1. Total interest income	80,514
1.2. Total interest expenses	28,914
2. Net income from fees and commissions	10,420
2.1. Total income from fees and commissions	23,114
2.2. Total expenses on fees and commissions	12,694
3. Net other non-interest income	977
3.1. Other non-interest income	6,522
3.2. Other non-interest expenses	5,545
4. Net non-interest income	11,397
5. General administrative expenses and depreciation	52,007
6. Net operating income before loss provisions	10,990
7. Total expenses on loss provisions	2,523
7.1. Expenses on value adjustments and provisions for identified losses	-2,732
7.2. Expenses on provisions for unidentified losses	5,254
8. Income/loss before taxes	8,467
9. Income tax	2,267
10. Current year profit/loss	6,200

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	148,266
1.1. Money assets	16,692
1.2. Deposits with the CNB	131,575
2. Deposits with banking institutions	190,994
3. MoF treasury bills and CNB bills	4,874
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	7,353
6. Securities and other financial instruments held to maturity	160,083
7. Securities and other financial instruments not traded in active markets but carried at fair value	16,605
8. Derivative financial assets	55
9. Loans to financial institutions	5,565
10. Loans to other clients	823,031
11. Investments in subsidiaries and associates	15,723
12. Foreclosed and repossessed assets	1,933
13. Tangible assets (net of depreciation)	38,223
14. Interest, fees and other assets	17,913
15. Net of: Specific reserves for unidentified losses	11,573
TOTAL ASSETS	1,419,046

Structure of Liabilities	
1. Loans from financial institutions	74,553
1.1. Short-term loans	9,782
1.2. Long-term loans	64,771
2. Deposits	1,112,808
2.1. Giro account and current account deposits	242,802
2.2. Savings deposits	257,018
2.3. Time deposits	612,989
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	55
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	1,542
7. Hybrid instruments issued	13,633
8. Interest, fees and other liabilities	39,102
9. CAPITAL	177,351
TOTAL LIABILITIES AND CAPITAL	1,419,046

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Management Board

Nelsi Rončević – chairperson, Ivan Dropulić

Supervisory Board

Mirjana Krile – chairperson, Lidija Zorić, Ankica Čeko

Shareholders

1. Euroherc osiguranje d.d.	19.90
2. Jadransko osiguranje d.d.	16.00
3. Agram životno osiguranje d.d.	12.24
4. Euroleasing d.o.o.	11.99
5. Euro daus d.d.	10.51
6. Euroduhan d.d.	4.19
7. Euroagram nekretnine d.o.o.	4.00

Share in share capital (%)

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	30,418
1.1. Total interest income	57,221
1.2. Total interest expenses	26,803
2. Net income from fees and commissions	10,255
2.1. Total income from fees and commissions	29,007
2.2. Total expenses on fees and commissions	18,752
3. Net other non-interest income	16,010
3.1. Other non-interest income	16,910
3.2. Other non-interest expenses	900
4. Net non-interest income	26,266
5. General administrative expenses and depreciation	32,163
6. Net operating income before loss provisions	24,521
7. Total expenses on loss provisions	6,301
7.1. Expenses on value adjustments and provisions for identified losses	2,905
7.2. Expenses on provisions for unidentified losses	3,396
8. Income/loss before taxes	18,219
9. Income tax	3,468
10. Current year profit/loss	14,751

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	167,042
1.1. Money assets	46,974
1.2. Deposits with the CNB	120,067
2. Deposits with banking institutions	131,180
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	14,060
6. Securities and other financial instruments held to maturity	3,674
7. Securities and other financial instruments not traded in active markets but carried at fair value	17,549
8. Derivative financial assets	968
9. Loans to financial institutions	42,000
10. Loans to other clients	580,899
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	34,505
14. Interest, fees and other assets	16,971
15. Net of: Specific reserves for unidentified losses	7,573
TOTAL ASSETS	1,001,275

Structure of Liabilities	
1. Loans from financial institutions	66,401
1.1. Short-term loans	41,650
1.2. Long-term loans	24,751
2. Deposits	736,442
2.1. Giro account and current account deposits	163,656
2.2. Savings deposits	47,168
2.3. Time deposits	525,618
3. Other loans	3,228
3.1. Short-term loans	3,228
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	27
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	36,775
9. CAPITAL	158,402
TOTAL LIABILITIES AND CAPITAL	1,001,275

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Shareholders

1. BKS Bank AG

**Share in share
 capital (%)**
 96.62

Audit firm for 2006:
 KPMG Croatia d.o.o., Zagreb

Management Board

Goran Rameša – chairperson, Milivoj Debelić

Supervisory Board

Marijan Ključariček – chairperson, Vito Svetina, Mirjana
 Petković, Dušan Todorović, Giuseppe Tomsich

**Income Statement
 as at 31 December 2006, in thousand HRK**

1. Net interest income	13,187
1.1. Total interest income	20,858
1.2. Total interest expenses	7,671
2. Net income from fees and commissions	3,627
2.1. Total income from fees and commissions	6,541
2.2. Total expenses on fees and commissions	2,914
3. Net other non-interest income	2,744
3.1. Other non-interest income	4,057
3.2. Other non-interest expenses	1,312
4. Net non-interest income	6,371
5. General administrative expenses and depreciation	14,423
6. Net operating income before loss provisions	5,135
7. Total expenses on loss provisions	452
7.1. Expenses on value adjustments and provisions for identified losses	-255
7.2. Expenses on provisions for unidentified losses	707
8. Income/loss before taxes	4,682
9. Income tax	930
10. Current year profit/loss	3,753

**Balance Sheet
 as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	45,946
1.1. Money assets	3,328
1.2. Deposits with the CNB	42,618
2. Deposits with banking institutions	48,660
3. MoF treasury bills and CNB bills	14,840
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	31,477
6. Securities and other financial instruments held to maturity	21,883
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	10,000
10. Loans to other clients	194,241
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	628
13. Tangible assets (net of depreciation)	24,823
14. Interest, fees and other assets	4,642
15. Net of: Specific reserves for unidentified losses	3,775
TOTAL ASSETS	393,365

Structure of Liabilities	
1. Loans from financial institutions	54,122
1.1. Short-term loans	7,500
1.2. Long-term loans	46,622
2. Deposits	255,011
2.1. Giro account and current account deposits	88,974
2.2. Savings deposits	33,761
2.3. Time deposits	132,276
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	10,741
9. CAPITAL	73,491
TOTAL LIABILITIES AND CAPITAL	393,365

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Shareholders

1. Privredna banka Zagreb d.d.

Share in share capital (%)

96.39

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

Management Board

Nenad Jeđud – chairperson, Ljiljana Horvat

Supervisory Board

Ivan Krolo – chairperson, Zoran Kureljušić, Gordan Miler, Ivanka Petrović, Ljiljana Miletić

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	94,288
1.1. Total interest income	151,916
1.2. Total interest expenses	57,628
2. Net income from fees and commissions	28,503
2.1. Total income from fees and commissions	32,385
2.2. Total expenses on fees and commissions	3,882
3. Net other non-interest income	-1,697
3.1. Other non-interest income	9,045
3.2. Other non-interest expenses	10,741
4. Net non-interest income	26,806
5. General administrative expenses and depreciation	57,305
6. Net operating income before loss provisions	63,789
7. Total expenses on loss provisions	21,968
7.1. Expenses on value adjustments and provisions for identified losses	13,183
7.2. Expenses on provisions for unidentified losses	8,784
8. Income/loss before taxes	41,822
9. Income tax	8,833
10. Current year profit/loss	32,988

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	290,566
1.1. Money assets	49,379
1.2. Deposits with the CNB	241,187
2. Deposits with banking institutions	366,271
3. MoF treasury bills and CNB bills	144,628
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	181,245
6. Securities and other financial instruments held to maturity	2,723
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	18
9. Loans to financial institutions	31,701
10. Loans to other clients	1,335,177
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	3,106
13. Tangible assets (net of depreciation)	36,787
14. Interest, fees and other assets	23,663
15. Net of: Specific reserves for unidentified losses	26,906
TOTAL ASSETS	2,388,979

Structure of Liabilities	
1. Loans from financial institutions	177,277
1.1. Short-term loans	0
1.2. Long-term loans	177,277
2. Deposits	1,878,369
2.1. Giro account and current account deposits	372,041
2.2. Savings deposits	380,906
2.3. Time deposits	1,125,422
3. Other loans	14,690
3.1. Short-term loans	0
3.2. Long-term loans	14,690
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	71,017
9. CAPITAL	247,626
TOTAL LIABILITIES AND CAPITAL	2,388,979

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Management Board

Stipan Pamuković – chairperson, Željko Škalec

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Kemika d.d.	14.51
2. Agram životno osiguranje d.d.	8.24
3. Euroherc osiguranje d.d.	8.24
4. Jadransko osiguranje d.d.	8.24
5. Sunce osiguranje d.d.	7.12
6. GIP Pionir d.d.	5.94
7. Dragica Predović	4.56
8. Stipan Pamuković	3.92
9. Željko Škalec	3.92
10. Aling J.T.D.	3.30

Audit firm for 2006:

Revizija Zagreb d.o.o., Zagreb

Income Statement
 as at 31 December 2006, in thousand HRK

1. Net interest income	13,276
1.1. Total interest income	29,421
1.2. Total interest expenses	16,145
2. Net income from fees and commissions	2,558
2.1. Total income from fees and commissions	4,136
2.2. Total expenses on fees and commissions	1,579
3. Net other non-interest income	1,357
3.1. Other non-interest income	2,203
3.2. Other non-interest expenses	846
4. Net non-interest income	3,915
5. General administrative expenses and depreciation	9,359
6. Net operating income before loss provisions	7,832
7. Total expenses on loss provisions	5,171
7.1. Expenses on value adjustments and provisions for identified losses	3,838
7.2. Expenses on provisions for unidentified losses	1,333
8. Income/loss before taxes	2,661
9. Income tax	524
10. Current year profit/loss	2,137

Balance Sheet
 as at 31 December 2006, in thousand HRK

Structure of Assets	
1. Money assets and deposits with the CNB	95,262
1.1. Money assets	5,868
1.2. Deposits with the CNB	89,393
2. Deposits with banking institutions	55,264
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	16,208
6. Securities and other financial instruments held to maturity	30,100
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	200
9. Loans to financial institutions	0
10. Loans to other clients	282,945
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	40
13. Tangible assets (net of depreciation)	7,379
14. Interest, fees and other assets	7,074
15. Net of: Specific reserves for unidentified losses	3,780
TOTAL ASSETS	490,691

Structure of Liabilities	
1. Loans from financial institutions	28,895
1.1. Short-term loans	17,300
1.2. Long-term loans	11,595
2. Deposits	365,705
2.1. Giro account and current account deposits	64,387
2.2. Savings deposits	8,844
2.3. Time deposits	292,473
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	350
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	7,834
9. CAPITAL	87,909
TOTAL LIABILITIES AND CAPITAL	490,691

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Shareholders

1. OTP Bank RT

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

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

Management Board

Damir Odak – chairperson, Zorislav Vidović, Balazs Pal Bekeffy

Supervisory Board

Laszlo Wolf – chairperson, Antal Gyorgy Kovacs, Pal Kovacs, Akos Takats, Andras Michnai

**Income Statement
 as at 31 December 2006, in thousand HRK**

1. Net interest income	291,192
1.1. Total interest income	513,146
1.2. Total interest expenses	221,954
2. Net income from fees and commissions	70,291
2.1. Total income from fees and commissions	111,174
2.2. Total expenses on fees and commissions	40,883
3. Net other non-interest income	18,293
3.1. Other non-interest income	49,858
3.2. Other non-interest expenses	31,565
4. Net non-interest income	88,584
5. General administrative expenses and depreciation	241,910
6. Net operating income before loss provisions	137,866
7. Total expenses on loss provisions	10,747
7.1. Expenses on value adjustments and provisions for identified losses	-8,654
7.2. Expenses on provisions for unidentified losses	19,401
8. Income/loss before taxes	127,118
9. Income tax	25,724
10. Current year profit/loss	101,394

**Balance Sheet
 as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	1,586,470
1.1. Money assets	120,294
1.2. Deposits with the CNB	1,466,176
2. Deposits with banking institutions	1,586,185
MoF treasury bills and CNB bills	166,151
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	780,979
6. Securities and other financial instruments held to maturity	56,847
7. Securities and other financial instruments not traded in active markets but carried at fair value	7,777
8. Derivative financial assets	792
9. Loans to financial institutions	162,055
10. Loans to other clients	5,762,268
11. Investments in subsidiaries and associates	78,663
12. Foreclosed and repossessed assets	17,849
13. Tangible assets (net of depreciation)	163,357
14. Interest, fees and other assets	164,210
15. Net of: Specific reserves for unidentified losses	85,081
TOTAL ASSETS	10,448,523

Structure of Liabilities	
1. Loans from financial institutions	405,827
1.1. Short-term loans	39,538
1.2. Long-term loans	366,289
2. Deposits	8,276,346
2.1. Giro account and current account deposits	1,398,742
2.2. Savings deposits	1,211,372
2.3. Time deposits	5,666,232
3. Other loans	617,361
3.1. Short-term loans	147
3.2. Long-term loans	617,214
4. Derivative financial liabilities and other financial liabilities held for trading	1,001
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	37,555
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	262,341
9. CAPITAL	848,093
TOTAL LIABILITIES AND CAPITAL	10,448,523

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Shareholders

1. Metroholding d.d.

**Share in share
 capital (%)**
 99.99

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

Management Board

Marija Šola – chairperson, Branka Oštrić

Supervisory Board

Borislav Škegro – chairperson, Igor Oppenheim, Ivan
 Čurković

**Income Statement
 as at 31 December 2006, in thousand HRK**

1. Net interest income	48,922
1.1. Total interest income	75,655
1.2. Total interest expenses	26,732
2. Net income from fees and commissions	9,648
2.1. Total income from fees and commissions	16,395
2.2. Total expenses on fees and commissions	6,747
3. Net other non-interest income	3,745
3.1. Other non-interest income	7,349
3.2. Other non-interest expenses	3,604
4. Net non-interest income	13,393
5. General administrative expenses and depreciation	44,194
6. Net operating income before loss provisions	18,122
7. Total expenses on loss provisions	-5,340
7.1. Expenses on value adjustments and provisions for identified losses	-2,161
7.2. Expenses on provisions for unidentified losses	-3,180
8. Income/loss before taxes	23,462
9. Income tax	4,668
10. Current year profit/loss	18,794

**Balance Sheet
 as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	125,916
1.1. Money assets	10,937
1.2. Deposits with the CNB	114,978
2. Deposits with banking institutions	92,467
3. MoF treasury bills and CNB bills	19,379
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	39,502
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	45
9. Loans to financial institutions	5,642
10. Loans to other clients	821,115
11. Investments in subsidiaries and associates	2,344
12. Foreclosed and repossessed assets	4,443
13. Tangible assets (net of depreciation)	37,481
14. Interest, fees and other assets	20,536
15. Net of: Specific reserves for unidentified losses	9,203
TOTAL ASSETS	1,159,667

Structure of Liabilities	
1. Loans from financial institutions	211,903
1.1. Short-term loans	19,200
1.2. Long-term loans	192,703
2. Deposits	743,850
2.1. Giro account and current account deposits	177,295
2.2. Savings deposits	48,925
2.3. Time deposits	517,630
3. Other loans	16,612
3.1. Short-term loans	0
3.2. Long-term loans	16,612
4. Derivative financial liabilities and other financial liabilities held for trading	32
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	28,565
9. CAPITAL	158,704
TOTAL LIABILITIES AND CAPITAL	1,159,667

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Management Board

Julio Kuruc – chairperson, Davorka Jakir, Marijan Marušić

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Lorenzo Gorgoni	9.50
2. Assicurazioni Generali-Societa S.p.A.	9.18
3. Cerere S.R.L.	9.17
4. Antonia Gorgoni	8.68
5. Miljan Todorovic	8.02
6. Andrea Montinari	5.54
7. Dario Montinari	5.54
8. Piero Montinari	5.54
9. Sigilfredo Montinari	5.54
10. Luigi Liaci	4.51
11. Giovanni Semeraro	4.03

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	70,979
1.1. Total interest income	132,605
1.2. Total interest expenses	61,626
2. Net income from fees and commissions	30,124
2.1. Total income from fees and commissions	43,256
2.2. Total expenses on fees and commissions	13,132
3. Net other non-interest income	13,648
3.1. Other non-interest income	22,969
3.2. Other non-interest expenses	9,321
4. Net non-interest income	43,772
5. General administrative expenses and depreciation	90,893
6. Net operating income before loss provisions	23,858
7. Total expenses on loss provisions	5,654
7.1. Expenses on value adjustments and provisions for identified losses	1,424
7.2. Expenses on provisions for unidentified losses	4,230
8. Income/loss before taxes	18,204
9. Income tax	-361
10. Current year profit/loss	18,565

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	316,848
1.1. Money assets	45,326
1.2. Deposits with the CNB	271,522
2. Deposits with banking institutions	422,596
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	120,902
6. Securities and other financial instruments held to maturity	65,213
7. Securities and other financial instruments not traded in active markets but carried at fair value	30,657
8. Derivative financial assets	29
9. Loans to financial institutions	182,021
10. Loans to other clients	1,287,478
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	4,071
13. Tangible assets (net of depreciation)	59,156
14. Interest, fees and other assets	72,111
15. Net of: Specific reserves for unidentified losses	19,800
TOTAL ASSETS	2,541,281

Structure of Liabilities	
1. Loans from financial institutions	134,644
1.1. Short-term loans	71,500
1.2. Long-term loans	63,144
2. Deposits	2,056,798
2.1. Giro account and current account deposits	413,874
2.2. Savings deposits	240,170
2.3. Time deposits	1,402,754
3. Other loans	16,730
3.1. Short-term loans	0
3.2. Long-term loans	16,730
4. Derivative financial liabilities and other financial liabilities held for trading	16
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	104,729
9. CAPITAL	228,364
TOTAL LIABILITIES AND CAPITAL	2,541,281

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Management Board

Duško Miculinić – chairperson, Željka Pavić, Anto Pekić

Supervisory Board

Francesco Signorio – chairperson, Carlo Cattaneo, Gordana Pavletić, Domenico Petrella, Franco Brunati

Shareholders

	Share in share capital (%)
1. Francesco Signorio	49.89
2. Carlo Di Dato	9.45
3. Svitlana Signorio	9.34
4. Domenico Petrella	6.43
5. Cofisi S.A.	5.82
6. J.L.L. Marc Jourdan	5.01
7. IBS S.R.L.	5.00

Audit firm for 2006:
 Repos d.o.o., Zagreb

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	5,937
1.1. Total interest income	8,532
1.2. Total interest expenses	2,596
2. Net income from fees and commissions	343
2.1. Total income from fees and commissions	988
2.2. Total expenses on fees and commissions	646
3. Net other non-interest income	2,257
3.1. Other non-interest income	2,545
3.2. Other non-interest expenses	288
4. Net non-interest income	2,600
5. General administrative expenses and depreciation	7,321
6. Net operating income before loss provisions	1,215
7. Total expenses on loss provisions	925
7.1. Expenses on value adjustments and provisions for identified losses	742
7.2. Expenses on provisions for unidentified losses	182
8. Income/loss before taxes	291
9. Income tax	0
10. Current year profit/loss	291

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	13,297
1.1. Money assets	3,119
1.2. Deposits with the CNB	10,178
2. Deposits with banking institutions	12,786
3. MoF treasury bills and CNB bills	970
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	4,380
6. Securities and other financial instruments held to maturity	2,832
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	82,621
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	48
13. Tangible assets (net of depreciation)	428
14. Interest, fees and other assets	4,212
15. Net of: Specific reserves for unidentified losses	1,023
TOTAL ASSETS	120,549

Structure of Liabilities	
1. Loans from financial institutions	2,100
1.1. Short-term loans	2,100
1.2. Long-term loans	0
2. Deposits	73,299
2.1. Giro account and current account deposits	6,932
2.2. Savings deposits	7,280
2.3. Time deposits	59,087
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	1,400
8. Interest, fees and other liabilities	3,947
9. CAPITAL	39,804
TOTAL LIABILITIES AND CAPITAL	120,549

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Management Board

Božo Prka – chairperson, Ivan Gerovac, Tomislav Lazarić, Giancarlo Miranda, Gabriela Pace, Mario Henjak, Draženko Kopljar

Supervisory Board

György Surányi – chairperson, Adriano Arietti, Paolo Grandi, Anne Fossemale, Giovanni Boccolini, Massimo Pierdicchi, Massimo Malagoli

Shareholders

	Share in share capital (%)
1. Intesa Bci Holding International S.A.	76.59
2. European Bank for Reconstruction and Development (EBRD)	20.87

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	1,472,947
1.1. Total interest income	2,717,562
1.2. Total interest expenses	1,244,614
2. Net income from fees and commissions	292,184
2.1. Total income from fees and commissions	498,787
2.2. Total expenses on fees and commissions	206,603
3. Net other non-interest income	284,777
3.1. Other non-interest income	573,220
3.2. Other non-interest expenses	288,444
4. Net non-interest income	576,961
5. General administrative expenses and depreciation	982,326
6. Net operating income before loss provisions	1,067,582
7. Total expenses on loss provisions	26,187
7.1. Expenses on value adjustments and provisions for identified losses	-18,813
7.2. Expenses on provisions for unidentified losses	45,000
8. Income/loss before taxes	1,041,396
9. Income tax	194,166
10. Current year profit/loss	847,229

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	9,327,026
1.1. Money assets	958,189
1.2. Deposits with the CNB	8,368,837
2. Deposits with banking institutions	5,215,885
3. MoF treasury bills and CNB bills	1,173,960
4. Securities and other financial instruments held for trading	1,849,782
5. Securities and other financial instruments available for sale	53,008
6. Securities and other financial instruments held to maturity	1,385,554
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	50,210
9. Loans to financial institutions	785,430
10. Loans to other clients	34,301,025
11. Investments in subsidiaries and associates	353,324
12. Foreclosed and repossessed assets	36,913
13. Tangible assets (net of depreciation)	920,576
14. Interest, fees and other assets	808,528
15. Net of: Specific reserves for unidentified losses	545,803
TOTAL ASSETS	55,715,417

Structure of Liabilities	
1. Loans from financial institutions	2,659,405
1.1. Short-term loans	1,608,186
1.2. Long-term loans	1,051,218
2. Deposits	37,438,160
2.1. Giro account and current account deposits	6,485,450
2.2. Savings deposits	5,686,559
2.3. Time deposits	25,266,151
3. Other loans	6,454,773
3.1. Short-term loans	0
3.2. Long-term loans	6,454,773
4. Derivative financial liabilities and other financial liabilities held for trading	15,011
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	2,033,896
9. CAPITAL	7,114,172
TOTAL LIABILITIES AND CAPITAL	55,715,417

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Shareholders

	Share in share capital (%)
1. Raiffeisen International Bank-Holding AG	75.00
2. Raiffeisenbank-Zagreb Beteiligungs GmbH	25.00

Management Board

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

Audit firm for 2006:
 KPMG Croatia d.o.o., Zagreb

Supervisory Board

Herbert Stepic – chairperson, Heinz Hoedl, Franz Rogi, Peter Lennkh, Martin Gruell

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	790,337
1.1. Total interest income	1,610,692
1.2. Total interest expenses	820,355
2. Net income from fees and commissions	273,303
2.1. Total income from fees and commissions	395,112
2.2. Total expenses on fees and commissions	121,809
3. Net other non-interest income	197,515
3.1. Other non-interest income	247,392
3.2. Other non-interest expenses	49,878
4. Net non-interest income	470,818
5. General administrative expenses and depreciation	610,827
6. Net operating income before loss provisions	650,328
7. Total expenses on loss provisions	106,046
7.1. Expenses on value adjustments and provisions for identified losses	45,591
7.2. Expenses on provisions for unidentified losses	60,456
8. Income/loss before taxes	544,281
9. Income tax	108,073
10. Current year profit/loss	436,208

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	5,061,043
1.1. Money assets	315,636
1.2. Deposits with the CNB	4,745,407
2. Deposits with banking institutions	2,312,663
3. MoF treasury bills and CNB bills	1,352,207
4. Securities and other financial instruments held for trading	3,357,854
5. Securities and other financial instruments available for sale	1,132
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	233,161
8. Derivative financial assets	69,804
9. Loans to financial institutions	1,231,496
10. Loans to other clients	19,239,512
11. Investments in subsidiaries and associates	214,945
12. Foreclosed and repossessed assets	283
13. Tangible assets (net of depreciation)	402,854
14. Interest, fees and other assets	495,446
15. Net of: Specific reserves for unidentified losses	236,766
TOTAL ASSETS	33,735,635

Structure of Liabilities	
1. Loans from financial institutions	1,540,010
1.1. Short-term loans	1,085,486
1.2. Long-term loans	454,524
2. Deposits	19,427,326
2.1. Giro account and current account deposits	4,757,150
2.2. Savings deposits	2,576,132
2.3. Time deposits	12,094,045
3. Other loans	8,041,159
3.1. Short-term loans	1,993,792
3.2. Long-term loans	6,047,366
4. Derivative financial liabilities and other financial liabilities held for trading	26,697
5. Debt securities issued	260,254
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	260,254
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,056,184
9. CAPITAL	3,384,006
TOTAL LIABILITIES AND CAPITAL	33,735,635

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Shareholders

1. Aqua vivae d.d.	79.34
2. Samoborka d.d.	5.15
3. Raiffeisenbank Austria d.d. (custody account)	3.78

Share in share capital (%)**Management Board**

Marijan Kantolić – chairperson, Verica Ljubičić

Audit firm for 2006:
 Revidicon d.o.o., Varaždin

Supervisory Board

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

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	9,202
1.1. Total interest income	15,458
1.2. Total interest expenses	6,256
2. Net income from fees and commissions	988
2.1. Total income from fees and commissions	3,596
2.2. Total expenses on fees and commissions	2,608
3. Net other non-interest income	2,224
3.1. Other non-interest income	3,048
3.2. Other non-interest expenses	824
4. Net non-interest income	3,212
5. General administrative expenses and depreciation	10,272
6. Net operating income before loss provisions	2,142
7. Total expenses on loss provisions	-1,597
7.1. Expenses on value adjustments and provisions for identified losses	-2,163
7.2. Expenses on provisions for unidentified losses	566
8. Income/loss before taxes	3,740
9. Income tax	771
10. Current year profit/loss	2,969

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	72,990
1.1. Money assets	10,069
1.2. Deposits with the CNB	62,921
2. Deposits with banking institutions	102,929
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	12,309
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	55
9. Loans to financial institutions	0
10. Loans to other clients	127,124
11. Investments in subsidiaries and associates	53
12. Foreclosed and repossessed assets	2,203
13. Tangible assets (net of depreciation)	25,889
14. Interest, fees and other assets	2,058
15. Net of: Specific reserves for unidentified losses	2,640
TOTAL ASSETS	342,970

Structure of Liabilities	
1. Loans from financial institutions	132
1.1. Short-term loans	0
1.2. Long-term loans	132
2. Deposits	252,189
2.1. Giro account and current account deposits	60,673
2.2. Savings deposits	68,034
2.3. Time deposits	123,482
3. Other loans	45
3.1. Short-term loans	45
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	23,266
9. CAPITAL	67,339
TOTAL LIABILITIES AND CAPITAL	342,970

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Management Board

Angelina Horvat – chairperson, Elvis Mališ

Supervisory Board

Alma Curl – chairperson, Oleg Uskoković, Krunoslav Lisjak, Blaženka Eror Matić, Mirko Lukač

Shareholders

	Share in share capital (%)
1. State Agency for Bank Rehabilitation and Deposit Insurance	8.32
2. Société Générale-Splitska banka d.d. / East Capital asset management	7.41
3. Ingra d.d.	4.91
4. PBZ d.d./Deutsche bank	4.48
5. Société Générale-Splitska banka d.d./ Gustavus Capital asset management	4.45
6. Erste & Steiermärkische bank d.d./CSC	4.40
7. HPB d.d./Kapitalni fond d.d.	3.78
8. Hypo Alpe-adria-Bank d.d./SZIF d.d.	3.49
9. Hypo Alpe-adria-Bank d.d./Hypo Alpe-adria-Bank AG	3.42
10. Raiffeisenbank Austria d.d./EQI/ICF Balanced OIF	3.35

Audit firm for 2006:
 Revizija Zagreb d.o.o., Zagreb

Income Statement
as at 31 December 2006, in thousand HRK

1. Net interest income	32,486
1.1. Total interest income	64,058
1.2. Total interest expenses	31,572
2. Net income from fees and commissions	7,840
2.1. Total income from fees and commissions	11,124
2.2. Total expenses on fees and commissions	3,284
3. Net other non-interest income	-292
3.1. Other non-interest income	3,198
3.2. Other non-interest expenses	3,489
4. Net non-interest income	7,548
5. General administrative expenses and depreciation	32,332
6. Net operating income before loss provisions	7,702
7. Total expenses on loss provisions	-4,556
7.1. Expenses on value adjustments and provisions for identified losses	-5,620
7.2. Expenses on provisions for unidentified losses	1,064
8. Income/loss before taxes	12,258
9. Income tax	2,731
10. Current year profit/loss	9,528

Balance Sheet
as at 31 December 2006, in thousand HRK

Structure of Assets	
1. Money assets and deposits with the CNB	115,808
1.1. Money assets	16,840
1.2. Deposits with the CNB	98,968
2. Deposits with banking institutions	155,380
3. MoF treasury bills and CNB bills	19,529
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	75
6. Securities and other financial instruments held to maturity	47,988
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	7
9. Loans to financial institutions	22,521
10. Loans to other clients	545,767
11. Investments in subsidiaries and associates	6,243
12. Foreclosed and repossessed assets	2,552
13. Tangible assets (net of depreciation)	29,698
14. Interest, fees and other assets	7,477
15. Net of: Specific reserves for unidentified losses	7,731
TOTAL ASSETS	945,314

Structure of Liabilities	
1. Loans from financial institutions	42,697
1.1. Short-term loans	1,388
1.2. Long-term loans	41,308
2. Deposits	707,377
2.1. Giro account and current account deposits	103,475
2.2. Savings deposits	89,835
2.3. Time deposits	514,067
3. Other loans	16,606
3.1. Short-term loans	0
3.2. Long-term loans	16,606
4. Derivative financial liabilities and other financial liabilities held for trading	7
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	26
8. Interest, fees and other liabilities	42,231
9. CAPITAL	136,370
TOTAL LIABILITIES AND CAPITAL	945,314

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Management Board

Ivan Mihaljević – chairperson, Tadija Vrdoljak, Branka Štinc

Supervisory Board

Thomas Morgl – chairperson, Paul Kocher, Zlata Vrdoljak

Shareholders

- Hypo Alpe-Adria-Bank International AG

Share in share capital (%)

99.93

Audit firm for 2006:

Confida revizija d.o.o., Zagreb

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	244,890
1.1. Total interest income	452,114
1.2. Total interest expenses	207,225
2. Net income from fees and commissions	64,441
2.1. Total income from fees and commissions	84,904
2.2. Total expenses on fees and commissions	20,463
3. Net other non-interest income	1,866
3.1. Other non-interest income	18,179
3.2. Other non-interest expenses	16,314
4. Net non-interest income	66,307
5. General administrative expenses and depreciation	184,289
6. Net operating income before loss provisions	126,907
7. Total expenses on loss provisions	52,539
7.1. Expenses on value adjustments and provisions for identified losses	38,539
7.2. Expenses on provisions for unidentified losses	14,000
8. Income/loss before taxes	74,369
9. Income tax	11,756
10. Current year profit/loss	62,612

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	2,080,042
1.1. Money assets	74,655
1.2. Deposits with the CNB	2,005,387
2. Deposits with banking institutions	658,298
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	69,844
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	165
9. Loans to financial institutions	20,000
10. Loans to other clients	5,949,026
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	80,013
13. Tangible assets (net of depreciation)	59,095
14. Interest, fees and other assets	105,046
15. Net of: Specific reserves for unidentified losses	72,246
TOTAL ASSETS	8,949,284

Structure of Liabilities	
1. Loans from financial institutions	271,953
1.1. Short-term loans	3,500
1.2. Long-term loans	268,453
2. Deposits	7,320,722
2.1. Giro account and current account deposits	914,859
2.2. Savings deposits	420,274
2.3. Time deposits	5,985,589
3. Other loans	46,560
3.1. Short-term loans	0
3.2. Long-term loans	46,560
4. Derivative financial liabilities and other financial liabilities held for trading	56
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	27,690
8. Interest, fees and other liabilities	179,648
9. CAPITAL	1,102,655
TOTAL LIABILITIES AND CAPITAL	8,949,284

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Shareholders

1. Soci t  G n rale

**Share in share
 capital (%)**
 99.76

Audit firm for 2006:
 KPMG Croatia d.o.o., Zagreb

Management Board

Pierre Boursot – chairperson, Henri Bellenger, Ivo Bilić,
 Vedrana Carević

Supervisory Board

Jean-Didier Reigner – chairperson, Serge Eveill ,
 Alexis Juan

**Income Statement
 as at 31 December 2006, in thousand HRK**

1. Net interest income	618,762
1.1. Total interest income	1,261,550
1.2. Total interest expenses	642,787
2. Net income from fees and commissions	179,861
2.1. Total income from fees and commissions	230,862
2.2. Total expenses on fees and commissions	51,001
3. Net other non-interest income	-15,306
3.1. Other non-interest income	111,065
3.2. Other non-interest expenses	126,370
4. Net non-interest income	164,555
5. General administrative expenses and depreciation	515,576
6. Net operating income before loss provisions	267,742
7. Total expenses on loss provisions	62,738
7.1. Expenses on value adjustments and provisions for identified losses	11,158
7.2. Expenses on provisions for unidentified losses	51,580
8. Income/loss before taxes	205,004
9. Income tax	42,343
10. Current year profit/loss	162,661

**Balance Sheet
 as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	5,224,990
1.1. Money assets	209,657
1.2. Deposits with the CNB	5,015,333
2. Deposits with banking institutions	1,037,358
3. MoF treasury bills and CNB bills	396,968
4. Securities and other financial instruments held for trading	53,604
5. Securities and other financial instruments available for sale	2,897,104
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	13,970
9. Loans to financial institutions	263,236
10. Loans to other clients	15,545,821
11. Investments in subsidiaries and associates	531
12. Foreclosed and repossessed assets	158
13. Tangible assets (net of depreciation)	268,326
14. Interest, fees and other assets	515,114
15. Net of: Specific reserves for unidentified losses	216,045
TOTAL ASSETS	26,001,136

Structure of Liabilities	
1. Loans from financial institutions	1,582,026
1.1. Short-term loans	394,000
1.2. Long-term loans	1,188,026
2. Deposits	11,749,144
2.1. Giro account and current account deposits	2,708,075
2.2. Savings deposits	1,785,839
2.3. Time deposits	7,255,230
3. Other loans	9,539,997
3.1. Short-term loans	3,066,399
3.2. Long-term loans	6,473,598
4. Derivative financial liabilities and other financial liabilities held for trading	1,120
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	837,959
9. CAPITAL	2,290,889
TOTAL LIABILITIES AND CAPITAL	26,001,136

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Management Board

Ante Babić – chairperson, Zdravko Zrинуšić, Christian Panjol-Tuflija

Supervisory Board

Ivo Andrijačić – chairperson, Đuro Benček, Petar Ćurković

Shareholders

- Šted-Invest d.d.
- Paveko 2000 d.o.o.

Share in share capital (%)

89.71
5.50

Audit firm for 2006:
Revizija Zagreb d.o.o., Zagreb

Income Statement
as at 31 December 2006, in thousand HRK

1. Net interest income	46,147
1.1. Total interest income	73,657
1.2. Total interest expenses	27,510
2. Net income from fees and commissions	6,861
2.1. Total income from fees and commissions	9,104
2.2. Total expenses on fees and commissions	2,243
3. Net other non-interest income	22,170
3.1. Other non-interest income	23,736
3.2. Other non-interest expenses	1,566
4. Net non-interest income	29,031
5. General administrative expenses and depreciation	18,228
6. Net operating income before loss provisions	56,950
7. Total expenses on loss provisions	-4,253
7.1. Expenses on value adjustments and provisions for identified losses	-5,149
7.2. Expenses on provisions for unidentified losses	896
8. Income/loss before taxes	61,203
9. Income tax	12,364
10. Current year profit/loss	48,839

Balance Sheet
as at 31 December 2006, in thousand HRK

Structure of Assets	
1. Money assets and deposits with the CNB	99,231
1.1. Money assets	3,553
1.2. Deposits with the CNB	95,678
2. Deposits with banking institutions	116,112
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	103,803
6. Securities and other financial instruments held to maturity	13,667
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	162
9. Loans to financial institutions	18,000
10. Loans to other clients	651,936
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	1,126
13. Tangible assets (net of depreciation)	55,754
14. Interest, fees and other assets	14,367
15. Net of: Specific reserves for unidentified losses	8,445
TOTAL ASSETS	1,065,732

Structure of Liabilities	
1. Loans from financial institutions	94,107
1.1. Short-term loans	89,677
1.2. Long-term loans	4,430
2. Deposits	613,674
2.1. Giro account and current account deposits	115,002
2.2. Savings deposits	46,521
2.3. Time deposits	452,152
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	53,155
9. CAPITAL	304,796
TOTAL LIABILITIES AND CAPITAL	1,065,732

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Shareholders

1. Fima Validus d.d.
2. Fima grupa d.d.
3. Retis d.o.o.

Share in share capital (%)

73.06
10.10
5.19

Management Board

Igor Čičak – chairperson, Marinko Benić

Audit firm for 2006:

Deloitte d.o.o., Zagreb

Supervisory Board

Milan Horvat – chairperson, Mika Mimica, Stjepan Bunić, Vladimir Košćec, Željko Filipović, Artur Gedike, Ljiljana Weissbarth

Income Statement as at 31 December 2006, in thousand HRK

1. Net interest income	8,875
1.1. Total interest income	25,620
1.2. Total interest expenses	16,745
2. Net income from fees and commissions	421
2.1. Total income from fees and commissions	2,047
2.2. Total expenses on fees and commissions	1,626
3. Net other non-interest income	16,772
3.1. Other non-interest income	20,083
3.2. Other non-interest expenses	3,311
4. Net non-interest income	17,193
5. General administrative expenses and depreciation	29,828
6. Net operating income before loss provisions	-3,760
7. Total expenses on loss provisions	-4,583
7.1. Expenses on value adjustments and provisions for identified losses	-9,107
7.2. Expenses on provisions for unidentified losses	4,524
8. Income/loss before taxes	822
9. Income tax	-283
10. Current year profit/loss	1,106

Balance Sheet as at 31 December 2006, in thousand HRK

Structure of Assets	
1. Money assets and deposits with the CNB	127,984
1.1. Money assets	8,976
1.2. Deposits with the CNB	119,008
2. Deposits with banking institutions	61,607
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	23,599
5. Securities and other financial instruments available for sale	4,059
6. Securities and other financial instruments held to maturity	25,460
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	32
9. Loans to financial institutions	19,000
10. Loans to other clients	513,524
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	1,024
13. Tangible assets (net of depreciation)	8,800
14. Interest, fees and other assets	18,190
15. Net of: Specific reserves for unidentified losses	6,277
TOTAL ASSETS	797,001

Structure of Liabilities	
1. Loans from financial institutions	5,000
1.1. Short-term loans	5,000
1.2. Long-term loans	0
2. Deposits	715,854
2.1. Giro account and current account deposits	78,501
2.2. Savings deposits	11,437
2.3. Time deposits	625,916
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	18,874
9. CAPITAL	57,274
TOTAL LIABILITIES AND CAPITAL	797,001

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Shareholders

1. Veneto banca
2. HPB d.d./ custody account
3. Raiffeisenbank Austria d.d./ custody account

Share in share capital (%)

66.17
 9.80
 8.70

Management Board

Suzana Sučić – chairperson, Krešimir Jerin

Audit firm for 2006:
 Repos d.o.o., Zagreb

Supervisory Board

Armando Bressan – chairperson, Mauro Gallea

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	23,156
1.1. Total interest income	32,017
1.2. Total interest expenses	8,861
2. Net income from fees and commissions	5,047
2.1. Total income from fees and commissions	6,475
2.2. Total expenses on fees and commissions	1,429
3. Net other non-interest income	7,040
3.1. Other non-interest income	10,713
3.2. Other non-interest expenses	3,673
4. Net non-interest income	12,087
5. General administrative expenses and depreciation	26,126
6. Net operating income before loss provisions	9,117
7. Total expenses on loss provisions	1,491
7.1. Expenses on value adjustments and provisions for identified losses	-1,453
7.2. Expenses on provisions for unidentified losses	2,945
8. Income/loss before taxes	7,626
9. Income tax	1,642
10. Current year profit/loss	5,984

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	61,918
1.1. Money assets	18,951
1.2. Deposits with the CNB	42,968
2. Deposits with banking institutions	74,365
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	518
5. Securities and other financial instruments available for sale	987
6. Securities and other financial instruments held to maturity	4,002
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	249,094
11. Investments in subsidiaries and associates	9,090
12. Foreclosed and repossessed assets	2,090
13. Tangible assets (net of depreciation)	28,456
14. Interest, fees and other assets	9,487
15. Net of: Specific reserves for unidentified losses	3,235
TOTAL ASSETS	436,772

Structure of Liabilities	
1. Loans from financial institutions	51,528
1.1. Short-term loans	12,500
1.2. Long-term loans	39,028
2. Deposits	145,283
2.1. Giro account and current account deposits	25,372
2.2. Savings deposits	25,381
2.3. Time deposits	94,530
3. Other loans	78,041
3.1. Short-term loans	0
3.2. Long-term loans	78,041
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	53,608
9. CAPITAL	108,312
TOTAL LIABILITIES AND CAPITAL	436,772

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Shareholders

1. VB International AG

**Share in share
 capital (%)**
 98.95

Audit firm for 2006:
 Ernst & Young d.o.o., Zagreb

Management Board

Tomasz Jerzy Taraba – chairperson, Andrea Kovacs,
 Dieter Hornbacher

Supervisory Board

Denis Le Moullac – chairperson, Gerhard Woeber,
 Hans Janeschitz, Fausto Maritan, Manfred Wiebogen,
 Joerg Poglitis

**Income Statement
 as at 31 December 2006, in thousand HRK**

1. Net interest income	132,370
1.1. Total interest income	259,181
1.2. Total interest expenses	126,811
2. Net income from fees and commissions	33,870
2.1. Total income from fees and commissions	39,472
2.2. Total expenses on fees and commissions	5,602
3. Net other non-interest income	14,594
3.1. Other non-interest income	26,459
3.2. Other non-interest expenses	11,865
4. Net non-interest income	48,464
5. General administrative expenses and depreciation	128,254
6. Net operating income before loss provisions	52,580
7. Total expenses on loss provisions	22,456
7.1. Expenses on value adjustments and provisions for identified losses	-101
7.2. Expenses on provisions for unidentified losses	22,557
8. Income/loss before taxes	30,124
9. Income tax	5,800
10. Current year profit/loss	24,324

**Balance Sheet
 as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	1,047,494
1.1. Money assets	45,961
1.2. Deposits with the CNB	1,001,533
2. Deposits with banking institutions	612,961
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	822
5. Securities and other financial instruments available for sale	186,447
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	3,562
9. Loans to financial institutions	267,300
10. Loans to other clients	3,830,807
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	12,555
14. Interest, fees and other assets	65,850
15. Net of: Specific reserves for unidentified losses	54,302
TOTAL ASSETS	5,973,498

Structure of Liabilities	
1. Loans from financial institutions	298,452
1.1. Short-term loans	267,300
1.2. Long-term loans	31,152
2. Deposits	2,709,338
2.1. Giro account and current account deposits	628,169
2.2. Savings deposits	248,805
2.3. Time deposits	1,832,365
3. Other loans	2,006,531
3.1. Short-term loans	0
3.2. Long-term loans	2,006,531
4. Derivative financial liabilities and other financial liabilities held for trading	3,470
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	70,035
8. Interest, fees and other liabilities	159,877
9. CAPITAL	725,794
TOTAL LIABILITIES AND CAPITAL	5,973,498

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

Shareholders

1. Bank Austria Creditanstalt AG
2. Allianz SE

Share in share capital (%)

84.49
 11.72

Audit firm for 2006:
 KPMG Croatia d.o.o., Zagreb

Management Board

Franjo Luković – chairperson, Milivoj Goldštajn,
 Zvonimir Jurjević, Tomica Pustišek, Sanja Rendulić,
 Tea Martinčić, Miljenko Živaljić, Christian Suppanz

Supervisory Board

Andrea Moneta – chairperson, Jakša Barbić, Paolo
 Fiorentino, Klaus Junker, Torsten Leue, Guisepp
 Vovk, Mato Lukinić, Stefano Lo Faso, Carmine Ferrara

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	1,657,715
1.1. Total interest income	3,267,516
1.2. Total interest expenses	1,609,801
2. Net income from fees and commissions	650,909
2.1. Total income from fees and commissions	824,626
2.2. Total expenses on fees and commissions	173,717
3. Net other non-interest income	220,784
3.1. Other non-interest income	317,363
3.2. Other non-interest expenses	96,579
4. Net non-interest income	871,694
5. General administrative expenses and depreciation	1,344,148
6. Net operating income before loss provisions	1,185,260
7. Total expenses on loss provisions	105,603
7.1. Expenses on value adjustments and provisions for identified losses	44,794
7.2. Expenses on provisions for unidentified losses	60,809
8. Income/loss before taxes	1,079,657
9. Income tax	219,964
10. Current year profit/loss	859,693

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	10,830,479
1.1. Money assets	1,041,240
1.2. Deposits with the CNB	9,789,238
2. Deposits with banking institutions	5,293,867
3. MoF treasury bills and CNB bills	1,567,654
4. Securities and other financial instruments held for trading	1,275,250
5. Securities and other financial instruments available for sale	4,467,511
6. Securities and other financial instruments held to maturity	343,586
7. Securities and other financial instruments not traded in active markets but carried at fair value	99,398
8. Derivative financial assets	90,650
9. Loans to financial institutions	305,397
10. Loans to other clients	43,266,422
11. Investments in subsidiaries and associates	882,161
12. Foreclosed and repossessed assets	26,456
13. Tangible assets (net of depreciation)	1,163,102
14. Interest, fees and other assets	1,236,867
15. Net of: Specific reserves for unidentified losses	682,828
TOTAL ASSETS	70,165,970

Structure of Liabilities	
1. Loans from financial institutions	2,844,754
1.1. Short-term loans	2,467,470
1.2. Long-term loans	377,284
2. Deposits	48,484,012
2.1. Giro account and current account deposits	10,574,529
2.2. Savings deposits	6,561,662
2.3. Time deposits	31,347,821
3. Other loans	6,654,251
3.1. Short-term loans	3,157,270
3.2. Long-term loans	3,496,981
4. Derivative financial liabilities and other financial liabilities held for trading	151,670
5. Debt securities issued	3,292,676
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	3,292,676
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,877,196
9. CAPITAL	6,861,411
TOTAL LIABILITIES AND CAPITAL	70,165,970

HPB STAMBENA ŠTEDIONICA d.d.

Praška 5, 10000 Zagreb
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 www.hpb.hr

Shareholders

1. Hrvatska poštanska banka d.d.

Share in share capital (%)

100.00

Audit firm for 2006:

KPMG Croatia d.o.o., Zagreb

Management Board

Dunja Vidošević – chairperson, Jasminka Makarun

Supervisory Board

Marijo Kirinić – chairperson, Ana Klarić, Josip Ivančić

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	822
1.1. Total interest income	844
1.2. Total interest expenses	22
2. Net income from fees and commissions	98
2.1. Total income from fees and commissions	114
2.2. Total expenses on fees and commissions	15
3. Net other non-interest income	-4,855
3.1. Other non-interest income	138
3.2. Other non-interest expenses	4,993
4. Net non-interest income	-4,757
5. General administrative expenses and depreciation	2,621
6. Net operating income before loss provisions	-6,556
7. Total expenses on loss provisions	282
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on provisions for unidentified losses	282
8. Income/loss before taxes	-6,838
9. Income tax	0
10. Current year profit/loss	-6,838

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	0
1.1. Money assets	0
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	891
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	31,469
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	0
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	7
14. Interest, fees and other assets	1,666
15. Net of: Specific reserves for unidentified losses	282
TOTAL ASSETS	33,751

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	4,400
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	4,400
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	6,851
9. CAPITAL	22,499
TOTAL LIABILITIES AND CAPITAL	33,751

PBZ STAMBENA ŠTEDIONICA d.d.

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Management Board

Mirko Brozović – chairperson, Branimir Čosić

Supervisory Board

Tomislav Lazarić – chairperson, Dinko Lucić, Dražen Kovačić, Ivan Ivčić, Andrea Pavlović

Shareholders

1. Privredna banka Zagreb d.d.

Share in share capital (%)

100.00

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

Income Statement
as at 31 December 2006, in thousand HRK

1. Net interest income	4,514
1.1. Total interest income	32,626
1.2. Total interest expenses	28,112
2. Net income from fees and commissions	13,109
2.1. Total income from fees and commissions	13,908
2.2. Total expenses on fees and commissions	800
3. Net other non-interest income	-1,391
3.1. Other non-interest income	237
3.2. Other non-interest expenses	1,628
4. Net non-interest income	11,718
5. General administrative expenses and depreciation	12,204
6. Net operating income before loss provisions	4,028
7. Total expenses on loss provisions	3,028
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on provisions for unidentified losses	3,028
8. Income/loss before taxes	1,000
9. Income tax	101
10. Current year profit/loss	899

Balance Sheet
as at 31 December 2006, in thousand HRK

Structure of Assets	
1. Money assets and deposits with the CNB	0
1.1. Money assets	0
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	20,176
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	797,575
6. Securities and other financial instruments held to maturity	195,573
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	4,141
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	453
14. Interest, fees and other assets	15,742
15. Net of: Specific reserves for unidentified losses	8,775
TOTAL ASSETS	1,024,885

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	971,214
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	971,214
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	18,706
9. CAPITAL	34,965
TOTAL LIABILITIES AND CAPITAL	1,024,885

PRVA STAMBENA ŠTEDIONICA d.d.

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Shareholders

1. Zagrebačka banka d.d.

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

Audit firm for 2006:

KPMG Croatia d.o.o., Zagreb

Management Board

Snježana Herceg – chairperson, Srećko Maceković

Supervisory Board

Tomica Pustišek – chairperson, Zvonimir Jurjević,
 Davor Pavlić

Income Statement
as at 31 December 2006, in thousand HRK

1. Net interest income	11,467
1.1. Total interest income	79,270
1.2. Total interest expenses	67,803
2. Net income from fees and commissions	16,357
2.1. Total income from fees and commissions	21,341
2.2. Total expenses on fees and commissions	4,984
3. Net other non-interest income	-93
3.1. Other non-interest income	10,371
3.2. Other non-interest expenses	10,465
4. Net non-interest income	16,264
5. General administrative expenses and depreciation	15,958
6. Net operating income before loss provisions	11,772
7. Total expenses on loss provisions	-3,310
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on provisions for unidentified losses	-3,310
8. Income/loss before taxes	15,082
9. Income tax	3,397
10. Current year profit/loss	11,685

Balance Sheet
as at 31 December 2006, in thousand HRK

Structure of Assets	
1. Money assets and deposits with the CNB	0
1.1. Money assets	0
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	11,273
3. MoF treasury bills and CNB bills	342,518
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	85,823
6. Securities and other financial instruments held to maturity	1,036,015
7. Securities and other financial instruments not traded in active markets but carried at fair value	225,639
8. Derivative financial assets	0
9. Loans to financial institutions	18,000
10. Loans to other clients	410,411
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	1,668
14. Interest, fees and other assets	118,127
15. Net of: Specific reserves for unidentified losses	17,100
TOTAL ASSETS	2,232,374

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	2,033,562
2.1. Giro account and current account deposits	0
2.2. Savings deposits	33
2.3. Time deposits	2,033,528
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	132,238
9. CAPITAL	66,574
TOTAL LIABILITIES AND CAPITAL	2,232,374

RAIFFEISEN STAMBENA ŠTEDIONICA d.d.

Radnička cesta 43, 10000 Zagreb
 Phone: +385 1/6006-100
 Fax: +385 1/6006-199
 www.raiffeisenstambena.hr

Shareholders

1. Raiffeisen Bausparkasse GmbH	74.00
2. Raiffeisenbank Austria d.d.	26.00

Share in share capital (%)**Management Board**

Hans Christian Vallant – chairperson, Franjo Franjić

Audit firm for 2006:

KPMG Croatia d.o.o., Zagreb

Supervisory Board

Johann Ertl – chairperson, Zdenko Adrović, Christian Ratz

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	38,512
1.1. Total interest income	108,850
1.2. Total interest expenses	70,339
2. Net income from fees and commissions	23,904
2.1. Total income from fees and commissions	27,653
2.2. Total expenses on fees and commissions	3,749
3. Net other non-interest income	-49,213
3.1. Other non-interest income	-41,075
3.2. Other non-interest expenses	8,138
4. Net non-interest income	-25,309
5. General administrative expenses and depreciation	47,901
6. Net operating income before loss provisions	-34,699
7. Total expenses on loss provisions	3,664
7.1. Expenses on value adjustments and provisions for identified losses	2,942
7.2. Expenses on provisions for unidentified losses	722
8. Income/loss before taxes	-38,362
9. Income tax	-7,619
10. Current year profit/loss	-30,743

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	2
1.1. Money assets	2
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	67,698
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	997,902
8. Derivative financial assets	5,399
9. Loans to financial institutions	26,200
10. Loans to other clients	952,126
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	3,030
14. Interest, fees and other assets	103,338
15. Net of: Specific reserves for unidentified losses	9,105
TOTAL ASSETS	2,146,591

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	1,904,680
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	1,904,680
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	51,416
8. Interest, fees and other liabilities	146,014
9. CAPITAL	44,482
TOTAL LIABILITIES AND CAPITAL	2,146,591

WÜSTENROT STAMBENA ŠTEDIONICA d.d.

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Shareholders

1. Bausparkasse Wüstenrot AG	39.52
2. Wüstenrot Bank AG	39.52
3. Wüstenrot Versicherungs AG	20.96

Share in share capital (%)**Management Board**

Zdravko Anđel – chairperson, Herbert Weinzetl

Audit firm for 2006:

Ernst & Young d.o.o., Zagreb

Supervisory Board

Wolfgang Radlegger – chairperson, Annerose Bidermann, Werner Wabscheg, Georg Neumann, Klaus Wöhry

**Income Statement
as at 31 December 2006, in thousand HRK**

1. Net interest income	22,722
1.1. Total interest income	43,283
1.2. Total interest expenses	20,561
2. Net income from fees and commissions	15,114
2.1. Total income from fees and commissions	15,560
2.2. Total expenses on fees and commissions	446
3. Net other non-interest income	-29,277
3.1. Other non-interest income	-20,177
3.2. Other non-interest expenses	9,100
4. Net non-interest income	-14,163
5. General administrative expenses and depreciation	35,028
6. Net operating income before loss provisions	-26,470
7. Total expenses on loss provisions	3,030
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on provisions for unidentified losses	3,030
8. Income/loss before taxes	-29,499
9. Income tax	0
10. Current year profit/loss	-29,499

**Balance Sheet
as at 31 December 2006, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	3
1.1. Money assets	3
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	11,471
3. MoF treasury bills and CNB bills	5,142
4. Securities and other financial instruments held for trading	284,390
5. Securities and other financial instruments available for sale	143,465
6. Securities and other financial instruments held to maturity	71,667
7. Securities and other financial instruments not traded in active markets but carried at fair value	37,086
8. Derivative financial assets	0
9. Loans to financial institutions	25,673
10. Loans to other clients	346,358
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	1,838
14. Interest, fees and other assets	11,903
15. Net of: Specific reserves for unidentified losses	5,188
TOTAL ASSETS	933,808

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	889,767
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	889,767
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	10,283
8. Interest, fees and other liabilities	8,698
9. CAPITAL	25,060
TOTAL LIABILITIES AND CAPITAL	933,808

Attachment I

List of Banking Institutions by Peer Groups, end of period

	Name of banking institution and its registered office	Peer group identifier			
		Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006
1.	Banka Brod d.d., Slavonski Brod	M	M	M	M
2.	Banka Kovanica d.d., Varaždin	M	M	M	M
3.	Banka Sonic d.d., Zagreb*	M	M	M	M
4.	Banka Splitsko-dalmatinska d.d., Split	M	M	M	M
5.	Centar banka d.d., Zagreb	M	M	M	M
6.	Credo banka d.d., Split	M	M	M	M
7.	Croatia banka d.d., Zagreb	M	M	M	M
	Dresdner Bank Croatia d.d., Zagreb ¹	M	M	–	–
	Dubrovačka banka d.d., Dubrovnik ²	S	–	–	–
8.	Erste & Steiermärkische Bank d.d., Rijeka	V	V	V	V
9.	Gospodarsko-kreditna banka d.d., Zagreb**	M	M	M	M
10.	Hrvatska poštanska banka d.d., Zagreb	S	S	S	S
11.	Hypo Alpe-Adria-Bank d.d., Zagreb	V	V	V	V
12.	Imex banka d.d., Split	M	M	M	M
13.	Istarska kreditna banka Umag d.d., Umag	M	M	M	M
14.	Jadranska banka d.d., Šibenik	M	M	M	M
15.	Karlovačka banka d.d., Karlovac	M	M	M	M
16.	Kreditna banka Zagreb d.d., Zagreb	M	M	M	M
	Križevačka banka d.d., Križevci ³	M	M	–	–
17.	Kvarner banka d.d., Rijeka	M	M	M	M
18.	Međimurska banka d.d., Čakovec	M	M	M	M
19.	Nava banka d.d., Zagreb	M	M	M	M
20.	OTP banka Hrvatska d.d., Zadar	S	S	S	S
21.	Partner banka d.d., Zagreb	M	M	M	M
22.	Podravska banka d.d., Koprivnica	M	M	M	M
	Požeška banka d.d., Požega ⁴	M	M	M	–
23.	Primorska banka d.d., Rijeka	M	M	M	M
	Primus banka d.d., Zagreb ⁵	M	–	–	–
	Privredna banka – Laguna banka d.d., Poreč ⁶	M	M	–	–
24.	Privredna banka Zagreb d.d., Zagreb	V	V	V	V
25.	Raiffeisenbank Austria d.d., Zagreb	V	V	V	V
	Riadria banka d.d., Rijeka ⁷	M	–	–	–
26.	Samoborska banka d.d., Samobor	M	M	M	M
27.	Slatinska banka d.d., Slatina	M	M	M	M
28.	Slavonska banka d.d., Osijek	S	S	S	S
29.	Société Générale-Splitska banka d.d., Split	V	V	V	V
30.	Štedbanka d.d., Zagreb	M	M	M	M
31.	Vaba d.d. banka Varaždin, Varaždin	M	M	M	M
	Varaždinska banka d.d., Varaždin ⁸	S	–	–	–
32.	Volksbank d.d., Zagreb	S	S	S	S
33.	Zagrebačka banka d.d., Zagreb	V	V	V	V
1.	HPB stambena štedionica d.d., Zagreb	–	–	–	SŠ
2.	PBZ stambena štedionica d.d., Zagreb	–	–	–	SŠ
3.	Prva stambena štedionica d.d., Zagreb	–	–	–	SŠ
4.	Raiffeisen stambena štedionica d.d., Zagreb	–	–	–	SŠ
5.	Wüstenrot stambena štedionica d.d., Zagreb	–	–	–	SŠ

¹ Dresdner Bank Croatia d.d., Zagreb pripojena je Zagrebačkoj banci d.d., Zagreb. ² Dubrovačka banka d.d., Dubrovnik pripojena je OTP (Novoj) banci Hrvatska d.d., Zadar. ³ Križevačka banka d.d., Križevci samostalno je pokrenula postupak likvidacije. ⁴ Požeška banka d.d., Požega pripojena je Podravskoj banci d.d., Koprivnica. ⁵ Banci je 22. prosinca 2004. oduzeto odobrenje za rad. ⁶ Privredna banka – Laguna banka d.d., Poreč pripojena je Privrednoj banci Zagreb d.d., Zagreb. ⁷ Riadria banka d.d., Rijeka pripojena je Privrednoj banci Zagreb d.d., Zagreb. ⁸ Varaždinska banka d.d., Varaždin pripojena je Zagrebačkoj banci d.d., Zagreb. * Banka Sonic d.d., Zagreb 23. travnja 2007. promijenila je ime u Banco Popolare Croatia d.d. ** Gospodarsko-kreditna banka 6. travnja 2007. promijenila je ime u Veneto banka d.d.

Attachment II

Banking Groups, as at 31 December 2006		
Banking group	Superordinate institution	Banking group members
1. CENTAR BANKA	Centar banka d.d., Zagreb	Centar leasing d.o.o., Zagreb Ceba Invest d.o.o. za upravljanje investicijskim fondovima
2. HRVATSKA POŠTANSKA BANKA	Hrvatska poštanska banka d.d.	HPB stambena štedionica d.d., Zagreb
3. HYPO ALPE-ADRIA-BANK	Hypo Alpe-Adria-Bank d.d., Zagreb	Hypo Alpe-Adria-Invest d.d., Zagreb Hypo Alpe-Adria-Vrijednosnice d.o.o., Zagreb Hypo Alpe-Adria-Nekretnine d.o.o., Zagreb Alpe Adria Centar d.o.o., Zagreb Magus d.o.o., Zagreb Projekt nekretnine d.o.o., Zagreb
4. OTP BANKA HRVATSKA	OTP banka Hrvatska d.d.	OTP Invest d.o.o., Zagreb OTP Nekretnine d.o.o., Zadar
5. PRIVREDNA BANKA ZAGREB	Privredna banka Zagreb d.d., Zagreb	PBZ Card d.o.o., Zagreb Međimurska banka d.d., Čakovec PBZ Leasing d.o.o., Zagreb PBZ Invest d.o.o., Zagreb PBZ Croatia osiguranje d.d., Zagreb Invest Holding Karlovac d.o.o., Karlovac PBZ Nekretnine d.o.o., Zagreb PBZ Stambena štedionica d.d., Zagreb Cards d.o.o., Skoplje Centurion d.o.o., Ljubljana Centurion d.o.o., Sarajevo LT Gospodarska banka d.d., Sarajevo
6. RAIFFEISENBANK AUSTRIA	Raiffeisenbank Austria d.d., Zagreb	Raiffeisen leasing d.o.o., Zagreb, Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom d.o.o., Zagreb Raiffeisen poslovni prostori d.o.o., Zagreb Raiffeisen upravljanje nekretninama d.o.o., Zagreb Raiffeisen consulting d.o.o., Zagreb Raiffeisen Invest d.o.o., Zagreb Raiffeisen stambena štedionica d.d., Zagreb
7. SLATINSKA BANKA	Slatinska banka d.d.	Turbina d.o.o., Slatina
8. ZAGREBAČKA BANKA	Zagrebačka banka d.d., Zagreb	UniCredit Zagrebačka banka d.d., Mostar Prva stambena štedionica d.d., Zagreb ZB Invest d.o.o., Zagreb Pominvest d.d., Split Zagreb nekretnine d.o.o., Zagreb Allianz ZB društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o., Zagreb Allianz ZB mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb ZANE BiH, Sarajevo

Abbreviations

bn	– billion
CNB	– Croatian National Bank
IAS	– International Accounting Standards
m	– million
MoF	– Ministry of Finance

