Annual Report 2013

Zagreb, May 2014

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ANNUAL REPORT 2013

PUBLISHER

Croatian National Bank
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www.hnb.hr

Printed in 420 copies

ISSN 1331-6567 (print)
ISSN 1334-0107 (online)

CROATIAN NATIONAL BANK

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Contents

Summary

Unfavourable economic trends marked the year 2013. Economic activity and domestic consumption continued to shrink for the fifth year in a row, sustaining unfavourable developments in the labour market. Notwithstanding the rise in foreign demand and accession to the European Union in mid-2013, exports also dropped. Inflation was subdued amid such conditions and its decline was due to the spillover of lower global prices of food and other raw materials onto domestic prices and a favourable base effect. With the budget deficit sustained at an elevated level, the continuation of negative economic trends led to a noticeable relative deterioration in the risk premium and loss of the investment credit rating. Banks' profit also dropped sharply, although their operating profitability remained very good and their capital adequacy ratio high. Monetary policy responded to these unfavourable trends by increasing the system liquidity and maintaining stability of the nominal exchange rate of the kuna against the euro, as in the previous years. Although budget expenditures on a cash basis rose sharply, while revenues were somewhat lower, it is not indicative of an expansionary fiscal policy. Larger expenditures were the outcome of higher interest expenses, payments to the EU budget and the settlement of health sector arrears from previous years. As a result, the general government deficit (on an accrual basis, ESA 95) held steady on an annual level in 2013. All this points to the necessity of stepping up the implementation of structural reforms to enhance the competitiveness of the economy and improve the general business climate.

The gross domestic product in the Republic of Croatia decreased by 1% in real terms in 2013, which represents a cumulative fall in economic activity of 12% from 2008. Broken down by periods, economic activity shrank in the first quarter and stagnated in the second quarter of 2013. The fall in real GDP, which was recorded again in the third quarter, gained significant momentum in the last quarter. The stabilisation of economic trends in mid-2013 was mostly due to favourable one-off trade effects of the accession to the EU, but the introduction of fiscal cash registers raised uncertainties regarding the interpretation of economic trends in 2013. The contraction in economic activity at the entire 2013 level was due equally to the fall in exports and the drop in aggregate demand. Government consumption alone grew, mildly, while all other components of aggregate demand decreased.

Real gross value added dropped in most activities in 2013. The decline in overall economic activity was mostly due to the decrease in gross value added in manufacturing, while growth was seen only in a few service activities, notably those associated with the public sector.

Affected by negative economic trends, labour market conditions continued to deteriorate in 2013. Employment was stable in the first eight months, so that labour market results were somewhat better than in 2012. However, as adverse trends intensified sharply towards the end of the year, average employment dropped by 1.5% on an annual basis. The overall fall in employment in 2013 was due to adverse employment movements in almost all economic activities, with the exception of some service activities and the public sector. As unemployment steadily increased, the ILO unemployment rate grew further, averaging 17.1% in 2013, compared with 15.8% in 2012. Nominal wages grew only marginally, while real wages dropped for the fourth consecutive year.

The annual consumer price inflation rate fell sharply in 2013 – from 4.7% in December 2012 to only 0.3% in December 2013, with the contributions of energy and food decreasing the most. The slowdown in inflation in 2013 was, on the one hand, the result of short-term factors, in particular the spillover effect from a decline in world prices of crude oil, food and other raw materials onto domestic prices, the favourable base effect associated with the rise in VAT and administrative prices in early 2012 and the increased competition due to the removal of the remaining protective tariffs after Croatia joined the EU. On the other hand, weak domestic demand and the absence of domestic cost pressures have been contributing to low inflation for several years.

After four years of a steady decline in the deficit, the current account balance improved further in 2013 and was positive, at 1.3% of GDP. This improvement was largely the result of the smaller deficit based on factor income, which was in turn due to the fall in profitability of domestic enterprises in foreign ownership. Net exports of services (tourism) also increased. By contrast, the foreign trade deficit widened as exports of goods fell more than those of imports.

Foreign capital flows in 2013 were mostly affected by strong government borrowing. In contrast, credit institutions continued to deleverage, albeit at a slower rate than in the previous year. As foreign investors continued to be cautious, inflows from direct equity investment to Croatia dwindled further, while new investment mostly related to real estate, financial intermediation, retail trade and manufacture of basic metals. The much lower profit of domestic enterprises in foreign ownership also affected reinvested earnings, which were negative.

The net debt position continued to improve in 2013; net external debt was reduced by EUR 0.3bn, to EUR 25.8bn at the year-end, or 59.6% of GDP. International reserves grew strongly in the same period. The net debt position was also favourably affected by the deleveraging of other domestic sectors, in particular public enterprises and non-banking financial institutions, as well as credit institutions. By contrast, the net debt position of the government deteriorated, while the net external debt stock based on foreign direct investments increased.

Interest rates in the European financial market were on average lower in 2013 than in the previous year, as was the global risk premium. Nevertheless, risk perception for Croatia deteriorated so that its risk premium was much higher at end-2013 than that for comparable countries in the region. This reduced the positive impact of favourable financing conditions for parent banks of the largest domestic banks on the access of domestic sectors to foreign capital.

In 2013, the Croatian National Bank additionally improved monetary system liquidity while maintaining stability of the nominal exchange rate of the kuna against the euro. A stable exchange rate for the domestic currency as the main nominal anchor preserves financial stability and keeps inflation in the country at bay. The policy of abundant liquidity continued an expansive monetary policy orientation of the CNB aimed at improving domestic financing conditions and supporting the recovery in domestic lending against a background of adverse economic developments. Among other things, this policy provided for the financing of a portion of short-term public debt at very favourable interest rates as yields on T-bills were extremely low. The main monetary policy instrument in 2013 was foreign exchange transactions of the central bank with the government, banks and the European Commission, whereby EUR 341.3m net was purchased and HRK 2.6bn created. The average liquidity surplus in the monetary system grew to HRK 5.0bn in 2013 and the average overnight interest rate in the interbank market dropped to a record low (0.37%). In line with the described conditions in the money market, the CNB cut the interest rate on overnight deposits of credit institutions with the CNB from 0.25% to 0.00% in April 2013 and the Lombard loan rate from 6.25% to 5.0% in December 2013.

To encourage lending to the economy, the central bank has enabled the implementation of various lending programmes in the last few years. One of them, the Economic Development Programme, which the CNB launched in cooperation with the CBRD in mid-2012, finished at the end of 2013. For this reason, the CNB embarked on a new model to support corporate lending in late 2013 which, like the previous models, was initiated by the lowering of the reserve requirement rate, from 13.5% to 12%. However, the banks were obliged this time to invest the funds released by the cut in the reserve requirement rate in three-year compulsory CNB bills. The bills are to be repurchased by the central bank before maturity only if banks increase loans to enterprises.

Notwithstanding a very satisfactory level of liquidity, developments in monetary and credit aggregates in 2013 continued to reflect the absence of a recovery in the real sector. Net foreign assets of the monetary system grew thanks to an improvement in the central bank's foreign position, as well as an improvement in the net foreign position of credit institutions, whose external deleveraging continued in 2013 at a slower pace than in 2012. Net domestic assets rose moderately; within their structure, placements to the central government grew the most, while placements to other sectors (excluding exchange rate changes and one-off effects[1]) remained almost unchanged. Corporate loans rose slightly (2.0%), while households continued to deleverage (reducing their debts by 1.6%). Total liquid assets (M4) increased by 2.9% as a result of changes in net domestic and net foreign assets.

In conditions of the continued CNB policy of high primary liquidity, the already low needs of the banks for money market financing decreased further in 2013 so that interest rates in the money market fell to historic lows, and were followed by yields on T-bills, all maturity terms and currencies included. Spurred by the growth in the country risk premium, interest rates on government bonds issued in the domestic and international markets went up in the same period. The prolonged period of good financial system liquidity also contributed to a slight decrease in bank deposit rates in 2013, while bank lending rates remained stable.

Total assets of banks, after value adjustments of placements, decreased in 2013 and were HRK 1.8bn or 0.5% less than at end-2012. The fall in bank assets was, among other things, due to regulatory changes in the field of placement classification, the sale of a portion of claims by one bank and the exit of one bank from the system.

Banks' profit fell considerably in 2013, while profitability indicators deteriorated further. The major factor that led to the decrease in profit was the strong growth in expenses on value adjustments and provisions. The growth was largely due to changes in the rules for placement classification, in effect as of October 2013, aimed at ensuring a more objective collateral valuation and timely recognition of losses. The decline in profit was also due to the reduction in the net interest margin, which was the result of the drop in collection of interest income and lower market interest rates. As other margins held steady in that period, operating profitability of banks remained very strong. Banks tried to relieve the pressures on profitability by reducing expenses, in particular by deleveraging in the financial markets and cutting general operating expenses. Profitability indicators fell to record lows since 1998, with the return on average assets (ROAA) and the return on average equity (ROAE) standing at 0.3% and 1.3% respectively.

The absence of a strong recovery in lending activities, the continuation of unfavourable economic trends and the ageing of portfolios contributed to the further deterioration of the loan quality indicator. The share of partly recoverable and irrecoverable placements went up from 13.9% at end-2012 to 15.6% at end-2013. This growth would have been even stronger if one bank had not transferred a portion of its non-performing claims to a company owned by its parent bank. The major impact on the deterioration in the quality of total loans was made by corporate loans, where the share of non-performing loans reached 28.1%. The strong increase in provisions, which was due to the

1 One-off effects in 2012 relate to the assumption of shipyards loans by the Ministry of Finance and the transaction of one bank which, aiming to reduce its partly recoverable and irrecoverable placements transferred a portion of its claims to a company indirectly owned by the parent bank. One-off effects in 2013 relate to the bankruptcy of Centar banka, methodological changes in the recording of fees and another transfer of one bank's recoverable and irrecoverable placements to an affiliated enterprise.

implementation of new measures, considerably raised the coverage of non-performing loans by value adjustments.

The capital adequacy ratio of banks stood at 20.9% at the end of 2013 and guaranteed the good average readiness of the domestic banking system for new regulatory rules scheduled to enter into effect in 2014. The increase in the capital requirement for credit risk lowered the capital adequacy ratio of housing savings banks, from 21.3% at the end of 2012 to a still high 19.9% at the end of 2013.

Total international reserves of the Republic of Croatia stood at EUR 12.9bn at the end of 2013, growing by 14.9% from the end of 2012. Net usable international reserves also increased (by 3.3%) and stood at EUR 10.5bn at the end of 2013. The rise was primarily due to foreign currency inflows to the account of the Ministry of Finance based on borrowing in the foreign and domestic markets, the net purchase of foreign exchange from the government and banks, and income from reserve investment. In the same period, the most important factors contributing to the decrease in reserves were the sales of foreign exchange to banks in Croatia and to the European Commission. As international reserves grew more than the short-term liabilities of domestic sectors, the indicator of their adequacy also improved slightly. The coverage of short-term debt (on a remaining maturity basis) went up from 88.1% at the end of 2012 to 89.3% at the end of 2013, and was the most favourable since the onset of the crisis in 2008.

Following the strong fiscal adjustment in 2012, the general government deficit (ESA 95) was almost the same in 2013 as in 2012, i.e. 4.9% of GDP. On the other hand, estimated net borrowing (GFS 2001) grew annually by 2 percentage points, from 3.4% to 5.4% of GDP. The rise in the deficit on a cash basis was mostly due to the fall in profit tax revenues, the settlement of previous years' debt of health institutions, higher interest expenses and payments to the EU budget. As the deficit was financed by borrowings and the funds needed to satisfy substantial financial needs of the government budget for 2014 were secured in 2013, public debt grew strongly, to 67.1% of GDP at the end of the year. In late 2013, within the excessive deficit procedure, the European Commission issued a proposal for a Council decision on the existence of an excessive deficit and a proposal of recommendations for its correction.

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Macroeconomic developments

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1.1 International environment

The world economy grew by 3.0%[1] in 2013 (as compared to 3.2% in 2012), which was the third consecutive year in which a slow-down in global growth was recorded. Global recovery still remained very uneven. The real GDP of the eurozone fell in 2013 for the second consecutive year, although it recorded a mild growth on a quarterly basis from the second quarter. The slow economic recovery is linked to a long process of deleveraging by the private sector and the necessity to achieve fiscal sustainability in some member states. Unlike the eurozone, the US and Japan recorded strong and dynamic economic recovery thanks among other things to the implementation of a very expansive monetary policy. Although the Fed started rescinding some of the non-standard monetary policy measures in December, key interest rates in the US were kept unchanged at a very low level and continued to provide stimulus to the economic activity. In Japan, monetary expansion is part of the government's ambitious recovery programme which aims to accelerate the economy and put an end to the prolonged deflation. The growth in developing and emerging market countries decreased for a third consecutive year, the result partially of domestic factors and partially of the worsening of external financing conditions.

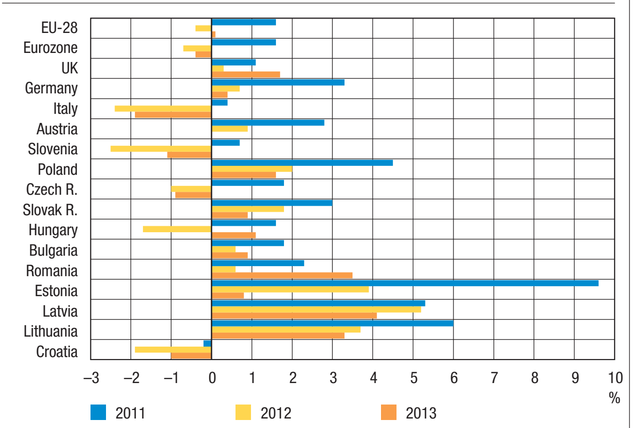
European Union and the eurozone

Real economic activity in the European Union stagnated in 2013 (0.1%), while a decrease of 0.5% was recorded at the level of the eurozone. Positive contributions to real GDP dynamics came from government consumption and net exports, while negative contributions came from personal consumption and gross capital formation. The process of deleveraging by households, as well as by the banks, was among the key obstacles to the recovery in private demand. At a quarterly level, the real GDP in the eurozone recorded a slow economic recovery from the second quarter of 2013, mainly as a result of the acceleration of growth in Germany, while movements in Italy, Spain and Greece had a pronounced negative impact throughout most of 2013. However, in the last quarter, Spain and Italy, following a prolonged recession, also recorded an increase in real GDP at a quarterly level, which provided support to economic activity in the eurozone towards the end of the year.

The European Central Bank reduced its key interest rate on two occasions in 2013 to boost economic recovery in the eurozone. The ECB reduced its key interest rate by 0.25 percentage points (from 0.75% to 0.50%) in early May, and again in November by the same amount, to 0.25%. In addition, since July 2013, the ECB officials have regularly emphasised that expansionary monetary policy measures will continue to apply until a more dynamic economic recovery is achieved, with the intention of exerting additional influence on market expectations. Notwithstanding the measures undertaken, there was no acceleration of growth, and a slowdown in inflation was observed towards the end of 2013, so that the annual inflation rate fell to 0.8% in December.

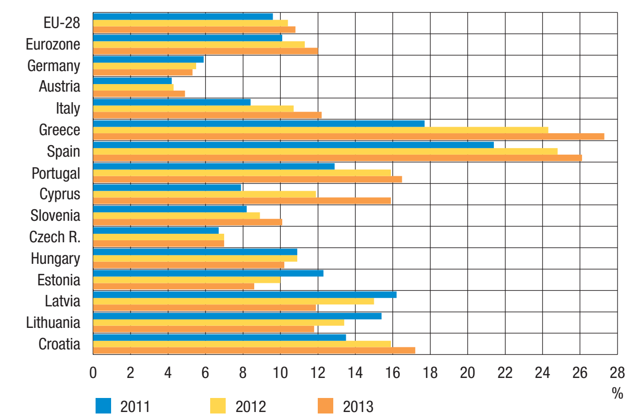
All EU countries outside the eurozone, apart from the Czech Republic and Croatia, recorded real GDP growth in 2013. Latvia, Lithuania and Great Britain recorded particularly high growth rates. Latvia and Lithuania were in a very deep recession in 2009. After a strong correction of the accumulated imbalances, these countries are continually recording the highest economic growth rates in the European Union. The acceleration of the economic activity in Great Britain was the result of a considerable strengthening in personal consumption, and was aided by very favourable financing conditions supported by the

1.1 Real GDP growth in EU countries



Source: Eurostat.

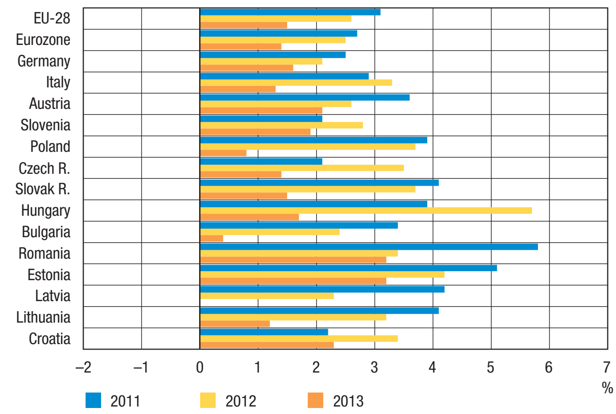
1.2 Unemployment rate in EU countries



Source: Eurostat.

1 Estimate, IMF, *WEO Update*, January 2014.

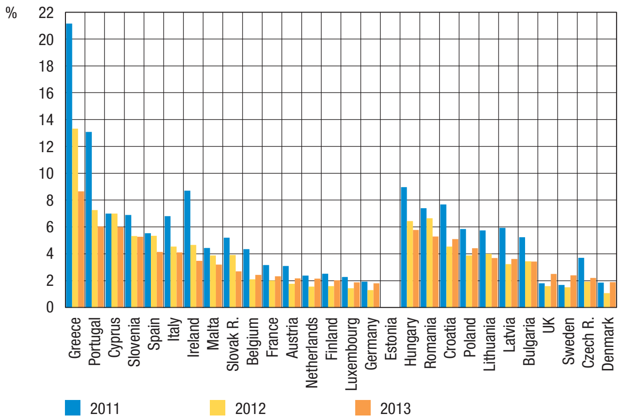
1.3 HICP annual average rate of change in EU countries



Source: Eurostat.

1.4 Interest rates on long-term government bonds in domestic currency

according to the Maastricht convergence criteria, average vaule in December



Source: Eurostat.

implementation of an expansionary monetary policy.

The unemployment rate in the eurozone further increased in 2013, and stood on average at 12.1% (11.4% in 2012). The movement of the total unemployment rate for the eurozone conceals considerable differences in trends among individual members. In Germany, for example, the unemployment rate rapidly declined in 2013, so that in the last quarter it was only 5.1%, which was the lowest level for this rate over the past few decades. The unemployment rate was also declining in Austria, and a significant improvement in labour market conditions was recorded in the Baltic countries. In contrast, in the peripheral eurozone countries unemployment continued to increase in accord with the continuation of unfavourable economic trends. Spain and Greece reported an exceptionally high unemployment rate, which reached 26.5% and 27.6%, respectively, in these countries in the second half, while Cyprus, Italy Portugal and Slovenia reported considerable increases in the unemployment rate.

The annual inflation rate in the eurozone decreased gradually in 2013 and on average stood at 1.4% (2.5% in the previous year), which is considerably below the ECB's medium-term inflation target. The slowdown in the growth of consumer prices was primarily linked to a significant slowdown in the growth of energy prices (0.6% vs 7.6% in 2012), as well as to low demand in a large number of member states. The inflation rate also decreased noticeably in the countries outside the eurozone, primarily due to a sudden slowdown in the growth of energy prices.

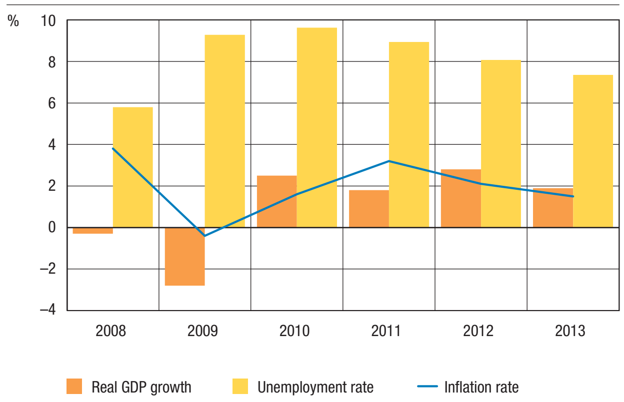
In 2013, the movement of the yield spread on bonds of EU member states was strongly influenced by volatility in the global financial markets. In particular, following the Fed's announcement that it would reduce the pace of its monetary expansion in the US, some of the member states faced an increase in market yields in the middle of the year, but yield growth was halted soon afterwards. In the last quarter, conditions in the global financial markets improved markedly, so that investor appetite for government bonds of peripheral eurozone countries increased, although investors were still cautious as a result of a very slow recovery and the building deflationary pressures in the eurozone. Contributions to the favourable trend in the yield spread in the last quarter came from the disclosures of favourable economic indicators for some of the member states, in particular Italy, Spain and Slovenia.

United States of America

American real economic activity increased by 1.9% in 2013 as compared to 2.8% in 2012. Although economic growth was lower than in the previous two years, the US was among the generators of global economic growth. Real GDP growth was primarily based on stronger personal consumption and gross capital formation in accordance with very favourable financing conditions and a strong growth of employment, while a positive contribution, although considerably lower, came from net exports. The contribution of government consumption to economic developments was negative, owing, among other things, to the entry into force of budgetary provisions which eliminated part of the previously enacted fiscal stimulus. In addition, due to a political gridlock concerning the 2014 budget, the federal government entered into a temporary shutdown in October, which had an adverse effect on the annual government consumption dynamics. Favourable economic developments enabled a fast recovery in the labour market, which was reflected in the strong growth of employment and in the decrease in the unemployment rate, which by December went down to 6.7% (from 7.9% in December 2012).

A slowdown in consumer price growth was also recorded in the US, where the average inflation rate in 2013 was 1.5% (2.1% in 2012). The major contribution to the decrease in the growth of prices came from the fall of the price of motor fuels and the slowdown in the rise in food prices, while the growth in the prices of other energy products and individual services contributed to a growth in the index. In a low inflationary environment, the Fed continued actively supporting the acceleration in US economic activity by maintaining its key interest rates at

1.5 Real GDP growth, unemployment and inflation rates in the USA



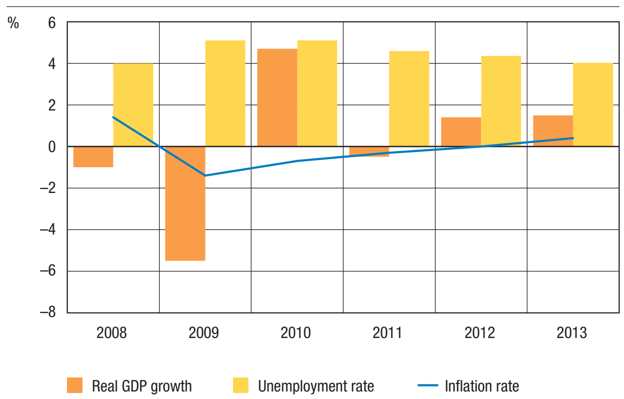
Sources: Bureau of Economic Analysis and U. S. Department of Labor.

an extremely low level and by continuing the implementation of the securities purchase programme. However, as a more dynamic economic activity was recorded, the risks linked to the strong expansion of the central bank's balance sheet increased, so that in December, the Fed began a gradual withdrawal of such transactions. Nevertheless, financing conditions should remain favourable because the Fed took on the obligation to maintain its key interest rates at a very low level even after the unemployment rate falls below 6.5%, previously set as a threshold for an increase in interest rates.

Japan

Japanese real GDP grew by 1.5% in 2013, i.e. the growth rate slightly increased from the previous year (1.4%). The key contribution to economic activity came from personal consumption, but other domestic demand components also had a positive impact on growth. The above mentioned economic developments are linked to the implementation of the recovery programme, which is based on a combination of fiscal stimulus and strong monetary expansion; its fundamental objectives include boosting economic growth and curbing deflation, which has been constantly recorded in the Japanese economy since the end of the 1990s. The recovery programme contributed to the acceleration of economic activity, and the planned inflation rate growth was achieved, so that in December the annual inflation rate was 1.6%. Fiscal expansion resulted in a further increase in the deficit of the general government, with public debt continuing to grow strongly and exceeding 240% of GDP in the course of the year. Despite an extremely high level of public debt, Japan's fiscal sustainability is not jeopardized because of the exceptionally low yields on the Japanese public debt, as well as a very favourable creditor structure dominated by domestic institutional investors.

1.6 Real GDP growth, unemployment and inflation rates in Japan



Sources: Eurostat and Statistics Bureau of Japan.

Developing and emerging market countries

Developing and emerging market countries recorded an economic growth of 4.7%[2] in 2013, the third consecutive year in which a slowdown in economic growth of this group of countries was recorded. Despite the weakening growth dynamics, these countries continue to have a positive impact on the growth rate of the world economy. The trend of a slowdown in growth in these economies was the result of structural limitations, as well as the macroeconomic imbalances that had formed in some countries during the cyclical upsurge, making them vulnerable to volatility in the financial markets. Uncertainty in the financial markets due to the expected monetary policy accommodations in the US also had an unfavourable effect on the position of the emerging market countries. Following the announcement made by the Fed chair in May that it was planning to start withdrawing a part of its monetary stimulus measures in 2013, a partial withdrawal of capital from the emerging market countries was recorded in mid-year, in particular from those markets which were viewed as more risky. The Fed's September decision on a temporary postponement of the start of accommodation also had an impact on the calming of international capital flows.

China demonstrated that its economy was relatively resilient to the worsening conditions in the global financial markets, so that in 2013 its real GDP growth was 7.7%[3]. Although economic growth slowed down in the first half of the year, it regained its dynamics in the second half of the year because investment activities speeded up. In the post-crisis period, Chinese growth has been increasingly based on the growth in domestic investments, while the contribution of net exports to total growth has decreased. However, the expansion of domestic demand has led to certain internal imbalances, so that the Chinese authorities have tried to limit credit growth dynamics to curb a further accumulation of economic imbalances.

In the Indian economy, a real GDP growth of 4.4%[4] was recorded in 2013, or an increase in the growth rate by 1.2 percentage points from 2012. A gradual slowdown in growth, which began towards the end of 2011, continued in the first half

2 Estimate, IMF, *WEO Update*, January 2014.
3 Estimate, IMF, *WEO Update*, January 2014.
4 Estimate, IMF, *WEO Update*, January 2014.

of the year, while in the second half economic activity accelerated thanks to the favourable results in agriculture and exports. Due to high inflation and pronounced external imbalances, India belongs to a group of countries which have been particularly exposed to volatility in the global financial markets.

Economic growth in the Russian Federation slowed down markedly in 2013, to 1.5%[5] as compared to 3.4% in 2012. The noticeable slowdown in growth was primarily the result of weak foreign demand and low investment activity, while personal consumption continued to increase, supported by further growth of real wages and consumer loans. In mid-2013, a stronger capital outflow was recorded, as in the majority of emerging market countries, which resulted in an increase in the exchange rate fluctuations of the Russian ruble and the fall in asset value in the capital market.

Lower growth than in the previous year was also recorded in Latin American countries, with real GDP increasing by 2.6% in 2013 (3.0% in 2012). The growth slowdown was primarily the result of weak global demand and lower prices of exported raw materials and, in some countries, monetary policy tightening in a setting of higher inflation. In addition, since mid-2013 the majority of these countries have been exposed to strong fluctuations in capital flows, which causes problems for the economic policy makers.

Southeast European countries

Almost all Southeast European countries recorded economic recovery in 2013. The most prominent acceleration in economic activity was seen in Serbia, thanks to a very strong increase in exports, and in Macedonia and Bosnia and Herzegovina due to positive growth rates after the recession in 2012. However, despite recent improvements, economic conditions are still rather unfavourable, which is particularly shown by exceptionally high unemployment rates in these countries.

Serbian real GDP increased by 2.4%[6] after recording a strong fall in 2012 (of 1.7%). A sudden turnaround in real GDP dynamics is primarily the reflection of the strong car exports, which is linked to significant foreign investments in this sector. On the other hand, all components of domestic demand had a negative impact on economic activity, which, among other things, is the consequence of the implementation of fiscal consolidation. Disturbances in the financial markets were also reflected in Serbia, so that the central bank intervened in the foreign exchange market at mid-year, trying to limit the impact of capital outflows on the exchange rate of the domestic currency.

Economic activity in Bosnia and Herzegovina increased by 1.0%[7] in 2013 in real terms (in the previous year it had decreased by 0.7%). The above mentioned strengthening of economic activity mostly reflected the growth in net exports, while the contribution of domestic factors was negative. As far as foreign trade results are concerned, exports of goods grew in 2013, predominantly due to the strong increase in exports of electricity, while imports of goods decreased. Imports from Croatia were mostly reduced, as a consequence of Croatia's leaving CEFTA at the moment of its accession to the European Union.

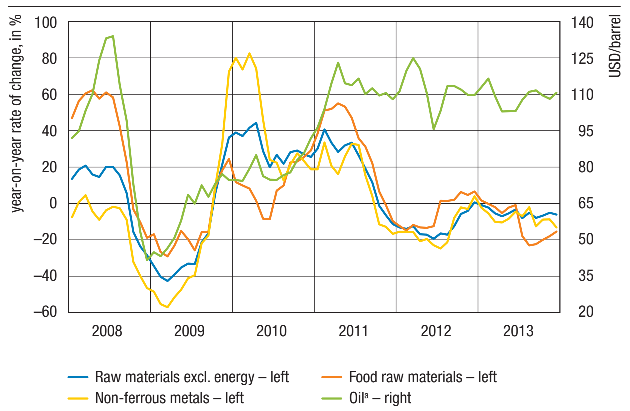
Trends in the prices of raw materials and foreign exchange rate

Crude oil prices rose at the beginning of 2013 amid growing optimism concerning economic developments in the key world economies, with the Brent crude oil price amounting to USD 119 per barrel in February. This was followed by a gradual fall and stabilisation of crude oil prices at the level below USD 100 per barrel, based on the expectations of a slower growth in global demand, accompanied by a higher supply of this energy product in the world market. Oil prices grew strongly in July and August due to the worsening geopolitical situation in North Africa, reaching USD 118 per barrel at the end of August. However, the conflicts had already eased by mid-September and the price of crude oil soon dropped below USD 110 per barrel, and stayed at this level during the last quarter.

Raw material prices as measured by the HWWI index (excluding energy products, in US dollars) gradually decreased in 2013, the annual rate of change of this index standing at –6.2% in December 2013. The raw material prices index decreased primarily as a result of the drop in food prices, which was linked to the continued strong decline in cereal prices in the world market. The downward trend in cereal prices began in September 2012; by December 2013, the cumulative fall in the prices of this raw material was almost 40%. Industrial raw material prices also dropped under the influence of the gradual fall in the prices of non-ferrous metals, mostly attributed to the slowdown in economic growth in China which accounts for a significant share of total world metal consumption.

The average dollar to euro exchange rate in 2013 was EUR/USD 1.33, while in 2012 its average value was EUR/USD 1.28. After a temporary weakening in January, the US dollar gained strength against the euro at the beginning of February under investor concern about the intensification of the financial crisis in Cyprus and the political turmoil in Italy. For the rest of the year,

1.7 Raw material prices in the world market



[a] UK Brent oil price.
Sources: Bloomberg and HWWI.

5 Estimate, IMF, *WEO Update*, January 2014.
6 *Eastern European Consensus Forecast*, February 2014.
7 *Eastern European Consensus Forecast*, February 2014.

the movement of the US dollar against the euro was under the impact of announcements of results in economic developments in the eurozone and the US, as well as the decisions of the two economies' central banks. At mid-year, the dollar gained significant strength against the euro since Fed officials announced a gradual slowdown of monetary expansion. The currency started to depreciate in September when the Fed decided to temporarily postpone the start of these accommodations. As well as to the central banks' moves, the financial markets also started reacting more markedly to the reports on the trend in the US employment because Fed had announced that the planned withdrawal of a part the stimulus measures would be conditioned by the continuation of the more favourable movements in the labour market. The Swiss franc to euro exchange rate was very stable throughout 2013, fluctuating within a narrow band around the average level of EUR/CHF 1.23.

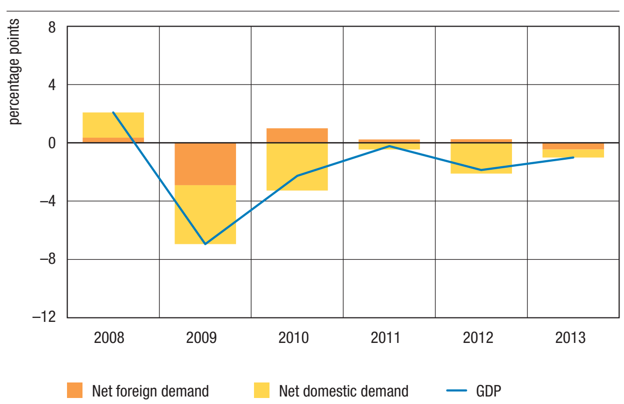
1.2 Economic activity

Croatia's gross domestic product declined by 1% in 2013. This was the fifth consecutive year of GDP contraction, which makes a cumulative fall of 12% from the peak of the business cycle in 2008. Looked on a quarterly basis, negative developments in the seasonally adjusted GDP were recorded through most of 2013, with the exception of the second quarter, when economic activity stagnated.

1.2.1 Demand

Unfavourable developments in aggregate demand in 2013 were due equally to the fall in domestic demand and the decline in exports. Following their continuous contribution to the annual growth in GDP after 2010, in 2013 exports of goods decreased (4.1%), even in conditions of growing foreign demand, indicating an accelerating decrease in market shares of domestic enterprises in foreign markets. As for domestic components of aggregate demand, personal consumption made the largest contribution to the fall in the economic activity, due to the continuation of adverse labour market trends and household deleveraging. Investments also continued to decrease in 2013, though at a much slower pace. In addition, imports of goods and services declined considerably in line with the fall in all components of aggregate demand, making a statistically positive contribution to GDP growth.

1.8 Contributions of domestic and foreign demand to the real change in GDP



Note: Net contributions of foreign and domestic demand are estimated using input-output tables.
Sources: CBS and CNB calculations.

Personal consumption fell in real terms in 2013 (1%). Statistically recorded personal consumption went up in the first and the second quarter, although the introduction of fiscal cash registers increased uncertainty regarding consumption trends in that period. Household consumption was limited in 2013, particularly due to the fall in the real net wage bill caused by the lower number of employed persons, but also by a decline in the average real net wage. A very slow rise in the average nominal net wage (0.6%), associated also with a fall in public sector wages, resulted in a decrease in the real purchasing power of the average wage, which was accompanied by a moderate growth in prices (2.2%). At the same time, uncertainty as regards future economic developments spurred further household deleveraging. Consumer confidence increased in the first half of 2013, which can partly be attributed to the rise in optimism, related to the accession to the European Union, while it decreased in the second half of the year, in line with unfavourable trends in disposable income.

Government consumption slightly increased in 2013 (0.5%); it was the only aggregate demand component that increased from the previous year. Seasonally adjusted data show that government consumption grew throughout the year, except in the third quarter. The use of goods and services and the number of civil servants and public administration employees increased in 2013. However, nominal compensations of employees were reduced in 2013, mostly due to the decrease in wages of civil servants and public administration employees by 3% from March 2013, non-payment of holiday bonuses and the base effect of the decrease in the health insurance contribution rate from May 2012.

Gross fixed capital formation narrowed in 2013 (1%), which is the fifth consecutive year of the decline in investment activity, though at a lower intensity. This was mostly the result of the fall in private sector investments under the conditions of aggregate demand contraction, under-utilisation of the existing production capacities and uncertainty regarding future economic developments. Construction works on buildings weakened again due to the strong contraction of private sector investments, whereas other civil engineering works intensified due to the strengthening of public sector investments. However, public sector investments proved insufficient for the recovery of the construction activity, which recorded a strong fall in GVA in 2013. Foreign investments had no positive impact on the investment recovery either, given that investments in newly-established companies and the recapitalisation of acquired companies additionally decreased from the already extremely low levels from the previous year.

Real exports of goods and services were reduced by 1.8%. After three years of growth, exports of goods and services declined in 2013, despite the strengthening of foreign demand. Seasonally adjusted data show extremely negative results in nominal exports of goods in the first quarter and a gradual recovery in the rest of the year. Nominal exports of capital goods, non-durable consumer goods and intermediate goods decreased sharply, whereas real exports of services grew (0.7%) on the annual level, primarily due to growth in the tourist industry. Real imports of goods and service also decreased significantly in 2013, which is mostly the result of the decline in imports of goods.

1.2.2 Supply

Real gross value added (GVA) of the total economy was 0.7% lower in 2013 than in 2012. GVA declined in most activities, and growth was recorded only in service activities related to the public sector and information and communication activities.

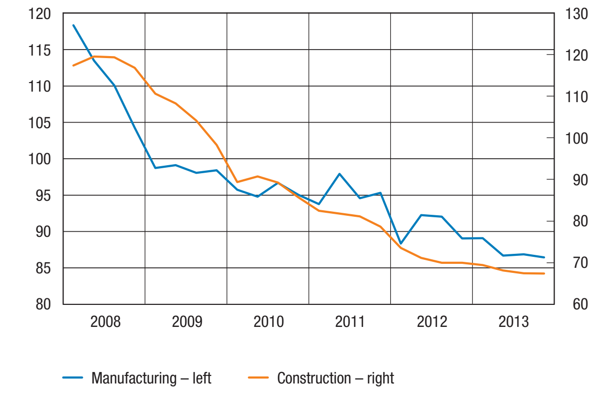
Industry and construction

Gross value added in industry continued to trend down in 2013 (1.9%) and made the largest contribution to the fall in GVA in the whole economy. The weakening of industrial production mostly reflects the decline in domestic demand, but real goods exports also decreased.

The fall in the industrial production volume is reflected primarily in the decline in the economic activity of manufacturing, mining and quarrying, while electricity supply recorded positive results due to favourable hydrological conditions, especially in the first half of the year. Detailed data show that the largest fall was recorded in the manufacture of other transport equipment, tobacco products and wearing apparel. Growth was recorded only in a few activities, particularly in other mining and quarrying, other manufacturing and the manufacture of basic metals. The mentioned activities were marked by a strong decline in 2012, so their growth in 2013 can partly be attributed to the low base from the previous year.

Gross value added in construction fell considerably again in 2013 (4.3%). It was mostly the result of the continued downward trend in the private sector investment activity, which is shown by the decline in the volume index of construction works on buildings. On the other hand, the public sector spurred construction activity in 2013, according to the fiscal statistics data and indicators of working hours in other civil engineering works. However, any increase in the construction activity is still restrained by the large number of unsold residential units on the market, low investments in new

1.10 Gross value added in manufacturing and construction
seasonally adjusted values, chain index, 2005 = 100

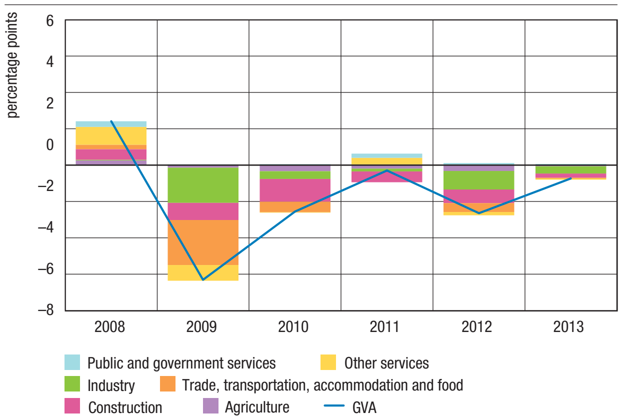


Source: CBS data seasonally adjusted by the CNB.

1.11 Gross value added in trade, transportation, accommodation and food service activities
seasonally adjusted values, chain index, 2005 = 100

Source: CBS data seasonally adjusted by the CNB.

1.9 Contributions of NCA activities to the real change in gross value added



Sources: CBS and CNB calculations.

production capacities and uncertainty regarding future economic developments.

Non-financial services

Gross value added in trade, transportation, accommodation and food service activities also fell in 2013 (0.2%). Following a strong correction in 2012, there was no recovery of these activities in 2013, primarily due to the decrease in personal consumption. Nevertheless, according to available indicators, a rise was recorded in accommodation and food service activities due to favourable results in tourism.

As regards the transportation activity, total passenger transport, measured by the number of passengers carried, decreased, particularly in railway transport, while the number of passengers in road, seawater and coastal transport increased. Furthermore, 1.5% more tonnage of goods was carried in 2013 than in the previous year. The increase relates to the transport via pipeline and road transport, while data on other means of transport show a fall in the amount of goods carried.

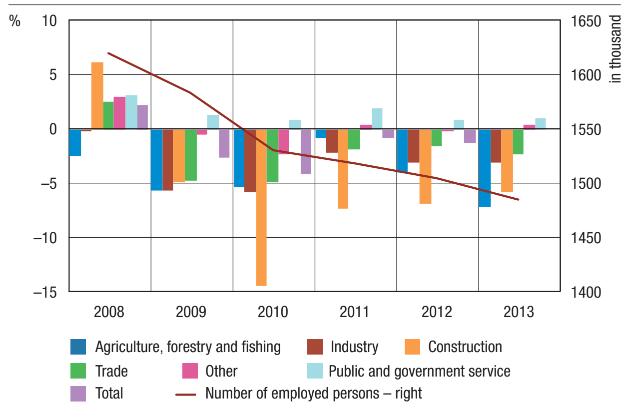
1.2.3 Labour market

Labour market conditions continued to deteriorate in 2013, reflecting the negative economic developments. Although the stabilisation of employment observed in the first eight months led to slightly more favourable labour market trends than in 2012, adverse trends sharply intensified towards the end of the year, leading to a marked decrease in the number of employed persons on the annual level. At the same time, the number of unemployed persons continued to grow, as did the unemployment rate. Nominal wages increased only slightly in 2013, whereas real wages decreased for the fourth consecutive year.

Employment and unemployment according to administrative sources[8]

The decline in the number of employed persons additionally accelerated in 2013 relative to the previous year, with the average number of employed persons being 22,000 or 1.5% lower than in 2012. If the employment dynamics over the course of the year is observed, the number of employed persons temporarily stabilised and slightly increased in the first half of the year, but in the third and fourth quarter employment fell considerably. Negative employment trends in almost all economic activities, except in some service activities and the public sector, contributed to the total fall in the number of employed persons in 2013. A particularly strong decline was recorded in industry,

1.12 Total employment and employment by sectors
year-on-year rate of change



Note: Public and government services refer to O, P and Q activities according to NCA 2007.
Source: CPIA.

Table 1.1 Inflows into and outflows from the CES register
rate of change over the same period last year, in %

	2012/ 2011	1–6/2013 1–6/2012	7–12/2013 7–12/2012	2013/ 2012	Share in total flow		
					1–6/2013	7–12/2013	2013
1 Newly registered							
1.1 By type of inflow	**7.8**	**–1.4**	**0.9**	**–0.1**	**100.0**	**100.0**	**100.0**
– Directly from employment	14.7	0.5	–1.5	–0.7	63.1	64.8	64.1
– From private agriculture or any other similar work	–45.1	–5.6	4.2	–0.1	1.4	1.3	1.3
– Directly from school	15.7	–1.9	10.5	8.1	4.0	13.6	9.7
– From inactivity	–4.3	–4.8	2.7	–1.4	31.6	20.2	24.9
1.2 By previous work experience	**7.8**	**–1.4**	**0.9**	**–0.1**	**100.0**	**100.0**	**100.0**
– First-time job seekers	4.6	–2.5	7.8	4.1	16.0	21.8	19.4
– Previously employed	8.6	–1.2	–0.9	–1.0	84.0	78.2	80.6
2 Outflow from the CES register	–7.1	10.8	14.8	12.6	100.0	100.0	100.0
– Employed based on work contract	4.8	10.9	9.3	10.2	64.3	50.9	58.1
– Employed based on other business activities	–40.0	167.5	88.9	122.8	6.8	7.4	7.1
– Deleted from the register for other reasons	–17.7	–2.8	13.8	5.8	28.9	41.7	34.8

Source: CES.

8 Administrative sources of data are CPIA for employment and CES for unemployment. The CPIA data on the number of insured persons are considered to be more reliable short-term indicator of employment in the economy than CBS data, given the fact that CBS data are revised.

retail and wholesale trade and construction, where the number of employed persons decreased by 6% and stood at 95,000 in December 2013, a decrease of 50,000 or 36% from the end of 2008. In the same period, the number of persons employed in the public sector continued to increase, as well as the average number of persons employed in service activities, inter alia due to strong seasonal employment during the summer.

According to CES administrative data, the number of unemployed persons increased by 6.4% in 2013, almost the same as in 2012. The number of unemployed persons gradually decreased in the first eight months, which was followed by a strong growth towards the end of the year. As concerns inflows into the CES register, the number of newly registered persons only slightly decreased in 2013. The number of newly registered persons coming directly from employment declined, while the number of registered persons coming directly from school went up. Outflows from the CES register increased significantly, with outflows from the register for employment increasing by 10.2%, whereas the number of outflows from the register for other business activities was more than twice that of the previous year, mostly due to the Government's programme for vocational training of persons without work experience.

The growth in the number of unemployed persons resulted in an increase in the unemployment rate, so the average registered unemployment rate went up by 20.3% in 2013 (as compared to 19.0% in 2012), reaching its peak from 2002.

Employment and unemployment according to the Labour Force Survey data

Labour market developments revealed by CBS Survey data[9], were even more adverse than shown by those from administrative sources. The Labour Force Survey results show that the average number of employed persons was 3.8% lower and that the average number of unemployed persons was 5.8% higher in 2013 than in 2012. Such movements led to an increase in the ILO unemployment rate even stronger than in the administrative unemployment rate, standing at 17.1% on average, compared to 15.8% in 2012. The activity rate declined further, to an average of 44%, which places Croatia among the lowest ranked EU countries in terms of that indicator.

Wages and labour costs

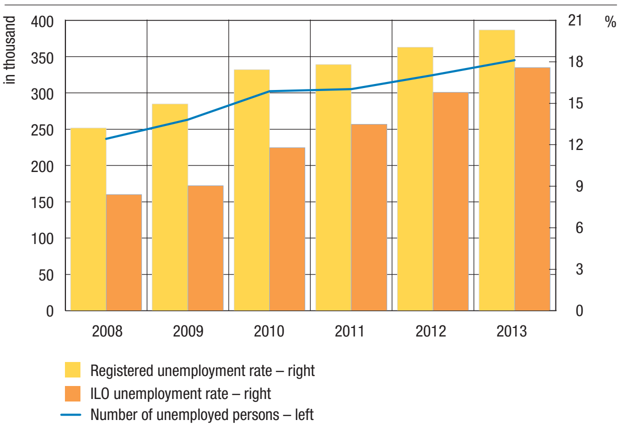
The growth in nominal wages in 2013 slowed down for the second consecutive year, with the average annual growth rate of nominal gross and net wages standing at 0.7% and 0.6% respectively. A somewhat stronger growth in the private sector nominal wages was partly offset by the fall in the public sector wages, due to the decision on the reduction of wages in public and government services by 3% from March 2013. Real wages

Table 1.2 Wages, productivity and unit labour costs
year-on-year rate of change

	2010	2011	2012	2013
Average gross wage				
Nominal	–0.5	1.5	1.1	0.7
Real	–1.6	–0.8	–2.2	–1.4
Average gross wage in the private sector[a]				
Nominal	–0.3	1.4	1.3	1.5
Real	–1.3	–0.8	–2.0	–0.7
Average gross wage in public and government services[b]				
Nominal	–1.2	1.3	0.4	–1.2
Real	–2.2	–1.0	–2.9	–3.3
Productivity (total economy)	2.0	0.9	–0.9	0.8
Nominal unit labour cost	–2.3	0.6	0.8	–0.6

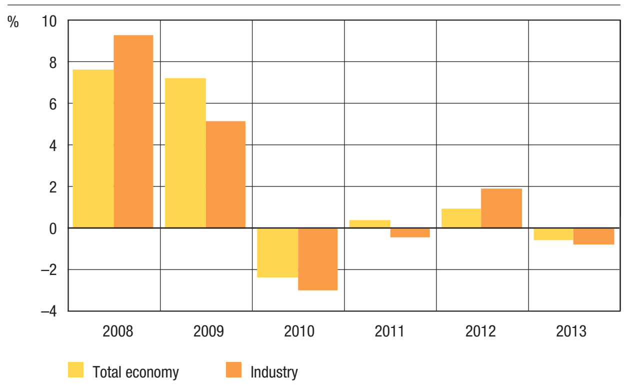
[a] Wages in the private sector include all NCA 2007 activities except O, P and Q activities.
[b] Wages in public and government services are approximated by the change in wages in O, P and Q activities according to NCA 2007.
Note: Data refer to wages paid in the current year. Data on nominal net wages include the impact of the special tax on salaries, pensions and other income.
Sources: CBS and CPIA.

1.13 Registered and ILO unemployment rates and the number of unemployed persons registered with the CES



Sources: CES and CBS.

1.14 Unit labour costs
year-on-year rate of change



Note: Data refer to wages calculated in the current year.
Source: The calculation is based on CBS and CPIA data.

9 Due to methodological differences, the employment and unemployment data obtained through the Labour Force Survey differ from the data based on administrative sources. Since the survey is carried out by the uniform international methodology, survey data are directly comparable to other countries' data.

decreased in 2013 for the fourth consecutive year, the fall recorded in that period being the lowest due to the slower growth in consumer prices.

After having increased slightly in the previous two years, nominal unit labour costs declined negligibly in 2013. These dynamics are due to the sharp decline in the number of employed persons. Nominal unit labour costs in industry had dynamics similar to those for the whole economy.

1.2.4 Prices and the exchange rate

Prices

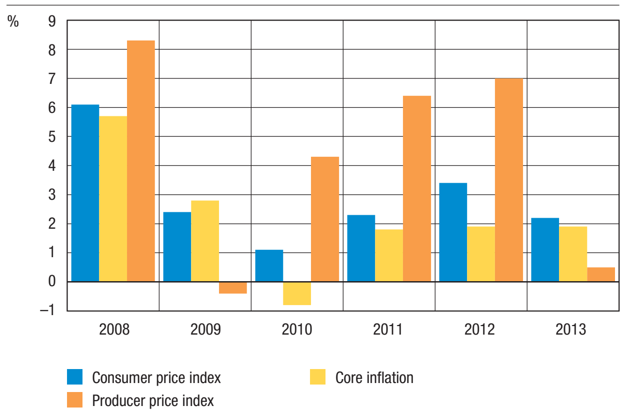
The average annual consumer price inflation rate decelerated from 3.4% in 2012 to 2.2% in 2013. Weak economic activity and the absence of domestic cost pressures have been contributing to low inflation for the last few years, a negative GDP gap[10] being recorded for the fifth consecutive year. Unfavourable labour market conditions led to a decrease in nominal unit labour costs by 0.3% in 2013, following a sharp decrease in 2010 and only weak growth in the following three years. The decline in unit labour costs is primarily ascribed to the sharp fall in employment.

The slowdown in inflation in 2013 was also due to short-term factors, notably the favourable base period effect (related to the increase in VAT and some administrative prices in the first half of 2012), the spillover of the fall in food raw material prices on the world market to domestic prices and the increased competition due to the removal of the remaining protective tariffs after Croatia joined the EU. Due to an abundant harvest, food raw material prices decreased in the second half of 2013, especially cereal prices (by 25.7% in US dollars). In addition, inflationary pressures from the world crude oil market also declined. The average price of Brent oil was 2.8% lower in 2013 than in the previous year. The weakening of inflationary pressures from the external environment led to the drop in the annual rate of change of the implicit deflator of imports of goods and services in the second and third quarter of 2013, due to the mentioned decrease in world raw material prices, the low inflation rate in major trading partners, and the deceleration of final goods prices. The appreciation of the average nominal effective exchange rate of the kuna of 0.8% in 2013 had a positive effect on import price trends.

Consumer prices

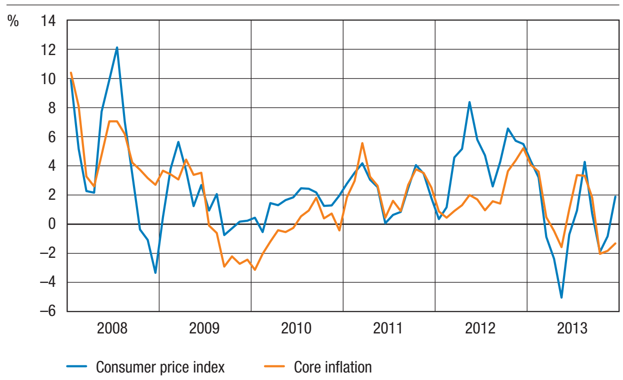
The annual consumer price inflation rate decreased significantly in 2013, from 4.7% in December 2012 to only 0.3% in December 2013, the largest fall being recorded in the contribution of energy and food product prices. The annual rate of

1.15 Consumer price index, core inflation and industrial producer price index on the domestic market
average year-on-year rate of change



Source: CBS.

1.16 Consumer price index and core inflation[a]
annualised month-on-month rate of change[b]



[a] Core inflation excludes agricultural product prices and administrative prices.
[b] The month-on-month rate of change is calculated from the quarterly moving average of seasonally adjusted price indices.
Sources: CBS and CNB calculations.

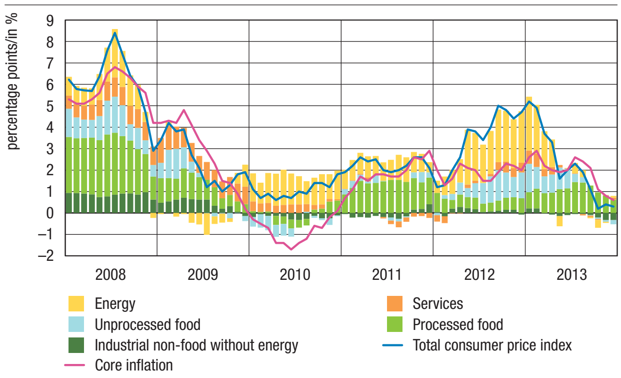
Table 1.3 Consumer price index, the five main categories of products
year-on-year rate of change

	Weight 2013	12/2012	3/2013	6/2013	9/2013	12/2013
Total	100.0	4.7	3.7	2.0	1.1	0.3
Energy	19.3	13.9	9.1	0.1	–0.3	0.4
Unprocessed food	13.2	9.4	6.0	6.9	–0.2	–1.5
Processed food (incl. alcoholic drinks and tobacco)	20.9	3.2	4.4	5.5	6.1	3.0
Industrial non-food without energy	23.6	–0.3	–0.1	–0.4	–0.4	–1.4
Services	23.0	2.0	1.5	0.1	–0.3	0.4

Source: CBS.

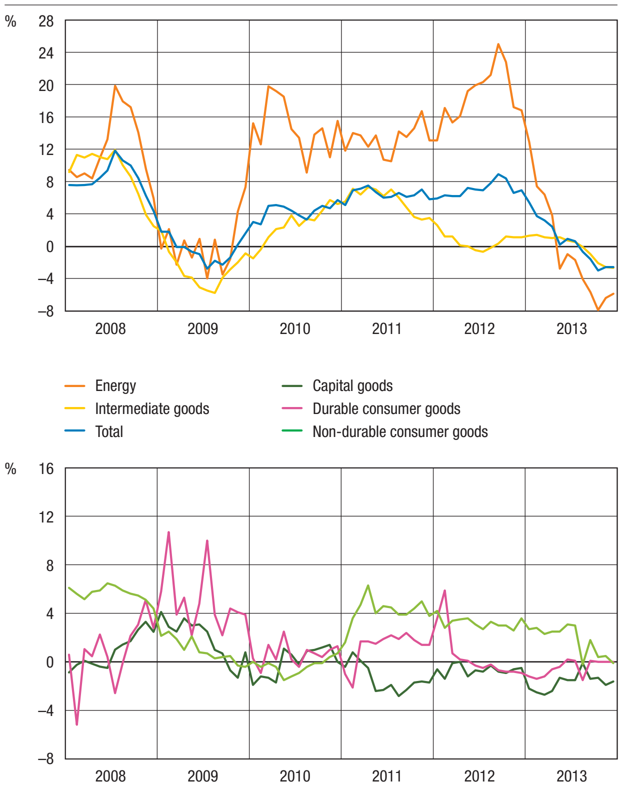
10 Deviations of actual from potential GDP.

1.17 Year-on-year inflation rates and contribution[a] of components to consumer price inflation



[a] The contribution is defined as the relative importance of a CPI component for total inflation. The sum of contributions of all components expressed in percentage points in a relevant month is the amount of the annual consumer price inflation rate (some divergences are possible due to the rounding of data).
Sources: CBS and CNB calculations.

1.18 Industrial producer price index on the domestic market by main industrial groupings
year-on-year rate of change



Source: CBS.

change in energy prices declined due to the fall in the prices of liquid fuels and lubricants, electricity and gas, which resulted from the decline in crude oil prices and the increased competition on the domestic electricity market. The slowdown in the annual growth of food product prices was due to the spillover of a decline in world prices of food raw materials onto domestic and imported food product prices and the influence of this year's favourable weather conditions on the fall in fruit and vegetable prices. In December, the annual rate of change in industrial producer prices and service prices decreased to –1.4% and 0.4% respectively, with the largest contribution coming from clothing and footwear prices, which fell on a average by 5.3%.

The annual core inflation rate, which excludes energy and other administrative prices and agricultural product prices, and largely reflects inflationary pressures from the demand side, decelerated from 2.0% in December 2012 to 0.6% in December 2013 (to –0.2% excluding tobacco products), while the average annual core inflation rate in 2013 stood at 1.9%, remaining around the level from the previous two years.

Standing out among the 2013 administrative measures that contributed most to higher prices is the increase in excises on tobacco products, which resulted in a sensible increase in the prices of them. In December 2013, the annual growth of these prices was 14.7%, with the contribution of tobacco to inflation reaching 0.5 percentage points. It is estimated that the direct effect of repealing the zero VAT rate on the increase in consumer prices was lower and stood at around 0.2 percentage points. The decrease in electricity prices, changes in the excise tax system, which contributed to the fall in average car purchase prices, and the fall in hospital services prices had the opposite effect on price developments. The fall in the VAT rate on hotel and restaurant services from 25% to 10% at the beginning of 2013 failed to spur a reduction in their prices.

Domestic industrial producer prices

Developments in domestic industrial producer prices were also strongly affected by a weak domestic demand, reduced cost pressures and a drop in inflationary pressures from the external environment. The annual growth of producer prices almost halted in mid-2013. Producer prices fell at an annual rate of 2.6% in December 2013, their annual growth rate amounting to 6.9% in December 2012. The annual growth of energy prices[11] changed the most. The annual rate of change in producer prices, excluding energy, stood at –1.2% in December 2013, which is 3.4 percentage points lower than in December 2012. The most pronounced decline, brought about by the easing of imported inflationary pressures, was in the annual rate of change in the prices of intermediate goods[12]. The annual rate of change in the prices of non-durable consumer goods also decreased, due to the fall in the annual rate of change in producer prices of pharmaceutical and food products.

Residential property prices

Residential property prices in Croatia decreased strongly, by 16.5% on average in 2013 from 2012. Downward pressures on real estate prices stemmed from the abundant supply of unsold real estate, coupled with a drop in residential property

11 Prices of crude oil and gas extraction, producer prices of refined petroleum products and electricity, gas and water supply prices.
12 Especially producer prices of chemicals, leather, wood and basic metals.

Table 1.4 Croatian residential real estate price index

year-on-year rate of change

	Weight	2008	2009	2010	2011	2012	2013	2011		2012			
								Q3	Q4	Q1	Q2	Q3	Q4
Croatia	100.0	3.5	–3.8	–8.0	–3.6	1.0	–16.5	–0.2	–4.3	–15.3	–19.5	–16.8	–14.4
Zagreb	69.30	2.7	–5.4	–8.7	–5.0	2.2	–14.9	1.3	–3.1	–12.2	–16.4	–16.5	–14.6
Adriatic Coast	30.70	6.2	1.4	–6.3	–0.3	–1.7	–20.0	–3.4	–7.0	–21.9	–26.0	–17.5	–13.8

Note: The methodology used for compiling the hedonic real estate price index in Croatia is such that each calculation of the new value of the index (at the end of a quarterly period) involves a reassessment of all the parameters of real estate prices achieved by the given equations, which, in turn, results in a revision of the real estate price index for the previous quarterly periods. Therefore, the indices from the previous years are altered with each update, but are also more precisely measured, being calculated by a larger number of data.
Sources: *Burza nekretnina* and CNB calculations.

demand arising from reduced real disposable household income, adverse labour market developments and low consumer optimism. In addition, nominal bank interest rates on home loans slightly increased in 2013. A significant decline of 10.6% in the real amount of newly extended home loans in 2013 from the previous year confirms the considerable drop in demand for real estate, influenced by the mentioned factors. Furthermore, the fall in real estate prices in 2013 was partly due to the base period effect stemming from the increase in real estate prices in the first half of 2012, attributed to the increased share in the sale of high-quality real estate in attractive locations.

Exchange rate

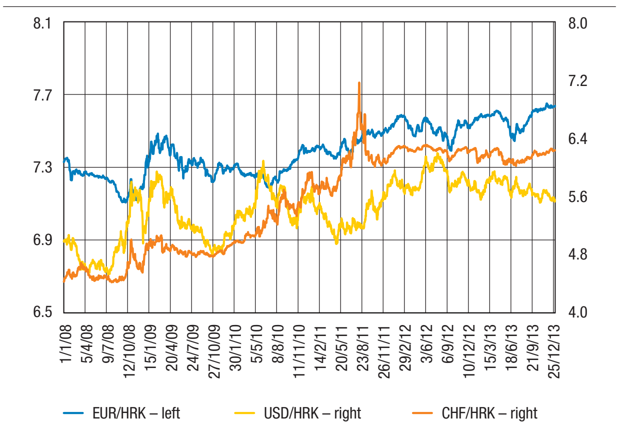
The kuna/euro exchange rate remained stable in 2013. The nominal daily kuna/euro exchange rate moved between –1.6% and 1.0% around the average annual exchange rate of EUR/HRK 7.57, depreciating by 0.7% from 2012. Developments in 2013 show that the kuna/euro exchange rate gradually weakened in the first four months. It was affected by the issuance of government bonds in the international market of USD 1.5bn in late March and early April. Domestic investor interest in bonds and a strong creation of reserve money through CNB's foreign exchange transactions with the MoF after their issuance spurred demand for foreign currency. In order to respond to demand, the CNB intervened in the foreign exchange market by selling EUR 214.9m to banks on 12 April. Following the foreign exchange intervention, the kuna exchange rate stabilised and gradually strengthened by the end of July, which may be associated with the usual seasonal developments and expectations regarding a government bond issuance on the domestic market. The period of slight weakening of the domestic currency began in early August and lasted until November, when it stabilised. The exchange rate stood at EUR/HRK 7.64 at the end of the year, which is a depreciation of 1.2% from the end of 2012.

The CNB net purchased a total of EUR 341.3m in 2013 through foreign exchange transactions, releasing HRK 2.6bn, a sharp increase from HRK 0.8bn in 2012. The CNB intervened only once in the foreign exchange market in 2013, selling EUR 214.9m to banks and purchasing EUR 556.2m net through other foreign exchange transactions, with net foreign exchange transactions with the central government amounting EUR 625.7m and the conversion of kuna funds paid by the government to the account of the European Commission with the CNB amounting EUR 69.4m.

In 2013, the kuna appreciated against most of the other currencies included in the basket for the calculation of the nominal effective kuna exchange rate index (except against the Swedish krona and Polish zloty). The kuna appreciated especially strongly against the Japanese yen (by 20.2% annually), reflecting the latter currency's weakening against the euro in the

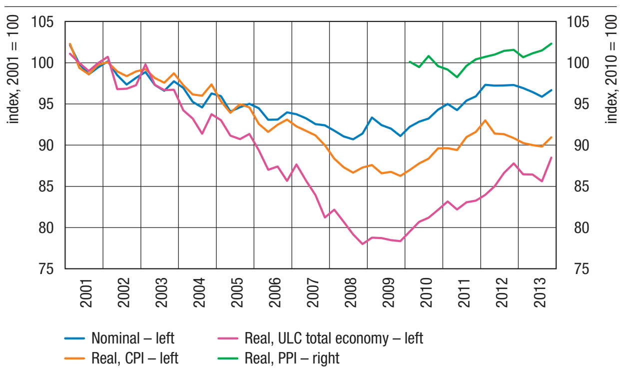
1.19 Daily nominal exchange rates EUR/HRK, USD/HRK and CHF/HRK

CNB midpoint exchange rate



Source: CNB.

1.20 Indices of the nominal and real effective kuna exchange rate deflated by consumer prices, producer prices and unit labour costs



Note: Real effective exchange rate of the kuna deflated by producer prices includes the Croatian index of industrial producer prices on the non-domestic market, which is available from January 2010. A fall in the index denotes an effective appreciation of the kuna.
Source: CNB.

global foreign exchange market, which is the result of the strong monetary expansion carried out by the Japanese central bank from the beginning of 2013. The kuna/US dollar exchange rate appreciated on average by 2.5% in 2013 from 2012, due to the strengthening of the euro against the US dollar in the global foreign exchange market, which was particularly pronounced in the second half of the year. Developments in the euro/US dollar exchange rate in 2013 were mostly affected by the changes in FED's and ECB's monetary policy instruments and the market expectations regarding these banks' future decisions. For instance, the US dollar strengthened considerably against the euro in May, following the announcement that the Fed could slow down the dynamics of the monetary expansion, due to the improvement of economic indicators. By contrast, the US dollar began to weaken strongly in September, following the Fed's decision to delay the slowdown of the monetary expansion that had been expected to start in September. In late October and early November, the US dollar strengthened again, due to the unfavourable eurozone macroeconomic indicators and the ECB's decision on the reduction of the key interest rate by 0.25 percentage points. The Swiss franc/euro exchange rate was very stable in 2013 and fluctuated in a narrow range of around EUR/CHF 1.23. Due to changes in the bilateral exchange rates of the kuna against the currencies of the main trading partners, the average nominal effective exchange rate of the kuna appreciated at an annual rate of 0.8% in 2013.

Notwithstanding a slight slowdown, the export competitiveness indicators continued to improve in 2013. The real effective kuna exchange rate deflated by unit labour costs for the whole economy continued to depreciate on annual basis, though at a much slower pace than in the previous year. Developments for 2013 show the appreciation of this indicator in the first three quarters and a strong depreciation in the last quarter due to a considerable fall in domestic unit labour costs brought about by the drop in employment. The real effective kuna exchange rate deflated by producer prices depreciated additionally, its pace of depreciation being much slower than in the previous year. In contrast, the real effective kuna exchange rate deflated by consumer prices slightly appreciated due to the appreciation of the nominal effective kuna exchange rate and the relatively faster growth in domestic consumer prices, which in 2013 were also under the influence of administrative decisions that directly affect the prices of export products.

1.2.5 Monetary policy and monetary developments

In 2013, the Croatian National Bank additionally improved the primary liquidity in the monetary system and maintained the stability of the nominal kuna/euro exchange rate at the same time. A stable exchange rate for the domestic currency is the main nominal anchor that safeguards financial stability and keeps inflation in the country at bay. The policy of additional strengthening of the already abundant kuna liquidity continued the expansive monetary policy orientation aimed at improving domestic financing conditions and supporting the recovery in domestic lending against the background of adverse economic developments.

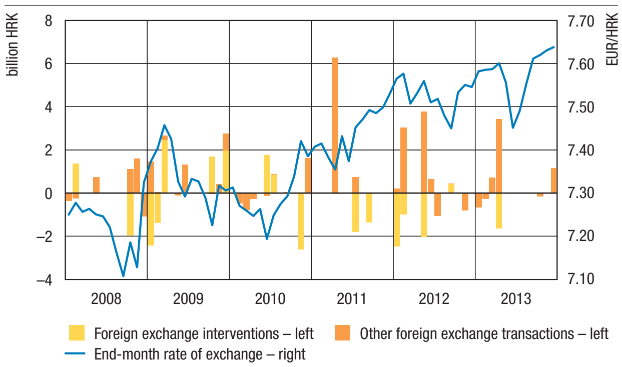
The lending model launched by the central bank in cooperation with the CBRD in mid-2012 (Economic Development Programme) was completed at the end of 2013. Towards the end of the year, the central bank launched a new model aimed at supporting corporate lending. The reserve requirement rate and regulatory costs were reduced again. However, banks had to place funds released through the cut in the reserve requirement rate in three-year compulsory CNB bills redeemed by the central bank before their maturity only if loans to corporates increased.

Monetary policy and flows of creating and withdrawing reserve money

Foreign exchange transactions of the central bank were the main monetary policy instrument in 2013. Their volume and frequency were mostly linked to government foreign borrowing and developments in the exchange rate of the kuna against the euro. Due to the exceptionally high liquidity of the domestic banking system in 2013, there was no need for reverse repo operations and no significant bank demand for Lombard loans.

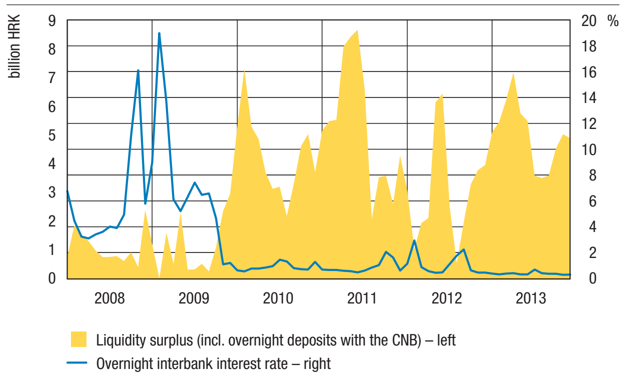
Foreign exchange transactions of the CNB with the central government were the main flow of liquidity creation in 2013. The central bank continued to purchase the foreign exchange generated by government foreign borrowing. In the first half of the year, when the government issued bonds worth USD 1.5bn in the international market, the central bank purchased a net EUR 0.4bn from the government, creating HRK 3.2bn. On the other hand, the CNB intervened in the foreign exchange market in April by selling EUR 0.2bn to banks, thus returning a part of the accumulated foreign currency liquidity to the market and withdrawing HRK 1.6bn from the system. Foreign exchange transactions with the government were recorded again in the second half of the year, but they were not followed by CNB interventions in the foreign exchange market. Although the government transferred the bulk of funds from the new issue of

1.21 Foreign exchange transactions of the Croatian National Bank and midpoint EUR/HRK rate of exchange



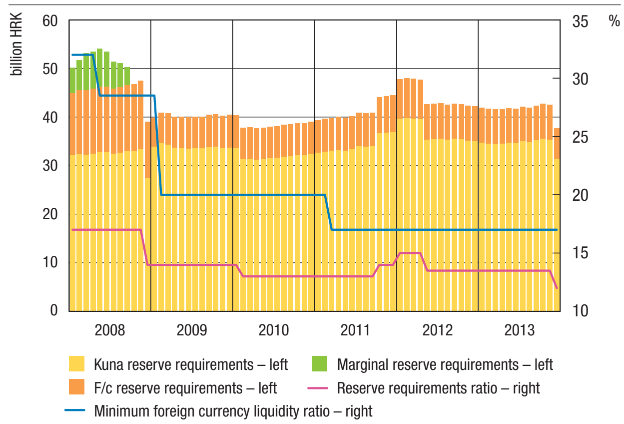
Note: The positive value of foreign exchange interventions and foreign exchange transactions refers to the repurchase of foreign exchange by the CNB. Other foreign exchange transactions include the purchase of foreign exchange from and the sale of foreign exchange to the MoF, the EC and foreign currency swaps with banks.
Source: CNB.

1.22 Bank liquidity and overnight interbank interest rate



Note: Liquidity surplus is the difference between the balance in bank settlement accounts with the CNB and the amount that banks are required to maintain on average in these accounts in accordance with the calculation of reserve requirements.
Source: CNB.

1.23 Reserve requirements and minimum foreign currency liquidity



Source: CNB.

bonds in the international market (USD 1.75bn) for financing in 2014, some of the foreign exchange was converted. The purchase of foreign exchange from the government thus stood at EUR 0.2bn, creating HRK 1.5bn. In addition, foreign exchange transactions with the European Commission were recorded for the first time in the last quarter of 2013 and they involved the sale of foreign exchange in the amount of EUR 69.4m. These transactions are linked to the conversion of kuna funds regularly paid by the Republic of Croatia into the European Commission's account with the CNB pursuant to obligations entailed by the membership in the EU.

In total foreign exchange transactions with the government, banks and the European Commission, the CNB repurchased a net of EUR 0.3bn in 2013, thus creating HRK 2.6bn. Through foreign currency purchase and sale transactions, the central bank supported the kuna/euro exchange rate stability and maintained the growth of gross and net usable international reserves, but also had a favourable impact on the liquidity in the domestic banking system.

Surplus liquidity in banks' settlement accounts was high in 2013 and averaged HRK 5.0bn, whereas the average overnight interest rate in the interbank market fell to its record low of 0.37%. Favourable conditions in the domestic money market confirm the expansive orientation of the central bank, which attempted to improve domestic financing conditions in order to spur bank lending and the recovery of the whole economy for the fourth consecutive year. In line with described conditions in the money market and the expansive orientation of the monetary policy, in April 2013, the CNB reduced the interest rate on credit institutions' overnight deposits with the CNB from 0.25% to 0.00% and in December, the interest rate on Lombard loans was also cut from 6.25% to 5.0%.

The CNB took an additional step towards stimulating credit growth late in the year. The reserve requirement rate was cut from 13.5% to 12% in December 2013. Banks had to place put funds released through the cut in the reserve requirement rate into three-year compulsory bills that would be purchased by the CNB before their maturity only if banks increased loans to corporates. The calculation of compulsory CNB bills eligible for redemption is performed once a month. It took place in December 2013 for the first time, when the CNB paid HRK 333m into banks' settlement accounts, on the back of the growth in corporate loans from November.

The cut in the reserve requirement rate towards the end of the year brought about by the decrease in total calculated reserve requirements in 2013. Notwithstanding the autonomous increase in the calculation base, the total calculated reserve requirements decreased by 10.6% or HRK 4.5bn at the end of 2013 relative to the end of 2012. At the end of 2013, it reached HRK 37.8bn, HRK 31.5bn of which related to the kuna component and HRK 6.3bn to the foreign currency component.

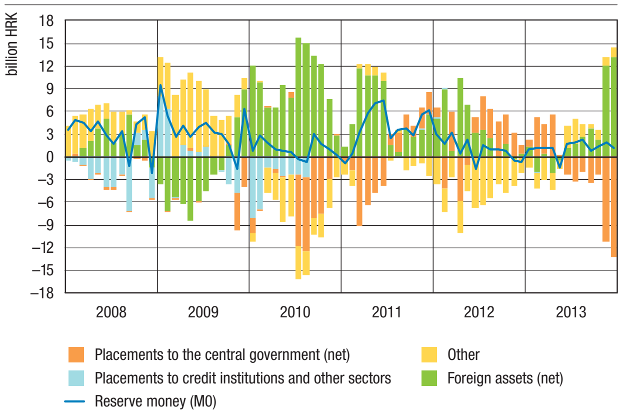
Foreign currency liquidity of banks was on average 3.3 percentage points above the 17% legally prescribed minimum for required foreign currency claims. By the end of the year, banks had a total of EUR 5.5bn of liquid foreign currency claims at their disposal and their foreign currency liquidity surpluses came to EUR 0.7bn. The CNB continued to recognise MoF foreign currency T-bills (EUR 700m) subscribed by banks and refinanced by the government in August 2013 as liquid foreign currency claims. In addition, 50% of the amount of loans granted to corporates under the Economic Development Programme (EUR 96.5m at the year-end) was also recognised by the CNB as liquid foreign currency claims.

Reserve money and international reserves

Reserve money (M0) increased by 1.9% or HRK 1.2bn in 2013, reaching HRK 63.0bn at the end of the year. Two major components in the structure of the monetary aggregate M0 increased: credit institutions' deposits with the central bank and currency outside credit institutions, whereas other financial institutions' deposits with the central bank decreased moderately.

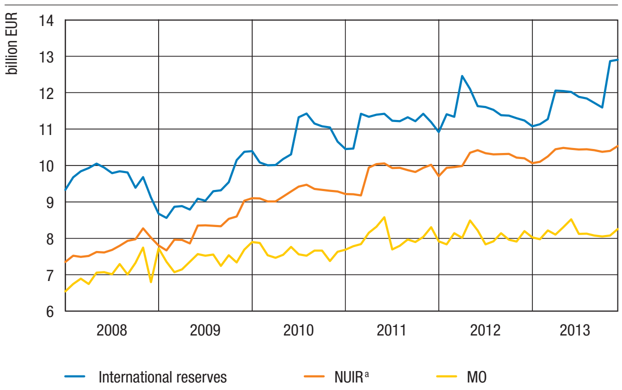
A large intra-month volatility of reserve money was recorded during the year, mostly due to inflows and outflows of funds to the central government kuna account with the CNB. As

1.24 Flows of reserve money (M0) creation



Note: The reported values denote the absolute annual changes.
Source: CNB.

1.25 International reserves of the CNB



[a] NUIR = international reserves – foreign liabilities in f/c – reserve requirements in f/c – government foreign currency deposits – general and special SDR allocations.
Source: CNB.

regards government foreign currency deposits with the central bank, they also moved within a wide range. Their significant increase was recorded in April and again in November, both times due to inflows of foreign currency generated by the issue of government bonds in the foreign market. Most of the foreign exchange generated in the first half of the year was converted into kuna and spent, while the foreign currency inflow from the second half of the year was almost entirely deposited in the account with the central bank and was transferred for government's financing needs in 2014.

International reserves continued to grow in 2013. Gross international reserves reached EUR 12.9bn at the end of the year, an increase of EUR 1.7bn or 14.9% from 2012. It was mostly due to the mentioned increase in government foreign currency deposits. Net usable international reserves, which, apart from the government foreign currency deposit, also exclude allocated foreign currency reserve requirements, special drawing rights and the CNB's foreign liabilities in foreign currency, also increased and reached EUR 10.5bn at the end of the year. The annual growth of net usable international reserves stood at EUR 0.3bn or 3.3% and was almost entirely due to the net foreign exchange purchase and the income from reserve investment.

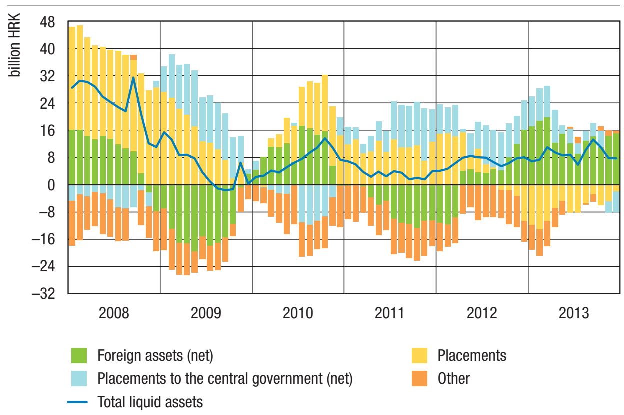
Developments in monetary and credit aggregates

In 2013, movements in monetary and credit aggregates still reflected the absence of recovery in the real sector of the economy. Net foreign assets (NFA) of the monetary system increased sharply, whereas net domestic assets (NDA) decreased significantly. This was mainly due to the foreign currency inflow to the government account with the CNB of HRK 9.7bn from the government bond issue in the foreign market at the year-end. Excluding the effect of that inflow, the annual increase in net foreign assets was more moderate and amounted HRK 5.3bn (10.6%), while net domestic assets increased by HRK 2.4bn (1.1%). In the structure of NFA, the most pronounced improvement of the foreign position is seen in credit institutions, due to the decrease in their foreign liabilities. In the structure of NDA, the strongest growth was seen in placements to the central government, whereas placements to other sectors (excluding exchange rate changes and one-off effects[13]) stagnated.

As a result of movements in net domestic and net foreign assets, total liquid assets (M4) increased by HRK 7.7bn or 2.9% in 2013, which is almost the same as in 2012, when the growth rate stood at 3.2%. In the structure of total liquid assets, the growth in the reserve money (M1) was almost three times higher than the growth in quasi-money.

The rise in the reserve money in 2013 was the strongest

1.26 Flows of total liquid assets (M4) creation



Note: The reported values denote the absolute annual changes.
Source: CNB.

13 One-off effects in 2012 relate to the assumption of shipyards loans by the Ministry of Finance and the transaction of one bank which, aiming to reduce its partly recoverable and irrecoverable placements transferred a portion of its claims to a company indirectly owned by the parent bank. One-off effects in 2013 relate to the bankruptcy of Centar banka, methodological changes in the recording of fees and another transfer of one bank's recoverable and irrecoverable placements to an affiliated enterprise.

in the last few years (HRK 5.8bn or 10.9%). The bulk of this growth can be attributed to the growth in demand deposits of the non-financial corporate sector, which stood at 22.2% on an annual basis.

Quasi-money grew at a much lower rate than money. Total savings and time deposits of domestic sectors increased nominally by HRK 3.5bn or 1.8% in 2013, which was almost twice as low as in 2012. The largest contribution to the slowdown of the growth in savings and time deposits came from the household sector, whose deposits showed a less pronounced seasonal increase in summer months than in the previous year. Total savings and time deposits of that sector went up by HRK 5.2bn or 3.2% in 2013. In contrast to household deposits, non-financial corporations' deposits remained at almost the same level, while other financial institutions' savings and time deposits fell by HRK 1.4bn or 15.6%.

According to the currency structure, domestic sector foreign currency and kuna deposits also increased in 2013, by HRK 2.3bn or 1.5% and HRK 1.3bn or 3.1% respectively. In line with such developments, the banking system euroisation, measured as the share of foreign currency deposits in total savings and time deposits, held steady at the level of around 80%.

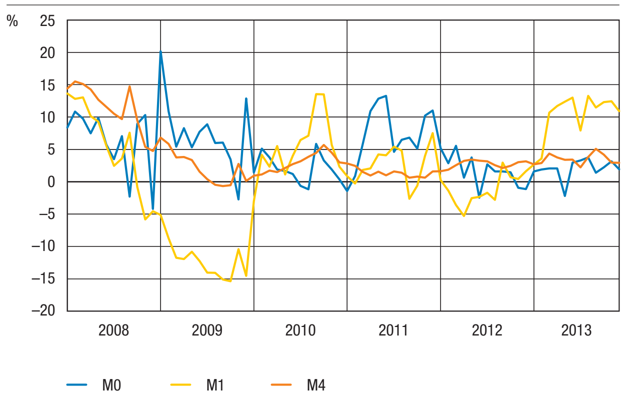
Credit institutions' placements to the central government increased significantly again in 2013 (HRK 7.0bn or 11.5%). Further lending to the government led to an increase in the exposure of domestic credit institutions to the government (measured as the share of placements to that sector in total placements) by almost 2 percentage points over the previous year, reaching 20.9% at the end of 2013. Taking a longer period into consideration, e.g. from the end of 2007, the share of placements to the government in total placements almost doubled.

Credit institutions' placements (excluding to the central government) decreased nominally by 0.7% in 2013. However, excluding exchange rate changes and one-off effects, total placements stagnated (0.1% change on the annual level).

Domestic corporate placements went up by 2.0% in 2013

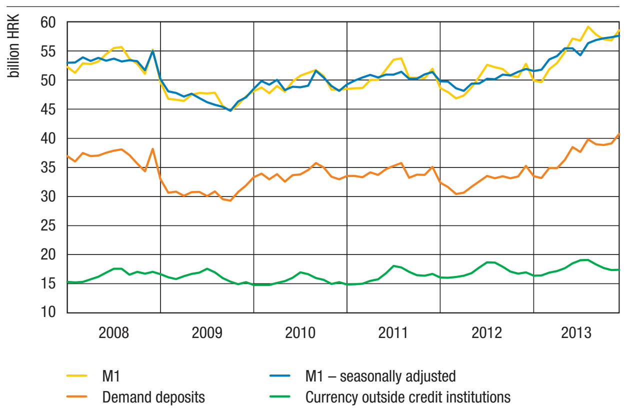
1.27 Monetary aggregates

year-on-year rate of change



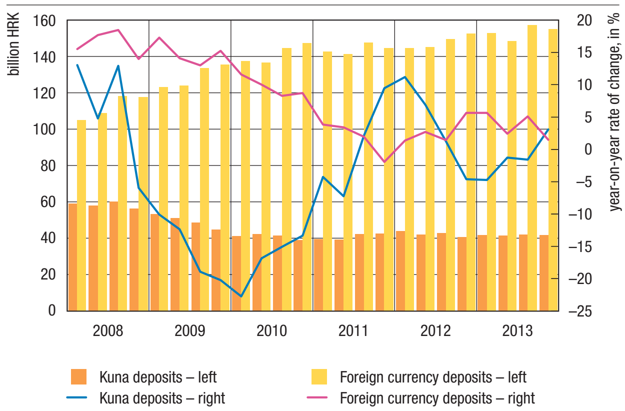
Source: CNB.

1.28 Money (M1)



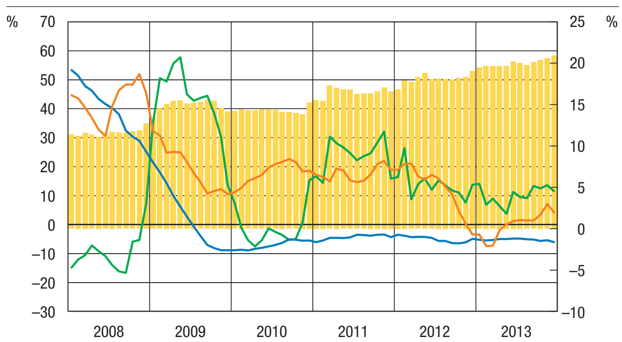
Source: CNB.

1.29 Kuna and foreign currency deposits



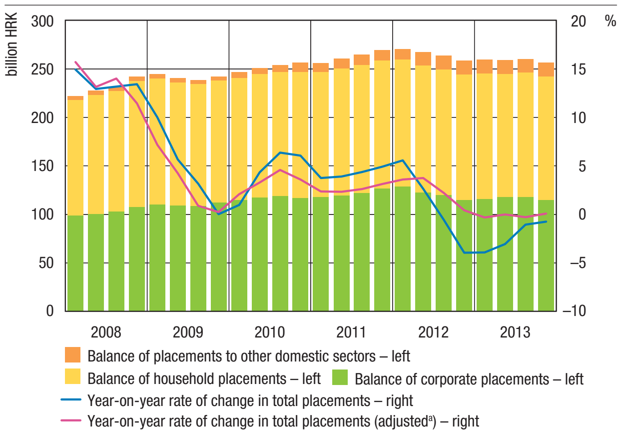
Source: CNB.

1.30 Credit institution placements to the central government and other sectors



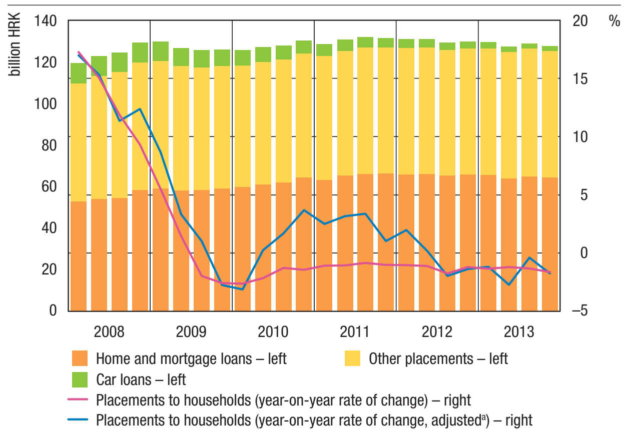
[a] Excluding exchange rate changes and one-off effects.
Source: CNB.

1.31 Credit institution placements



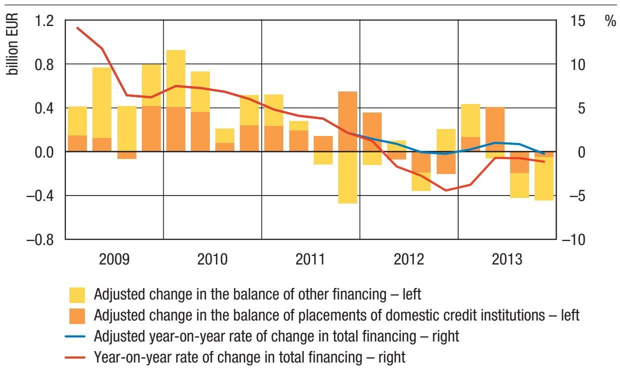
[a] Excluding exchange rate changes and one-off effects.
Source: CNB.

1.33 Placements to households



[a] Excluding exchange rate changes and one-off effects.
Source: CNB.

1.32 Corporate financing by sources



Note: Other financing includes corporate borrowing from domestic leasing companies and direct borrowing from the CBRD, as well as borrowing from foreign banks and affiliated enterprises abroad. The adjusted changes exclude the exchange rate changes, one-off effects, round tripping and the conversion of debt into capital.
Sources: CNB, HANFA and CNB calculations.

(excluding exchange rate changes and one-off effects), primarily due to the increased lending to public enterprises. On the other hand, foreign corporate placements decreased, with total financing of the corporate sector remaining almost unchanged at the annual level (–0.2%). As regards developments in total financing during the year, deleveraging of corporates in the second half of the year, especially abroad, offset the growth of their borrowing in the first half of the year. Total corporate financing includes CBRD loans and funding under the Economic Development Programme, which was completed in 2013. Under the Programme, HRK 0.9bn worth of loans was approved and disbursed in 2013, which, coupled with funds from 2012 (when the implementation began), makes a total of HRK 1.6bn of approved and disbursed loans, or 47.2% of Programme's financial potential.

As for placements to households, a gradual deleveraging of that sector was recorded in 2013, just as in the previous four years. Unchanged financing conditions and adverse economic developments, especially in the labour market, had a negative impact on demand for loans. The annual decline in placements to households stood at –1.6% in 2013 (excluding exchange rate changes and one-off effects) and related mostly to car purchase loans and home loans.

1.2.6 Money market and interest rates

Euro interest rates were on average lower in 2013 than in the previous year, contributing to a decrease in the global risk premium. Nevertheless, the risk perception for Croatia deteriorated and its risk premium was much higher at the end of 2013 than for peer countries.

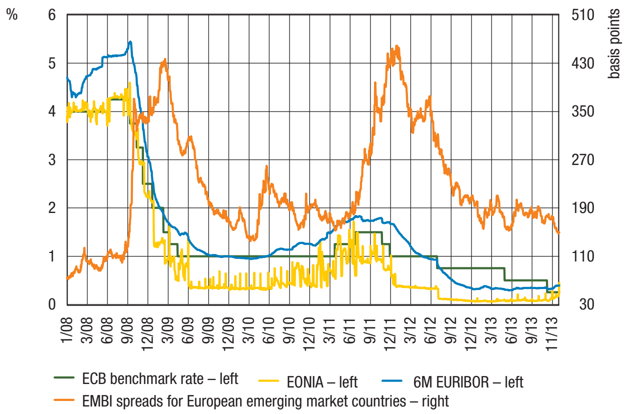
Domestic financial markets were marked by exceptionally good bank liquidity under the influence of the accommodative monetary policy. In line with this, banks were able to meet the need for financing primary liquidity in the money market through very modest trading volumes, which resulted in a significant decrease in the total money market turnover in relation to 2012, with already low interest rates reducing further to their historic lows.

As the several-year downward trend in interest rates on MoF T-bills continued into 2013, yields on all T-bills, irrespective of their currency of denomination and maturities, hit their historic lows by the end of the year. Concurrently, interest rates on government bonds with relatively shorter remaining maturities issued on the domestic and international market decreased, whereas interest rates on government bonds with longer maturities recorded an increase. The long period of high liquidity in the financial system, additionally supported by the Croatian National Bank in 2013, contributed to a slight decrease in bank lending interest rates, while bank deposit interest rates remained stable.

International interest rates

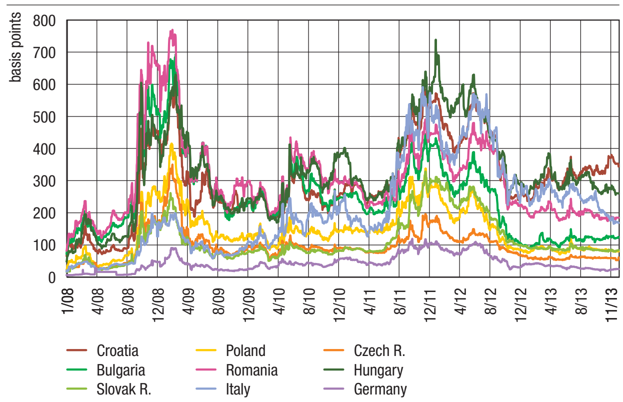
Risk perception for Croatia deteriorated in 2013, especially in relation to peer countries of Central and Eastern Europe

1.34 Interest rates on the euro and the average yield spread on bonds of European emerging market countries



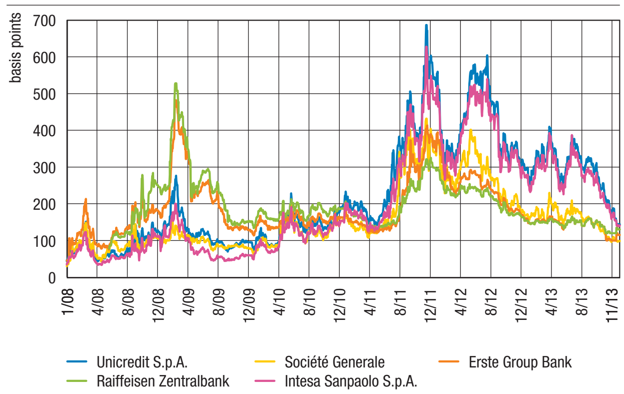
Sources: ECB, Bloomberg and J. P. Morgan.

1.35 CDS spreads for 5-year government bonds of selected countries



Note: Credit default swaps (CDS) spread is an annual premium that a CDS buyer pays for protection against credit risk associated with an issuer of an instrument.
Source: Bloomberg.

1.36 CDS spreads for selected parent banks of domestic banks



Note: Credit default swaps (CDS) spread is an annual premium that a CDS buyer pays for protection against credit risk associated with an issuer of an instrument.
Source: Bloomberg.

whose risk premium decreased under the influence of favourable global developments. Comfortable liquidity in the eurozone banking sector resulted in the maintenance of euro benchmark interest rates in the international financial market at very low levels throughout 2013, which was aided by a reduction in the ECB's benchmark rate. The stabilisation of the government bond market of peripheral eurozone countries and the continuation of the ECB's expansive monetary policy contributed to the decrease in risk premiums for most European countries. Nevertheless, domestic risk premium increased because all of the world's three major credit rating agencies assessed Croatia's credit rating at the end of the observed year as being below investment grade.

The ECB reduced its benchmark rate in May 2013, from 0.75% to 0.50% and by another 25 basis points in November and it stood at 0.25% at the end of 2013. The six-month EURIBOR showed no major oscillations during the observed period and it ranged between 0.29% and 0.39%, reached at the end of 2013. EONIA ranged between 0.06% and 0.44%, with its peak being recorded at the end of the observed period. Lower investor risk aversion in 2013 resulted in the fall of the EMBI yield spread for European emerging market countries. This spread narrowed by around 50 b.p. in the observed one-year period, standing at 149 b.p. at the end of 2013.

Similar dynamics were observed in the CDS premium for most of the observed countries in the region, with the sharpest decline being recorded in Italy (by 110 b.p.) and Romania (by 29 b.p.). Despite the positive global movements, a rise in these premiums of 92 b.p. and 24 b.p., respectively, was recorded in Croatia and Bulgaria. Croatia's risk premium at the end of 2013 was absolutely the highest among the observed countries and stood at 344 b.p., followed by Hungary with 260 b.p.

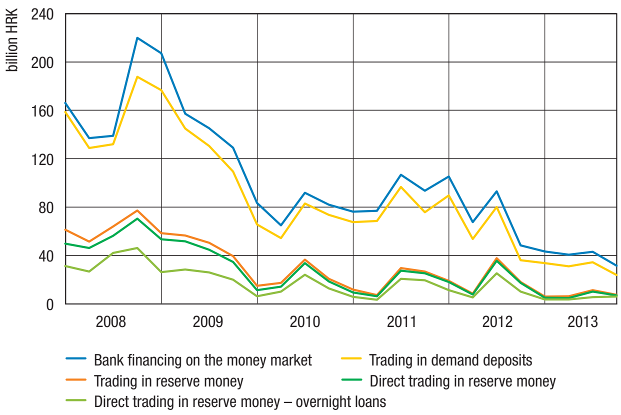
In line with the favourable global developments, financing conditions in the international market in 2013 also improved for the parent banks of domestic banks whose average risk premium decreased by around 77 b.p. The largest fall was recorded in Italian banks, whose premiums, under the influence of a sharp decline in the risk perception in Italy, decreased by around 140 b.p. and were twice as low at the end of 2013 as at the end of 2012. Nevertheless, markets still perceive them as riskier than parent banks in Austria or France.

Money market interest rates

The Croatian National Bank increased the already exceptionally good financial system liquidity in 2013, thus reducing further the already low needs of the banks for money market financing. In 2013, banks met their primary liquidity needs by means of secondary sources of liquidity in the money market in the average daily amount of HRK 0.6bn (HRK 158.3bn on the annual level), which represents a 49.5% decrease in relation to the year before. The decrease in money market turnover was accompanied by extremely low interest rates, with the interest rate on overnight interbank loans dropping to its historic lows and mostly staying below 0.5%.

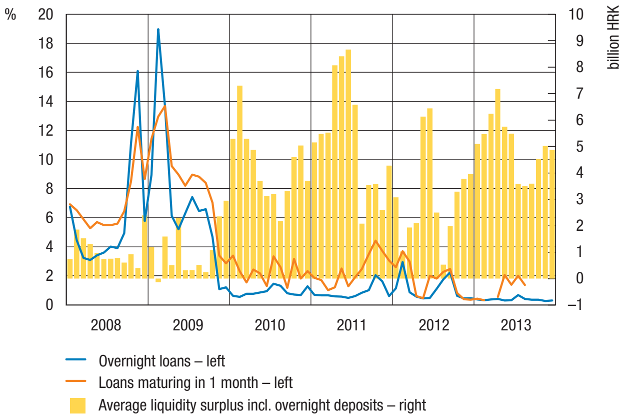
The primary source of bank money market financing in 2013 was again loans in demand deposits trading, although

1.37 Money market turnover



Source: CNB.

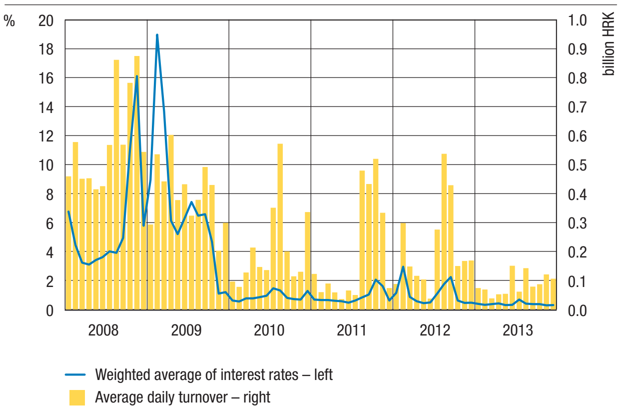
1.38 Interest rates in direct interbank trading and bank liquidity surplus



Source: CNB.

1.39 Direct interbank trading in overnight loans

monthly averages



Source: CNB.

their trading volume (HRK 122.7bn) decreased slightly in relation to the previous year, to 77.5% of the total money market turnover. At the same time, bank financing through repo agreements continued to increase, accounting for around 20% of overall sources of financing in 2013. The remaining funding needs (around 2.3%) were met through securities trading. Within the structure of demand deposit trading, loans received from banks accounted for 25.2% and, following the increase from the previous year, their share in the total trading reduced again in 2013. Concurrently, loans received from non-banking financial institutions and other legal persons accounted for 27.3% and 47.5% respectively.

During 2013, the increase in the share of interbank trading with Zagreb Money Market (ZMM) intermediation was recorded, that type of interbank loan accounting for 13.0% of the total interbank trading at the annual level, which offset a decrease in the share of intermediated interbank trading recorded in 2011 and 2012.

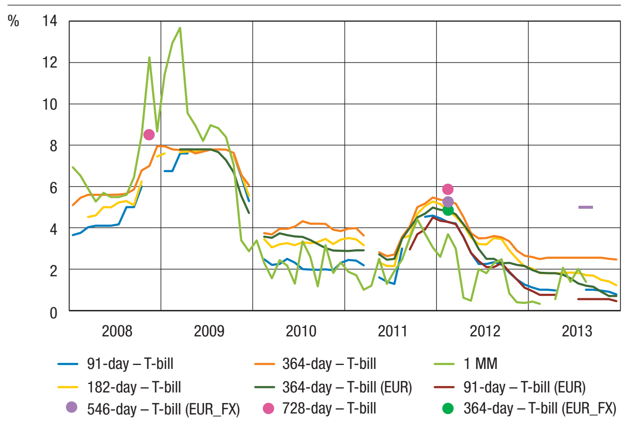
Overnight loans continued to be the most liquid and dominant instrument in direct interbank trading in reserve money, despite the decline in their annual volume by HRK 33.1bn, or 63.7% during 2013. The share of overnight loans in the total interbank trading in reserve money slightly increased to 70.1%. The interest rate on overnight loans in direct interbank trading was at an extremely low level throughout 2013 (the annual average was 0.37%) and mostly stood below 0.5%.

Interest rates in the short-term securities market

The Ministry of Finance held a total of 29 T-bill auctions in 2013, which raised a total of HRK 37.7bn, around HRK 1bn less than in the previous year. Along with kuna-denominated T-bills, which raised HRK 28.9bn, euro-denominated T-bills payable in kuna were regularly auctioned as well, raising another HRK 3.5bn. In mid-2013, the MoF also issued a euro-denominated T-bill payable in euros with a maturity of 547 days, raising another HRK 5.3bn.

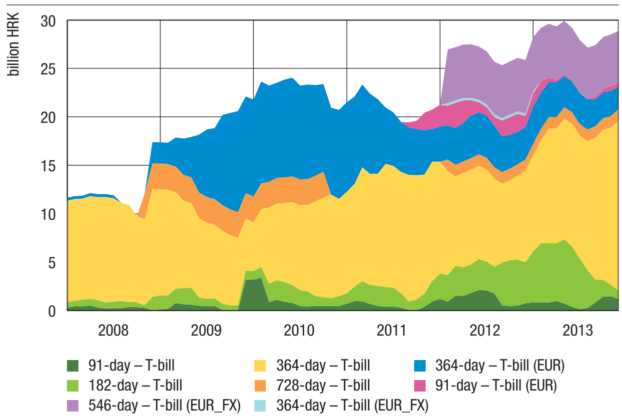
The policy of supporting high liquidity stimulated the

1.40 Interest rates on T-bills and in direct interbank trading



Sources: MoF and CNB.

1.41 T-bill stock
maturity structure



Sources: MoF and CNB.

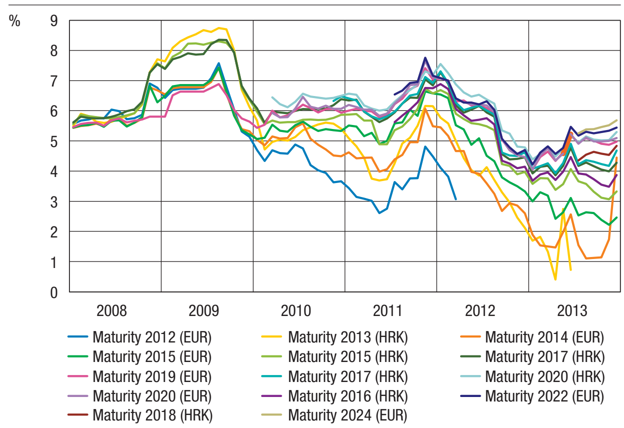
continued downward trend in required yields of kuna-denominated T-bills that began in late 2011, so yields on kuna-denominated T-bills of all maturities fell to their historic lows by the end of 2013. Weighted interest rates on kuna-denominated T-bills with 91, 182 and 364-day maturities thus stood at 0.77%, 1.22% and 2.46% at the end of 2013, which is an average decrease of 0.5 percentage points from the end of the previous year, with a somewhat larger fall being recorded in interest rates on shorter maturity T-bills. As yields on currency-indexed T-bills decreased more sharply (by 1 percentage point on average), weighted interest rates on those bills with 91 and 364-day maturities stood at 0.45% and 0.70% in December 2013. In mid-August 2013, one-and-a-half-year euro T-bills payable in euros with a yield of 5.00% were auctioned again, almost entirely refinancing the matured issue of those bills from 2012. Yield spreads on kuna T-bills with the shortest and longest maturities thus slightly increased in 2013, whereas the yield spread on euro T-bills decreased significantly relative to the previous year.

At end-December 2013, the stock of total subscribed MoF T-bills was HRK 28.9bn, an increase of HRK 3.0bn or 11.6% from the end of the previous year. As the increase was entirely due to the issue of kuna T-bills payable in euros, the share of euro T-bills in the stock of total subscribed T-bills decreased to 27.9% by the end of 2013. As regards the structure of total subscribed kuna T-bills in 2013, the share of six-month T-bills fell the most, while the share of one-year T-bills grew the most and continued to account for the largest share in the structure of total subscribed T-bills in 2013 (accounting for some 60.7%). The shares of 91, 182 and 728-day kuna T-bills in the stock of total subscribed T-bills stood at 4.2%, 3.1% and 4.1%, respectively, at end-December 2012.

Interest rates on Croatian government bonds

In early February 2013, the MoF issued the third tranche of the government bond issued in late 2004. The nominal value of the fifteen-year euro bond was thus increased from EUR 0.5bn

1.42 Trends in yields to maturity of government bonds on the domestic market



Source: Bloomberg.

Table 1.5 Bond issues in the domestic market

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price[a]	Current yield 31/12/2013
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	100.00	5.500%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	1,000,000,000	5.375%	102.14	5.262%
RHMF-O-157A	Republic of Croatia	15/7/2005	14/7/2015	EUR	350,000,000	4.250%	102.50	4.146%
RHMF-O-15CA	Republic of Croatia	14/12/2005	15/12/2015	HRK	5,500,000,000	5.250%	104.00	5.048%
RHMF-O-172A	Republic of Croatia	8/2/2007	8/2/2017	HRK	5,500,000,000	4.750%	102.25	4.645%
RHMF-O-203A	Republic of Croatia	5/3/2010	5/3/2020	HRK	5,000,000,000	6.750%	111.00	6.081%
RHMF-O-203E	Republic of Croatia	5/3/2010	5/3/2020	EUR	1,000,000,000	6.500%	109.00	5.963%
RHMF-O-17BA	Republic of Croatia	25/11/2010	25/11/2017	HRK	4,000,000,000	6.250%	107.12	5.835%
RHMF-O-167A	Republic of Croatia	22/7/2011	22/7/2016	HRK	3,500,000,000	5.750%	105.60	5.445%
RHMF-O-227E	Republic of Croatia	22/7/2011	22/7/2022	EUR	1,000,000,000	6.500%	108.95	5.966%
RHMF-O-187A	Republic of Croatia	10/7/2013	10/7/2018	HRK	2,750,000,000	5.250%	102.50	5.122%
RHMF-O-247E	Republic of Croatia	10/7/2013	10/7/2024	EUR	1,400,000,000	5.750%	100.98	5.694%

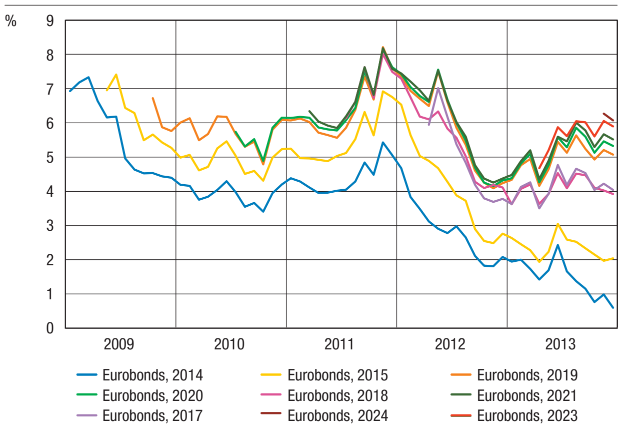
[a] Regularly traded.
Source: ZSE, annual report for 2013.

Table 1.6 Republic of Croatia eurobond issues as at end-2013

Bond	Issue date	Currency	Amount	Nominal interest rate	Yield on issue day
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%
Eurobonds, 2015	27/5/2009	EUR	750,000,000	6.500%	6.57%
Eurobonds, 2019	5/11/2009	USD	1,500,000,000	6.750%	7.01%
Eurobonds, 2020	14/7/2010	USD	1,250,000,000	6.625%	6.75%
Eurobonds, 2018	30/6/2011	EUR	750,000,000	5.875%	6.12%
Eurobonds, 2021	16/3/2011	USD	1,500,000,000	6.375%	6.62%
Eurobonds, 2017	27/4/2012	USD	1,500,000,000	6.250%	6.37%
Eurobonds, 2023	4/4/2013	USD	1,500,000,000	5.500%	5.62%
Eurobonds, 2024	26/11/2013	USD	1,750,000,000	6.000%	6.20%

Source: Bloomberg.

1.43 Trends in yields to maturity of government bonds on the international market



Source: Bloomberg.

to EUR 1.0bn. In addition, two new government bonds were issued in mid-July 2013: the fifteen-year kuna bond nominally valued at HRK 2.75bn and the eleven-year euro bond nominally valued at EUR 1.4bn. Those issues refinanced the seven-year kuna bond nominally valued at HRK 4.0bn, which matured at mid-July. At end-2013, there were 12 government bonds in the domestic market, which is one more than at end-2012.

Yields on bonds with relatively longer maturities increased by 0.5 percentage points on average. Developments in prices and required yields to maturity of RC bonds traded on the Zagreb Stock Exchange in 2013 depended mostly on their remaining maturity. Yields on bonds with shorter remaining maturities thus slightly decreased in 2013 (by 0.5 percentage points on average), while at the same time, yields on bonds with relatively longer remaining maturities increased on average by the same amount. The sharpest growth in the required yield of almost 2 percentage points was recorded in the ten-year euro government bond which matures in early 2014.

In early April 2013, the Republic of Croatia issued a new ten-year international bond, nominally valued at USD 1.5bn, with a yield at issue of 5.62%. Another issue of a new eleven-year international bond nominally valued at USD 1.75bn, with a yield at issue of 6.2%, followed by the end of the year.[14] As no international government bonds fell due in 2012, the number of government bonds in international capital markets reached nine, which is two more than at end-2012. Three out of these nine international RC bonds were denominated in the euro and six in the US dollar. At the end of 2013, the total nominal value of all nine issues of Croatian bonds in foreign markets stood at HRK 65.2bn (EUR 8.5bn), which was HRK 17.2bn (EUR 2.2bn) up from the end of the previous year.

The deterioration of the risk perception for Croatia in 2013 affected the required yields on Croatian international bonds. The required yields on all Croatian eurobonds thus increased in the first half of 2013 relative to the end of 2012 (by 0.8 percentage points on average), the growth being more pronounced in eurobonds with longer remaining maturities. However, the required yields on almost all Croatian eurobonds decreased in the second half of 2013. It partly offset the growth of yields on eurobonds with longer maturities recorded in the first half of the year, whereas yields on eurobonds with relatively shorter maturities fell to their historic lows since the end of 2008.

Bank interest rates

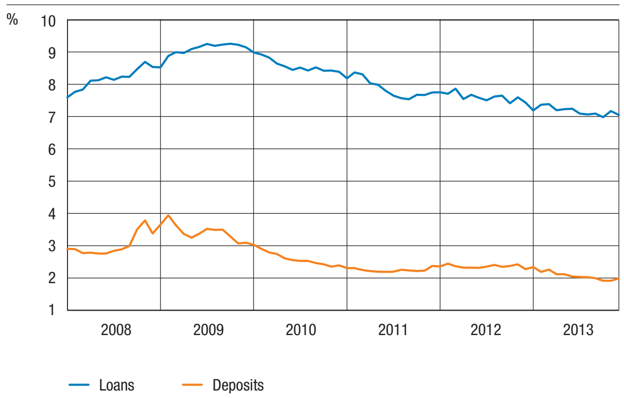
Bank lending and deposit interest rates gradually declined in 2013. Due to the decrease in interest rates on corporate loans, the downward trend, present from the outbreak of the crisis in 2008 and 2009, continued into 2013. The decline in bank deposit rates followed the temporary halt of their fall in 2012.

In the segment of corporate lending, interest rates continued a slight downward trend in the course of 2013. Interest rates on short-term corporate loans without a currency clause stood at 6.12% at end-2013 (7.15% in December 2012), which is on average 0.81 percentage points lower than in 2012. Also, interest rates on long-term loans with a currency clause stood at 6.01% at end-2013 (5.76% in 2012), dropping by an average of 0.34 percentage points year-on-year.

Interest rates on household loans were stable, as in 2012,

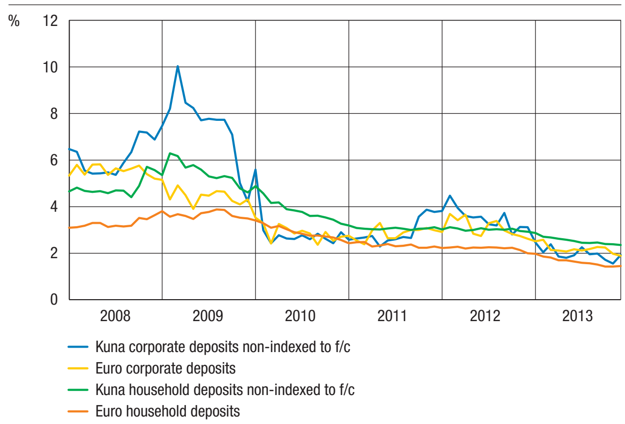
14 Expenses of the protection against USD/EUR exchange rate fluctuations should be added to this.

1.44 Estimate of average bank interest rates
weighted by the amount of total loans granted



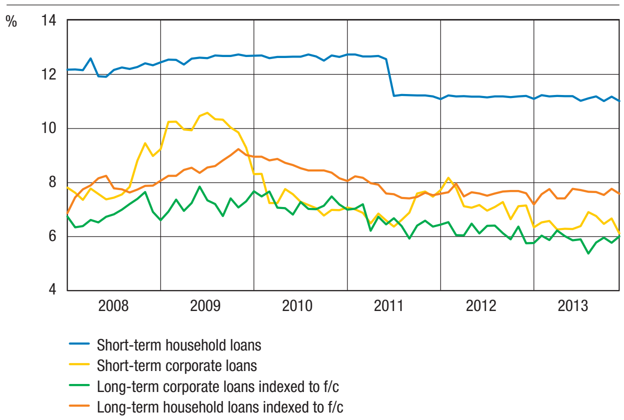
Source: CNB.

1.46 Average bank interest rates[a] on time deposits maturing in one to three months



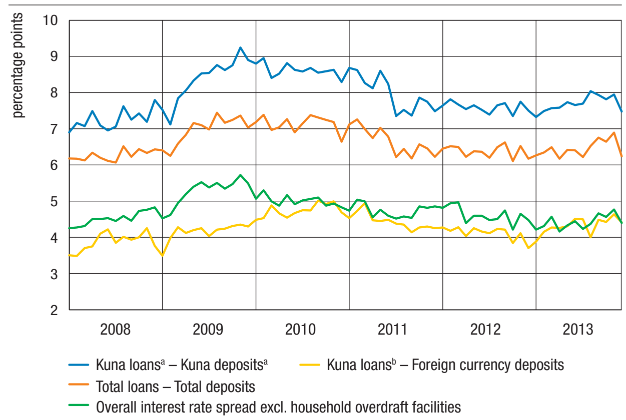
[a] The average weighted interest rate on newly granted loans in the reporting period.
Source: CNB.

1.45 Average bank interest rates[a] on kuna lonas



[a] The average weighted interest rate on newly granted loans in the reporting period.
Source: CNB.

1.47 Spread between average bank interest rates on loans and deposits



[a] Non-indexed to f/c. [b] Indexed to f/c.
Source: CNB.

and close to the legally set ceiling. Interest rates on short-term kuna household loans without a currency clause thus moved within a narrow range of 11.01% to 11.23% throughout 2013. Interest rates on long-term household loans with a currency clause went up slightly, mostly due to developments in interest rates on home loans, which stood at 5.50% in December 2013, in contrast to 5.37% from December 2012.

Bank deposit interest rates declined in 2013 relative to 2012. Short-term interest rates on household time deposits without a currency clause (1 to 3 months) fell from 2.93% in December 2012 to 2.36% in December 2013. Similar trends were recorded in interest rates on comparable-maturity household deposits in euro. They maintained the same spread in relation to interest rates on kuna deposits (as a rule, they are lower than interest rates on kuna deposits by 0.9 percentage points), thus decreasing from 2.0% at the end of 2012 to 1.48% in December 2013.

Interest rates on 1-3 month corporate time deposits were relatively more volatile in 2013, but with a pronounced downward tendency. The mentioned short-term interest rates on corporate time deposits in kuna went down from 3.12% in December 2012 to 1.93% in December 2013. In the same period, short-term interest rates on corporate time deposits in the euro fell from 2.63% to 1.90%.

The overall interest rate spread showed a slight upward trend on the back of the mentioned movements in bank lending and deposit rates in 2013, but, on average, it held steady, below the level which prevailed in 2012. Excluding the effect of household overdraft facilities, which are recorded as new loans every month and thus unrealistically increase their weight in interest rate statistics on newly granted loans, the spread between lending and deposit rates stood on average at 4.42 percentage points, as compared to 4.61 percentage points in 2012.

Table 1.7 Assets and relative shares of financial intermediaries
in million HRK and %

	12/2010			12/2011			12/2012			12/2013		
	Amount	Share	Number	Amount	Share	Number	Amount	Share	Number	Amount	Share	Number
Credit institutions												
1 Banks[a]	391,060	75.3	32	406,903	75.7	31	399,888	73.9	30	398,118	72.8	29
2 Savings banks	11	0.0	1	35	0.0	1	27	0	1	16	0.0	1
3 Housing savings banks[a]	6,881	1.3	5	7,847	1.5	5	7,456	1.4	5	7,561	1.4	5
Insurance companies and pension funds												
4 Insurance and reinsurance companies	30,115	5.8	27	31,923	5.9	28	34,050	6.3	28	35,799	6.5	28
5 Compulsory pension funds	36,328	7.0	4	41,067	7.6	4	51,134	9.4	4	58,238	10.6	4
6 Voluntary pension funds	1,760	0.3	21	1,969	0.4	21	2,429	0.4	23	2,703	0.5	22
Other financial intermediaries												
7 Open-end funds	13,674	2.6	124	11,929	2.2	121	12,962	2.4	114	13,257	2.4	89
8 Fund for Croatian Homeland War Veterans and Members of their Families[b]	2,005	0.4	1	1,446	0.3	1	1,134	0.2	1	972	0.2	1
9 Closed-end funds and venture capital funds	2,233	0.4	15	1,985	0.4	14	2,140	0.4	14	1,869	0.3	11
10 Leasing companies	28,988	5.6	26	25,886	4.8	25	22,237	4.1	25	19,732	3.6	23
11 Factoring companies	5,748	1.1	19	5,801	1.1	17	7,212	1.3	16	7,987	1.5	14
12 Credit unions	530	0.1	23	569	0.1	22	602	0.1	26	660	0.1	26
Total (1+2+3+4+5+6+7+8+9+10+11+12)	519,333	100.0		537,359	100.0		541,272	100.0		546,911	100.0	

[a] Supervisory data (they may differ from monetary statistical data due to the consolidation).
[b] From 14 April 2008 on, members of this fund may sell their shares. Up to this date, the fund was closed for payments.
Sources: CNB and HANFA.

1.2.7 Financial sector

The pace of growth in the assets of financial intermediaries slightly accelerated in 2013 and stood around 1.0%, with a continued trend of change in its structure from the previous year. The growth of the share of mandatory and voluntary pension funds, present from 2007, continued to trend up and a slightly weaker growth was recorded in insurance, reinsurance and factoring companies. By contrast, assets of leasing companies continued to decrease, as did assets of credit institutions, which, nevertheless, continued to dominate the financial sector with a share of 74.2%.

1.2.7.1 Credit institutions

Assets of the major credit institutions, the banks, decreased nominally by 0.5% in 2013 and stood at HRK 398.1bn, with their share in the financial sector dropping to 72.8%. The following factors contributed the most to the fall in banks' assets: transfer of one bank's non-performing loans to a special-purpose entity (whose assets are not included in Table 1.7); the exit of one bank from the market; new rules on the classification of placements and a changed accounting treatment of fees on loans in bank balance sheets. Excluding these factors, whose total negative effect stood at around HRK 5.3bn, banks' assets increased by 0.9%. There is still only one savings bank in the market and its assets dropped by 40.7% in 2013, to HRK 16.2m at the end of the year.

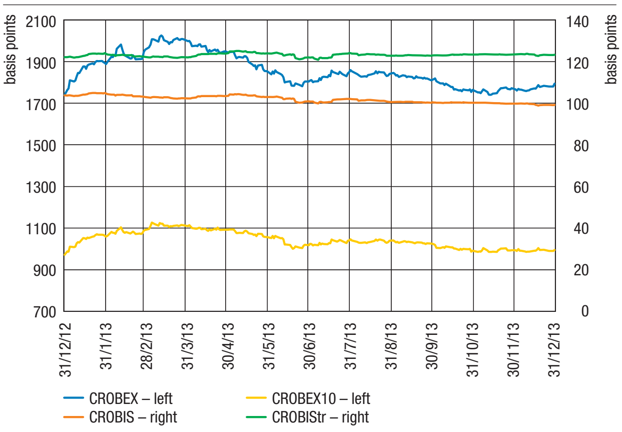
Housing savings bank assets went up in 2013 by 1.4% or HRK 105m. However, if the negative effect of the new treatment of fees on loans in balance sheets and the effect of new rules on the classification of placements are excluded, the growth of assets of these financial intermediaries was actually higher.

1.2.7.2 Insurance companies and pension funds

Data for end-December 2013 show that total assets of insurance and reinsurance companies increased by HRK 1.7bn or 5.1% in 2013, indicating a slowdown in the growth observed in the previous two years. As their gross written premium continued to trend down, dropping by 1.2% in 2013, the increase in their assets was due to the rise in the value of their investment.

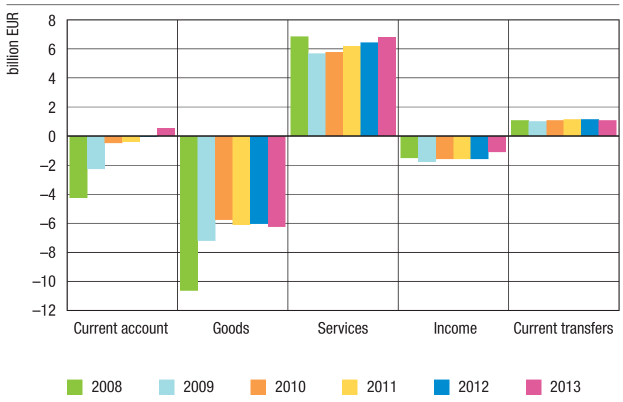
Assets of mandatory pension funds, the next most important financial intermediaries in Croatia after the banks, continued to grow fast in 2013, reaching HRK 58.2bn or 10.6% of financial sector assets. The growth in assets of mandatory pension funds was faster than in other intermediaries (13.9%), and only slightly slower was the rise in the assets of voluntary pension funds, which account for a much smaller share in the market (11.3%). The rise in assets of mandatory pension funds was spurred mostly by payments of fund members and, to a smaller extent, by the increase in the market value of their net assets, since the value index of average mandatory pension fund assets, MIREX, rose by 4.5% in 2013. The structure of assets of mandatory pension funds remained almost unchanged in 2013 from the previous years. The largest portion of mandatory pension fund assets was invested in the domestic market (nearly 90%), government bonds prevailing in the structure with 68.2%, of which 65% were bonds of the Republic of Croatia. In 2013, the bond index, CROBIS, dropped by 4.4%, and taking into account accrued interest (measured by the new index CROBISTR), yield on bonds in the Croatian market was 0.9%.

1.48 Trends in ZSE share and bond indices in 2013



Source: ZSE.

1.49 Current account balance



Source: CNB.

Concurrently, although CROBEX rose by 3% in 2013, the recovery of domestic stock indices still lags behind the dynamics of regional and global indices.

1.2.7.3 Other financial intermediaries

Assets of open-end investment funds grew by HRK 0.3bn or 2.3% in 2013. The growth was entirely due to the rise in assets of the least risky money market funds (7.4%), which more than offset the fall in assets of other open-end investment funds: bond funds (27.3%), balanced funds (25.9%) and equity funds (3.6%).

Assets of the Fund for Croatian Homeland War Veterans and Members of their Families also fell considerably, by 14.3% or HRK 162.2m in 2013. This fall was caused by negative returns (the unit value fell by 8.4%) and further sale of units. A slightly weaker fall was recorded in assets of closed-end investment funds and venture capital funds, which decreased by 12.7% or HRK 271m.

Total assets of leasing companies declined by HRK 2.5bn or 11.3% from the end of 2012, thus continuing the negative downward trend in assets of leasing companies, present since 2009. This was the result of reduced economic activity and weak interest in the purchase of vehicles and machinery, as well as a significant increase in credit risk.

Total assets of factoring companies went up by 10.7% in 2013, these companies reaching their highest share in assets of the financial sector in the last five years. The years-long growth in the share of discounted bills of exchange in the total transactions of factoring companies (from 44.0% to 49.5%) continued in 2013.

A total of 26 credit unions continued to be financial intermediaries, with only a marginal share in the assets of the financial sector as a whole, although their assets increased by HRK 58.1m or 9.7% in 2013.

1.2.8 Balance of payments

The current account balance improved further in 2013 in the conditions of unfavourable domestic economic trends and weak domestic demand. After a considerable contraction in the deficit in the previous four years, a positive balance of EUR 0.6bn, or 1.3% of GDP was recorded in 2013 (in 2012, the deficit stood at 0.1% of GDP). The improvement in the current account balance in 2013 mostly came from the reduction of the deficit in the factor income account, and, to a slightly lesser extent, from the continuation of positive trends in international services trade. On the other hand, movements in foreign trade in goods and in the account of current transfers had an unfavourable effect on the current account balance.

Foreign capital inflows (excluding the change in international reserves) intensified in 2013, as a result of heavy government borrowing on the international market, although they were still considerably lower than in the pre-crisis period. Deleveraging by credit institutions slowed down. Foreign direct equity investments were still very modest. The higher capital inflow also enabled a significant increase in international reserves.

Current account

The largest contribution to the positive movements in the current account in 2013 came from the reduction of the deficit in the factor income account, which was primarily linked to lower net expenditures from direct equity investments, i.e. to the decline in the profitability of foreign-owned domestic enterprises. A parallel rise in the surplus in international services trade was predominantly the result of the growth in tourism revenues. By contrast, the deficit in foreign trade in goods increased due to a pronounced fall in exports in relation to the fall in imports.

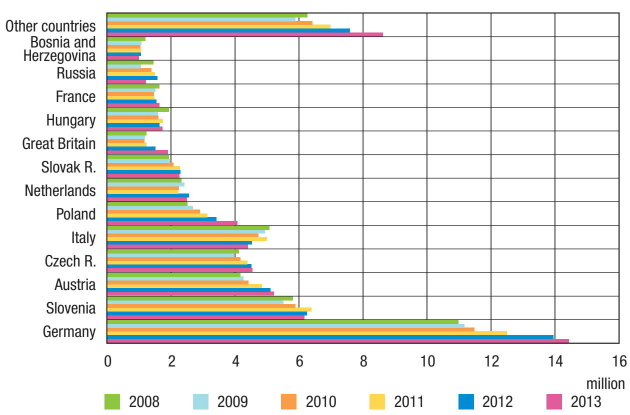
The surplus in the international services trade in 2013 increased by 5.9% from 2012. As in the previous years, the growth of revenues from tourism services was the key factor of this growth. In addition, although still modest, the positive balance in the trade of other services increased, as a consequence of a

Table 1.8 Current account structure
as % of GDP

	2008	2009	2010	2011	2012	2013[a]
Current account balance	–8.9	–5.1	–1.1	–0.9	–0.1	1.3
Goods	–22.4	–16.1	–12.9	–13.9	–13.8	–14.4
o/w: Oil and refined petroleum products	–3.9	–2.5	–3.0	–4.0	–3.6	–3.5
Other transport equipment	0.5	0.6	1.8	2.1	0.9	0.5
Other goods	–20.3	–15.3	–12.8	–13.3	–12.4	–12.7
Adjustments	1.3	1.1	1.1	1.2	1.3	1.3
Services	14.4	12.7	13.0	14.0	14.7	15.7
o/w: Tourism revenues	15.7	14.2	14.0	15.0	15.7	16.6
Income	–3.3	–4.0	–3.6	–3.6	–3.7	–2.5
Current transfers	2.3	2.2	2.4	2.6	2.6	2.5

[a] Preliminary data.
Source: CNB.

1.50 Foreign tourist nights in commercial accommodation facilities by country of residence



Source: CBS.

sharper fall in imports than in exports. Expenditures for royalties, licence fees and imports of financial services decreased markedly. At the same time, revenues from architectural, engineering and other technical services, personal, cultural and recreational services increased. On the other hand, unfavourable trends primarily referred to the worsening of the balance in the trade in agricultural, mining and manufacturing services. Net revenues from transport services decreased moderately; a further fall in revenues from sea freight transport and revenues from passenger air transport had the largest impact.

Tourism revenues rose by 4.9% in 2013 over the previous year. This was largely attributable to favourable developments in volume indicators in tourism: according to CBS data, arrivals and overnight stays of foreign tourist in commercial accommodation capacities grew by 5.7%, and 3.8% respectively. The breakdown of guests by country of residence showed that tourists from Poland, Germany, Great Britain and the Scandinavian countries accounted for the increase in the number of nights stayed. At the same time, the number of nights stayed by guests from certain countries declined. For instance, as a result of the alignment of the visa regime with the European Union, the number of nights stayed by guests from Russia and Ukraine decreased considerably. In addition, the number of nights stayed by visitors from Italy and Slovenia declined for the second consecutive year due to the unfavourable economic situation in these two countries, although the recorded fall was milder than in 2012.

The deficit in the factor income account fell by almost one third at an annual level, largely due to the decline in expenditures from direct equity investment. Profit of enterprises in majority foreign ownership in 2013 fell by a half. The worsening of business results was particularly pronounced in the activities of financial intermediation, manufacture of refined petroleum products and telecommunications. At the same time, losses incurred by foreign enterprises in domestic ownership increased, which had an unfavourable impact on revenues from outward direct equity investments[15]. Lower interest expenditures from foreign liabilities contributed to the fall in total deficit in the factor income account to a small extent. Interest expenditures of credit institutions and enterprises decreased, while government interest expenditures significantly increased due to the government's heavy external borrowing. Revenues from compensations to residents working abroad also mildly rose, while CNB's interest income, generated from the investment of international reserves, slightly declined.

There was still a positive balance in the account of current transfers in 2013, but it was 4.5% lower than in 2012, as a consequence of a growth in expenditures stronger than that in revenues. The payments to the EU budget had a major impact on the rise in expenditures. Revenues increased as a consequence of a moderate growth in the inflow of worker remittances and, to a larger extent, of the absorption of EU funds. At the same time, capital transfers, the majority of which referred to EU funds, remained at the level of 2012. Despite this, the total amount of funds received from the above funds moderately exceeded the payments by the government to the EU budget.

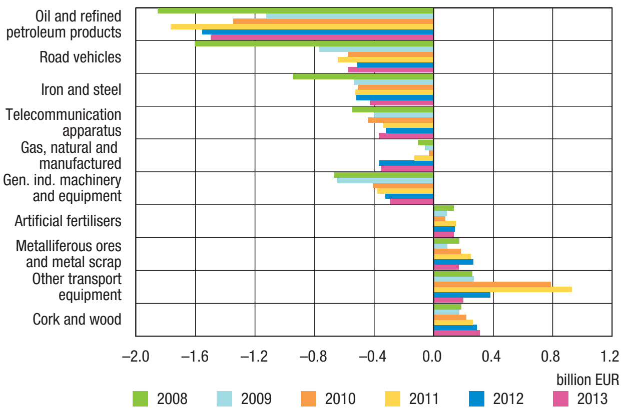
Trade in goods

According to CBS data[16], the deficit in foreign trade in goods in 2013 rose by 3.6% and amounted to EUR 6.8bn, due to a more pronounced fall in exports than in in imports. The increase in the deficit was mostly influenced by unfavourable trends in international trade of other transport equipment (mostly ships), the net exports of which were a little more than

15 The profit of domestic enterprises owned by non-residents and foreign enterprises owned by residents, including the retained earnings under foreign direct investments, was also influenced by the value adjustment of assets of INA d.d. in Syria.

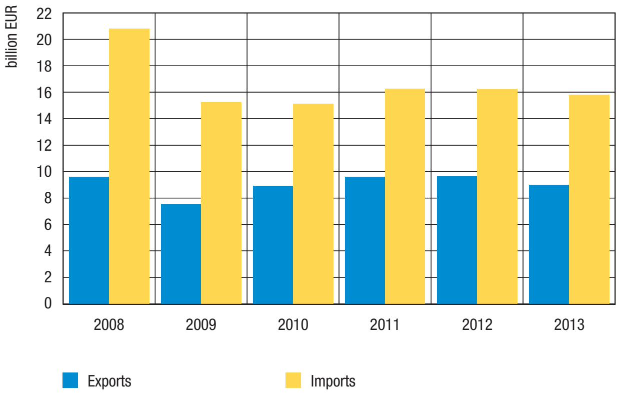
16 After the accession of the Republic of Croatia to the European Union, the methodological basis for the collection of data on trade in goods with the EU member states was changed. The statistics on the trading in goods with non-EU countries (Extrastat) is still based on single administrative documents, but for the statistics on the trading in goods between EU member states the Intrastat system is used, which is based on the direct collection of data from business entities covered by the sample.

1.51 Foreign trade balance by selected SITC divisions



Source: CBS.

1.52 Goods exports and imports



Source: CBS.

half of those in 2012. The simultaneous decrease in net imports of oil and refined petroleum products contributed to a mitigation of the deficit in the goods account. By contrast, the negative balance in the trade of other goods increased, which was particularly pronounced in capital goods, road vehicles and miscellaneous food products.

The total exports of goods in 2013 amounted to EUR 8.9bn (down by 6.7% from 2012), after three years of an upward trajectory. Negative trends in goods exports were particularly pronounced in the first quarter, followed by a partial recovery, which was not sufficient to offset a strong fall from the beginning of the year. The annual decline in total exports was mostly influenced by the fall in the exports of ships. Furthermore, after a three-year growth, the exports of oil and refined petroleum products also fell noticeably in 2013. The exports of other goods, excluding ships and oil, fell by 1.8% at an annual level. Among the SITC sections, the decline in the exports of non-monetary gold, metalliferous ores and metal scrap, sugar and sugar preparations contributed to the fall the most. Also, a considerable decrease in exports was seen in individual capital goods, such as electrical machinery, apparatuses, appliances and telecommunication and sound recording and reproducing

Table 1.9 Exports and imports by economic classification of countries

in %

Economic classification of countries	Exports					Imports				
	2009	2010	2011	2012[a]	2013[a,b]	2009	2010	2011	2012[a]	2013[a,b]
EU-27	60.6	61.1	59.9	58.2	59.2	62.7	60.2	61.8	72.6	72.7
Italy	19.0	18.6	15.8	15.3	14.0	15.4	15.2	16.4	14.0	12.6
Germany	11.0	10.4	10.1	10.2	10.9	13.5	12.5	12.6	13.3	13.8
Slovenia	7.4	7.8	8.3	8.6	10.1	5.7	5.9	6.2	9.5	11.3
Austria	5.4	5.3	5.7	6.5	6.2	5.0	4.8	4.5	9.8	9.0
EFTA	1.7	1.1	2.4	1.3	1.8	2.6	2.0	2.0	2.7	1.6
CEFTA	21.3	18.7	19.2	21.0	21.0	5.1	5.4	5.9	6.4	6.2
Bosnia and Herzegovina	12.8	11.6	12.2	12.8	13.1	2.7	3.1	3.3	3.6	3.7
Serbia	5.3	3.9	3.9	4.3	4.2	1.3	1.5	1.8	1.9	1.9
Montenegro	1.6	0.9	0.9	1.5	1.2	0.2	0.0	0.0	0.3	0.0
Other	16.5	19.1	18.5	19.6	18.0	29.6	32.4	30.2	18.4	19.5
Russia	1.5	2.0	2.4	3.4	3.1	9.5	9.0	7.3	7.0	5.1
USA	2.2	2.5	2.7	2.9	2.7	2.5	2.2	2.3	0.8	1.1
Turkey	1.3	1.0	1.8	1.2	1.4	1.4	2.9	1.5	3.1	1.5
Japan	0.6	0.4	0.6	0.5	0.5	1.4	1.2	1.0	0.1	0.1
China	0.4	0.3	0.4	0.4	0.6	6.8	7.2	7.1	2.5	3.7

[a] Data for 2012 and 2013 are based on the new methodological criterion for the statistical reporting of goods trade. Hence, data on the geographic structure of imports are not comparable with those from previous years.
[b] Preliminary data.
Source: CBS.

apparatuses. On the other hand, positive trends came from the exports of electricity, iron and steel, various finished products and essential oils.

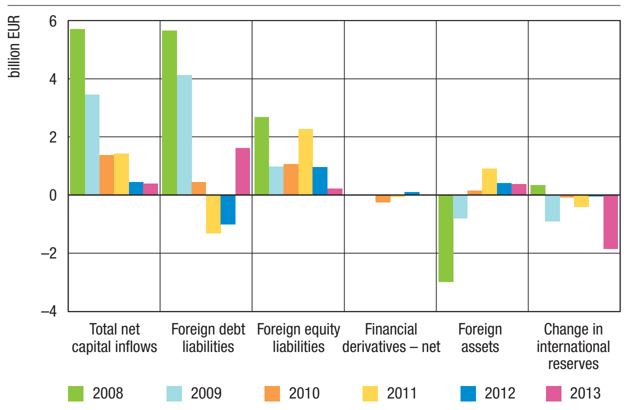
In 2013, total goods imports declined additionally, standing at EUR 15.8bn with an annual fall of 2.5%. The imports dynamics during the year was uneven, which could largely be attributed to the changes in trade conditions linked to Croatia's accession to the European Union and the domestic excise tax system, which were an incentive for domestic importers heavily to import certain capital goods and road vehicles in the second quarter. The imports of goods fell in the second half of the year, largely as the consequence of the decline in the imports of ships previously exported for finishing purposes, oil and refined petroleum products and electricity. If ships and energy products are excluded, the imports of other goods in 2013 stagnated, as compared to the previous year. The imports of iron and steel, miscellaneous manufactured articles, sugar and sugar preparations fell markedly. By contrast, a pronounced increase was observed in the imports of leather and leather manufactures, as well as of some food products (dairy products and eggs, meat and meat preparations and vegetables and fruits in particular). The imports of capital goods also grew, especially of electrical machinery, apparatuses and appliances, office machines and automatic data-processing machines and road vehicles.

In terms of the geographical structure[17] of goods exports in 2013, the share of the 27 EU member states grew moderately as a result of the growth in exports to the "new" member states. The highest growth of exports was recorded with respect to Slovenia, owing to a considerable growth in the exports of energy products (particularly of oil and refined petroleum products and electricity) and to Slovakia, with increased exports of furniture and parts thereof. On the other hand, exports to the "old" EU member states declined, primarily due to the pronounced decrease in the exports of ships and wearing apparel to Italy, as well as in the exports of non-monetary gold to Austria. Also, the share of EFTA countries increased, due to the noticeable increase in the exports of power-generating machinery and equipment and electricity to Switzerland. At the same time, the share of the CEFTA countries remained unchanged, despite the decrease in the exports to the majority of the member countries. If the impact of the change in exports of other transport equipment to the CEFTA countries is excluded, the exports of electrical apparatus and appliances and artificial fertilisers to Serbia declined, as did the exports of cereals and cereal preparations and electricity to Bosnia and Herzegovina. Nevertheless, the decrease in the exports to Bosnia and Herzegovina was less pronounced than in the case of some of the other most important foreign trade partners, increasing its share in the total goods exports. The share of the 27 EU member states in goods imports slightly increased, mostly due to the growth in imports from Slovenia, Denmark and the Czech Republic. By contrast, imports from Italy and Austria decreased markedly. When non-EU trading partners are considered, the imports of goods from Russia and Turkey recorded very negative trends.

Capital and financial account

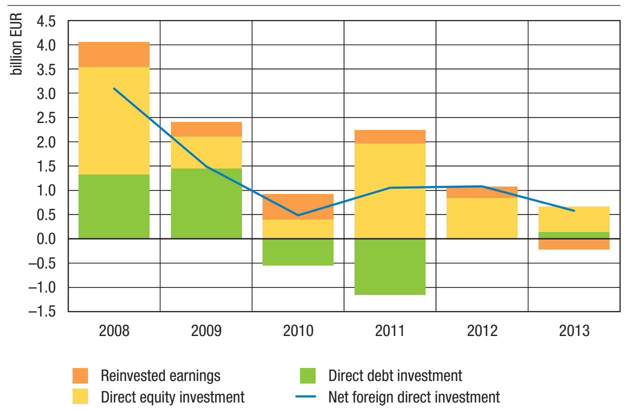
Net capital inflow in the capital and financial account (excluding the change in international reserves) stood at EUR 2.2bn in 2013, while in 2012 it was EUR 0.5bn. Such developments were primarily determined by strong government borrowing in the foreign market. Credit institutions continued to deleverage, but at a slower pace than in 2012. Owing to the continued reluctance of foreign investors, inflows from foreign direct equity investment in Croatia were lower than in 2012. More intensive capital inflows also resulted in a noticeable growth in international reserves (growth of EUR 1.8bn).

1.53 Financial transactions with foreign countries



Note: A negative change in foreign assets and international reserves denotes their growth.
Source: CNB.

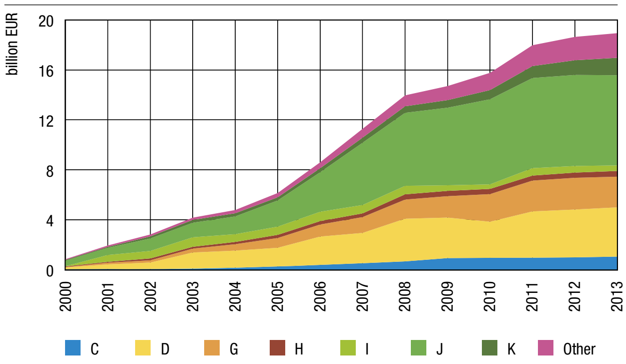
1.54 Structure of foreign direct investment in Croatia



Source: CNB.

17 A new methodological criterion for recording the imports of goods has been applied since the accession of the Republic of Croatia to the EU. In *Extrastat*, data on the imports are shown by the countries of origin of the goods, while in *Intrastat* data on the arrivals of goods are presented by the countries of dispatch. Data on goods exports are still shown by the countries of destination. For reasons of comparability, the data on imports in 2012 and in the first six months of 2013 are calculated according to the new methodological criterion.

1.55 Structure of direct equity investment and reinvested earnings by NCA
cumulative data



Note: NCA (2002) C – Mining and quarrying, D – Manufacturing, G – Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods, H – Hotels and restaurants, I – Transport, storage and communication, J – Financial intermediation, K – Real estate, renting and business activities
Source: CNB.

The decrease in foreign assets of the domestic sectors, of EUR 0.4bn, slightly down from the previous year, also had an impact on the total foreign capital flows in 2013. Among domestic sectors, credit institutions mostly reduced their foreign assets, on the basis of investment in foreign bonds, which can be partly linked to the fall in their liabilities to foreign creditors.

Although in 2012 domestic sectors' total (equity and debt) liabilities decreased mildly, they grew considerably in 2013 (by EUR 1.8bn). This especially concerned debt liabilities, which was the consequence of intensified government borrowing on international capital markets. By contrast, credit institutions and other domestic sectors reduced their liabilities to foreign creditors. Foreign direct equity investments in Croatia declined, with only EUR 0.3bn being accounted for by new investments (excluding debt-to-equity swaps), compared to EUR 0.4bn in 2012. In addition, negative reinvested earnings were recorded in 2013, as a result of weaker profitability of foreign-owned domestic enterprises and banks in the setting of unfavourable domestic economic conditions.

Broken down by activities, the largest inflow of foreign direct equity investments in 2013 was accounted for by investments in real estate, financial intermediation, retail trade and manufacture of basic metals. The fall in direct equity investments from the previous year was partly caused by a takeover transaction in the second quarter, when the firm Crodux derivati took over the Austrian oil company OMV's branch in Croatia.

External debt

Net external debt (gross external debt net of foreign claims by domestic sectors) declined by EUR 0.3bn in 2013, mitigating the net deleveraging observed in the previous two years. The deleveraging of other domestic sectors and credit institutions had a favourable effect on the net debt. By contrast, the government borrowed heavily in the foreign market, which simultaneously resulted in a noticeable growth in international reserves.

The growth of external government debt additionally intensified in 2013. Central government's net external debt grew by EUR 10.5bn (up by more than one fifth from the end of 2012). Such developments were marked by long-term borrowing through bond issues on the US market: in April, in the amount of USD 1.5bn, about two thirds of the amount subscribed by foreign investors, and in November, worth USD 1.75bn, mostly entirely subscribed by non-residents. The funds obtained from the second bond were mostly retained in the MoF's foreign currency account with the CNB, which resulted in a noticeable growth in international reserves. At the end of December, the government borrowed an additional EUR 0.2bn in the form of a short-term foreign loan.

The reduction of the total net external debt was greatly attributable to the other domestic sectors, whose net foreign liabilities declined by EUR 0.8bn in 2013. This was mainly due to the deleveraging of public enterprises and non-banking financial institutions, especially pronounced in the last quarter. The stock of net external debt arising from foreign direct investments rose by EUR 0.4bn, partly due to the transfer of bad placements by a commercial bank to a company indirectly owned by the parent bank.

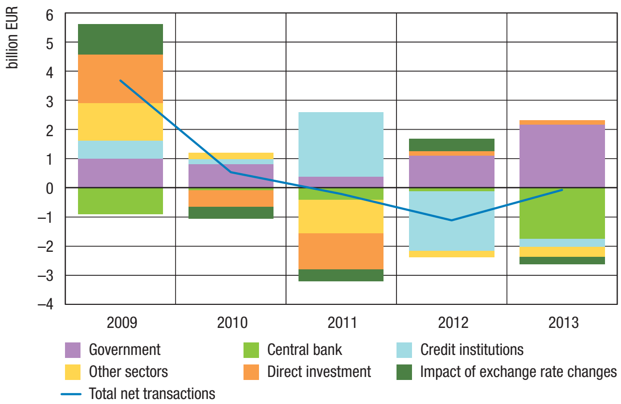
Net external debt of credit institutions at the end of 2013 stood at EUR 4.0bn (down by EUR 0.3bn from the end of 2012). The improved net debt position of credit institutions is the result of a decrease in their liabilities, which was accompanied by a somewhat weaker decline in their assets. Nevertheless, the deleveraging by credit institutions in 2013 was substantially milder than in 2012, and it concerned the decrease in long-term foreign liabilities.

Table 1.10 Net external debt by domestic sectors
end of period, in million EUR and %

	2008	2009	2010	2011	2012	2013	Year-on-year rate of change					
							2008	2009	2010	2011	2012	2013
1 Government	4,817	5,795	6,620	7,188	8,572	10,486	–23.3	20.3	14.2	8.6	19.2	22.3
2 Croatian National Bank[a]	–9,118	–9,816	–10,692	–11,069	–10,883	–12,483	–2.0	7.7	8.9	3.5	–1.7	14.7
3 Credit institutions	3,218	4,641	4,649	6,218	4,289	4,010	22.6	44.2	0.2	33.7	–31.0	–6.5
4 Other sectors	18,019	19,141	19,158	18,267	17,576	16,788	35.4	6.2	0.1	–4.7	–3.8	–4.5
5 Direct investment	5,705	7,586	7,742	6,264	6,623	7,049	51.8	33.0	2.1	–19.1	5.7	6.4
Total (1+2+3+4+5)	22,641	27,346	27,477	26,868	26,177	25,849	35.8	20.8	0.5	–2.2	–2.6	–1.2

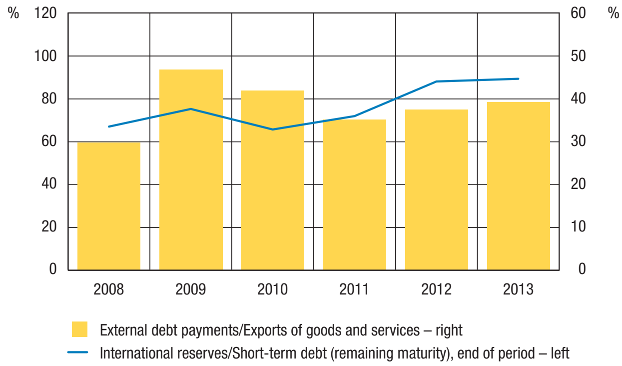
[a] Foreign claims of the central bank exclude SDRs. Negative values of net external debt indicate that the value of claims is higher than the value of liabilities.
Source: CNB.

1.56 Contributions of domestic sectors' net transactions and exchange rate changes to the annual growth of net external debt



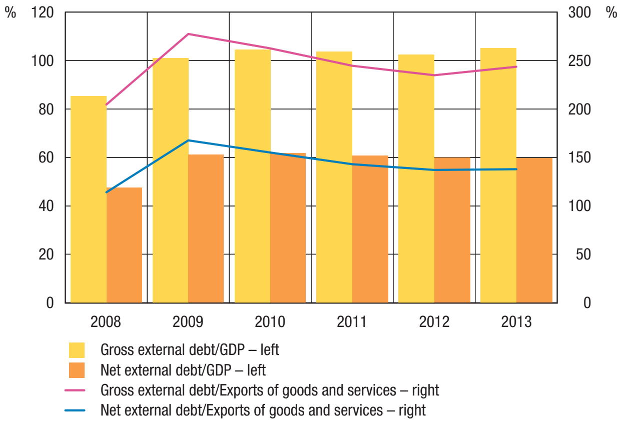
Note: Negative value of transactions with the central bank denotes an increase in reserves.
Source: CNB.

1.58 Relative indicators of external debt burden and international reserves adequacy



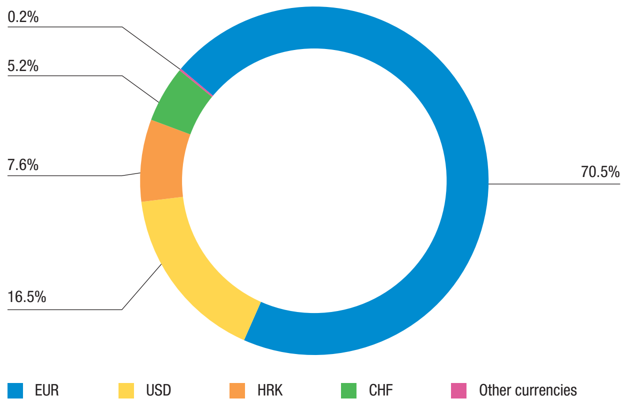
Note: External debt payments include principal payments on bonds, long-term trade credits and long-term loans (excl. liabilities to affiliated enterprises), as well as total interest payments net of interest payments on direct investment.
Source: CNB.

1.57 External debt indicators



Source: CNB.

1.59 Currency structure of gross external debt
as at 31 December 2013



Source: CNB.

Relative gross external debt indicators worsened in 2013, as a consequence of the growth in gross external debt (after having decreased for two years), the decline in the exports of goods and services and the continuation of the contraction of GDP. The share of gross external debt in the exports of goods and services increased by 8.6 percentage points to 243.5% in 2013; this was the first time it had worsened since 2009. After two years of improvement, the share of gross external debt in GDP also worsened (by 2.6 percentage points), reaching 105.3%. Relative indicators of net external debt in 2013 did not substantially change. At the end of the year, the share of net external debt in the exports of goods and services stood at 138.0%, accounting for 59.6% of GDP.

The indicator of the burden of external debt repayment worsened for the second consecutive year. The ratio of principal and interest payments on external debt to the exports of goods and services stood at 39.3% in 2013, up by 1.8 percentage points from 2012, or up by 4.1 percentage points from two years before. By contrast, the indicator of international reserves adequacy mildly improved due to a more pronounced growth in international reserves than in the short-term liabilities of domestic sectors. The short-term debt coverage (on a remaining maturity basis) rose from 88.1% at the end of 2012 to 89.3% at the end of 2013, which was the most favourable ratio since the outbreak of the crisis in 2008.

The maturity structure of gross external debt did not change significantly in 2013. At the end of 2013, the share of the short-term debt by the original maturity stood at 11.5% (up by 0.4 percentage points from the end of 2012). This was largely attributable to credit institutions, in which the share of short-term liabilities in the total foreign liabilities increased from 21.3% at the end of 2012 to 26.4% at the end of 2013. In addition, the short-term government debt grew as a result of the previously mentioned short-term loan from December 2013. The share of short-term debt in total foreign liabilities of other domestic sectors increased marginally. By contrast, short-term liabilities arising from direct investment decreased.

Liabilities denominated in euros continued to prevail in the currency structure of gross external debt. The share of the euro at the end of 2013 accounted for 70.5% (down by 1.5 percentage points from 2012). The share of the Swiss franc also declined as a consequence of deleveraging by credit institutions and other domestic sectors. In contrast to this, the share of the US dollar increased due to the above mentioned issues of the government dollar bonds. The share of the US dollar rose to 16.5% at the end of 2013, up by 3 percentage points from the end of 2012, or up by 9 percentage points from the end of 2008. In the previous five years, the government issued a total of eight bonds in the international market. Six of them were dollar bonds, and for all of them, with the exception of the first one, currency swap agreements were concluded, by which the government protected itself from the exchange rate risk.[18]

1.2.9 Government finance[19]

Fiscal policy features in 2013

According to the preliminary MoF data, net general government borrowing under the GFS 2001 methodology (and on a cash basis) increased noticeably to 5.4% of GDP, following a strong fiscal adjustment in 2012. Budget revenues decreased modestly at an annual level, which can mostly be linked to weak economic activity and a one-off loss of VAT revenues caused by the change in the calculation of this tax on EU imports. At the same time, the fall in revenues was mitigated by the introduction of fiscal cash registers. Budget expenditures increased significantly, but their movements did not reflect the strongly expansive character of the fiscal policy in the previous year, because they were mainly the result of the need for payment of increased interest expenses, payments to the EU budget and payments of the previous years' debt in the health sector. Accordingly, the general government deficit, under the ESA 95 methodology (accrual basis), stagnated on an annual level. The government financed the budget deficit by borrowing on the domestic and the international capital market, and substantial funds were also ensured in 2013 to finance the needs in 2014. Public debt grew strongly in 2013, reaching 67.1% of GDP at the end of the year.

In 2013, government finance was marked by two budget revisions, adopted by the Croatian Parliament in mid-April and at the beginning of December. The initial budget plan for 2013 soon underwent its first revision because of a decrease in the expected GDP growth rate and the downgrading of Croatia's credit rating by Standard & Poor's and Moody's, mostly because of the unsustainable path of public finances in the long run. The second budget revision followed due to a shortfall in revenues and a rise in total expenditures, in particular due to the settlement of debt in the health sector. Revenues at the end of 2013 were considerably lower than those planned under the second budget revision, but the shortfall was offset by lower expenditures so that the deficit almost reached the planned level. However, since data on arrears are not available, it is unknown whether lower than planned revenues are the result of sudden savings or whether the payment of expenditures has been deferred to 2014.

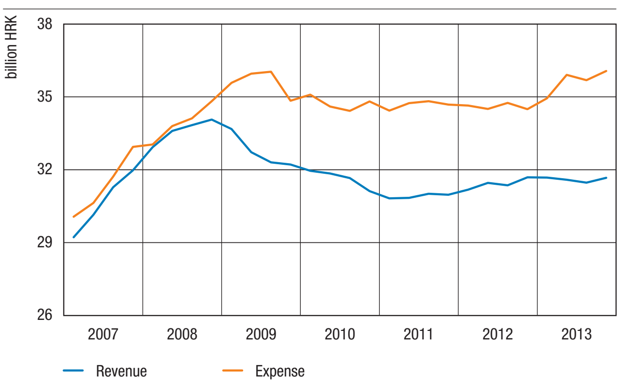
At the end of last year, the European Commission issued a proposal for a decision on the existence of an excessive deficit and a proposal for a recommendation for its correction, which were adopted by the Council of the European Union at the beginning of the current year, whereby Croatia officially entered the excessive deficit procedure. The recommendations demand that Croatia correct its excessive deficit by 2016, with a set annual improvement in the structural balance of 0.5% in 2014, 0.9% in 2015 and 0.7% of GDP in 2016, which would reduce nominal deficit of the general government to 4.6%, 3.5% and 2.7% in the above mentioned years, respectively[20].

Revenues, expenditures and net acquisitions of non-financial assets of the consolidated general government

Consolidated general government revenues (GSF 2001 methodology) decreased by 0.2% in 2013 from 2012 and amounted to HRK 125.9bn. Their share in GDP stagnated on an annual basis.

The largest negative contributor to the said moderate fall in revenues was the profit tax revenues resulting from the decline in profits of economic entities in 2012, and the introduction of zero taxation for reinvested earnings from January 2013. Revenues from social contributions also decreased significantly due to the base effect of the decrease in the health insurance contribution, a one-off collection of tax debt in the second quarter 2012, and unfavourable developments in the wage bill and customs revenues as a result of the abolition of customs duty and customs tariffs on EU products. Although the increase in VAT revenues was due to the introduction of fiscal cash registers,

1.60 Consolidated general government revenue and expense
four-quarter moving averages



Note: Revenue includes proceeds from the disposal of non-financial assets and expense includes expenditures for the acquisition of non-financial assets. From 2008 on, CM is excluded from consolidated general government.
Sources: MoF and CNB calculations.

18 These bonds are statistically valued in the original currency of the bond instead of the swap currency.
19 The analysis of government finance for the Annual Report was prepared based on preliminary MoF data for 2013.
20 European Commission documents: http://ec.europa.eu/economy_finance/economic_governance/sgp/deficit/countries/croatia_en.htm

the base effect of the increase in the basic VAT rate from 23% to 25% in 2012, the repeal of the zero VAT rate and the application of the 5% rate to specific groups of products, they were nevertheless reduced on an annual level mainly as a result of a change in VAT calculation for EU imports from 1 July 2013, and a reduced VAT rate from 25% to 10% on hotel and restaurant services. The fall in total revenues was considerably offset by revenues from grants due to the inflow of EU funds, excise revenues due to the increase in the excise tax on tobacco products and refined petroleum products, and the so-called other revenues.

Expenditures of the consolidated general government, including the acquisition of non-financial assets, on a cash basis, amounted to HRK 144.3bn, or up by 4.6% from 2012, their share in GDP increased from 42.0% to 43.9%. All major expenditure categories increased, except for compensation of employees and subsidies.

Expenditures on social benefits mostly contributed to the growth of overall expenditures due to the increase in expenditures for pensions and the payment of debts of health institutions and the Croatian Institute for Health Insurance from the previous years. However, not all debts of hospitals were settled, and new arrears were incurred in the health care sector in 2013. Strong growth was also recorded in interest expenses and grants due to payments to the EU budget from 1 July 2013. Only expenditures on employees decreased significantly, which was mostly the consequence of cuts in the wages of civil servants and government employees by 3% since March 2013, non-payment of holiday bonuses and the base effect of the reduction of the health insurance contribution rate. A moderate decline was recorded in subsidies, the reductions mostly relating to farmers and the Croatian Railways.

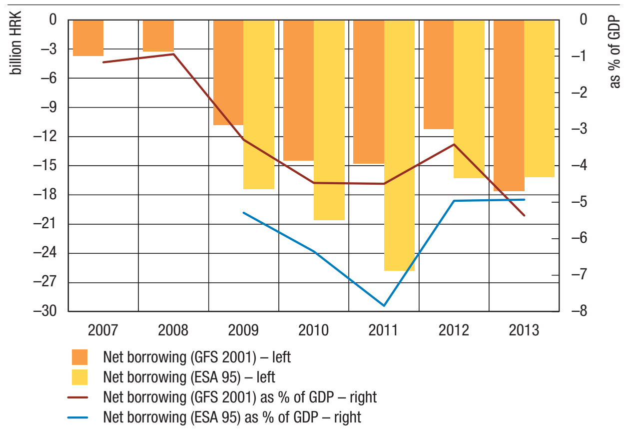
Capital investments of the consolidated general government in the form of acquisitions of non-financial assets increased at an annual level by 9.6%, due to increased investments at all general government levels. The largest increase in the acquisition of non-financial assets is the result of investment activities of extrabudgetary users, in particular of Croatian Roads and Croatian Waters, as well as investments at the level of local government.

Balance of the consolidated general government

In accordance with the above movements of revenues and expenditures, the estimated net borrowing of consolidated general government (GFS 2001 methodology) in 2013 reached HRK 17.6bn or 5.4% of GDP, or up by HRK 6.4bn from 2012. The lion's share of the deficit was generated at the state budget level. Net borrowing of extrabudgetary users amounted to 0.5% of GDP, while a slight surplus was recorded at the local government level.

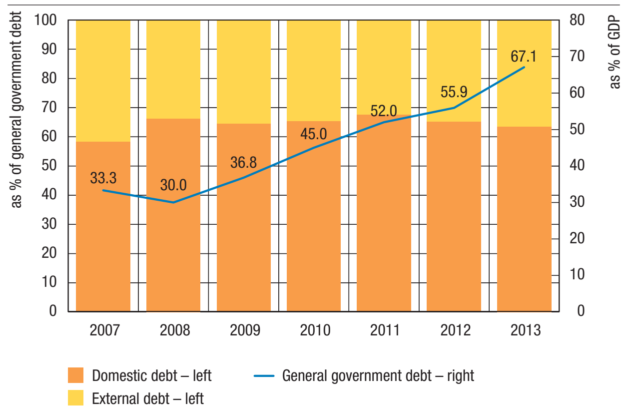
The fiscal deficit of the consolidated general government in 2013, according to the ESA 95 methodology, was HRK 16.2bn or 4.9% of GDP. A noticeably lower deficit under the ESA 95 methodology is partly the consequence of the methodological adjustment of cash revenues in the national accounts statistics, which, among other, cancelled out the one-off loss in VAT

1.61 Net borrowing (GFS 2001 and ESA 95)



Note: From 2008 on, CM is excluded from consolidated general government.
Sources: MoF and CNB calculations.

1.62 General government debt
end of period



Note: From 2008 on, CM debt has been excluded from general government debt.
Source: CNB.

revenues from the beginning of the second half of last year, as a result of a change in VAT calculation for EU imports since 1 July 2013. In addition, expenditures for social benefits on an accrual basis did not include the payments of health care sector debts from previous years, so that the expenditure growth on an accrual basis was considerably more moderate in comparison with the estimated increase in cash expenditure.

Government debt

The general government debt increased sharply in 2013, and at the end of December reached HRK 220.2bn or 67.1% of estimated GDP for 2013, or up by 11 percentage points of GDP from the end of 2012. The increase in debt from January to December by HRK 36.5bn or 20%, is the result of long-term borrowing mostly through the bond issuance in the foreign and domestic capital market. Guarantees granted as of the end of 2013 were slightly lower than a year before, falling from 16.5% to 16.4% of GDP.

When considering the total growth in public debt in 2013, the increase in domestic and external debt was approximately the same. The domestic debt grew mostly on the account of domestic bonds issues in the amount of HRK 2.75bn and EUR 750m indexed to foreign currency, with these funds also being used for the refinancing of the domestic bond worth HRK 4.0bn. Considerable amounts were also collected in the domestic market through loans and T-bills. The growth of external debt, except for the Merrill Lynch loan amounting to EUR 200m, was due to foreign bonds issues on the American capital market in the amount of USD 1.5bn in April, used to finance the deficit in 2013, and USD 1.75bn in November, used to acquire the funds to be used for financing needs in 2014.

HNB

Monetary policy instruments and international reserves management

HNB

2.1 Monetary policy instruments in 2013

With the use of monetary policy instruments, the CNB continued in 2013 to maintain the high liquidity levels it had created in previous years by cutting the reserve requirement rate and repurchasing foreign exchange from the MoF. Thanks to the cut in the reserve requirement rate, banks' regulatory costs also decreased, creating preconditions for lower interest rates and increased liquidity in the RC. Accordingly, the average overnight interbank interest rate and the interest rate on MoF T-bills fell to their historic lows and the CNB additionally reduced the Lombard rate.

The CNB provided additional liquidity in the first half of the year by repurchasing from the government foreign exchange obtained from foreign borrowing and partly sterilising it by selling a portion of foreign exchange in the foreign exchange market to banks. The kuna/euro exchange rate gradually weakened through the year, with the exception of the April-August period. At the end of 2013, it was 1.2% higher than at the end of 2012.

In 2013, credit institutions had in their accounts an average surplus liquidity, including overnight deposits, of HRK 5.0bn, which is 1.6 times more than the 2012 average. High liquidity was aided by a decrease in the allocated kuna component of reserve requirements, due to a further decline in banks' foreign liabilities.

A significant step forward in defining the monetary policy instruments in 2013 was made by the widening of the eligible collateral list for loans with the CNB. In addition to MoF T-bills, the eligible collateral also included all debt securities denominated in kuna and kuna indexed to foreign currency of issuers from the EU whose credit rating is equal to or higher than the rating of the RC.

In the second half of 2013, the CNB adopted new measures aimed at stimulating bank lending to corporates and supporting economic recovery. They included the cut in the reserve requirement rate from 13.5% to 12% in December 2013, with a parallel requirement on banks to purchase three-year compulsory CNB bills equivalent to the total amount of the released kuna funds (HRK 3.9bn). The CNB will gradually and conditionally release the mentioned funds at the end of each calendar month, starting from December 2013, by repurchasing CNB bills from banks equal to one-half of the monthly growth in corporate placements.

Due to favourable liquidity, there was no need for reverse repo operations, whereas banks used the overnight deposit facility with the CNB on a daily basis in the first quarter of 2013. However, since the end of April, in line with the decision on reducing the remuneration rate on overnight deposits with the central bank from 0.25% to 0.00%, banks have no longer used the overnight deposit, but have kept the entire surplus liquidity in their settlement accounts with the CNB.

2.1.1 Open market operations

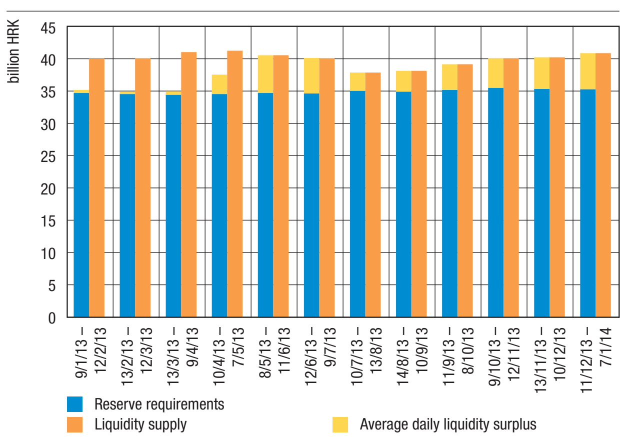
Open market operations were not used in 2013 due to the abundant liquidity in the domestic banking system.

The high liquidity levels resulted from the continuous decrease in the reserve requirement rate, following the first signs of the spillover of the financial crisis onto the RC at the end of 2008, when the reserve requirement rate stood at 17% and was reduced to 12% by the end of 2013. Because the reserve requirement rate was cut, banks' regulatory costs, used in the calculation of lending interest rates, were also reduced. This contributed to the decrease in lending interest rates and provided liquidity to boost lending.

The supply of reserves, determined by autonomous factors, averaged HRK 39.9bn in 2013, an increase of 0.6% from 2012. Concurrently, the demand for reserves averaged HRK 38.2bn,

2.1 Liquidity demand and supply

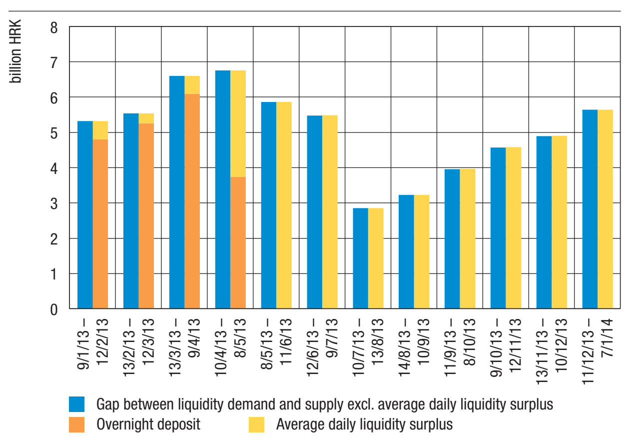
average balance in reserve requirement maintenance periods



Source: CNB.

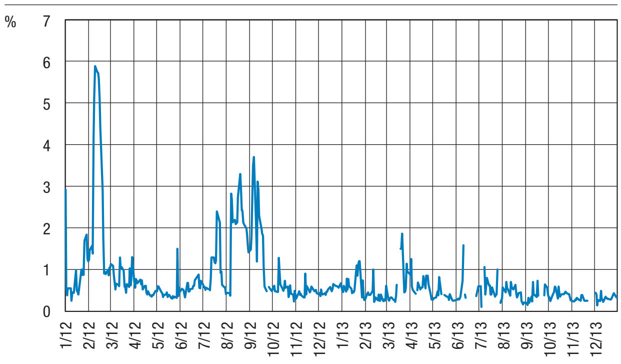
2.2 Liquidity demand and supply, overnight deposit and average daily liquidity surplus

average balance in reserve requirement maintenance periods



Source: CNB.

2.3 Overnight interest rates



Source: CNB.

which is 3.0% higher than in 2012. However, given that the demand consists of reserve requirements and surplus liquidity, the decrease in the reserve requirement rate changed the ratio between the demand for reserve requirements and surplus liquidity in favour of the increased demand for surplus liquidity.

Banks deposited their surplus liquidity with the CNB in the form of the overnight deposit until April 2013, but this came to a halt following the cut in the rate of remuneration paid on overnight deposits from 0.25% to 0.00% in April 2013. As of May 2013, the daily liquidity surplus increased significantly, which led to the matching of liquidity supply and demand at a new, lower level of the overnight interest rate in the money market.

In the conditions of favourable kuna liquidity, the overnight interest rate remained low for most of the year. The average level and volatility of the overnight interest rate in 2013 was lower than in 2012. The overnight interest rate ranged from 0.10% to 2.60% in 2013, while it had ranged from 0.23% to 5.88% in 2012. As a result, the variation coefficient stood at 63.81% in 2013, in contrast to 2012, when it was 100.81%.

Although the CNB has at its disposal open market operations for enhancing banking system liquidity, it is evident that there was no need for them in 2013. It should be noted that, until 2009, the CNB used regular operations in the form of reverse repo auctions with one-week maturity to boost liquidity. Other operations used to boost, but also reduce, liquidity are fine-tuning and structural operations. Due to the policy of supporting high liquidity, operations aimed at reducing liquidity were not used in 2013.

In broad terms, open market operations also include foreign exchange interventions with banks. Since the EUR/HRK exchange rate was mostly stable in 2013, there was no need for frequent use of this instrument. There was only one foreign exchange intervention in 2013 in which the CNB sold EUR 214.9m, withdrawing HRK 1.6bn from the banking system.

2.1.2 Standing facilities

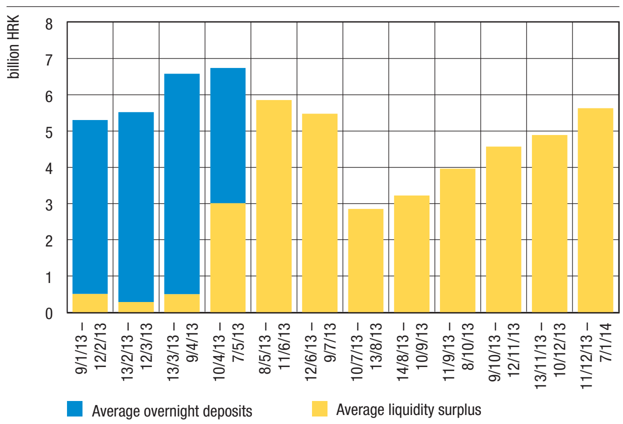
The interest rate corridor on the money market, formed by interest rates on standing facilities (Lombard loan and deposit facility), narrowed in 2013. In April, the interest rate charged by the CNB on the deposit facility, forming the floor of the money market interest rate corridor, was reduced from 0.25% to 0.00% in order to direct banks' surplus liquidity to lending. In December, the interest rate charged by the CNB on a Lombard loan, forming the ceiling of the money market interest rate corridor, was also reduced from 6.25% to 5.00%, giving the signal for a cut in the money market interest rates.

A significant novelty in 2013 is the policy of the collateral used in banks refinancing with the CNB. Previously, eligible collateral was exclusively MoF T-bills. The amendments to the Decision on Lombard loans expanded the eligible collateral for such loans (the same applies to open market operations) to include debt securities of issuers from member states of the EU and international financial institutions, provided that they are issued in kuna or kuna indexed to foreign currency and that they have adequate credit rating which may not be lower than the rating of the RC. Consequently, it effectively stimulates banks to invest in these instruments, enhances the development of debt securities market in domestic currency, and creates grounds for more flexible domestic market financing.

Due to the liquidity surplus, banks used overnight deposits to a large extent in the first four months of 2013, so the average daily surplus liquidity, including overnight deposits, was HRK 5.0bn in 2013, with a peak of HRK 6.7bn in the period that began in April 2013.

The deposit facility was used on a daily basis until end-April 2013. Since then, due to the abolition of remuneration, banks deposit their entire surplus liquidity in their settlement accounts with the CNB. The deposit facility is an overnight deposit that is repayable to banks at the beginning of the next business day. Funds deposited by banks in the form of overnight deposits with the CNB are not included in the reserve requirement

2.4 Average liquidity surplus including overnight deposits in reserve requirement maintenance periods
by maintenance periods



Source: CNB.

maintenance. The CNB may at its discretion deny a bank, either temporarily or permanently, the use of the deposit facility.

In the period of use in 2013, the average daily balance of the deposit facility was HRK 5.4bn. The largest daily amount of the overnight deposit of HRK 10.2bn was recorded in April 2013. The maximum average monthly amount of the facility, also registered in that month, stood at HRK 6.5bn. The minimum average monthly amount, of HRK 4.6bn, was recorded in January 2013.

Only one bank used the Lombard loan in 2013, for a total of 53 business days in an average amount of HRK 19.0m. A Lombard loan is commonly used at a bank's request or is granted automatically in the event of default on an intraday loan at the end of a business day. It is repayable on the next business day. The CNB may at its discretion deny a bank, either temporarily or permanently, the use of the Lombard facility.

2.1.3 Reserve requirements

The reserve requirement rate was reduced from 13.5% to 12% in December, in line with the mentioned policy of supporting high liquidity in the banking system, with the emphasis on releasing liquidity in conditions of placement growth. This model is described in the section on compulsory CNB bills.

Kuna and foreign currency components of reserve requirements

The base for the reserve requirement calculation consists of kuna and foreign currency components. Of the calculated foreign currency component of reserve requirements, 75% is included in the calculated kuna component and is executed in kuna. A part of the reserve requirement is put aside in a special account with the CNB and the remaining part may be maintained by average daily balances in the accounts of liquid claims.

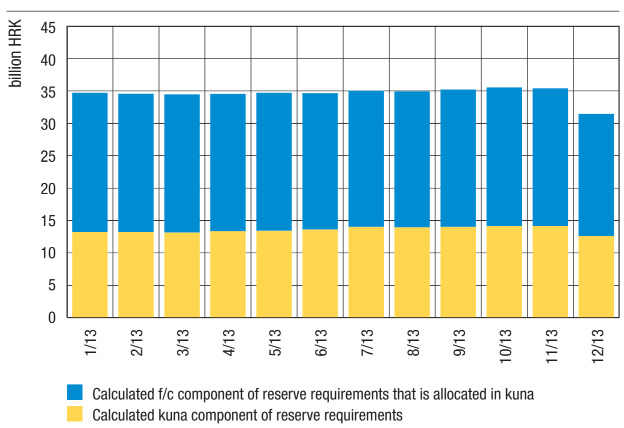
The kuna component of the reserve requirement base consists mainly of received kuna deposits and foreign currency-indexed kuna deposits. The lowest level of HRK 97.5bn in 2013 was recorded in February. In September, it reached its 2013 peak of HRK 105.0bn. The kuna component of the base increased by 5.7% annually.

The foreign currency component of the reserve requirement base, consisting mainly of received foreign currency deposits, decreased by 0.4% in 2013. It bottomed out at HRK 207.3bn in July and peaked at HRK 211.0bn in September.

The kuna component of reserve requirements peaked at HRK 35.5bn in October and bottomed out at HRK 31.5bn in December 2013. From January to December, the kuna component of reserve requirements decreased by 9.4%, largely due to the cut in the reserve requirement rate in December 2013, which released HRK 3.9bn.

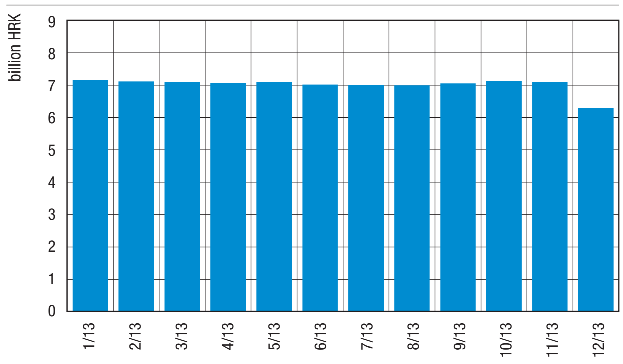
The foreign currency component of the base was HRK 7.2bn in January, which was its highest level in 2013. It bottomed out at HRK 6.3bn in December. In line with the trends in the foreign currency component of the base and the reduction in the reserve requirement rate, which released EUR 105.4m, the foreign currency component of reserve requirements decreased by 12.1% in the January to December period.

2.5 Total kuna component of reserve requirements
balance in maintenance periods



Source: CNB.

2.6 Total foreign currency component of reserve requirements
balance in maintenance periods



Source: CNB.

2.1.4 Other instruments

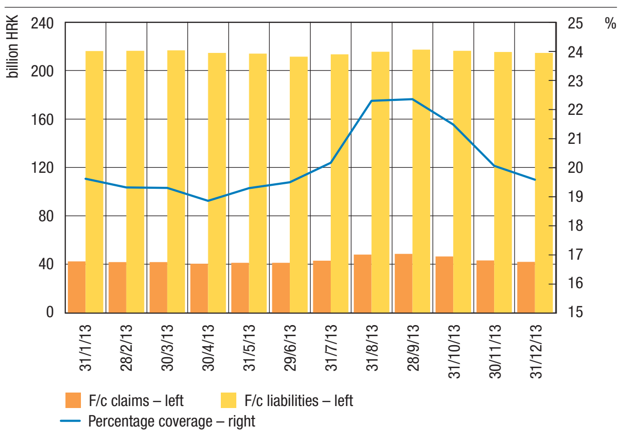
Minimum required foreign currency claims

One instrument used to maintain the foreign currency liquidity of banks is the minimum required amount of foreign currency claims. In 2013, the minimum required amount of foreign currency claims was set at 17% of foreign currency liabilities.

The banks are obliged to maintain the prescribed percentage on a daily basis, with liquid foreign currency claims being those (with the exception of claims on loans) with a remaining maturity of less than three months.

Foreign currency claims include claims arising from kuna loans and foreign-currency indexed kuna loans granted to economic entities under the Economic Development Programme; this includes 50% of the outstanding principal amount that is

2.7 Minimum foreign currency liquidity
end-month balance



Source: CNB.

financed from bank funds.

Under the amendments to the Decision on the minimum required amount of foreign currency claims, the coverage for the period from 16 August 2013 to 12 February 2015 was expanded further to include T-bills issued in August 2013.

The coverage of foreign currency liabilities by foreign currency claims in 2013 ranged between 19.12% on 30 April and 22.35% on 30 September. This ratio stood at 19.58% at the end of the year.

Intraday loans

In 2013, the intraday loan facility was used for eleven days in July, August and November in an average amount of HRK 491.1m.

Intraday loans are payment system instruments serving to improve the flow of payment transactions during business hours. Banks may use intraday loans on a daily basis in the form of a settlement account limit, with the limit being the permissible negative settlement account balance. The loan is collateralised by the same collateral which is used to grant a Lombard loan and is granted in the amount equal to the value of the financial collateral net of the haircut.

Any unpaid intraday loan at the end of a business day is automatically considered an application for a Lombard loan to the amount of any negative balance in a bank's settlement account. Denial of such loans, or any restriction on the amounts of Lombard loans granted, automatically implies identical restrictions on the use of intraday loans. The CNB charges no interest on intraday loans.

Compulsory CNB bills

In November 2013, the CNB adopted the decision on the purchase of three-year compulsory CNB bills in the amount of kuna funds released by cutting the reserve requirement rate from 13.5% to 12% in order to spur banks' lending to corporates and support the economic recovery.

On the last working day of each month, the Croatian National Bank will redeem prior to maturity part of the purchased compulsory CNB bills in the amount of 50% of the increase in bank placements to domestic non-financial corporations. The increase in placements is determined as a positive difference between the balance of placements to domestic non-financial enterprises as at the last day of the month preceding the month of redemption and the balance on the last day of the month preceding it.

Where the difference between the balances referred to in the previous paragraph is negative, a bank must, on the date of the redemption of compulsory CNB bills prior to maturity, repurchase the previously redeemed compulsory CNB bills in the amount of 50% of the negative difference between the placements, which may not exceed the net cumulative amount of the previously redeemed compulsory CNB bills. The net cumulative amount of the previously redeemed compulsory CNB bills is deemed to be the difference between the total of the redeemed and the total of the repurchased compulsory CNB bills on the date of the redemption of compulsory CNB bills prior to maturity.

The CNB charges no interest on the purchased compulsory CNB bills.

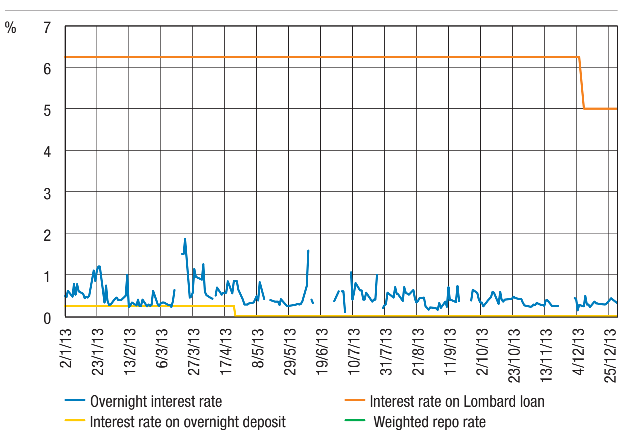
Compulsory CNB bills were purchased on 11 December 2013 in total of HRK 3.9bn, and stood at HRK 3.6bn at the end of the year.

2.1.5 Liquidity of last resort

From April to November 2013, one bank used a short-term liquidity loan for 48 days and the largest individual amount used was HRK 50.0m.

Short-term liquidity loans are granted against financial collateral and take the form of repo transactions (repo loans) or collateralised loans. Loans may be used for a period of up to twelve months. The interest rate on this type of loan is equal to the rate charged on a Lombard loan increased by 0.5 percentage points if the loan is used for a period of up to three months, or increased by 1 percentage point if the loan is used

2.8 Interest rate spread and overnight interest rates



Source: CNB.

for a period of over three months.

The CNB, pursuant to a special decision of the Governor, is permitted to grant approval to a bank experiencing liquidity problems, at its written request, to reduce maintained and/or allocated reserve requirements, applying an interest rate that equals:

- the interest rate charged on a Lombard loan increased by 1 percentage point if the special conditions last up to three months, or
- the interest rate charged on a Lombard loan increased by 2 percentage points if the special conditions last longer than three months.

2.1.6 Croatian National Bank interest rates and remuneration

Interest rates on standing facilities form the corridor that should limit the range of fluctuations in overnight money market rates. The ceiling of the corridor is the interest rate on a Lombard loan, which amounted to 6.25% annually until 7 December 2013, when it was reduced to 5.0%. The corridor floor is the interest rate on an overnight deposit with the CNB, which stood at 0.25% annually until 24 April 2013, when it was reduced to 0.0%. The CNB pays no remuneration on the allocated reserve requirements.

2.2 International reserves management

The Croatian National Bank manages the international reserves of the Republic of Croatia; under the Act on the Croatian National Bank, these reserves constitute a part of the balance sheet of the central bank. The manner in which the international reserves are managed is consistent with the established monetary and foreign exchange policies; in managing the international reserves, the CNB is governed primarily by the principles of liquidity and safety. The international reserves of the Republic of Croatia comprise all claims and all banknotes in a convertible foreign currency as well as special drawing rights.

2.2.1 Institutional and organisational framework, management principles, risks and manner of international reserves management

Institutional and organisational framework of international reserves management

The Council of the CNB formulates the strategy and policy for international reserves management and sets out the risk management framework. The International Reserves Commission is the body responsible for the development of international reserves investment strategies in accordance with the objectives and criteria set by the Council of the CNB and for the adoption of tactical decisions on international reserves management, while taking into account market conditions.

Principles of and risks in international reserves management

In managing the international reserves of the Republic of Croatia, the central bank is guided by the principles of liquidity and safety of investment (Article 19 of the Act on the Croatian National Bank). In this context, it maintains the reserves at a high liquidity level and appropriate risk exposure and, within the given restrictions, attempts to ensure favourable rates of return on its investments.

Risks present in international reserves management are primarily financial risks such as credit, interest rate and currency risks, though other risks such as liquidity and operational risks also play a role. The CNB limits exposure to credit risk by investing in highly rated government bonds, collateralised deposits and non-collateralised deposits with financial institutions with the highest credit rating. Interest rate risk, or the risk of a fall in the value of the international reserves portfolio due to unfavourable interest rate changes, can be controlled by means of benchmark portfolios and by investing a part of international reserves in the held-to-maturity portfolio. Currency risk arises from currency fluctuations between the kuna and the euro and the kuna and the US dollar. Liquidity risk is controlled by investing reserves into readily marketable bonds and partly in deposit instruments with short maturities. Operational risk can be controlled by strict separation of functions and responsibilities, precisely defined methodologies and procedures, and regular internal and external audits.

Manner of international reserves management

As provided by the Decision on international reserves management, the Croatian National Bank manages international reserves in two ways: in line with its own guidelines and in accordance with the assumed foreign currency liabilities, depending on the way in which international reserves are formed.

The CNB manages international reserves acquired through outright purchases from banks and the MoF, through its membership in the IMF as well as income derived from the investment of international reserves and of other CNB assets in line with its own guidelines. The other component of the reserves, formed on the basis of the allocated foreign currency component of reserve requirements, MoF deposits, repo agreements, foreign currency swaps in the domestic market, IMF membership and other assets owned by other legal persons, is managed by the CNB according to the foreign currency liabilities assumed, the aim being to ensure protection against currency and interest rate risks.

The component of international reserves managed by the CNB in line with its own guidelines can be kept in held-for-trading and held-to-maturity portfolios. Held-for-trading portfolios, comprising held-for-trading financial instruments, are important for maintaining the daily liquidity of international reserves. The minimum daily liquidity and held-for-trading instruments used for daily liquidity maintenance are prescribed by a Governor's decision. Held-for-trading portfolios are carried at market (fair) value through profit and loss. Held-to-maturity portfolios comprise fixed income and fixed maturity securities that the CNB intends to hold and can hold until maturity, carried at amortised cost.

The terminology of reporting on CNB international reserves includes the terms of gross and net reserves. Gross reserves imply total international reserves. Net reserves imply that component of the reserves managed by the CNB in line with its own guidelines.

2.2.2 International reserves in 2013

In 2013, global financial markets were marked by the calming of the eurozone debt crisis. As a result, attention was turned to future economic trends and the monetary policy of the world's leading central banks. The Fed's announcement of a possible reduction of the value of the securities purchase programme and the improved economic figures in Germany and in the USA impacted the growth of yields on US and German government bonds and the resulting decline in their prices.

Total international reserves of the CNB stood at EUR 12,907.34m on 31 December 2013, an increase of EUR 1,671.55m (14.9%) from EUR 11,235.79m on 31 December 2012.

The changes in international reserves in 2013 were brought about by the inflow of foreign currency to the Ministry of Finance account on the basis of foreign and domestic borrowing, foreign currency purchases from and sales to the MoF and banks through foreign exchange interventions.

Net international reserves, which exclude foreign currency reserve requirements, IMF special drawing rights, European Commission funds and MoF funds, grew by EUR 340.52m (3.3%) in 2013, up from EUR 10,197.37m to EUR 10,537.89m.

Total CNB turnover in the foreign exchange market in 2013

In 2013, the Croatian National Bank intervened in the domestic foreign exchange market by conducting purchase and sale transactions with the MoF, the sale of foreign currency to banks in the Republic of Croatia and the sale of foreign currency to the European Commission. The CNB purchased EUR 784.67m from the MoF in 2013, selling to it EUR 159.00m in the same period. Net purchases from the MoF amounted to EUR 625.66m, with HRK 4,744.26m released into circulation. In addition, the CNB sold a total of EUR 214.90m to domestic banks (the auction held in April) in 2013, with the result that kuna liquidity dropped by HRK 1,634.91m, while EUR 69.44m was sold to the European Commission, by which HRK 531.48m was withdrawn from the market.

Table 2.1 Monthly changes in CNB international reserves
end of period, in million EUR

Month	Total reserves	Net reserves
December 2012	11,235.79	10,197.37
January 2013	11,080.17	10,061.73
February 2013	11,133.44	10,104.32
March 2013	11,276.41	10,246.40
April 2013	12,058.71	10,449.52
May 2013	12,049.23	10,484.37
June 2013	12,020.37	10,462.20
July 2013	11,886.99	10,437.96
August 2013	11,841.14	10,449.06
September 2013	11,719.32	10,423.13
October 2013	11,596.03	10,375.52
November 2013	12,867.39	10,404.77
December 2013	12,907.34	10,537.89
Change Dec. 2013 – Dec. 2012	1,671.55	340.52

Source: CNB.

Structure of international reserves investment

The CNB invests in funds of financial institutions and countries with the highest credit rating. The evaluation of credit worthiness is based on ratings issued by internationally recognised rating agencies (Moody's, Standard & Poor's and FitchRatings) and an internally-developed model for creditworthiness evaluation.

There are restrictions on investments in individual financial institutions and countries, which serves to diversify credit risk.

The lion's share of CNB foreign currency portfolios is invested in government securities of selected countries, reverse repo agreements, instruments issued by international financial institutions and deposits with central banks. The structure of international reserve investments changed from 2012 to 2013 mainly because the CNB strove to attain higher returns in a setting of still low yields. The strengthening of confidence in the

Table 2.2 Total CNB turnover in the foreign exchange market, 1 January – 31 December 2013
at the exchange rate applicable on the value date, in million

	Purchase (1)		Sale (2)		Net (1 – 2)	
	EUR	HRK	EUR	HRK	EUR	HRK
Domestic banks	0.00	0.00	214.90	1,634.91	–214.90	–1,634.91
European Commission	0.00	0.00	69.44	531.48	–69.44	–531.48
Ministry of Finance	784.67	5,951.93	159.00	1,207.66	625.66	4,744.26
Total	784.67	5,951.93	443.34	3,374.05	341.33	2,577.88

Source: CNB.

Table 2.3 Structure of international reserves investment according to credit risk as at 31 December 2013
in %

Investment	31/12/2013		31/12/2012	
	Net reserves	Total reserves	Net reserves	Total reserves
1 Countries				
Government bonds	66,66	54,42	65,70	59,63
Reverse repo agreements	3,82	14,42	1,89	2,73
Central banks	5,48	7,96	13,32	15,82
Covered bonds	1,95	1,60	2,45	2,22
2 International financial institutions				
Deposits	0,28	3,02	0,30	3,41
Securities	9,30	7,59	11,11	10,08
Reverse repo agreements	4,74	4,65	1,28	1,16
3 Banks				
Deposits	1,71	1,40	0,01	0,01
Securities[a]	6,06	4,95	3,96	4,94
Total	100,00	100,00	100,00	100,00

[a] Refers to securities guaranteed by German federal states.
Source: CNB.

European financial market and the stabilisation of the eurozone economy led to an increase in interest rates for specific categories of instruments. For these reasons, the change in investment structure is mostly reflected in the increase in investment in reverse repo agreements and the decrease in investment in central banks' instruments.

On 31 December 2013, over 70% of investments of total international reserves of the CNB were within the two highest credit rating ranks or invested in BIS and the IMF.

Currency structure of international reserves

On 31 December 2013, the share of the euro in the total international reserves was 81.34%, up from 77.81% at the end of 2012. The increase in the share of the single European currency in the international reserves structure is primarily the consequence of there being a higher amount in the euro in the MoF's account at the CNB. The share of the American dollar decreased from 19.05% at the end of 2012 to 16.02% on the last day of December 2013. The share of SDRs dropped also, from 3.14% to 2.64% of the total international reserves, primarily due to an increase in the level of the total international reserves and the weakening of SDRs to the euro.

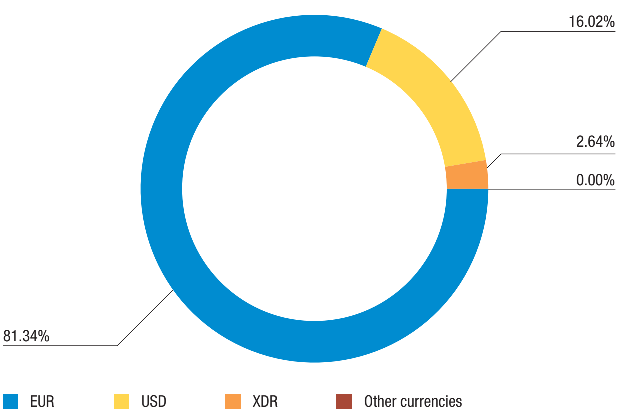
Foreign exchange gains and losses on CNB foreign currency portfolios in 2013

The financial performance of the CNB, as of all central banks, depends on the volume and structure of assets and liabilities. The CNB belongs among banks with a large share of international reserves in their assets. As at 31 December 2013, the share of total international reserves in CNB assets was as high as 99.99%, with the bulk of liabilities denominated in kuna. This currency structure of assets and liabilities exposes the CNB to a significant currency risk, i.e. the risk of a change in the currency price of investments in relation to the reporting currency – the kuna. Foreign exchange gains and losses arising from fluctuations in EUR/HRK and USD/HRK exchange rates have a direct impact on the income and expense calculation reported in kuna in the CNB Income Statement.

In 2013, the EUR/HRK exchange rate increased from 7.546 to 7.638 (1.22%), with the result that unrealised foreign exchange gains on the CNB euro portfolio totalled HRK 775m. The US dollar weakened from 5.727 to 5.549 (down –3.1%) in the same period, so that unrealised foreign exchange losses on the dollar portfolio were HRK –471m in 2013. Realised foreign exchange gains arising from interventions of the CNB were HRK 24m in the reporting period.

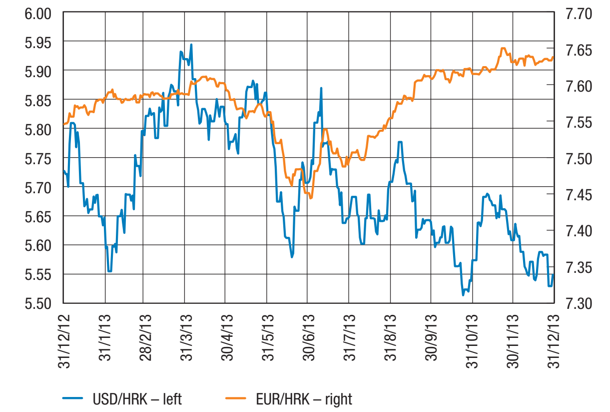
Total net foreign exchange differences (based on EUR/HRK and USD/HRK exchange rates, exchange rates of other currencies and realised foreign exchange gains arising from interventions of the CNB) were positive in 2013, standing at HRK 328m.

2.9 Currency structure of total international reserves
as at 31 December 2013



Source: CNB.

2.10 Daily changes in EUR/HRK and USD/HRK exchange rates in 2013



Source: CNB.

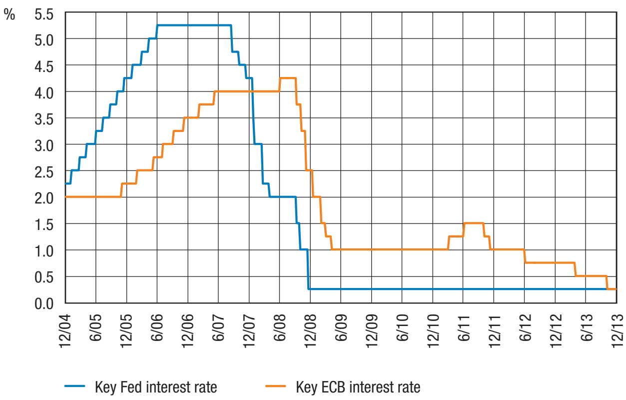
Financial environment influencing international reserves management results in 2013

The Fed's key interest rate remained unchanged throughout 2013, ranging between 0% and 0.25%, the level at which it had stood already at the end of 2008. Fed Chairman Ben S. Bernanke stated that the key interest rate would remain at low levels for an extended period of time, even after the unemployment rate dropped below 6.5% (in December 2013 it was 6.7%) and after the Fed terminated its securities purchase programme to ensure sustained progress in economic activity and recovery in the labour market. By the end of 2013, the Fed started the process of the withdrawal of the monetary policy stimulus, taking the first step towards a less expansionary monetary policy in the US, thus providing a lower degree of support to the American economy.

In contrast, the ECB reduced its benchmark 1-week repo rate in May 2013, from 0.75% to 0.50%, and then again in November to 0.25%. The ECB stated in its forward guidance that it expected key interest rates to remain unchanged at current or somewhat lower levels for an extended period of time and announced its readiness to undertake further measures in the event of rising deflationary pressures.

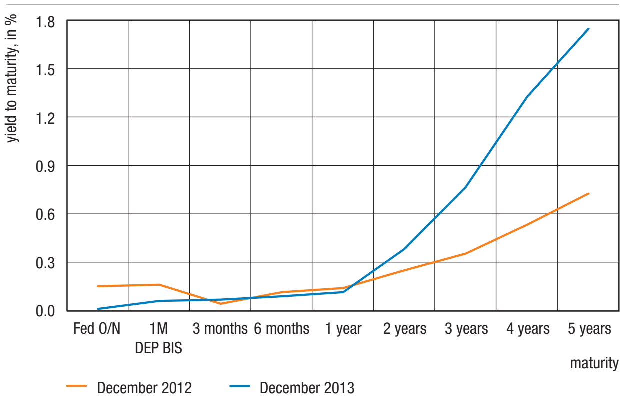
After three consecutive years of decline, yields on American and German bonds (2010 – 2012) recorded significant growth in 2013. The main reasons for this include the Fed's announcements of a possible tapering of the bond purchase programme, the improving economic data releases in Germany and in the US and consequently the overall increase in confidence of market players who have turned to financial instruments with a higher risk and a higher expected rate of return. In accordance with the growth of yields, the price of German and American bonds declined in 2013, so that only portfolios with very short average maturities have not recorded a loss.

2.11 Changes in key Fed and ECB interest rates



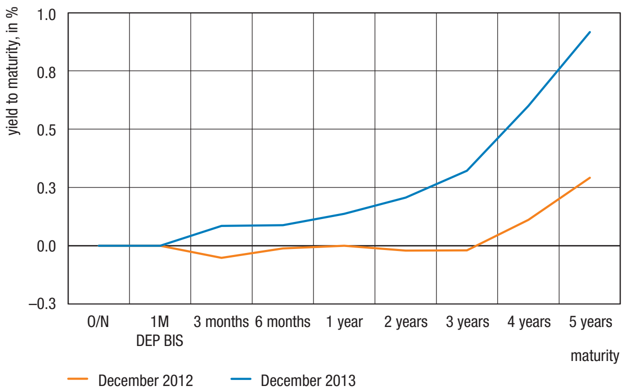
Source: CNB.

2.12 Yield curve of American government bonds and other selected instruments



Note: Fed O/N stands for Fed's overnight interest rate and 1M DEP BIS stands for one-month deposit with the BIS.
Source: Bloomberg.

2.13 Yield curve of German government bonds and other selected instruments



Note: O/N stands for overnight interest rate and 1M DEP BIS stands for one-month deposit with the BIS.
Source: Bloomberg.

Results and analysis of CNB foreign currency portfolio management in 2013

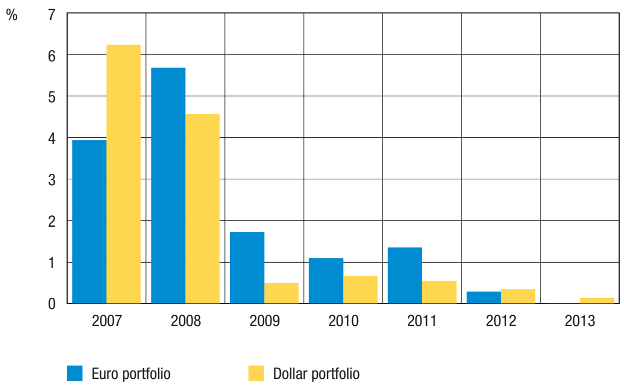
The CNB international reserve funds are predominantly invested in American and German government securities, as well

Table 2.4 Realised income and rates of return on the CNB foreign currency portfolios
in million EUR and USD and %

Portfolio	Realised income	Annual rate of return						
	2013	2007	2008	2009	2010	2011	2012	2013
Held-for-trading euro portfolio	0.31	3.94	5.68	1.73	1.09	1.36	0.30	0.01
Held-for-trading dollar portfolio	3.60	6.23	4.57	0.50	0.67	0.56	0.35	0.14
Held-to-maturity euro portfolio	87.51					2.31[a]	2.31	2.27

[a] Effect in the period from 23 May 2011 to 31 December 2011, on annual basis.
Source: CNB.

2.14 Annual rates of return on the CNB held-for-trading euro and dollar portfolios



Source: CNB.

as in the securities of other developed countries that are considered safe, primarily the eurozone member countries.

Net international reserves of the CNB comprise the euro- and dollar-denominated held-for-trading portfolios and the euro-denominated held-to-maturity portfolio.

In 2013, the annual rate of return on the CNB dollar-denominated held-for-trading portfolio was 0.14%, and that on the euro-denominated held-for-trading portfolio 0.01%. The euro-denominated held-to-maturity portfolio had a rate of return of 2.27% in 2013.

The net euro portfolio of the CNB generated a total income of EUR 87.81m, while the dollar-denominated held-for-trading portfolio generated USD 3.60m in 2013.

HNB

Business operations of credit institutions

HNB

Bank lending to the private sector remained weak in 2013. The portfolio quality continued to deteriorate. If extraordinary effects, particularly the sale of claims and the changes in the regulatory and methodological framework, are excluded, bank assets trended up modestly, while bank profits and operating results continued their downward trend from 2012. The fall in profits is attributable to the fall in interest income and the rise in non-performing loans. The identification of non-performing loans improved considerably due, above all, to the preparation of parent banks for the asset quality review and the amendments to the Decision on the classification of placements and off-balance sheet liabilities of credit institutions.

As a result, bank profitability decreased strongly, with a substantial increase being observed in the coverage of loans by value adjustments, notably in construction and real estate activities. ROAA and ROAE fell to a mere 0.3% and 1.3% respectively, while as much as one half of all banks operated with losses. Nevertheless, the operating profitability of banks (before loss provision expenses) fell only moderately. By making savings in expenses, primarily by deleveraging in the financial market and reducing general operating expenses, banks alleviated the effects of a strong fall in interest income from loans and thus, in the existing regulatory environment, maintained their ability to operate at a profit when the long-term average of credit risk costs stabilises.

The fall in interest income in 2013 was the result of the worsened recoverability of loans on the back of weak credit growth and downward trend in interest rates. Furthermore, the strengthening trend in the share of low-risk and less generous loans, such as loans to the public sector and major clients, continued into 2013. This was partly the result of the increased bank apprehensiveness, but also of suppressed demand from the private sector, especially the households.

The share of B and C risk category loans went up to 15.6% and would have been much higher had a substantial amount of B and C risk category loans not been sold by one bank to a special purpose vehicle, a member of the same group, as in 2012. The receipts from the sale were used to repay deposits and loans to a parent bank.

The deleveraging to foreign owners continued in most banks in foreign ownership, although at much slower pace than in 2012. Domestic sources of financing were mainly substituted for foreign sources, thanks mainly to a modest increase in household and corporate deposits. The structure of deposits was marked by an increase in transaction account deposits, this being most noticeable in the corporate sector. Monetary measures continued to provide good liquidity to banks, with changes in the framework of reserve requirements resulting in an additional stimulus for the growth in corporate placements.

Banks have remained stable owing to high capital levels, and the decrease in their profitability has not reduced their resilience to shock. The ability of banks to grant loans has not been jeopardised in any way, given that in addition to adequate capital reserves banks also have sufficient liquidity reserves. The capital adequacy ratio stood at 20.9% on 31 December 2013 and was much higher than determined by the relevant regulatory requirements and the requirements of the new rules (CRD IV and CRR) that entered in force early in 2014.

3.1 Business operations of banks

There were 35 credit institutions or 29 banks, one savings bank and five housing savings banks operating in the Republic of Croatia at the end of 2013 (Table 3.1). Due to the bankruptcy of one bank at end-September, the number of credit institutions was reduced by one in 2013, thus continuing a mild downward trend in the number of credit institutions for the fourth consecutive year.

Bank assets (the savings bank included) declined slightly by 0.5% in 2013, standing at HRK 398.1bn at the end of the year.[1] They accounted for 98.1% of total assets of all credit institutions, which was slightly less than at the end of 2012 (98.2%). By contrast, assets of housing savings banks increased (1.4%) to HRK 7.6bn, with their share in total assets of credit institutions also rising (to 1.9%).

System concentration remained high – the assets of the first five banks accounted for almost three quarters of total assets of all banks – and banks in majority foreign ownership continued to dominate. Due to the bankruptcy of one bank in domestic private ownership, the total number of banks in domestic ownership was reduced by one, to 14 (Figure 3.1). However, domestic banks increased their share in total assets of all banks, from 9.9% to 10.3%, due to a considerable rise in the assets of banks in domestic state ownership, by 10.2%. Assets of banks in foreign ownership decreased by 0.9%, and their share in the assets of all banks also declined. Nevertheless, this share was still high and stood at 89.7% (Table 3.2).

Austrian shareholders owned the largest number of banks, six of them. The share of these banks' assets in total bank assets stood at 60.5% at the end of 2013 (Figure 3.2), which was slightly lower than at the end of 2012. Assets of four banks in majority ownership of Italian shareholders came next and accounted for 18.3% of the total, which is a decrease of 0.7 percentage points from the end of 2012. Shareholders from Hungary, France, San Marino, Switzerland, Serbia and Turkey each had one bank in their ownership, with a total share in the assets of all banks of 10.9%.

1 Data for 2013 are based on the preliminary unaudited reports of credit institutions.

Table 3.1 Number of credit institutions
end of period

	2011	2012	2013
Banks			
Number of banks at the beginning of the year	32	31	30
Banks that merged with other banks	–	1	–
Authorised banks	–	–	–
Banks whose authorisation has been withdrawn	1	–	1
Number of banks at the end of the year	31	30	29
Savings banks			
Number of savings banks at the beginning of the year	1	1	1
Authorised savings banks	–	–	–
Savings banks whose authorisation has been withdrawn	–	–	–
Number of savings banks at the end of the year	1	1	1
Housing savings banks			
Number of housing savings banks at the beginning of the year	5	5	5
Authorised housing savings banks	–	–	–
Housing savings banks whose authorisation has been withdrawn	–	–	–
Number of housing savings banks at the end of the year	5	5	5

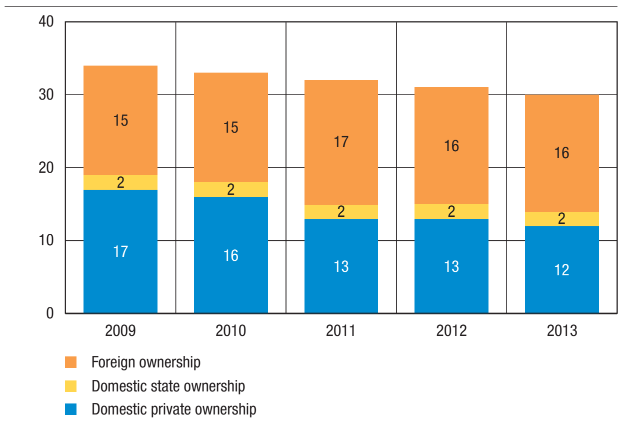
Source: CNB.

Table 3.2 Bank assets by ownership residence and form of ownership
in %

Banks by ownership residence and form of ownership	Share of bank peer group assets in total bank assets		
	2011	2012	2013
Banks in majority ownership of domestic shareholders	4.8	5.2	5.1
Banks in majority state ownership	4.5	4.8	5.3
Banks in majority ownership of foreign shareholders	90.6	90.1	89.7
Total	100.0	100.0	100.0

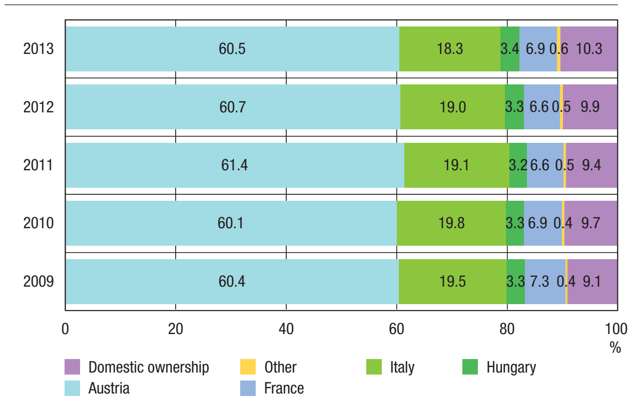
Source: CNB.

3.1 Number of banks by ownership residence and form of ownership
end of period



Source: CNB.

3.2 Bank assets by shareholder domicile
end of period



Note: For the purpose of this overview, a shareholder's domicile means the registered office of a company or the residence of the owner (a natural person).
Source: CNB.

3.1.1 Bank balance sheet and off-balance sheet items

Assets

At the end of 2013, total bank assets amounted to HRK 398.1bn, a decrease of HRK 1.8bn or 0.5% from the end of 2012 (Table 3.3). Excluding the effects of changes in the exchange rate of the kuna against the three most represented currencies (euro, Swiss franc and American dollar), the rate of decline in bank assets stood at 1.0%.

Three changes instituted in the last quarter had a key impact on the amount of total assets at the end of 2013. The intensity of these one-off changes, estimated at HRK 3.7bn, exceeded positive developments from mid-year. Bank preparations for the examination of asset quality and changes in regulatory provisions regarding credit risk assessment[2] resulted in a rapid growth of value adjustments of loans and a decrease in their net amount by around HRK 1.4bn. The second impact, of around HRK 1.3bn, was the result of methodological changes in the reporting of collected deferred interest income[3], which led to a decrease in loan principal by the collected fees. The third impact related to the sale of claims in one bank[4] in the net amount of HRK 1.0bn. The strongest negative individual impact on total assets came from the exit of one bank from the system[5], which

2 Decision on amendments to the Decision on the classification of placements and off-balance sheet liabilities of credit institutions (OG 89/2013).

3 Changes in the methodology of reporting which align requirements for the presentation of the positions of financial instruments in the CNB reporting system with the approach used in the International Financial Reporting Standards. Pre-collected interest income is no longer reported in liabilities as deferred interest income, but as credit exposure impairments.

4 This is a continuation of the project at the level of the whole foreign parent group, aimed at reducing partly recoverable and irrecoverable placements in total placements. Partly recoverable claims of a net book value of HRK 0.1bn (HRK 1.6bn in gross amount) were sold to the company in indirect ownership of the foreign parent bank. The foreign parent bank financed the purchase of the loan with deposits withdrawn from the bank and a loan granted to the company.

5 Centar banka d.d. has been undergoing bankruptcy proceedings since 30 September 2013.

Table 3.3 Structure of bank assets
end of period, in million HRK and %

	2011		2012			2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	53,058.7	13.0	51,169.4	12.8	–3.6	51,284.0	12.9	0.2
Money assets	6,198.2	1.5	6,438.9	1.6	3.9	6,369.7	1.6	–1.1
Deposits with the CNB	46,860.5	11.5	44,730.5	11.2	–4.5	44,914.3	11.3	0.4
Deposits with financial institutions	26,957.3	6.6	23,847.3	6.0	–11.5	21,474.1	5.4	–10.0
MoF treasury bills and CNB bills	11,580.0	2.8	10,701.6	2.7	–7.6	13,634.0	3.4	27.4
Securities	22,286.8	5.5	32,095.1	8.0	44.0	29,997.6	7.5	–6.5
Derivative financial assets	673.9	0.2	910.6	0.2	35.1	1,583.7	0.4	73.9
Loans to financial institutions	6,162.3	1.5	10,130.1	2.5	64.4	8,912.2	2.2	–12.0
Loans to other clients	273,122.5	67.1	257,835.1	64.5	–5.6	254,975.6	64.0	–1.1
Investments in subsidiaries, associates and joint ventures	3,288.7	0.8	3,120.0	0.8	–5.1	3,337.4	0.8	7.0
Foreclosed and repossessed assets	868.4	0.2	1,268.5	0.3	46.1	1,550.4	0.4	22.2
Tangible assets (net of depreciation)	4,417.7	1.1	4,320.1	1.1	–2.2	4,257.5	1.1	–1.4
Interest, fees and other assets	7,592.0	1.9	7,411.0	1.9	–2.4	7,111.8	1.8	–4.0
Net of: Collectively assessed impairment provisions[a]	3,070.6	0.8	2,888.9	0.7	–5.9	–	–	–
Total assets	406,937.6	100.0	399,919.8	100.0	–1.7	398,118.2	100.0	–0.5

[a] As of October 2013, the amounts of financial instruments are reduced by the amount of the corresponding collectively assessed impairment provisions.
Source: CNB.

ended 2012 with assets of HRK 1.6bn. Excluding these impacts, bank assets slightly increased by around 0.9% in 2013.

Lending activity was weak and mostly directed to government units, Helped by a moderate growth in domestic sources, this enabled further external deleveraging of banks, especially to foreign owners, but at a weaker intensity than in the previous year. At the end of 2013, the CNB adopted new measures[6] aimed at stimulating lending activity.

The key item of bank assets, net loans, decreased nominally at the annual level by HRK 4.1bn or 1.5% (by 2.3% excluding the exchange rate effect). The aforementioned negative impacts had the strongest influence on the amount of net loans. In addition, another methodological change in the reporting of positions had a significant impact on the overall asset structure, especially on net loans. Since end-October, all placements and assumed off-balance sheet liabilities of credit institutions have been reduced by corresponding value adjustments. Collectively assessed impairments (value adjustments) for placements of risk category A were no longer deduction items in total assets and were distributed to all placements to which those impairments related. The largest portion of a total of HRK 2.8bn went to net loans. The total effect of all methodological and regulatory changes, including the sale of claims and the exit of one bank from the system, on banks' net loans was estimated at HRK 7.1bn. Excluding the mentioned effects, banks' net loans increased by around 1.2%. Notwithstanding the regulatory and methodological changes, the growth rate of total loan value adjustments (of 12.9%) in the first nine months of 2013 exceeded the growth rate recorded in the whole of 2012 (8.0%).

Certain types of liquid assets were down from the end of 2012, notably deposits with financial institutions (by 10.0%). Their share in total assets (5.4%) was at a historic low, due to a number of changes in regulations on the minimum required amount of foreign currency claims. In line with current regulations, foreign currency liabilities must be 17% covered by liquid foreign currency claims. The decrease in foreign currency liabilities thus led to the decline in liquid foreign currency assets, such as foreign currency deposits with financial institutions. Deposits with majority foreign owners accounted for a smaller share, around a quarter, in the fall in deposits made in 2013, while the fall in deposits with other foreign and domestic financial institutions accounted for the rest. Within items of deposits with the CNB, a significant change in the structure was the result of the new measures aimed at stimulating economic recovery. Other deposits with the CNB (the item under which compulsory CNB bills are reported) thus increased due to the cut in reserve requirements. These bills stood at HRK 3.6bn at the end of the year. Banks reported overnight deposits under the item of other deposits with the CNB until mid-2013, but with the repeal of remuneration, that item practically disappeared.[7]

In contrast to deposits placed, banks continued to increase securities investments (by 2.0%), with their share (11.0%) in

6 Under the Decision on amendments to the Decision on reserve requirements (OG 142/2013), the CNB reduced the reserve requirement rate from 13.5% to 12%. In mid-December 2013, compulsory CNB bills were purchased up to the amount of kuna funds released (around HRK 3.9bn) (Decision on the purchase of compulsory Croatian National Bank bills, OG 142/2013). Compulsory CNB bills bear no interest and are non-transferable. They may be redeemed by the CNB in the amount of 50% of the monthly increase in certain placements to domestic non-financial corporations.

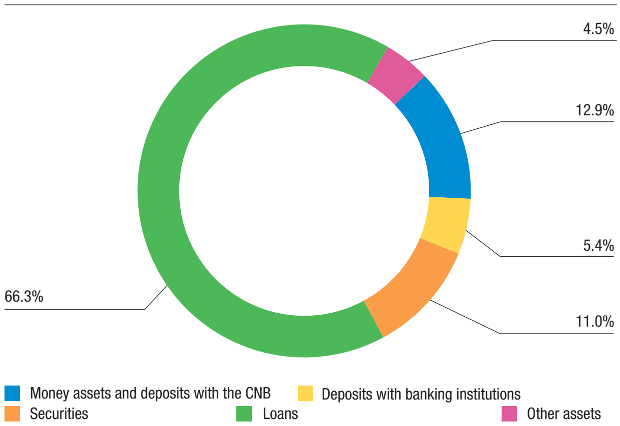
7 Pursuant to the Decision on amendments to the Decision on the interest rates and remuneration of the Croatian National Bank (OG 45/2013), the remuneration rate on overnight deposits with the central bank was cut from 0.25% to 0%, so banks no longer use the overnight deposit facility and the surplus liquidity is transferred to the giro account (settlement account) with the CNB.

total assets approaching the peak of that indicator recorded at the end of 2005 (12.8%). The rise in investments was almost entirely attributable to debt securities investments, which accounted for the bulk of the securities portfolio (98.9%). Three quarters of all securities were domestic securities, which went up by 6.6% in 2013, due to the significant increase in investments in MoF T-bills (by 27.4%) and bills of exchange (25.7%). Concurrently, banks reduced investments in foreign securities (by 9.5%), mostly on account of CNB bills and MoF T-bills, and commercial bills were substituted for a considerable amount of parent bank bonds. As a result, both in domestic and foreign securities, there was a decrease in investments in bonds relative to the previous year, in favour of instruments with shorter original maturities. Bank investments in equity securities were 32.6% higher, which halted the downward trend seen since 2007, whereas their share in total securities remained low, 1.1%. The largest contribution to the rise in equity investments came from the increase in the fair value of investments in a domestic insurance company and the acquisition of investments in the foreign financial institution connected with a parent bank.

Banks distributed the lion's share of the total rise in securities investment in the portfolio of instruments available for sale, which increased by 7.1% from the end of 2012. That portfolio accounted for the bulk of the entire securities portfolio, 63.6%. The marking to market of the securities in the available-for-sale portfolio resulted in an unrealised profit of HRK 440.6m at the end of 2013, which was around one third higher than at the end of 2012. It increased banks' revaluation reserves and had a positive impact on their total capital. The rise in bills of exchange led to an increase in the portfolio of instruments held to maturity, as well as in its share (12.8%) in total securities. The securities portfolio held for trading was around one quarter higher and accounted for 7.4% of total bank investments. The remaining two securities portfolios declined, mostly due to the decrease in bonds.

As regards other, less significant items in the structure of assets, foreclosed and repossessed assets (in exchange for items past due) went up considerably, by 22.2%. Relative to the previous year, that increase was (both nominally and relatively) almost two times lower. The increase related mostly to construction projects, residential buildings and flats, with these assets reaching HRK 1.5bn. Foreclosed and repossessed assets acquired more than two years ago rose very slightly, so the ratio between total investments in tangible assets and own funds remained at 9.8%, which was still much lower than the permitted 40%. Despite the accelerated growth from 2008 onwards, this category of assets continued to account for only a small share in total assets (0.4%). Bank investments in subsidiaries, associates and joint ventures had a considerable growth rate of 7.0%. The bulk of this increase reflected the rise in investments in the capital of non-financial corporations. Nevertheless, the share of bank investments in the capital of non-financial institutions (which is limited to 30% of own funds) remained at only 1.7%.

3.3 Structure of bank assets
as at 31 December 2013



Source: CNB.

Total bank investments in the capital of financial institutions stood at 5.3% of own funds[8]. The increase of that share from 2012 was primarily the result of the negative trends in banks' total own funds, and only to a smaller extent, of the growth in investments in several banks.

The relatively biggest change in assets compared to 2012 was recorded in derivative financial assets, whose positive fair value went up by 73.9%, due mostly to the rise in cross-currency interest rate swaps. However, this change had a negligible effect on the movements and structure of total assets, due to the very low share of the item (only 0.4%) in total bank assets.

Liabilities and capital

Banks maintained almost the same level of total liabilities in 2013 as at the end of 2012, of HRK 342.4bn (Table 3.4). A very slow rate of reduction was lower than 0.1% (0.6% if the exchange rate effect is excluded). Excluding the effects of one bank's exit from the system, the decline in liabilities on the collected deferred interest income and the withdrawal of a parent bank's deposits for the purpose of financing the sale of placements to an affiliated enterprise, the growth in liabilities of banks stood at 1.0%.

The growth in domestic household deposits and other corporate deposits (by a total of slightly less than HRK 10.0bn), accompanied by good system liquidity and the absence of any very strong credit growth, enabled banks to reduce loan and deposit liabilities to financial institutions, by almost the same amounts to domestic (by HRK 4.2bn or 11.4%) and foreign (by HRK 3.7bn or 6.2%). The fall in foreign sources of funds was almost entirely attributed to deleveraging to majority foreign owners, so these sources fell by HRK 4.3bn or 7.7%. The major portion of the decrease was accounted for by the repayment of loans received, with only a minor portion being accounted for by deposits. Following the previous year's strong contraction of

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

sources received from foreign owners (of 22.1%), the decrease in 2013 was considerably weaker. Their share in total sources fell to 15.7% and a value lower than this was last time recorded in 2007 (13.9%).

Total deposits stood at HRK 282.8bn at the end of 2013, an increase of HRK 7.0bn or 2.5% (2.0% if the exchange rate effect is excluded). From 2008 onwards, the annual growth in deposits slowed down considerably and for the first time after 1999, an annual fall in deposits (2.0%) was recorded in 2012 (due to the strong deleveraging to parent banks). The growth rate in 2013 was the lowest in the last 16 years.

The increase in domestic deposits in the last year was somewhat stronger, 3.1%, but non-resident deposits, which decreased by 0.8%, had a negative impact on total developments in deposits. Household deposits dominated domestic deposits, increasing by HRK 6.4bn or 3.9%. The growth rate of household deposits decelerated for the fourth consecutive year. Nevertheless, these deposits were still the most stable and the largest source of bank financing – accounting for 52.6% of total sources and as much as 61.2% of total deposits, which was their highest share from 2001. Due to the positive developments in the second and third quarters, corporate deposits increased by HRK 3.2bn or 8.0% year-on-year, which was their peak from 2008, but their share in total deposits (15.2%) was still below the values from the years before the crisis. Deposits of non-profit institutions had a high growth rate of 13.0%, but had no major impact on total deposits due to their negligible importance (1.1% of total deposits). Deposits of other domestic sectors declined, particularly those of financial institutions, by HRK 2.5bn or 12.7%, driven by the fall in deposits of credit institutions, insurance companies and pension funds. Deposits of government units were 3.3% and those of public enterprises 2.6% lower.

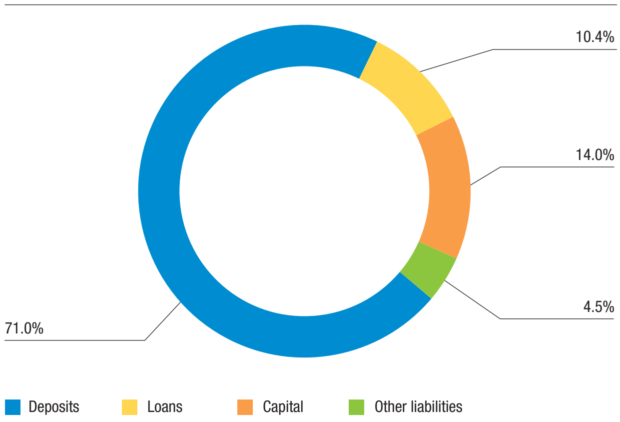
Loans received declined by a total of HRK 5.9bn or 12.5% in 2013, their highest year-on-year rate of reduction in the last ten years. This led to a fall in the share of loans received in total sources of bank financing, from 14.4% to 12.6%, and in total liabilities to only 10.4%. Loans received stood at HRK 41.5bn at the end of 2013 and a value lower than this was last recorded at the end of 2004. Having fallen by 15.7%, loans from majority

Table 3.4 Structure of bank liabilities and capital
end of period, in million HRK and %

	2011		2012			2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	17,316.5	4.3	16,802.9	4.2	–3.0	15,144.9	3.8	–9.9
Short-term loans	6,026.7	1.5	3,273.9	0.8	–45.7	2,124.8	0.5	–35.1
Long-term loans	11,289.8	2.8	13,529.0	3.4	19.8	13,020.1	3.3	–3.8
Deposits	281,390.5	69.1	275,844.0	69.0	–2.0	282,803.6	71.0	2.5
Transaction account deposits	39,628.4	9.7	47,466.3	11.9	19.8	54,245.0	13.6	14.3
Savings deposits	26,376.2	6.5	21,229.8	5.3	–19.5	21,785.6	5.5	2.6
Time deposits	215,386.0	52.9	207,147.9	51.8	–3.8	206,773.0	51.9	–0.2
Other loans	31,856.5	7.8	30,599.2	7.7	–3.9	26,337.2	6.6	–13.9
Short-term loans	3,357.8	0.8	4,669.1	1.2	39.1	4,531.3	1.1	–3.0
Long-term loans	28,498.7	7.0	25,930.1	6.5	–9.0	21,805.9	5.5	–15.9
Derivative financial liabilities and other financial liabilities held for trading	1,383.7	0.3	1,752.3	0.4	26.6	1,878.1	0.5	7.2
Debt securities issued	0.0	0.0	300.0	0.1	–	299.9	0.1	0.0
Short-term debt securities issued	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Long-term debt securities issued	0.0	0.0	300.0	0.1	–	299.9	0.1	0.0
Subordinated instruments issued	1,366.2	0.3	1,391.0	0.3	1.8	1,453.5	0.4	4.5
Hybrid instruments issued	3,601.1	0.9	3,243.0	0.8	–9.9	3,006.9	0.8	–7.3
Interest, fees and other liabilities	14,283.6	3.5	12,611.7	3.2	–11.7	11,447.9	2.9	–9.2
Total liabilities	351,198.2	86.3	342,544.1	85.7	–2.5	342,372.0	86.0	–0.1
Share capital	33,805.6	8.3	34,231.0	8.6	1.3	33,964.7	8.5	–0.8
Current year profit (loss)	3,784.9	0.9	2,687.6	0.7	–29.0	726.1	0.2	–73.0
Retained earnings (loss)	13,705.2	3.4	15,706.9	3.9	14.6	16,315.3	4.1	3.9
Legal reserves	1,058.6	0.3	1,081.1	0.3	2.1	1,108.6	0.3	2.5
Reserves provided for by the articles of association and other capital reserves	3,739.5	0.9	3,292.4	0.8	–12.0	3,042.1	0.8	–7.6
Revaluation reserves	–291.8	–0.1	427.0	0.1	–	609.6	0.2	42.8
Previous year profit (loss)	–62.6	0.0	–50.1	0.0	–19.8	–20.2	0.0	–59.8
Total capital	55,739.5	13.7	57,375.7	14.3	2.9	55,746.3	14.0	–2.8
Total liabilities and capital	406,937.6	100.0	399,919.8	100.0	–1.7	398,118.2	100.0	–0.5

Source: CNB.

3.4 Structure of bank liabilities and capital
as at 31 December 2013



Source: CNB.

foreign owners had a key impact on the fall in loans received in 2013. Concurrently with external deleveraging, banks also reduced their debt to domestic sectors (by 12.1%) due to the repayment of loans to other financial intermediaries and credit institutions.

In 2013, banks continued to decrease the amount of hybrid instruments issued (by 7.3%) and increased the amount of subordinated instruments by 4.5%. These changes had no significant influence on their share in total sources, which was maintained at the relatively low level of 1.2%. A long-term kuna corporate bond issued at the end of 2012 was included in sources of bank financing, but due to its negligible share, of 0.1%, it had no impact on the diversification of bank sources at the aggregate level.

In addition to loans received, the most pronounced influence on the fall in total liabilities was made by the following items: interest rates, fees and other liabilities, which were HRK 1.2bn or 9.2% lower in 2013 than at the end of 2012. Negative developments mostly reflected the aforementioned methodological changes in the reporting of collected deferred interest income, which, until October 2013, increased bank liabilities in banks' financial reports.

Total balance sheet capital of banks stood at HRK 55.7bn at the end of 2013, down HRK 1.6bn or 2.8% from the end of 2012 (excluding the effect of one bank's exit from the system, the fall stood at 2.4%). The annual decline in total capital, the first in the last 15 years, did not result in any major reduction of its share in bank liabilities at the aggregate level, so it remained at as much as 14.0%.

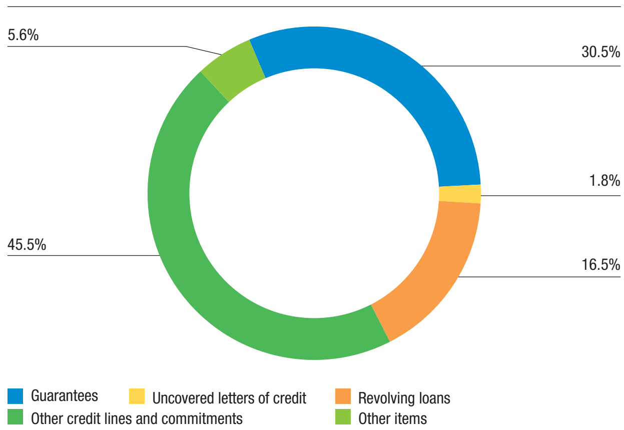
The fall in capital items was primarily the result of the 73.0% lower profit earned in 2013. An additional negative impact came from dividend payments, especially the portion paid from retained earnings from previous years, and the exit of one bank from the system. Four banks were recapitalised in 2013 in a total amount of HRK 181.3m, but negative effects of the simplified reduction in the share capital, aimed at covering losses from previous years, exceeded these positive trends, which led to a 0.2% fall in share capital (even excluding the effect of one bank's exit from the system). In 2013, shareholders were paid HRK 2.3bn worth of dividends or almost 85% of the amount of retained earnings from 2012. The percentage of dividend payments was very high, due to payments from retained earnings from previous years and capital reserves. Nevertheless, retained earnings were 3.9% higher than in 2012, reaching HRK 16.3bn, while items of legal and other reserves slightly declined (0.8%). It should be noted that the so-called capital surplus in the form of retained earnings was still relatively unequally distributed within the system because several banks' capital is heavily burdened by losses from previous years.

Standard off-balance sheet items

The amount of standard off-balance sheet items continued the downward trend present from 2007, except for two years in which modest growth rates were recorded. At the end of 2013, total standard off-balance sheet items stood at HRK 51.2bn, which was a decline of HRK 4.3bn or 7.7% from the end of 2012. As a result, the standard off-balance sheet items to assets ratio decreased further, to 12.9% or by 1.0 percentage point. All categories of standard off-balance sheet items decreased relative to the end of 2012, except for credit lines and commitments. The sharpest fall was recorded in issued guarantees, by HRK 2.8bn or 15.2%, and revolving loans, by HRK 1.0bn or 10.7%. The strongest fall in relative terms was recorded in uncovered letters of credit, which were a quarter lower.

Credit lines and commitments accounted for the largest share (45.5%) in total standard off-balance sheet items (Figure 3.5). Although these items maintained almost the same amount as at the end of 2012, their share increased by 3.6 percentage points by the end of the year, due to the negative changes in other components. Guarantees recorded the most pronounced decrease in the share (by 2.7 percentage points) and they accounted for 30.5% of all standard off-balance sheet items at the end of 2013, followed by revolving loans with the share of 16.5%. The mentioned three categories of off-balance sheet items accounted

3.5 Structure of bank standard off-balance sheet items
as at 31 December 2013



Source: CNB.

for more than 90% of all standard off-balance sheet items, while the shares of remaining items were not significant.

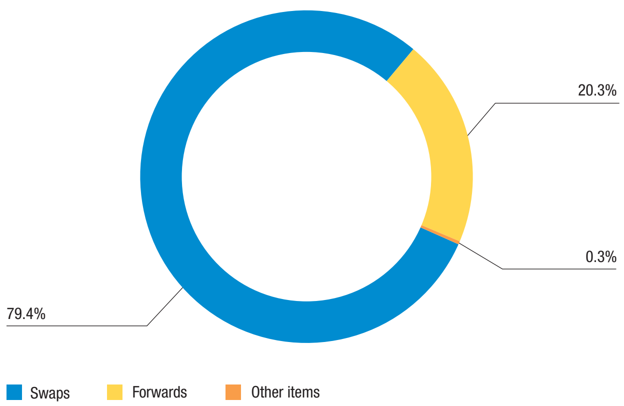
Derivative financial instruments

Following the decrease in 2012, the notional amount of derivative financial instruments rose by HRK 58.8bn or 46.0% at the end of 2013. Total assets and liabilities items of derivative financial instruments thus reached HRK 186.6bn, which is the highest recorded notional amount so far. Such a strong growth and a concurrent decrease in total bank assets resulted in an increase in their ratio, from 32.0% at end-2012 to 46.9% at end-2013. An almost equal part of nominal growth was attributed to forwards, which rose by 344.9%, and swaps, which rose by 26.0%. Amounts of all other derivative instruments decreased relative to 2012, which led to a further decline in their already low share in the structure of total derivative instruments.

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

A particularly sharp relative growth in forwards affected the rise in the share of these instruments in the structure of total derivative financial instruments, from 6.7% at the end of 2012 to 20.3% at the end of 2013 (Figure 3.6). Swap agreements still accounted for the largest share (49.4%), despite the fall in this share by 12.7 percentage points relative to the end of 2012, due to their relatively slower growth in relation to forwards. Options, futures and other derivatives accounted for the remaining 0.3% of derivative financial instruments at the end of 2013.

3.6 Structure of bank derivative financial instruments (notional amount)
as at 31 December 2013



Source: CNB.

The largest contribution to the increase in derivative instruments relative to 2012 came from the growth in swaps and forwards between domestic and foreign banks. The amount of instruments contracted with the central government, domestic insurance companies and pension funds also went up considerably, as well as the amount of instruments contracted between domestic banks. The bulk of this increase involved instruments with the exchange rate as the underlying variable (60.6%). A slightly slower growth was recorded in instruments with the interest rate as the underlying variable (38.9%) and instruments with a combination of exchange rate and interest rate as the underlying variable (28.0%).

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

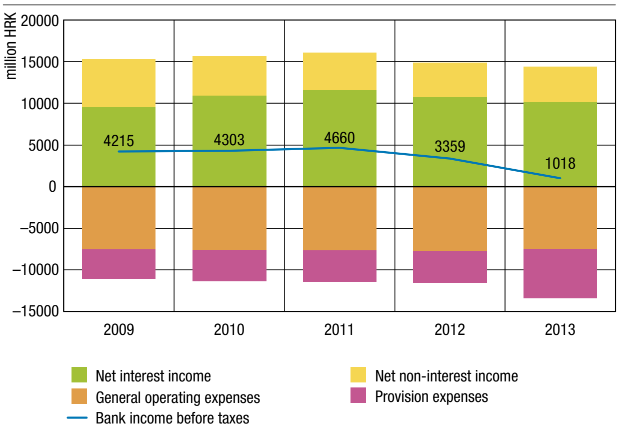
3.1.2 Earnings

Income statement

In 2013, banks continued to operate in a challenging economic environment, with the result that lending to the private sector remained weak and difficulties in the collection of loans continued to grow. By making adjustments in their operations, primarily by deleveraging and a further reduction of general operating expenses, banks alleviated the effects of the fall in interest income and maintained net operating income before loss provisions at a somewhat lower level than in 2012. However, the growth in loss provisions led to a strong fall in profit. Indicators of return reached their record lows since 1998. Half the banks operated with losses in 2013 and some of them thus had to maintain the required level of capital through the new cash payments or the conversion of hybrid and subordinated instruments.

In 2013, banks reported HRK 1.0bn of profit (from continuing operations, before tax), a decrease of HRK 2.3bn or 69.7% from 2012 (Table 3.5). The rise in expenses on value adjustments and provisions of HRK 2.1bn or 56.9% had the largest effect on the fall in profit. Almost two thirds of that rise could be attributed to the changes in the rules on the classification of placements, which have been applied since October 2013 (according to the results of the quantitative impact study of new rules). The mentioned changes were primarily aimed at identifying the increased risks due to the long repayment periods and uncertainty regarding the amount ultimately collected. This was the result of long legal procedures and low liquidity in the real estate market and thus of banks' reluctance regarding taking steps towards collection from collaterals and increased activities in placement restructuring. The regulatory changes are aimed at stimulating more active assessment of the collateral value (by introducing minimum impairment factors of the

3.7 Bank income before taxes
end of period



Source: CNB.

market price and collection period) and the gradual increase in value adjustments, depending on the time that has passed since a debtor's delinquency in repayment. The growth in expenses on loss provisions led to a significant increase in the coverage of B and C category loans[9] by value adjustments. In addition to regulatory changes, the growth in expenses on loss provisions was also affected by the announced asset quality review, which will be carried out by the European Banking Authority (EBA)[10] based on the book balance as at 31 December 2013. In order to ensure consistent review results, owners insisted on the stricter classification of assets and they increased value adjustments more than the regulations required. The upward trend in the average amount of loss, present from 2011, continued into 2013, due to the ageing of the non-performing portfolio and the exposure migration to riskier categories.

If the effect of the changes in classification rules were excluded, interest income would have the largest impact on the income statement developments. The fall in interest income in 2013 was the result of the worsened recoverability of loans on the back of weak credit growth and downward trend in interest rates. Furthermore, the strengthening trend in the share of low-risk and less generous loans, such as loans to the public sector and major clients, continued into 2013. This was partly the result of the increased bank caution, but also the suppressed demand of the private sector, especially of households. Interest income declined by HRK 1.6bn or 7.6% in 2013, driven primarily by the fall in interest income from loans. Interest income from all the remaining items together remained almost unchanged, as a consequence of the offsetting of the effects of lower income from debt securities of domestic government units and the growth in interest income from discounted corporate bills of exchange. Investments in securities of the RC increased in 2013, with a decrease in the share of bonds and an increase in the share of T-bills, whose interest rates fell considerably in 2013. Discounting activities increased sharply, with the key influence of the increase in only several clients.

In 2013, all sectors recorded a fall in interest income from loans, even the sectors in which lending was significantly stronger in 2013. The total interest income from loans was HRK 1.6bn or 9.0% lower, with a key impact of the fall in the corporate sector, whose interest income from loans went down by as much as HRK 1.2bn or 19.7%. The fall was much sharper than in 2012, mainly due to the pronounced dynamics of growth in loans with collection difficulties. The amount of loans bearing interest income (risk category A loans) decreased, due to the effects of reclassification in B and C risk categories (which, as a rule, bear no interest income) and weak new lending activity. Interest income from loans for working capital decreased the most, followed by interest income from loans for investments. These impacts were additionally strengthened by developments in interest rates and benchmark interest rates. In the corporate sector, slightly more than two thirds of all loans were granted at variable interest rates, mostly pegged to benchmark rates such as EURIBOR, which continued to trend downward in 2013. Given the considerable growth in loans, favourable borrowing led to lower interest income from loans, both in the sector of government units and the sub-sector of public enterprises. Government units recorded a mild fall (2.0%) and public enterprises a much sharper fall (16.4%). This was probably aided by changes in the structure of the credit portfolio of public enterprises, such as the rise in the share of syndicated loans which traditionally bear more favourable interest rates.

The decline in interest income from loans in the household sector stood at HRK 297.3m (3.2%) and was less pronounced than in the previous year, when the fall was affected both by legal restrictions on contractual interest rates (notably on current account overdraft facilities) and by home loans granted under the programme of subsidies and government guarantees (at more favourable interest rates). As in 2012, interest income from car loans decreased the most in the household sector in 2013, by as much as 32.5%, due to the continuation of the persistent strong downward trend in car loans. The second sharpest decline was recorded in interest income from home loans, which was 2.8% lower, while the impact of weak lending activity was still stronger than the impact of the growth in loans with collection difficulties. The increase in home loans of B and C risk categories was more pronounced in 2013 than in 2012, notably in euro-indexed loans, while citizens' interest in the programmes of subsidized home financing (POS +) was weak. A decline in interest income was also seen in most of the remaining types of household loans. A noticeable increase in interest income was seen only in general-purpose cash loans, which went up by 2.2% in 2013, but in real terms it was also weak (0.6%).

Banks managed to compensate for the bulk of the fall in

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

10 The EBA (European Banking Authority) decided to carry out the asset quality review of certain credit institutions based on data for the end of 2013.

Table 3.5 Bank income statement
in million HRK and %

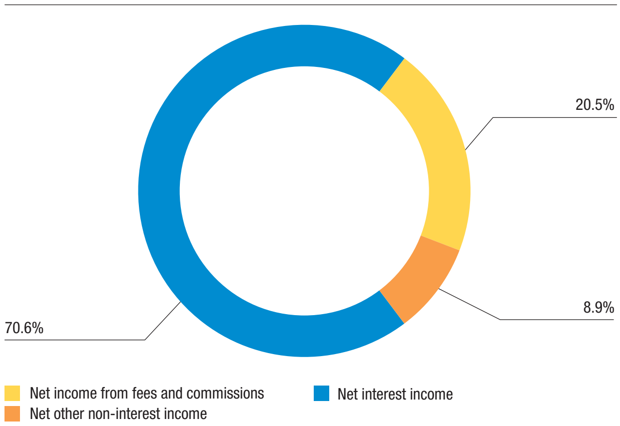
	Amount		Change
	Jan. – Dec. 2012	Jan. – Dec. 2012	
CONTINUING OPERATIONS			
Interest income	21,419.0	19,801.6	–7.6
Interest expenses	10,689.1	9,642.6	–9.8
Net interest income	10,729.9	10,159.1	–5.3
Income from fees and commissions	4,161.1	4,276.9	2.8
Expenses on fees and commissions	1,320.3	1,321.0	0.1
Net income from fees and commissions	2,840.8	2,955.9	4.1
Income from equity investments	308.4	362.1	17.4
Gains (losses)	1,142.3	1,229.9	7.7
Other operating income	467.3	420.6	–10.0
Other operating expenses	637.8	732.4	14.8
Net other non-interest income	1,280.2	1,280.2	0.0
Total operating income	14,850.9	14,395.2	–3.1
General administrative expenses and depreciation	7,698.4	7,475.4	–2.9
Net operating income before loss provisions	7,152.5	6,919.8	–3.3
Expenses on value adjustments and provisions	3,793.9	5,901.9	55.6
Other gains (losses)	0.0	0.0	–
Profit (loss) from continuing operations, before taxes	**3,358.5**	**1,017.8**	**–69.7**
Income tax on continuing operations	670.6	300.6	–55.2
Profit (loss) from continuing operations, after taxes	2,687.9	717.3	–73.3
DISCONTINUED OPERATIONS			
Profit (loss) from discontinued operations, after taxes	–0.4	8.8	–
Current year profit (loss)	**2,687.6**	**726.1**	**–73.0**
Memo item:			
Number of banks operating with losses, before tax	14	15	7.1

Source: CNB.

interest income by reducing interest expenses. They fell by HRK 1.0bn or 9.8%, primarily due to deleveraging in the financial market and the decrease in interest rates on deposits. As a result of good liquidity reserves and weak lending activity, banks were able significantly to reduce the level of loans borrowed from domestic and foreign financial institutions and also reduce interest rates on deposits, especially on household time deposits. Domestic sources, mostly household and corporate deposits were substituted for foreign sources, mainly those from parent banks. The share of the cheapest form in the structure of deposits, transaction account deposits, recorded an increase. Interest expenses decreased the most in the non-resident sector, due to the fall in interest expenses of foreign financial institutions by HRK 719.1m or 23.7%. An almost equal rate of decline was recorded in interest expenses of domestic financial institutions (HRK 220.3m or 22.2%), while in the household sector, the fall in interest expenses associated with deposits stood at HRK 163.0m or 3.3%. The effect of the decrease in interest expenses of household time deposits was dominant (3.3%), despite their increase of 2.9% in 2013.

As a result of savings in interest expenses, net interest income fell by HRK 570.8m or 5.3%. Despite its decrease, the share of net interest income in the operating income maintained a high value (Figure 3.8), reflecting the domination of traditional banking activities, i.e. deposit and lending activities. The remaining components of operating income recorded positive changes, but due to their low share, they had no major effect on the total result. The operating income was thus HRK 455.7m or 3.1% lower than in 2012. Net income from fees and commissions increased by HRK 115.1m or 4.1%, with a key influence of the rise in income from two major components – income associated with payment operations and credit cards. Income from fees and commissions for payment operations went up by 3.0%, due to the strong growth in household and government units sectors, maintaining the highest share in the structure of total income from fees and commissions (40.2%). Income from fees and commissions associated with credit cards rose by 5.2%, reaching a share of 20.3%. Income associated with agreements for insurance, factoring and leasing companies also grew at high rates, but their shares in total income were still low. Income from fees and commissions for issued letters of credit and guarantees continued to trend downward (9.1%), mainly due to the decrease in the corporate sector. The decline was also observed in income from fees and commissions for keeping current and giro accounts (4.0%), which were the most important type of income after the income associated with payment

3.8 Structure of bank operating income
as at 31 December 2013



Source: CNB.

operations and credit cards, accounting for 7.4% of the total income from fees and commissions. Net other non-interest income increased only slightly, due to the netting of effects of developments in various forms of this income. Operating expenses (such as deposit insurance premiums) went up and profit from trading, especially derivatives and currency trading, decreased. By contrast, profits from exchange differences and income from equity investments increased (due to the sale of an investment company in one bank).

Banks managed to reduce general administrative expenses and depreciation in 2013, by HRK 223.0m or 2.9%. As the expenses per employee usually account for one half of general operating expenses, changes in this item usually have a dominant effect on developments in total expenses. The decrease in the number of employees was slightly more pronounced in 2013 than in 2012, when it stood at 1.0%. In 2013, it fell by 657 or 3.0%, primarily due to the fall in several banks and the exit of one bank from the system. Similar movements were recorded in the number of operating units, which decreased by 34 or 2.7% in 2013 from 2012. However, a relatively large number of banks (12) increased their number of employees, with the increase in two banks reflecting the strategies of new owners.

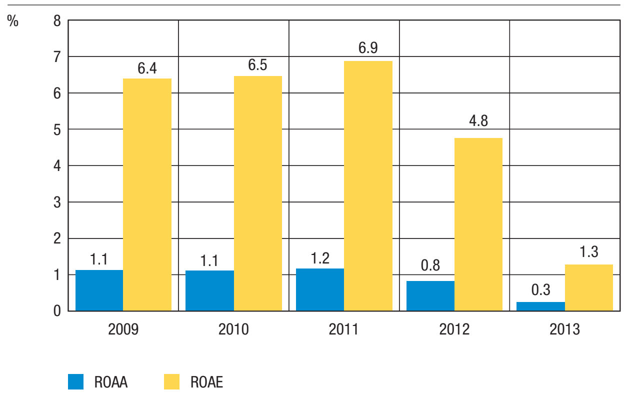
Better management of expenses significantly softened the impacts of unfavourable movements in interest income, i.e. the fall in interest income from loans. Net operating income before loss provisions thus stood at HRK 6.9bn in 2013, the rate of decrease being relatively mild (3.3%) and considerably weaker than in the previous year. While the system as a whole maintained a very good level of operating profitability, nine banks reported negative net operating income before loss provisions, i.e. their level of income was insufficient to cover general operating expenses. In addition, expenses on value adjustments and provisions increased sharply and the bulk of the growth was driven by regulatory changes, i.e. stricter rules on the classification of placements and impairments. Value adjustments and provisions for identified losses on exposures classified into risk categories B and C rose by HRK 1.7bn or 44.9% and other forms of value adjustments and provisions also showed negative trends (with the exception of lower expenses on value adjustments of available-for-sale assets). Income from cancelled value adjustments for risk category A, generated by the decrease in the exposure of that risk category, was lower than in the previous year, while expenses associated with various provisions increased significantly, mainly expenses on provisions for legal actions, followed by compensations to employees. Total expenses on loss provisions thus rose by HRK 2.1bn, reaching HRK 5.6bn. Eight banks reported lower loss provisions than in 2012, but in the remaining banks they mostly rose at high rates, reaching an average growth rate of 56.9%. After loss provision expenses, 15 banks (half of the total number of banks, accounting for 14.1% of the total assets of the sector) reported losses (before-tax) totalling HRK 942.3m. 16 banks reported a current year loss (after taxes).

Indicators of returns

Following the two-year increase, the fall in indicators of return from 2012 additionally strengthened in 2013. These indicators fell to their historic lows from the crisis of 1998, when losses were recorded at the banking system level. The return on average assets (ROAA) thus stood at 0.3%, and the return on average equity (ROAE) stood at 1.3% (Figure 3.9). The decline in profitability was primarily the result of the growth in risk costs, followed by the decline in net interest margin[11], from 2.7% to 2.5%. Other margins remained unchanged, maintaining the bank operating profitability at a very good level. The net operating income before loss provisions to average assets ratio stood at 1.7% and risk costs brought ROAA to a mere 0.3%.

Banks attempted to relieve pressures on profitability by reducing general operating expenses, but cost-to-income ratio deteriorated in 2013, on the back of the decline in bank operating income. The indicator rose from 51.8% in 2012 to 51.9% in 2013 (Figure 3.10), but it remained at a relatively good level.

3.9 Bank return on average assets (ROAA) and return on average equity (ROAE)
end of period



Source: CNB.

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

3.10 Bank cost efficiency
end of period

Source: CNB.

However, a large number of banks were heavily burdened by general operating expenses, especially smaller institutions.

Since 2009, net operating income has been heavily burdened by expenses on loss provisions, which have been the main cause of a much lower profitability than in the pre-crisis period. The loss provision expenses to net operating income ratio increased sharply, from 53.0% in 2012 to as much as 85.3% in 2013. Apart from the effects of new classification rules, this was also due to the migration to riskier categories, or the growth of losses on exposures previously identified as partly irrecoverable. For instance, the risk sub-category B-3, in which the loss or value adjustment amounted more than 70% and less than 100% of the nominal book value of exposure, rose by as much as 61.4% in 2013. Loss provision expenses will thus probably continue to heavily burden business performances in the coming years, especially if banks are not more active in solving non-performing claims and the long expected economic recovery does not arrive.

3.1.3 Credit risk

Placements and assumed off-balance sheet liabilities

Total placements and assumed off-balance sheet liabilities of banks that are exposed to credit risk[12] and are subject to classification into risk categories in accordance with classification rules, stood at HRK 418.0bn at the end of 2013 (Table 3.6). Total placements and assumed off-balance sheet liabilities decreased by HRK 4.0bn (1.0%) from the end of 2012, due to the decline in all major placement components except for loans granted. Such movements were mostly due to the decline in assumed off-balance sheet liabilities, followed by the fall in deposits with other financial institutions and in debt securities distributed in the loans and receivables portfolio. The only type of placements that increased quite significantly relative to 2012 were financial assets held to maturity, thanks to greater bank investments in non-resident bills of exchange classified in that portfolio. The quality of total placements and assumed off-balance sheet liabilities continued to deteriorate, as a result of the increase in partly recoverable and fully irrecoverable claims at the rate of 12.4%. The key influence on such developments came from further rise in losses in banks' loan portfolios and weak growth in new loans, which led to an increase in the share of partly recoverable and fully irrecoverable placements and off-balance sheet liabilities, from 10.2% at the end of 2012 to 11.6% at the end of 2013.

Banks continue to be very cautious in risk assumption, which, accompanied by the weak economic activity, resulted in a mild growth of loans, by HRK 3.0bn or 1.0%. Lending activity was mostly directed to government units in 2013 and almost all other sectors deleveraged. The increase in loans to government units by HRK 5.7bn or a considerable 15.2% and a simultaneous decrease in loans to most of the other sectors additionally confirm banks' risk aversion, i.e. greater propensity for less risky placements.

Assumed off-balance sheet liabilities to clients declined by HRK 4.3bn or 7.7% from 2012. Observing the distribution of liabilities by sectors, as in the case of loans, it is evident that banks increased the exposure to government units, while the amount of the assumed liabilities to almost all other sectors decreased. Due to the smaller amount of issued guarantees and revolving loans, the decline in assumed liabilities to corporates (HRK 4.9bn or 14.9%) had the greatest influence on the total decrease in off-balance sheet liabilities. Assumed liabilities to households fell only slightly (0.7%), while those to financial institutions fell relatively sharper (15.8%) but had no impact on the total movements in off-balance sheet liabilities due to the small significance of that sector. Banks increased the exposure arising from assumed liabilities to government units by HRK 654.1m or 76.3%, mostly on the basis of credit lines and commitments. In addition, the exposure to non-residents also went up (22.6%), which also had no major impact on total developments in assumed liabilities.

Compared with the end of 2012, banks reduced the amount of deposits placed by HRK 1.8bn or 2.6%. The bulk of the decrease was associated with deposits with foreign financial institutions, mainly with foreign banks other than parent banks, and a significant decrease was also recorded in deposits with domestic credit institutions. At the same time, a negligible increase in total deposits with the CNB of HRK 183.6m (0.4%) had no major influence on developments in deposits placed. Despite the fall in deposits abroad, banks maintained a good coverage of foreign currency liabilities by foreign currency claims (20.0%) at the end of 2013. The next important impact on the movements in total placements at the end of 2013 came from the fall in bank debt securities distributed in the loans and receivables

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

Table 3.6 Classification of bank placements and assumed off-balance sheet liabilities by risk categories

end of period, in million HRK and %

Risk category	2011			2012			2013		
	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage
A	398,369.0	3,600.3	0.9	378,979.1	3,418.2	0.9	369,665.5	3,372.9	0.9
B-1	16,731.9	2,341.9	14.0	18,812.4	2,608.7	13.9	19,184.7	3,046.1	15.9
B-2	13,909.9	6,173.1	44.4	13,703.7	6,346.6	46.3	15,869.6	7,451.4	47.0
B-3	1,854.0	1,486.9	80.2	2,839.8	2,290.3	80.6	4,362.2	3,567.3	81.8
C	6,852.2	6,852.2	100.0	7,630.9	7,629.7	100.0	8,918.2	8,898.5	99.8
Total	437,716.9	20,454.4	4.7	421,965.9	22,293.4	5.3	418,000.2	26,336.3	6.3

Source: CNB.

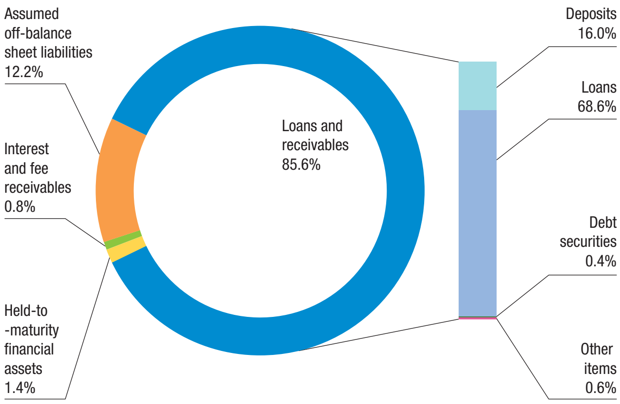
portfolio, by HRK 1.4bn (45.6%), and it involved the fall in investments in bonds held in that portfolio. The already low share of debt securities in the structure of loans and receivables portfolio thus additionally decreased, to only 0.4% of the amount of that portfolio at the end of 2013.

By contrast, the portfolio of financial assets held to maturity increased by HRK 377.6m (7.1%) from 2012, due to a significant rise in bank investments in non-resident bills of exchange (HRK 558.2m or 19.3%), which stood at almost HRK 3.5bn at the end of 2013. The share of resident bills of exchange additionally strengthened in the structure of that portfolio, to 60.3% of the amount of total financial instruments that banks intend to hold to maturity.

Such movements in certain types of placements and assumed off-balance sheet liabilities effected slight changes in their structure. The share of the major component, loans granted, additionally rose from the end of 2012, standing at 68.6%. The second major source of credit risk for banks was still deposits made, with the share of 16.0% in total placements and assumed off-balance sheet liabilities, which is slightly less than at the end of 2012. The greatest decline in the share (almost one percentage point) was recorded in assumed off-balance sheet liabilities, which accounted for 12.2% of claims exposed to credit risk at the end of 2013.

3.11 Structure of bank placements and assumed off-balance sheet liabilities

as at 31 December 2013



Source: CNB.

By contrast to the slowdown in the growth dynamics of claims not fully recoverable in the last three years, there was a reversal of that trend in 2013 and these claims grew by 12.4%. The growth rate of placements and assumed off-balance sheet liabilities of risk categories B and C was positively affected by the sale of the portion of claims, without which their growth rate would have exceeded 16.0%. Concurrently, claims usually assessed by banks as those of the highest quality (risk category A) fell substantially (2.5%). This decrease was the consequence of the fall in assumed liabilities and lower bank placements in deposits and the concurrent deleveraging of bank clients and the ageing and deterioration of the existing loan portfolio. As a result of the described opposite movements in risk categories, compared with those in 2012, the share of placements and assumed off-balance sheet liabilities classified into risk category A in total placements and assumed off-balance sheet liabilities decreased to 88.4%. The share of partly recoverable placements and assumed off-balance sheet liabilities and fully irrecoverable placements and assumed off-balance sheet liabilities went up to 11.6% or by 1.4 percentage points. In the last five years, marked by the economic crisis and low lending activity, the share of non-performing claims in total claims increased by more than three times.

The total loss in portfolios exposed to credit risk reached 6.3% of placements and assumed off-balance sheet liabilities at the end of 2013. The upward trend in total value adjustments and provisions to total placements and assumed off-balance sheet liabilities ratio has been present for five consecutive years and strengthened further in 2013, due to the application of stricter rules on the classification of placements[13]. The growth in losses driven by difficulties in the collection of claims, the ageing of a portion of the portfolio and changes in rules on the classification of placements, notably placements covered by eligible instruments of collateral with a long period of collection, resulted in a 21.7% higher amount of value adjustments of placements and off-balance sheet liabilities classified into risk

13 Decision on amendments to the Decision on the classification of placements and off-balance sheet liabilities of credit institutions (OG 89/2013).

categories B and C. As a result, the average loss on exposures classified into risk categories B and C trended up and the coverage of these exposures by value adjustments and provisions rose to 47.5%. Due to a decline in category A claims, both value adjustments and collectively assessed provisions decreased, so that the coverage of risk category A remained at the usual level of 0.9%.

Difficulties in the collection of receivables were also seen in further growth in due but unpaid receivables. These receivables rose by HRK 3.3bn (11.3%) from 2012 and the deterioration of the ageing structure of due receivables indicated that slow collection processes were still present. The total growth in due placements was attributed to receivables that are more than one year overdue, especially those that are three to five years overdue. Out of a total of HRK 32.4bn of due bank receivables on placements, as much as HRK 21.8bn or 67.2% was overdue more than one year and almost one third of that amount was overdue more than three years. Loans for working capital were the greatest source of growth in due receivables in 2013.

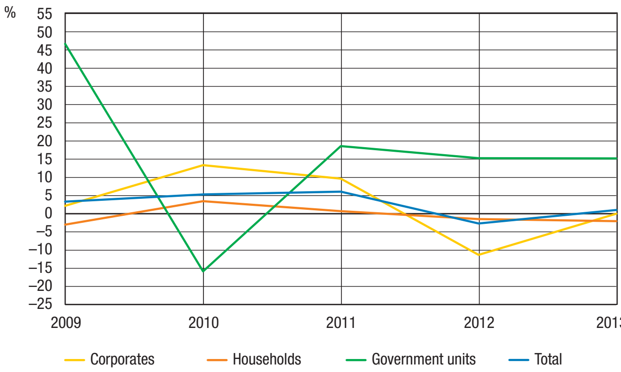
Loans

Granted bank loans (classified into the loans and receivables portfolio, in gross amount) stood at HRK 289.8bn at the end of 2013 (Table 3.7), an increase of HRK 3.0bn or 1.0% from the end of the previous year. The exchange rate changes, especially in the kuna/euro exchange rate, increased the annual growth rate of loans, so the effective growth rate of loans stood at around 0.3% if these changes are excluded.

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

The mentioned changes affected movements in the amount of gross loans in certain institutional sectors, especially corporates and, to a lesser extent, in households. By contrast to the stagnation of gross corporate loans, excluding the mentioned effects, a slight growth in loans to that sector (by around 2.7%) could be seen in 2013. Households continued to deleverage, which was additionally spurred by the mentioned effects in 2013, without which the decline in loans to that sector would have been weaker and have stood at around HRK 1.6bn or 1.3% relative to 2012. A relatively high rate of decline in relation to 2012 was recorded in loans to financial institutions (8.3%). Bank lending activity in 2013 was directed to government units and loans to that sector rose by HRK 5.7bn or 15.2% from 2012. Loans to non-residents also went up considerably (33.3%), but due to their small share in the sectoral structure of loans granted, the observed increase had no major impact on the level of total loans.

3.12 Rates of change of bank loans



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

Banks' prevailing focus on lending to government units in 2013 influenced the increase in the share of that sector in the structure of loans granted, to 15.1% of gross loans. In the last five years marked by the economic crisis, that share has been on an upward trend, rising by almost seven percentage points from 2008. The amount of loans to government units almost doubled in the same period, to HRK 43.5bn at the end of 2013. However, the reported increase was significantly affected by the changes in sectoral classification, i.e. the transfer to the European System of Accounts 1995 (ESA 95) in 2010 and the transfer of shipyards' debt to the public debt of the RC in 2012. The opposite trend was present in the share of household loans in total loans, which fell by almost seven percentage points in the same five-year period, to 43.1% of total loans at the end of 2013, due to the continuous deleveraging of that sector. Corporate loans accounted for 37.6% of total loans at the end of 2013 and that share experienced no significant changes (also under the influence of the transfer of the shipyards' debt and the sale of loans). The share of the remaining two sectors (financial institutions and non-residents) in total loans stood at 4.1% at the end of 2013.

The absence of any stronger recovery in lending activities, the continuation of unfavourable economic trends and the ageing of portfolios contributed to the further deterioration of the loan quality indicator. This trend continued, notably in the corporate and household sectors, despite the moderate developments on the basis of sold claims on loans classified into risk categories B and C. The effect of the sale of claims slowed down the growth rate of total loans classified into risk categories B and C, to 13.4%. However, if this effect were excluded, loans

Table 3.7 Bank loans
end of period, in million HRK and %

	2011		2012			2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Loans								
Government units	32,722.6	11.2	37,720.1	13.3	15.3	43,460.8	15.1	15.2
Corporates	121,716.9	41.7	107,990.4	38.0	–11.3	107,993.3	37.6	0.0
Households	128,057.8	43.9	126,198.5	44.5	–1.5	123,595.2	43.1	–2.1
Home loans	59,642.3	20.4	59,235.9	20.9	–0.7	57,629.5	20.1	–2.7
Mortgage loans	3,261.3	1.1	3,073.7	1.1	–5.8	3,007.4	1.0	–2.2
Car loans	4,539.4	1.6	3,174.9	1.1	–30.1	2,162.6	0.8	–31.9
Credit card loans	4,109.3	1.4	3,941.2	1.4	–4.1	3,834.6	1.3	–2.7
Overdraft facilities	8,196.0	2.8	8,611.7	3.0	5.1	8,353.5	2.9	–3.0
General-purpose cash loans	36,284.4	12.4	36,436.4	12.8	0.4	37,229.2	13.0	2.2
Other household loans	12,025.1	4.1	11,724.3	4.1	–2.5	11,378.5	4.0	–2.9
Other sectors	9,219.5	3.2	11,990.1	4.2	30.1	11,822.2	4.1	–1.4
Total	**291,716.9**	**100.0**	**283,905.6**	**100.0**	**–2.7**	**286,871.4**	**100.0**	**1.0**
Partly recoverable and fully irrecoverable loans								
Government units	97.4	0.3	68.2	0.2	–30.0	47.4	0.1	–30.6
Corporates	24,744.7	68.2	26,952.3	68.1	8.9	30,365.8	67.7	12.7
Households	11,020.9	30.4	11,977.6	30.3	8.7	13,747.2	30.7	14.8
Home loans	3,111.4	8.6	3,654.2	9.2	17.4	4,690.6	10.5	28.4
Mortgage loans	699.8	1.9	732.7	1.9	4.7	894.1	2.0	22.0
Car loans	181.5	0.5	157.7	0.4	–13.1	121.3	0.3	–23.1
Credit card loans	164.3	0.5	174.8	0.4	6.4	174.3	0.4	–0.3
Overdraft facilities	1,298.8	3.6	1,280.5	3.2	–1.4	1,242.1	2.8	–3.0
General-purpose cash loans	3,052.2	8.4	3,297.5	8.3	8.0	3,521.3	7.9	6.8
Other household loans	2,512.9	6.9	2,680.2	6.8	6.7	3,103.6	6.9	15.8
Other sectors	411.5	1.1	552.3	1.4	34.2	681.9	1.5	23.5
Total	**36,274.5**	**100.0**	**39,550.4**	**100.0**	**9.0**	**44,842.2**	**100.0**	**13.4**
Value adjustments of partly recoverable and fully irrecoverable loans								
Government units	19.8	0.1	25.4	0.2	28.6	10.1	0.0	–60.2
Corporates	8,687.7	57.8	9,812.1	58.3	12.9	12,535.2	60.5	27.8
Households	6,059.2	40.3	6,690.5	39.7	10.4	7,789.5	37.6	16.4
Home loans	1,040.3	6.9	1,257.3	7.5	20.9	1,848.7	8.9	47.0
Mortgage loans	185.1	1.2	213.8	1.3	15.5	338.7	1.6	58.4
Car loans	138.9	0.9	124.9	0.7	–10.1	99.2	0.5	–20.6
Credit card loans	147.9	1.0	161.2	1.0	9.0	161.3	0.8	0.0
Overdraft facilities	1,204.6	8.0	1,205.3	7.2	0.1	1,181.9	5.7	–1.9
General-purpose cash loans	2,224.7	14.8	2,455.3	14.6	10.4	2,640.4	12.7	7.5
Other household loans	1,117.7	7.4	1,272.7	7.6	13.9	1,519.5	7.3	19.4
Other sectors	262.6	1.7	305.2	1.8	16.2	390.4	1.9	27.9
Total	**15,029.2**	**100.0**	**16,833.1**	**100.0**	**12.0**	**20,725.3**	**100.0**	**23.1**

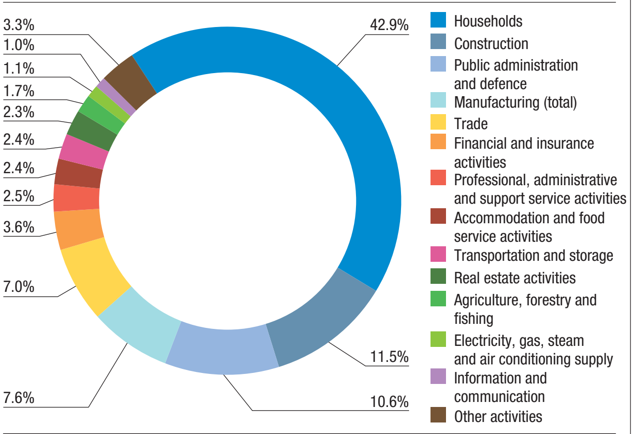
Source: CNB.

would grow at a rate higher than 18%. The share of B and C risk category loans in total loans rose from 13.9% at the end of 2012 to 15.6% at the end of 2013. Excluding the effect of the sale of claims and other mentioned extraordinary changes, that share would have been much higher (16.1%). Corporate loans had the major impact on the decline in the quality of total loans, with the share of B and C risk category loans reaching 28.1%, which is 3.2 percentage points higher share than at the end of 2012.

The increase in B and C category loans in corporates stood at 12.7%, while the quality of household loans decreased relatively faster, with B and C categories rising by 14.8%. The quality of almost all types of household loans worsened, with home

3.13 Structure of bank loans by activities

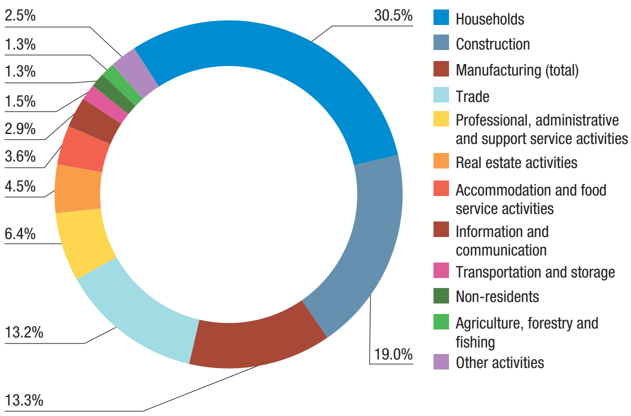
as at 31 December 2013



Source: CNB.

3.14 Structure of bank partly recoverable and fully irrecoverable loans by activities

as at 31 December 2013



Source: CNB.

loans contributing most to the overall deterioration. Despite the accelerated fall in the quality of household loans, it was still somewhat better than the quality of corporate loans and, due to that sector's importance for the structure of total loans, it had a positive impact on the level of indicator of total loan quality.

Upward dynamics in loans estimated by banks as partly recoverable or fully irrecoverable were followed by a considerably higher growth rate of value adjustments (23.1%), due partly to the application of stricter rules on the classification of placements and the making of value adjustments. Consequently, the coverage of total B and C category loans by value adjustments increased significantly from the end of 2012, standing at 46.2% at the end of 2013. The rise in the coverage by 3.7 percentage points relative to 2012 was the first significant shift in the level of that indicator in the last few years and an approximation to values from the pre-crisis period. The coverage of household loans (56.7%), as usual better than that of corporate loans (41.3%), still has a positive effect on the level of coverage of total B and C category loans, though the growth in total coverage in the observed period was affected by the increase in the coverage of corporate loans. The usual difference in the level of indicators of two sectors was caused, among other things, by the quality of collateral, which has an important role in credit risk assessment.

In addition to banks' focus on lending to government units, the increased lending to public enterprises also points to banks' greater propensity for less risky placements. Amounting to HRK 1.8bn (8.4%), it corresponded to the fall in loans to other corporates (2.1%), which in the end resulted in the stagnation of loans to the whole corporate sector. The almost unchanged level of total corporate loans relative to 2012 was due to somewhat larger, but opposite movements in the structure of loans observed by the purpose. Loans for investments, construction and export financing decreased the most in 2013 and a significant increase was recorded only in banks' participation in syndicated lending. Increased lending to corporates involved in construction, especially of roads and motorways, had the largest impact on developments in public enterprises in 2013. The decline in loans to other corporates involved in construction was greater than the mentioned increase, so total loans to that activity decreased by 0.3%. The largest nominal decrease in loans to the corporate sector was recorded in trade (HRK 1.0bn or 4.7%) and real estate activities (HRK 517.9m or 7.2%), whereas a marked growth in loans was recorded in professional, scientific and technical activities (11.4%), accommodation and food service activities (10.7%) and transportation and storage activities (9.5%).

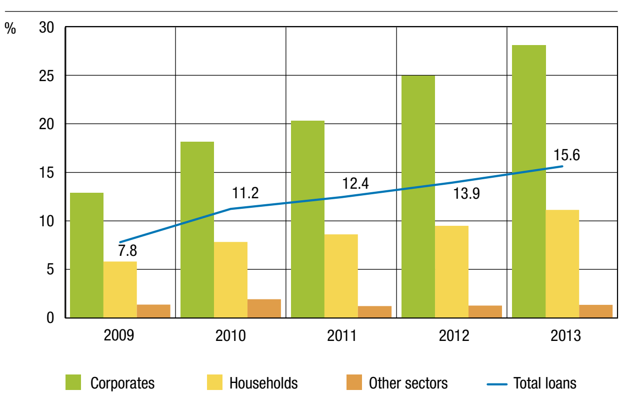
Excluding loans granted to households, construction activity is still the major source of credit risk for banks, despite the lower amount of loans granted to corporates in that sector in the last two years. At the end of 2013, loans in construction activity accounted for 11.5% of total bank loans or 24.7% of total loans granted to corporates. This activity also has the leading role in the distribution of partly recoverable and fully irrecoverable claims on corporate loans and accounted for almost one quarter of the total amount of B and C category loans to corporates at the end of 2013. The deterioration in the loan quality in construction was the major contributor to the poorer quality of total bank loans in 2013, due to the increase in non-performing claims by 18.5%, with B and C category loans reaching 32.0% of total loans granted to corporates in this activity at the end of 2013. Almost equal growth rates of B and C category loans were recorded in manufacturing (18.6%) and trade recorded the next biggest growth rate (13.8%). Banks considerably increased value adjustments of loans to these activities and the coverage of B and C category loans increased as a result, especially in the construction activity (from 35.7% at the end of 2012 to 41.4% at the end of 2013). The largest growth in the coverage of these loans was seen in the related real estate activities, from 29.4% at the end of 2012 to 45.3% at the end of 2013. In both activities, the change can be associated with the application of new rules on the classification of placements and the treatment of real properties that serve as instruments of collateral.

At the end of 2013, 73.8% of total loans was granted in foreign currency and kuna indexed to a foreign currency. Loans in euro or kuna indexed to the euro accounted for the largest share in total loans (64.2%), followed by kuna loans (26.2%) and loans in Swiss franc or kuna indexed to the Swiss franc (8.8%). All other foreign currencies accounted for less than 0.8% of total loans. The currency structure of granted loans slightly changed from 2012 in favour of the increase in the share of kuna loans and at the expense of the decline in foreign currency loans and kuna loans indexed to a foreign currency. Changes in the currency structure were the result of the growth in kuna loans in all non-financial sectors, by a total of HRK 2.3bn (3.2%), mostly due to the rise in general-purpose cash loans to households and kuna loans to government units. A considerably weaker growth was observed in foreign currency loans, i.e. loans in foreign currencies and kuna loans indexed to a foreign currency (HRK 655.78m or 0.3%). They increased the most in government units, though the decline in home loans to households indexed to the Swiss franc softened that growth. Most loans in the Swiss franc were accounted for by loans granted to households and 85.4% of their total amount related to home loans. That share stood at 18.7% in total home loans, which is a decrease of almost two percentage points from 2012.

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

The quality of kuna loans remained the poorest at the end of 2013, their share in B and C risk category loans standing at 17.9%. Although the largest portion of kuna loans was placed to households, the ultimate indicator value is affected by corporates, due notably to the poor quality of loans for working capital and investment. The next largest share in B and C category loans was accounted for by loans in Swiss francs (16.2%),

3.15 Share of bank partly recoverable and fully irrecoverable loans
as at 31 December 2013



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

which increased the most from 2012 (3.8%), due to the decline in the quality of home loans indexed to that currency. The quality of loans in Swiss francs was for the first time poorer than the quality of euro loans at the end of 2011, this difference continuing to increase in 2013. B and C category loans in euro increased by 0.7% from 2012, continuing to account for the lowest share in B and C category loans (14.4%) at the end of 2013. Although almost equal amounts, of around 40%, of total euro loans were placed to corporates and to households, loans to households enhanced the quality of these loans, with the share of B and C risk category loans in total loans in that currency standing at 9.1%. The share of B and C category corporate loans in total euro loans stood at 25.9%.

The household sector continued to deleverage for the fifth consecutive year. The decline in household loans of HRK 2.6bn or 2.1% (2.7% excluding the exchange rate effect) was the result of the fall in all major types of loans, except for cash and general-purpose loans. The decrease in home loans, by more than HRK 1.6bn or 2.7%, had a key impact on total developments, followed by a further significant fall in car purchase loans, by HRK 1.0bn or 31.9%. The decline in car purchase loans has been present from 2009, reducing to HRK 2.2bn at the end of 2013 and accounting for only 1.8% of household loans.

Two types of loans continued to dominate in the household sector. Home loans were still the major type of loans, accounting for 46.6% of loans to that sector. The increase in the amount of general-purpose cash loans led to a rise in the share of these loans in the structure of household loans, to 30.1%. Overdraft facilities and other general-purpose loans followed with much lower shares (6.8% and 3.2%). The structure of the household debt to banks changed in favour of general-purpose loans, i.e. the types of loans that can be used for servicing other liabilities to various creditors. Hence, a noticeable increase was observed only in general-purpose cash loans (HRK 792.8m or 2.2%) and other general-purpose loans (HRK 249.1m or 6.7%). In the structure of loans to this sector, a smaller increase was also observed in some less significant forms of lending, such as Lombard loans and education loans.

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

In addition to home loans, the fall in the quality of household loans was also considerably affected by other general-purpose loans, with B and C category loans rising by 40.7% and accounting for 41.3% of total loans at the end of 2013. It was the highest share of B and C category loans among significant types of loans to households. That share was considerably lower in general-purpose cash loans (9.5%), overdraft facilities (14.9%) and credit card loans (4.6%), which, together with home loans, belong to the most frequent types of lending to households.

3.1.4 Liquidity risk

Sources of financing

The total sources of bank financing[14] stood at HRK 329.0bn at the end of 2013, which is an increase of 0.3% from the end of 2012 (Table 3.8). That growth was entirely due to the changes in the exchange rate of the kuna, especially against the euro. Excluding these effects, total sources thus decreased by 0.4%. Very slight changes in total sources reflected the opposite developments in their components, with the growth in domestic sources (by HRK 5.2bn or 2.0%) being significantly offset by the decline in foreign sources (by HRK 4.3bn or 5.9%).

Good banking system liquidity was maintained, while lending activity was weak, due to which a moderate growth in domestic sources, notably household and corporate deposits, was sufficient to meet the needs of banks and for them to continue deleveraging in the foreign and domestic financial market. The reduction in foreign liabilities was present through most of 2013 and it was again almost entirely associated with majority foreign owners, but the intensity of these changes was much weaker than in the previous year.

Observing by types of instruments, the modest growth in sources in 2013 was attributed to deposits and the annual growth rate of only 2.5% was the weakest so far (except in 2012 and 1999 when deposits recorded a fall). The deleveraging process in the last year mostly involved the repayment of loans, which recorded the sharpest decline (12.5%). Hybrid instruments continued to decrease (7.3%), partly by being converted into share capital, while financing by subordinated instruments slightly increased (by 4.5%), mostly for the purpose of maintaining capital adequacy. Issued debt instruments remained unchanged.

Within the structure of sources of financing, the share of deposits continued to strengthen, to 85.9%, at the expense of

Table 3.8 Structure of bank sources of financing

end of period, in million HRK and %

	2011		2012			2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Deposits	281,390.5	83.9	275,844.0	84.1	–2.0	282,803.6	85.9	2.5
Loans	49,173.0	14.7	47,402.1	14.4	–3.6	41,482.0	12.6	–12.5
Debt securities issued	0.0	0.0	300.0	0.1	–	299.9	0.1	0.0
Hybrid and subordinated instruments issued	4,967.4	1.5	4,634.0	1.4	–6.7	4,460.4	1.4	–3.7
Total sources of financing	335,530.9	100.0	328,180.1	100.0	–2.2	329,046.0	100.0	0.3
Total sources of financing from majority foreign owner	71,686.2	21.4	55,808.3	17.0	–22.1	51,514.9	15.7	–7.7

Source: CNB.

Table 3.9 Sectoral structure of received loans

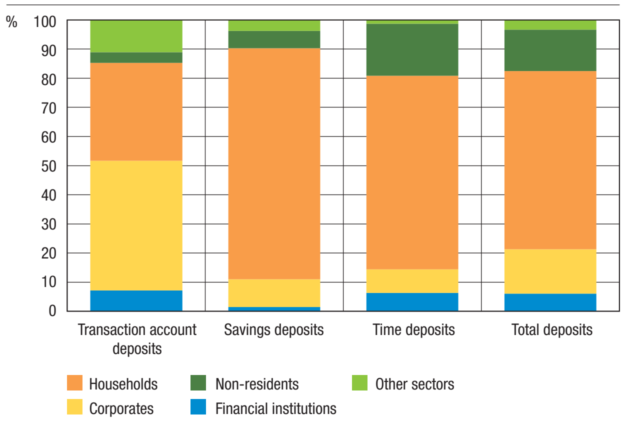
end of period, in million HRK and %

	2011		2012			2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Loans from government units	8.5	0.0	6.0	0.0	–29.2	0.0	0.0	–100.0
Loans from financial institutions	17,316.5	35.2	16,802.9	35.4	–3.0	15,144.9	36.5	–9.9
Loans from corporates	1.6	0.0	786.5	1.7	48,124.3	317.0	0.8	–59.7
Loans from foreign financial institutions	31,841.5	64.8	29,654.6	62.6	–6.9	25,714.6	62.0	–13.3
Loans from other non-residents	4.9	0.0	152.1	0.3	2,985.4	305.5	0.7	100.9
Total loans received	49,173.0	100.0	47,402.1	100.0	–3.6	41,482.0	100.0	–12.5
Loans from majority foreign owner	25,128.2	51.1	23,846.2	50.3	–5.1	20,113.3	48.5	–15.7

Source: CNB.

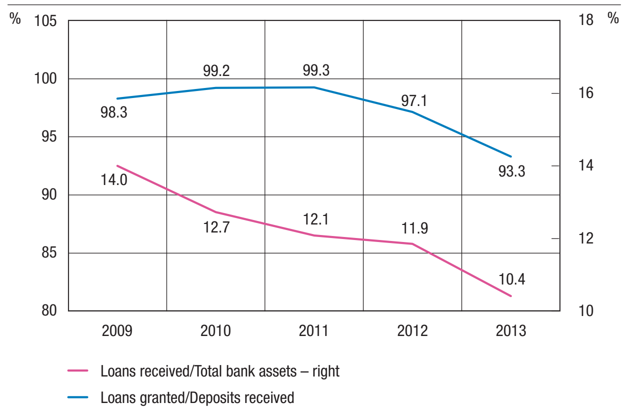
14 Sources of financing are composed of received deposits, received loans, issued debt securities and issued subordinated and hybrid instruments.

3.16 Sectoral structure of received deposits
as at 31 December 2013



Source: CNB.

3.17 Bank liquidity indicators
end of period



Source: CNB.

loans received, which fell to their historic lows, while other types of sources maintained their relatively small shares. As regards loans received, loans from non-residents and loans from domestic sources declined by almost the same rate (by 12.7% and 12.1% respectively). The fall in loans from non-residents was attributed mostly to long-term loans from majority foreign owners, whereas in the domestic market, the decrease was recorded mostly in short-term loans from other financial intermediaries and credit institutions.

Domestic sources stood at HRK 259.9bn at the end of 2013. Their share strengthened from the end of 2012, to 79.0%, under the influence of the growth in household and corporate deposits, while banks concurrently continued to deleverage abroad. In domestic sectors, a growth in sources was recorded only in the less significant sector of non-profit institutions, while all other sectors recorded a decline in sources, especially financial institutions, whose deposits and loans decreased by HRK 4.2bn or 11.4%.

Household deposits still accounted for slightly more than a half of total sources in banks and two thirds of total domestic sources and in 2013, they went up by HRK 6.4bn (3.9%). The slowdown trend in the growth of the most stable source of financing for banks thus continued in 2013. This growth mostly involved the rise in time deposits, with foreign currency and kuna time deposits rising by almost the same nominal amount. Due to a considerable rise in transaction account deposits (of 10.5%), the total rise in kuna deposits (slightly less than HRK 3.4bn or 9.4%) was stronger than the rise in foreign currency items (HRK 3.1bn or 2.4%). Despite that, foreign currency savings deposits accounted for the largest share in household savings deposits (77.5%) and the share of kuna items, which rose by 1.1 percentage points, accounted for the remaining 22.5%.

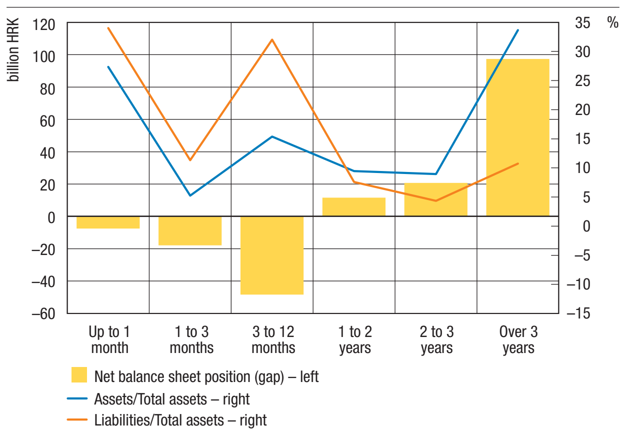
Corporate sources (deposits and loans) increased mostly due to the rise in deposits, which recorded an annual growth rate of 8.0% (HRK 3.2bn) at the end of 2013. This was the highest annual growth rate of corporate deposits since 2008, which resulted in the increase in the share of these sources in total sources from 12.4% to 13.2%. The recovery of corporate deposits began in June 2013 and additionally strengthened by the end of September, but negative developments in the last quarter partly offset this growth. The bulk of the increase was attributable to the rise in deposits on transaction accounts with other corporates, which was also maybe affected by stricter fiscal policy measures. Together with a smaller increase in sources in savings accounts, it was reflected in the strengthening of the share of kuna funds (to 58.7%) in total corporate deposits. By contrast to deposits, banks significantly reduced the use of loans from corporates in 2013, but their share in total sources of this sector was small (0.7%).

Foreign sources of financing accounted for slightly more than one fifth of total bank sources, in which, despite a decrease, the sources of majority foreign owners still dominated. Deleveraging to foreign parent banks was the sharpest in 2012 (22.1%), while the annual rate of reduction in 2013 was much lower and stood at 7.7%. Banks cumulatively reduced these sources in the last two years by a total of HRK 20.2bn or 28.1%. As a result, their share fell to 15.7% of total sources, which was the lowest value of this indicator since the end of 2007. The use of parent banks' sources in the last ten years[15] ranged from 13.9% (2007) to 21.4% (2011). If the last two years are excluded, another decline in sources from owners in the whole observed period was recorded only in 2007, when a significant amount of sources from parent banks was used for the capital strengthening of banks. In contrast to sources from majority foreign owners, sources from other non-residents only slightly decreased in the previous year, but their share in total sources held steady at 5.4%.

The changes in maturity and currency structure of deposits were moderate, while the changes in sectoral structure were considerably milder than in 2012. Almost the entire growth in

15 Since 2004 the CNB has had access to data on sources (loans, deposits, subordinated and hybrid instruments) received from majority foreign owners.

3.18 Asset and liability maturity match or mismatch
as at 31 December 2013



Source: CNB.

deposits in 2013 was attributed to the increase in deposits on transaction accounts, with the increase being recorded in almost all sectors, particularly in domestic corporates and households. As a result, the share of these deposits in total deposits went up by around two percentage points or 19.2%, while the share of time deposits decreased to 73.1%. The share of savings deposits in total deposits remained unchanged (7.7%). Funds on transaction accounts were mostly kuna funds (82.9%), so the increase in their amount led to an increase in the share of kuna deposits, to 33.1%. The share of currency and indexed deposits declined, to 66.9%, mostly due to the fall in deposits of domestic financial institutions. Euro deposits again accounted for the bulk of foreign currency deposits (86.8%), while deposits in American dollars and Swiss francs accounted for the remaining 6.3% and 5.4%, respectively, of these deposits. The nominal growth in foreign currency deposits of around 1.0% was mostly the result of the changes in the kuna exchange rate, especially against the euro, so the real growth in foreign currency deposits, excluding these changes, stood at only 0.1%.

The ratio of loans granted to deposits received stood at 93.3% at the end of 2013. The fall in the value of the net loan portfolio was under the strong influence of the mentioned regulatory and methodological changes, which makes it harder to compare this indicator with its value in previous periods. Due to the simultaneous changes in balance sheet assets and liabilities, the sale of claims and the exit of one bank from the system had a relatively mild effect on the value of this indicator. The continuation of bank deleveraging primarily involved the decline in liabilities on loans received, which resulted in a further decrease in the share of loans received in total assets, to 10.4%, its lowest value since 1997.

Maturity adjustment of bank assets and liabilities

Following the decline in 2012, the mismatch between short-term assets and short-term liabilities of banks increased again in 2013. The short-term cumulative gap[16] of up to one year stood at HRK 73.9bn at the end of 2013, an increase of HRK 19.5bn from the previous year. This increase was primarily a consequence of the described regulatory and methodological changes which reduced the amount of assets (net) and also by the increase in short-term liabilities. The strongest widening of the gap was recorded in the shortest maturity band, *up to 15 days*, from HRK 2.1bn to almost HRK 12.0bn. It reflected the decline in assets (notably on account of loans, followed by deposits with the CNB and other placed deposits distributed in the loans and receivables portfolio) by 7.9%, with a concurrent rise in liabilities (especially on transaction accounts) by 2.2%. Two more maturity bands recorded an increase in mismatches, *more than 3 to 6 months* and *more than 6 to 12 months*, which was also the result of the decline in assets (loans and securities), with a concurrent rise in liabilities (time deposits and loans received).

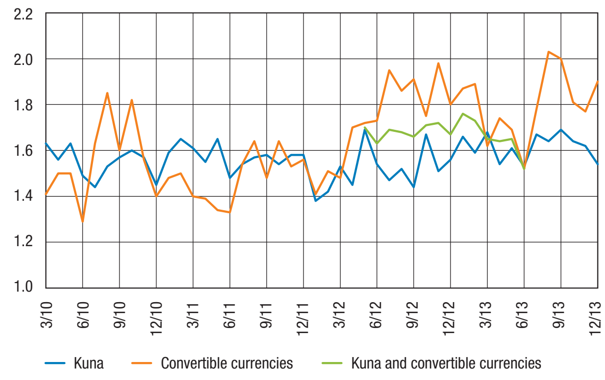
As a result, the ratio of short-term assets and short-term liabilities of banks decreased by as much as 7 percentage points, from 79.1% to 72.1%. The liquidity coefficient[17] declined after four years of consecutive growth, from 1.0 to 0.9 at the end of 2013, while bands of the largest mismatch between assets and liabilities increased further. The mismatch in the maturity band *more than 3 to 6 months* increased by HRK 7.3bn, to HRK 22.9bn and in maturity band *more than 6 to 12 months* by HRK 5.9bn, to HRK 25.5bn.

Minimum liquidity coefficient[18]

Observed at the aggregate level, banks maintained considerably higher values of minimum coefficients in kuna and convertible currencies throughout 2013 in both given periods[19]. In mid-year, banks were no longer allowed to maintain the liquidity coefficient collectively, but lower requirements were kept regarding the maintenance of MLC below 1 (by 10% below 1) only in one currency and no longer than for seven calendar days during the reporting month, regardless of the time zone

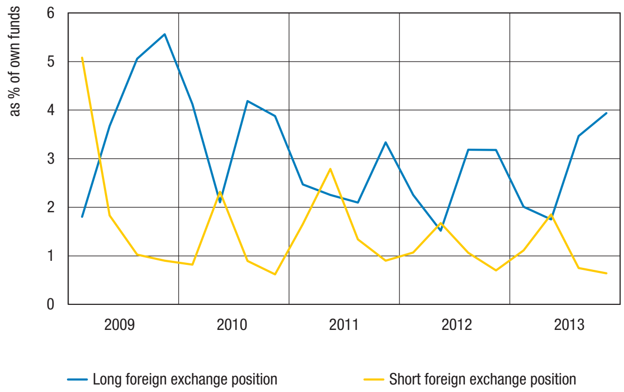
16 The maturity match or mismatch between assets and liabilities is shown by remaining maturity, i.e. by maturity bands and on a net basis, adjusted for the estimated capacity of each debtor or an entity subject to payment to actually execute the payment in the agreed amount and within the agreed time limit. There are a total of 13 maturity bands, starting from *up to 15 days* and ending with *more than 240 months*. The gap is net cash flow excess or shortfall in each maturity band. The short-term cumulative gap is the sum of net cash flow excesses or shortfalls in all maturity bands of up to 12 months.
17 This is the ratio of total assets with maturity up to one month to total liabilities with the same maturity.
18 Minimum liquidity coefficient (MLC) is calculated as the ratio of expected inflows (currently negotiable assets included) and the expected outflows in periods of stress in the two given periods (up to 1 week and up to 1 month) and must be equal to or higher than 1. MLC is calculated for kuna, all convertible currencies combined and for each non-convertible currency separately (if it is significant). Moreover, in the said period, but no longer than for seven calendar days during the reporting month, banks are exceptionally allowed to maintain MLC only in one currency (in kuna or all convertible currencies together or non-convertible currencies separately) at a level 10% below 1 (i.e. 0.9), regardless of the time zone (up to 1 week or up to 1 month). By way of exception, in the period from 1 May 2012 until 30 June 2013, banks were allowed to meet MLC on a collective basis, i.e. for both kuna and all convertible currencies combined.
19 For the purposes of calculating the minimum liquidity coefficient, inflows and outflows are reported according to an acute short-term stress scenario specified by the CNB, which is much more stringent than actual cash flows because of various requirements and haircuts. The purpose of the stress scenario is to determine whether a credit institution has sufficient liquid assets to meet its liquidity needs in stressed conditions within a given period.

3.19 Minimum liquidity coefficient for period up to one month



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

3.20 Foreign exchange positions of banks
quarterly averages



Source: CNB.

(up to one week or up to one month)[20].

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

Readily marketable assets (RMA)[21] of banks stood at HRK 61.4bn at the end of 2013, an increase of HRK 1.5bn or 2.6% from the end of 2012. This resulted in the increase in the share of these assets in total bank assets, from 14.9% (2012) to 15.4%. The rise in RMA reflected the increase in bank investments in securities, MoF T-bills and other securities (that meet the conditions for inclusion in this type of assets). Due to the fall in deposits with foreign banks and the reduction in the reserve requirement rate, deposits/loans with credit institutions and deposits with the CNB also decreased. Despite that, changes in the structure of readily marketable assets were not prominent. Having declined by 1.9 percentage points, deposits with the CNB were still the largest item of RMA, with 25.2%, while the share of deposits/loans with credit institutions fell from 26.2% to 23.5%. The share of MoF T-bills continued to increase, accounting for 20.5% of RMA at the end of the year and securities distributed in the available-for-sale portfolio were the next to follow by size of share (16.0%). Money assets accounted for slightly less than 9.0% of RMA and that share was stable.

3.1.5 Currency adjustment of bank assets and liabilities

The shares of foreign currency assets and foreign currency liabilities decreased slightly in 2013 (by 2.0% and 1.4 percentage points respectively), but they still prevailed, accounting for 62.6% and 67.2% of total bank assets and total bank liabilities respectively. More than 98% of foreign currency assets and liabilities of banks was accounted for by three currencies: the euro, Swiss franc and American dollar.

The exchange rate of the euro, the most widely represented currency in bank balance sheets, went up by 1.2% in 2013. By contrast, the kuna strengthened against the other two most represented currencies, by only 0.2% against the Swiss franc and much more, by 3.1% against the American dollar. As a result (key importance going to developments in the euro), the real decline in total bank assets, which stood at 0.5% in nominal terms, was twice as higher and stood at 1%.

Foreign currency assets of banks (the share of total assets which comprises assets in foreign currencies and items in kuna with a currency clause) declined by 3.5% (4.4% in real terms, if the mentioned movements in most represented currencies are taken into account). They stood at HRK 249.2bn at the end of 2013, which is an increase of slightly more than HRK 11bn from the end of 2012. Due to the simultaneous increase in kuna asset items (by 5.2%), the share of foreign currency assets of banks in total assets decreased by two percentage points, from 64.6% to 62.6%.

The decline related mostly to kuna assets indexed to a foreign currency; they accounted for slightly less than two thirds of total foreign currency assets (61.4%), which fell by 5.2% (HRK 8.3bn) in 2012. The fall was almost entirely attributed to the fall in loans granted. Foreign currency assets dropped by

20 Decision on amendments to the Decision on liquidity risk management (OG 142/2012 and 63/2013).
21 Readily marketable assets (RMA) are those liquid assets which are available to the credit institution and which may be turned into cash quickly (within four working days) and easily (with no significant losses).

slightly less than 1% or by HRK 0.8bn, primarily due to a significant decrease in the amount of the foreign currency securities portfolio, by 12.7%.

Foreign currency liabilities of banks in the observed period declined at a somewhat slower pace than foreign currency assets, by 2.0% (which is 2.9% in real terms). They stood at HRK 230.2bn and their share in total liabilities of banks fell from 68.6% to 67.2%, due to the rise in kuna liabilities (by 4.3%). As on the foreign currency asset side, a considerably larger decline of 11.2% was recorded in kuna liabilities indexed to a foreign currency, while foreign currency liabilities fell by 1.4%. The decrease in kuna liabilities indexed to a foreign currency of HRK 1.6bn was due in equal proportions to the declines in time deposits and received long-term loans, of HRK 0.8bn each. The most important contribution to the movements in foreign currency liabilities came from the fall in loans received, both long-term (by 17.2%) and short-term (by 22.2%), in total amount of HRK 5.1bn, which could not be offset by the growth in foreign currency deposits of HRK 2.6bn. The kuna component of liabilities increased mostly due to the rise in domestic deposits (by HRK 6.6bn or 8.7%) with an almost equal rise in deposits of non-financial corporations and those of households, by HRK 3.3bn and HRK 3.4bn respectively.

The average three-month open foreign exchange position of all banks was long and stood at 3.9% of average own funds. It was somewhat higher than at the end of 2012, when it stood at 3.1%, but it was still much lower than the legally prescribed limit of 30% of own funds. This change was the result of the increase in total open long foreign exchange position by 24.8% in the previous year, with a smaller impact of the fall in own funds, by slightly less than 0.5%.

3.1.6 Interest rate risk in the non-trading book

The already low exposure of banks to interest rate risk additionally decreased in 2013 and stood at only 0.4% at the end of the year, compared to 1.7% in 2012. Consequently, the exposure of banks to interest rate risk in the non-trading book, measured by the change in the economic value of the non-trading book (the total net weighted position) in relation to the amount of own funds, was still much below the prescribed maximum of own funds (20%). This has been a very common situation in the four years since the rules on the management of interest rate risk were applied.[22]

The mentioned change was due to a significant decrease in the total net weighted position, i.e. the change in the economic value which fell to one quarter of its value in the last year (a fall of 76.8%), to HRK 223.5m. This led to the negative value of the net position in 2013, which was caused by liabilities being more interest-rate sensitive than assets, as opposed to 2012, when the situation was the reverse.

Table 3.10 Interest rate risk in the non-trading book
as at 31 December 2013, in million HRK and %

Currency	Interest rate type	Net position (before weighting)	Net weighted position
HRK	Administered interest rate	–31,218.7	–653.0
	Variable interest rate	47,099.0	441.1
	Fixed interest rate	5,950.6	506.2
EUR	Administered interest rate	–8,745.8	–172.7
	Variable interest rate	95,036.5	301.2
	Fixed interest rate	–76,791.5	–484.5
CHF	Administered interest rate	6,874.9	63.8
	Variable interest rate	3,746.6	67.5
	Fixed interest rate	–5,979.0	–177.4
USD	Administered interest rate	–803.9	–24.7
	Variable interest rate	1,238.9	1.0
	Fixed interest rate	–1,883.6	–20.1
Other	Administered interest rate	–5,059.0	–60.5
	Variable interest rate	1,830.9	0.0
	Fixed interest rate	2,206.9	–11.5
Change in the economic value of the non-trading book			–223.5
Own funds			53,019.2
Change in the economic value of the non-trading book as % of own funds			0.4

Source: CNB.

The amount of banks' own funds also reduced in the same period, but to a lesser extent, by slightly less than 5% (HRK 2.8bn), with a modest impact on the level of the interest rate risk indicator.

The largest difference between interest rate-sensitive assets and liabilities, i.e. the net unmatched position (before weighting), was the one in the shortest maturity band, of up to one month, but due to the extremely low weight for that band, it did not have the highest weighted position. As at the end of 2012, this position was the highest in the maturity band of 6 to 12 months and stood at HRK 743.3m. It had more than doubled in the previous 12 months (an increase of 124.1%), caused by the simultaneous decrease in assets sensitive to interest rate changes (by 12.2%) and increase in such liabilities (by 22.6%) (since that band's position is determined by liabilities that are more interest rate-sensitive than assets).

In contrast to the end of 2012, when banks showed the highest sensitivity to changes in interest rates for the positions in kuna, at end-2013, the highest net weighted position was in euros, in the amount of HRK 355.9m, and it was negative due to liabilities exceeding assets in that currency. In the year before, this position was HRK 509.1m and positive, as well as the second biggest position in kuna, which halved in the last year

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

and maintained a positive value (it stood at HRK 294.3m). As at the end of the previous two years, positions were negative in all other currencies and on an upward trend, except those in Swiss francs.

If the amounts of net weighted positions are observed by types of interest rates, the highest amount was recorded in administered and variable interest rates, with similar amounts (HRK 847.1m and HRK 810.9m), but with opposite signs. In the first case, interest rate-sensitive liabilities were higher than interest-bearing assets, and in the latter, the opposite was true. The position with a fixed interest rate was the lowest and negative, standing at HRK 187.3m.

Only interest rate-sensitive assets with variable interest rates recorded an increase in 2013 (by one third, or 33.9%) and these items maintained by far the largest share in the total, of 56.4%. Asset items with a fixed interest rate went up much slower (by 10.2%) and accounted for one quarter of the share, while those with an administered interest rate almost halved (a decline of 47.6%), with their share reducing to 18.6%.

Among interest rate-sensitive liabilities (in contrast to the end of 2012, when those with an administered interest rate had the highest share of slightly less than one half), liability items with a fixed interest rate were the highest, with a share of 51.1%. They rose by a significant 41.2%, while items of the remaining two types of interest rates recorded a fall in the observed period and saw their shares reduced (administered to 32.3% and variable to 16.6%).

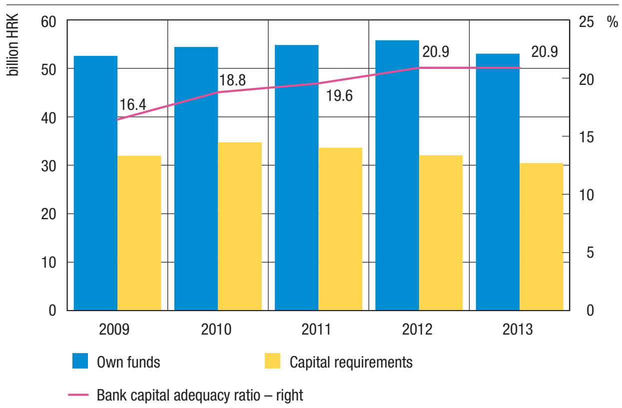
3.1.7 Capital adequacy

The bank capital adequacy ratio oscillated slightly in 2013, but at the end of the year, it remained at the same level as at the end of 2012, standing at 20.9% (Table 3.11). Its years-long upward trend thus came to a halt (since the beginning of the application of the Basel II reporting standards from the first quarter of 2010).

The bank capital adequacy ratio remained almost unchanged due to the almost identical movements of its components, own funds and the total capital requirements for all operating risks of banks. Banks' own funds were 5.0% lower than at the end of 2012, as were the total capital requirements, with just a slightly lower annual decrease of 4.9%. The decline in own funds (by HRK 2.8bn, standing at HRK 53.0bn) was caused by the decrease in both original and additional own funds, combined with the increase in deduction items.

The fall was primarily due to the decrease in additional own funds (by HRK 1.2bn, i.e. almost by one third) and was almost entirely attributable to the fall in hybrid and subordinated instruments. Original own funds fell further by HRK 1.1bn (2.0%), due to the simultaneous increase in the current year loss and decline in the current year profit[23]. The fall was also affected by the exit of one small bank from the system, in the second half of 2013. The growth in deduction items of HRK 471.4m was influenced by the increase in the shortfall in provisions under the IRB approach and greater equity investments in insurance companies and non-financial institutions.

3.21 Bank capital adequacy ratio
end of period



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

The fall in the total capital requirements for all operating risks of banks continued (to a somewhat larger extent than in 2012), standing at 4.9% or HRK 1.6bn. All capital requirements totalled HRK 30.5bn, with the capital requirement for credit risk (including the counterparty, dilution and free delivery risks) still accounting for the largest share. It declined somewhat faster than total requirements in the last year, by 5.1%, standing at HRK 26.8bn at the end of the year. As a result, its share in total capital requirements slightly decreased, to 87.9%.

The next in terms of size, the capital requirement for operational risk, declined considerably, by 8.8%, while the only increase was observed in the requirements for position, foreign exchange and commodity risks, by as much as 20.1%. At the end of the observed year, these two requirements accounted for 9.6% and 2.5%, respectively, of total capital requirements of banks.

Since all banks but one applied the standardised approach in the calculation of the capital requirement for credit risk (and other mentioned risks), which accounted for 87.8% of total credit risk capital requirement, its decrease of 6.3% determined the total developments in that part of banks' needs for capital. On the other hand, the capital requirement for credit risk calculated under the internal ratings-based approach (the IRB approach)[24], which was used by only one large bank, recorded an increase of 4.6% in the observed period, but it had a smaller impact on the total requirement for credit risk (increasing its share in that part of the capital requirement from 11.1% to 12.2%).

The net value of total balance and off-balance sheet

23 In the preliminary reports for 2013, banks, as a rule, may not include the current year profit in the calculation of own funds. In audited reports for 2012, banks were allowed to include the current year profit, i.e. its portion for which there is an appropriate decision of the general meeting.

24 A credit institution may use an IRB approach to calculate the amount of exposure weighted by credit risk, provided it has obtained a permission to use this approach from the CNB. In September 2011, one large bank was granted permission to use an IRB approach for the calculation of the amount of exposure weighted by credit risk.

Table 3.11 Own funds, capital requirements and capital adequacy ratio of banks
as at 31 December 2013, in million HRK and %

	2011		2012			2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Own funds	54,815.4	100.0	55,804.4	100.0	1.8	53,019.2	100.0	–5.0
Original own funds	52,685.3	96.1	54,178.0	97.1	2.8	53,088.8	100.1	–2.0
Paid up capital (excl. cumulative preferential shares) net of own shares	33,760.2	61.6	34,188.9	61.3	1.3	33,950.1	64.0	–0.7
Reserves and retained earnings	19,446.6	34.4	20,657.5	37.0	6.2	19,720.2	37.2	–4.5
Other	–521.5	0.2	–668.4	–1.2	28.2	–581.5	–1.1	–13.0
Additional own funds	4,709.0	8.6	4,158.3	7.5	–11.7	2,933.6	5.5	–29.5
Paid-up cumulative preferential shares	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Hybrid and subordinated instruments	4,755.3	8.7	4,186.6	7.5	–12.0	2,973.1	5.6	–29.0
Other	–46.3	0.1	–28.3	–0.1	–38.8	–39.4	–0.1	39.2
Items deducted from original own funds and additional own funds	–2,579.0	–4.7	–2,531.9	–4.5	–1.8	–3,003.2	–5.7	18.6
Capital requirements	33,641.1	100.0	32,054.4	100.0	–4.7	30,471.2	100.0	–4.9
Credit, counterparty credit and dilution risks and free deliveries	29,932.7	89.0	28,204.1	88.0	–5.8	26,778.5	87.9	–5.1
Standardised approach	26,468.4	78.7	25,084.1	78.3	–5.2	23,516.1	77.2	–6.3
Corporates	11,300.8	33.6	10,563.7	33.0	–6.5	10,241.1	33.6	–3.1
o/w: Secured by real estate property	79.5	0.2	99.1	0.3	24.6	130.1	0.4	31.4
Retail	12,716.0	37.8	11,856.7	37.0	–6.8	10,969.1	36.0	–7.5
o/w: Secured by real estate property	373.7	1.1	525.0	1.6	40.5	485.6	1.6	–7.5
Other	2,451.6	7.3	2,663.7	8.3	8.7	2,305.9	7.6	–13.4
IRB approach	3,464.3	10.3	3,120.0	9.7	–9.9	3,262.5	10.7	4.6
Corporates	1,671.7	6.7	1,870.6	5.8	11.9	1,781.1	5.8	–4.8
Retail	741.0	2.4	740.4	2.3	–0.1	882.8	2.9	19.2
Other	1,051.5	3.1	509.0	1.6	–51.6	598.6	2.0	17.6
Settlement/delivery risks	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Position, foreign exchange and commodity risks	497.4	1.5	628.7	2.0	26.4	754.8	2.5	20.1
o/w: Internal models	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Traded debt instruments	325.8	1.0	384.0	1.2	17.9	425.5	1.4	10.8
Foreign exchange	131.7	0.4	178.3	0.6	35.4	277.5	0.9	55.6
Other risks	39.8	0.1	66.4	0.2	66.7	51.8	0.2	–22.0
Risk of exceeding the permitted exposure limits	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Operational risk	3,211.0	9.5	3,221.6	10.1	0.3	2,937.9	9.6	–8.8
Simplified approach	400.0	1.2	402.1	1.3	0.5	383.5	1.3	–4.6
Standardised approach	1,560.4	4.6	1,475.9	4.6	–5.4	1,410.9	4.6	–4.4
Advanced measurement approach	1,250.7	3.7	1,343.6	4.2	7.4	1,143.6	3.8	–14.9
Surplus/deficit of own funds	21,174.3	–	23,750.0	–	12.2	22,547.9	–	–5.1
Capital adequacy ratio	19.6	–	20.9	–	–	20.9	–	–

Source: CNB.

exposure of banks to credit risk before the use of credit risk mitigation techniques decreased by 1.5% (with the standardised part, which caused the decrease by its fall of 4.1%, accounting for 87.4%). However, after the use of credit risk mitigation techniques, the fall was less pronounced and stood at 1%. The total amount of credit protection recognised as eligible stood at HRK 46.8bn, an increase of HRK 2.0bn or 4.6%.

As in 2012, unfunded credit protection forms prevailed[25] (guarantees, counter-guarantees and credit derivatives), rising by 14.9% and accounting for 57.1% of total protection. By contrast, funded credit protection forms (mostly collaterals, balance sheet netting and standardised netting agreements)

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

Table 3.12 Breakdown of net exposure to credit risk by risk weights
as at 31 December 2013, in million HRK

	Retail	Corporates	Central governments and central banks	Institutions	Public sector entities	Local and regional self-government	Collective investment undertakings	Other	Equity investment	Total
Standardised approach										
Total exposure	107,976.1	84,727.1	108,217.0	23,752.8	5,676.1	4,348.6	491.3	16,067.8	–	351,256.9
On-balance sheet items	104,611.9	71,522.0	106,198.0	20,769.3	5,162.6	4,219.7	491.3	15,555.3	–	328,530.0
Off-balance sheet items	3,363.7	12,157.1	549.9	581.6	108.1	128.9	0.0	103.1	–	16,992.4
Securities transactions and long settlement transactions	0.1	519.7	0.0	1,065.7	134.8	0.0	0.0	409.5	–	2,129.8
Derivative financial instruments	0.4	528.3	1,469.2	1,336.1	270.7	0.0	0.0	0.0	–	3,604.6
Contracts for novation and other netting agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	0.0
Breakdown of total exposure by risk weights										
Weight 0%	0.0	0.0	106,539.9	77.2	3,380.1	0.0	0.0	8,103.9	–	118,101.0
Weight 10%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	0.0
Weight 20%	0.0	23.1	4.0	19,671.0	7.9	523.6	25.0	436.0	–	20,690.5
Weight 35% (residential real estate property)	11,220.9	518.5	0.0	0.0	0.0	0.0	0.0	6.0	–	11,745.4
Weight 50%	238.8	1,806.1	48.9	3,361.6	2,213.9	3,789.4	14.7	7.4	–	11,480.7
o/w: Commercial real estate property	238.8	1,806.1	0.0	0.0	0.0	0.0	0.0	6.4	–	2,051.3
Weight 75%	40,945.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	40,945.8
Weight 100%	53,404.9	77,821.1	1,519.5	588.3	72.7	30.9	418.9	7,395.8	–	141,252.3
o/w: Past due items	3,386.6	6,226.8	0.2	0.3	0.0	0.0	0.1	8.6	–	9,622.6
Weight 150%	2,165.6	4,051.3	104.8	54.7	1.6	4.7	27.6	29.4	–	6,439.8
o/w: Past due items	1,897.7	3,389.9	104.7	36.7	1.6	4.7	0.0	22.1	–	5,457.4
Other risk weights	0.0	506.9	0.0	0.0	0.0	0.0	5.1	89.3	–	601.3
Credit risk mitigation techniques – substitution effects										
Total outflow	–1,593.5	–6,887.0	0.0	–380.6	–18,482.4	–31.1	0.0	–121.5	–	–27,496.1
Total inflow	5.2	558.0	21,720.3	443.8	178.1	526.5	0.0	1,530.7	–	24,962.5
IRB approach										
Total exposure	18,039.7	18,070.4	23,431.2	2,081.5	–	–	–	–	94.3	61,717.0
On-balance sheet items	17,752.7	16,266.1	23,210.2	1,500.8	–	–	–	–	94.3	58,824.1
Off-balance sheet items	283.1	1,565.1	220.9	14.5	–	–	–	–	–	2,083.6
Securities transactions and long settlement transactions	2.0	159.5	0.0	431.6	–	–	–	–	–	593.1
Derivative financial instruments	2.0	79.6	0.0	134.7	–	–	–	–	–	216.3
Contracts for novation and other netting agreements	0.0	0.0	0.0	0.0	–	–	–	–	–	0.0
Credit risk mitigation techniques – effects of PD adjustment										
Total outflow	0.0	–1,279.0	0.0	0.0	–	–	–	–	0.0	–1,279.0
Total inflow	0.0	0.0	3,785.1	27.4	–	–	–	–	0.0	3,812.5

Source: CNB.

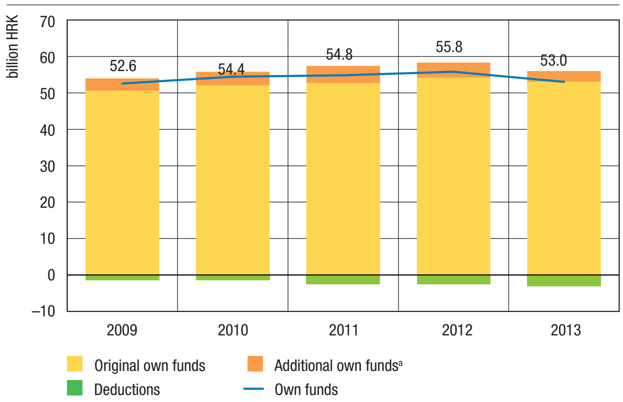
declined slightly (by 6.5%) and their share fell to around 40%.

Looking at the type of credit risk mitigation techniques, the weight substitution technique prevailed, accounting for an increasing share from year to year and standing at 58.7% of the total decline (HRK 27.5bn) at the end of the previous year. Around a quarter of the share in total protection (24.9%) related to the financial collateral comprehensive method which decreased by 13.5%.

As compared to the mentioned 1.0% (HRK 4.2bn) decrease in net value that is being weighted, the fall in the weighted value was much bigger (and also bigger than in 2012) and stood at HRK 11.9bn or 5.1%. The fall was affected by the decline in the value weighted under the standardised approach, by HRK 13.1bn or 6.3%. This was the result of a noticeable rise in the net value in lower weight-classes, especially the 0% weight, related to the placement of funds to the government and the central bank, and the 20% weight, related to the placement of funds to institutions. Within the institutions category, the use of the 50% weight was reduced, as was the total amount of exposures distributed in this category.

3.22 Bank own funds

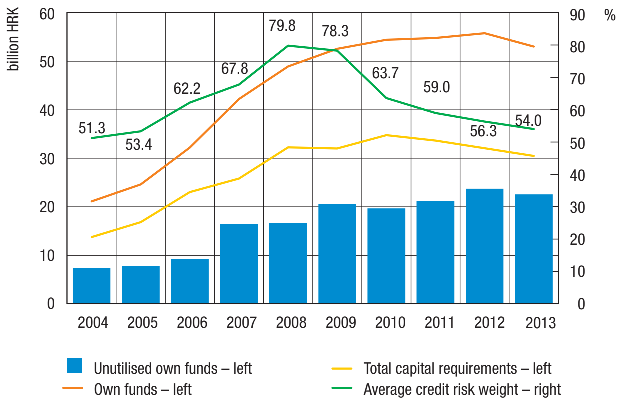
end of period



[a] Ancillary own funds (for the coverage of market risks) included in the period before 2012.
Source: CNB.

3.23 Bank average credit risk weight

end of period



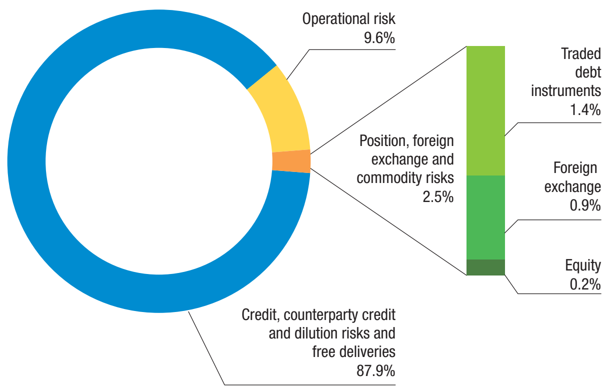
Source: CNB.

As in previous years, the level of the average risk weight under both approaches for the calculation of capital requirements for credit risk continued to decrease in 2013. The total average weight stood at 54.0% at the end of 2013, as compared to the 56.3% at the end of 2012. The weight under the standardised approach declined to a greater extent, by more than two percentage points, and stood at 55.8%, while the weight under IRB approach stood at 44.1% (a decline of less than one percentage point). Weights for funds made available to corporates fell under both approaches and weights for funds granted to households fell only under the standardised approach. By contrast, this weight grew under the IRB approach by more than seven percentage points.

As a result of the mentioned fall, the capital requirement for operational risk fell below HRK 3bn (HRK 2.9bn). Two large banks used the advanced measurement approach for the calculation of the capital requirement for operational risk[26], six banks used the standardised approach, while the remaining

3.24 Structure of bank total capital requirements

as at 31 December 2013



Source: CNB.

Table 3.13 Breakdown of bank capital adequacy ratio

end of period, in %

	2011		2012		2013	
	Number of banks	Share in bank assets	Number of banks	Share in bank assets	Number of banks	Share in bank assets
Ratio lower than 10%	3	1,0	0	0,0	0	0,0
Ratio from 10% to 12%	0	0,0	0	0,0	1	0,3
Ratio from 12% to 15%	9	13,2	10	10,0	10	11,6
Ratio from 15% to 20%	11	55,2	13	34,6	10	33,0
Ratio higher than 20%	10	30,6	9	55,4	10	55,1

Source: CNB.

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

banks used the basic indicator approach. By contrast, the capital requirement for position, foreign exchange and commodity risks recorded a high growth of 20.7%, which was the same as in 2012. It stood at HRK 0.8bn and, although it remained the lowest of all capital requirements, its share rose to 2.5%. The rise was mostly due to the high growth of capital requirements for foreign exchange risk of 55.6%, which was the result of a noticeable growth in the long euro position.

The surplus of own funds, i.e. its unused part, declined slightly and stood at HRK 22.5bn. This decline of 5.1% was somewhat bigger than the decline in own funds and the share of the unused part in own funds remained at almost the same level as in 2012 (dropping from 42.6% to 42.5%).

Although the level of the capital adequacy ratio remained almost unchanged, there was a mild increase in the share of bank assets with a slightly lower ratio in total bank assets. Bank assets with a capital adequacy ratio below 15% thus reached almost 10% of total assets (an increase of slightly less than two percentage points). At the end of the observed period, Karlovačka banka reported a negative capital adequacy ratio[27] due to negative own funds, while Vaba d.d. banka had a capital adequacy ratio below the legally prescribed minimum of 12%.

3.2 Business operations of housing savings banks

At the end of 2013, there were 5 housing savings banks operating in the Republic of Croatia. Four savings banks were directly or indirectly owned by foreign shareholders and one was in domestic ownership. Savings banks' assets increased slightly in 2013, in contrast to bank assets, which declined, but their share in the total assets of credit institutions was still low and stood at only 1.9%.

3.2.1 Balance sheet

The largest share of the growth in assets of housing savings banks was generated in the last quarter of 2013, as a result of the traditional increase in deposits of housing savings bank savers, attributable to government incentives paid to depositors in housing savings banks. Assets of housing savings banks thus went up by 1.4% in 2013, to HRK 7.6bn (Table 3.14).

The growth in total sources of financing was influenced the most by the rise in loans received from financial institutions, by 149.3% to HRK 235.1m. It was mostly attributed to short-term loans from domestic financial institutions, while loans from majority foreign owners did not change much in 2013; they accounted for 40.6% of total loans received. Deposits of housing savings bank savers edged up (0.2%), to HRK 6.4bn (Table 3.15), with the increase being observed only in the last quarter of the year. In addition to deposits received, which accounted for 84.1% of housing savings bank liabilities, the remaining share was accounted for by capital, which rose by 5.3%, reaching HRK 604.1m. The growth of capital was due

Table 3.14 Structure of housing savings bank assets
end of period, in million HRK and %

	2011		2012			2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	0.0	0.0	0.0	0.0	–41.7	0.0	0.0	92.9
Money assets	0.0	0.0	0.0	0.0	–41.7	0.0	0.0	92.9
Deposits with the CNB	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Deposits with financial institutions	669.7	8.5	723.1	9.7	8.0	522.8	6.9	–27.7
MoF treasury bills and CNB bills	668.1	8.5	594.1	8.0	–11.1	435.9	5.8	–26.6
Securities	1,324.7	16.9	2,056.4	27.6	55.2	2,256.5	29.8	73.1
Derivative financial assets	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Loans to financial institutions	90.9	1.2	69.3	0.9	–23.8	20.8	0.3	–70.0
Loans to other clients	4,756.1	60.6	3,698.3	49.6	–22.2	4,013.8	53.1	–9.8
Investments in subsidiaries, associates and joint ventures	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Foreclosed and repossessed assets	0.0	0.0	0.2	0.0	–	0.2	0.0	0.0
Tangible assets (net of depreciation)	6.2	0.1	5.3	0.1	–13.7	3.9	0.1	–33.1
Interest, fees and other assets	386.9	4.9	363.5	4.9	–6.0	306.9	4.1	–15.5
Net of: Collectively assessed impairment provisions	56.1	–0.7	54.1	0.7	–3.6	–	–	–
Total assets	7,846.5	100.0	7,456.1	100.0	–5.0	7,560.9	100.0	1.4

[a] As of October 2013, the amounts of financial instruments are reduced by the amount of the corresponding collectively assessed impairment provisions.
Source: CNB.

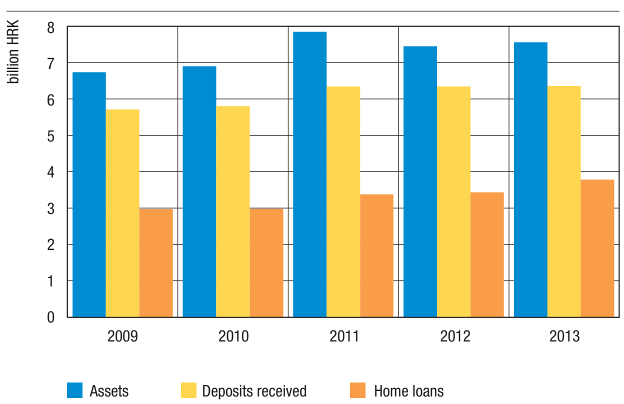
27 The bank was recapitalised in February 2014.

Table 3.15 Structure of housing savings bank liabilities and capital
end of period, in million HRK and %

	2011		2012			2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	458.9	5.8	0.0	0.0	–100.0	139.6	1.8	100.0
Short-term loans	172.7	2.2	0.0	0.0	–100.0	139.6	1.8	100.0
Long-term loans	286.2	3.6	0.0	0.0	–100.0	0.0	0.0	–
Deposits	6,345.2	80.9	6,344.9	85.1	0.0	6,359.0	84.1	0.2
Transaction account deposits	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Savings deposits	154.1	2.0	160.7	2.2	4.3	223.8	3.0	39.3
Time deposits	6,191.0	78.9	6,184.2	82.9	–0.1	6,135.2	81.1	–0.8
Other loans	94.1	1.2	94.3	1.3	0.2	95.5	1.3	1.2
Short-term loans	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Long-term loans	94.1	1.2	94.3	1.3	0.2	95.5	1.3	1.2
Derivative financial liabilities and other financial liabilities held for trading	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Debt securities issued	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Short-term debt securities issued	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Long-term debt securities issued	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Subordinated instruments issued	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Hybrid instruments issued	97.7	1.2	97.8	1.3	0.1	88.4	1.2	–9.6
Interest, fees and other liabilities	368.3	4.7	345.4	4.6	–6.2	274.2	3.6	–20.6
Total liabilities	7,364.1	93.9	6,882.4	92.3	–6.5	6,956.7	92.0	1.1
Share capital	487.9	6.2	487.9	6.5	0.0	487.9	6.5	0.0
Current year profit (loss)	10.6	0.1	67.5	0.9	538.3	30.6	0.4	–54.6
Retained earnings (loss)	15.0	0.2	25.1	0.3	67.2	91.1	1.2	262.6
Legal reserves	6.2	0.1	6.7	0.1	7.6	8.2	0.1	22.8
Reserves provided for by the articles of association and other capital reserves	9.2	0.1	3.6	0.0	–61.1	3.5	0.0	–1.2
Revaluation reserves	–46.5	–0.6	–17.1	–0.2	–63.3	–17.2	–0.2	0.7
Previous year profit (loss)	0.0	0.0	0.0	0.0	–	0.0	0.0	–
Total capital	482.4	6.1	573.7	7.7	18.9	604.1	8.0	5.3
Total liabilities and capital	7,846.5	100.0	7,456.1	100.0	–5.0	7,560.9	100.0	1.4

Source: CNB.

3.25 Assets, deposits and home loans of housing savings banks
end of period



Source: CNB.

to the higher amount of retained earnings from previous years, while the profit from 2013 was considerably lower than in the previous year (by 54.2%).

Home loans and securities increased on the assets side, while other items recorded a decline. The rise in the amount of securities was the result of investments in RC bonds, which increased by 9.7%, reaching HRK 2.3bn. With the share of 93.8% in total loans and 50.0% in assets, home loans were the key item of assets, growing at the rate of 10.3% or HRK 354.0m in 2013. Due to the mentioned changes, total home loans stood at HRK 3.8bn. The asset items which recorded the largest fall were deposits with financial institutions (27.7% or HRK 200.3m) and T-bills (26.6% or HRK 158.1m).

3.2.2 Income statement

The profit of housing savings banks halved in 2013, primarily due to the lower profit from investments in securities

Table 3.16 Housing savings bank income statement
in million HRK and %

	Amount		Change
	Jan. – Dec. 2012	Jan. – Dec. 2013	
CONTINUING OPERATIONS			
Interest income	357.7	337.6	–5.6
Interest expenses	204.5	197.8	–3.3
Net interest income	153.2	139.8	–8.8
Income from fees and commissions	68.9	66.9	–2.8
Expenses on fees and commissions	9.4	9.0	–4.9
Net income from fees and commissions	59.4	58.0	–2.4
Income from equity investments	0.0	0.0	–
Gains (losses)	31.4	–5.3	–
Other operating income	12.2	6.3	–48.2
Other operating expenses	23.9	28.2	18.1
Net other non-interest income	19.8	–27.2	–
Total operating income	232.4	170.6	–26.6
General administrative expenses and depreciation	141.4	122.8	–13.1
Net operating income before loss provisions	90.9	47.7	–47.5
Expenses on value adjustments and provisions	4.9	8.3	69.9
Other gains (losses)	0.0	0.0	–
Profit (loss) from continuing operations, before taxes	86.0	39.4	–54.2
Income tax on continuing operations	18.5	8.7	–53.0
Profit (loss) from continuing operations, after taxes	**67.6**	**30.7**	**–54.5**
DISCONTINUED OPERATIONS			
Profit (loss) from discontinued operations, after taxes	–0.1	–0.1	19.3
Current year profit (loss)	**67.5**	**30.6**	**–54.6**
Memo item:			
Number of housing savings banks operating with losses, before tax	0	1	100.0

Source: CNB.

of domestic government units. This was the consequence of poor results in the trading book and the fall in interest income associated with the mentioned securities. One housing savings bank reported losses (pre-tax), in contrast to 2012, when they all operated at a profit[28].

In 2013, housing savings banks generated pre-tax profits of HRK 39.4m (Table 3.16), which was HRK 46.6m or 54.2% less than in 2012. This fall was influenced by the decline in all components of operating income, particularly by the change in net other non-interest income, which was negative in 2013. While debt securities held in the trading portfolio generated a profit to housing savings banks (HRK 29.2m) in 2012, movements in the fair value of RC securities resulted in losses of HRK 6.2m in 2013. The next according to size of fall was net interest income, which was HRK 13.4m or 8.8% lower. Interest income dropped by HRK 20.1m or 5.6%, mostly due to the fall in interest income from financial assets available for sale and lower interest income from T-bills and domestic government bonds held in this portfolio. This was the result of a somewhat lower amount of investments and interest rate movements. By contrast, interest income from loans went up slightly (1.9%), due to the strengthening of lending activity and lower interest expenses associated with received deposits and loans. Net interest income from fees and commissions slightly declined, as a result of lower income from fees and commissions for contracts on housing savings.

Housing savings banks attempted to mitigate unfavourable movements in income from securities investments by savings in expenses. They managed to reduce considerably their general operating expenses in 2013 (by HRK 18.6m or 13.1%), but the fall in operating income by more than a quarter had a negative effect on the cost to income ratio, which rose from 60% to 72.0%. The operating income burden created by expenses on loss provisions increased in 2013, but it was still relatively low. Expenses on loss provisions remained at the level of less than 5% of operating income. However, expenses on loss provisions grew sharply in 2013 (almost 70%), despite the income from cancelled provisions in two housing savings banks. B and

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

Table 3.17 Classification of housing savings bank placements and assumed off-balance sheet liabilities by risk categories
end of period, in million HRK and %

	2011		2012			2013		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
A	6,423.0	99.5	5,979.0	99.5	–6.9	6,231.5	99.2	4.2
B-1, B-2 and B-3	27.8	0.4	29.7	0.5	6.6	49.5	0.8	66.8
C	2.0	0.0	2.7	0.0	31.5	3.8	0.1	42.7
Total	6,452.9	100.0	6,011.4	100.0	–6.8	6,284.8	100.0	4.5

Source: CNB.

Table 3.18 Coverage of housing savings bank total placements and assumed off-balance sheet liabilities by total value adjustments and provisions
end of period, in million HRK and %

	2011	2012	2013
Total value adjustments against placements and provisions for assumed off-balance sheet liabilities	62.3	61.2	66.7
Value adjustments and provisions	5.9	6.7	12.1
Collectively assessed value adjustments and provisions	56.4	54.5	54.6
Total placements and assumed off-balance sheet liabilities	6,452.9	6,011.4	6,284.8
Coverage	1.0	1.0	1.1

Source: CNB.

C risk category loans increased considerably in three housing savings banks, with a concurrent growth in their coverage by value adjustments. Expenses on loss provisions for category A placements were also recorded in 2013, while in 2012, housing savings banks generated income from cancelled loss provisions for this risk category. The fall in profit led to a strong decrease in return indicators, with ROAA standing at 0.5% and ROAE at 5.2%.

3.2.3 Credit risk

In 2013, total housing savings bank placements and off-balance sheet liabilities[29] (items exposed to credit risk that are classified into risk categories) increased by 4.6%, to HRK 6.3bn (Table 3.17). This was the outcome of the mentioned growth in home loans. As 98.6% of home loans were classified into risk category A at the end of 2013, their quality was very good. The quality of total exposure was also very good because of the dominance of home loans and their excellent quality. Risk categories B and C accounted for only 0.9% of total placements and off-balance sheet liabilities of housing savings banks.

The bulk of home loans (93.2%) related to kuna home loans with a currency clause in euros. Kuna loans without a currency clause accounted for a much smaller share, only 6.8%. Housing savings banks did not grant loans indexed to the Swiss franc and the entire portfolio of home loans was contracted with fixed interest rates. Risk categories B and C accounted for less than 1% of total home loans made by housing savings banks and the average coverage of B and C category home loans by value adjustments was 22.2%.

3.2.4 Capital adequacy

The capital adequacy ratio of housing savings banks fell from 21.3% at the end of 2012 to 19.9% at the end of 2013. This was due to the rise in the capital requirement for credit risk, which was HRK 33.2m or 11.2% higher in 2013 than in 2012. In turn, this was the outcome of growth in the amount of weighted exposures, i.e. the growth in riskier exposure items, such as home financing, and the fall in less risky items, such as deposits with parent banks. The impact of growth in the capital requirement for credit risk was partly offset by a slight increase in own funds (1.7%), due to a rise in reserves and retained earnings. At the end of 2013, all housing savings banks maintained the capital adequacy ratio above the minimum prescribed 12%.

The increase in home loans was reflected in the growth in the amount of weighted exposures and the growth in the share of exposures with higher weights, especially with 35% and 100% weights. A concurrent decrease was observed in deposits with parent banks, treated as transactions within the group of credit institutions and weighted at a 0% weight. These changes led to a further upward trend of the average weight for credit risk, which rose from 33.7% at the end of 2012 to 36.2% at the end of 2013. The remaining capital requirements generally declined, mostly due to a decrease in the capital requirement for position risks. Consequently, only the share of the capital requirement for credit risk increased in the structure of total capital requirements of housing savings banks, to 84.9%, while the shares of capital requirements for market and operational risk decreased, to 3.4% and 11.7%.

29 Gross.

3.3 Report on prudential regulation and supervision

The CNB's tasks regulated by the Act on the Croatian National Bank[30] include the issuance and withdrawal of authorisations and approvals in accordance with the laws governing the operation of credit institutions and credit unions, and the supervision and oversight in accordance with acts governing the operation of these institutions. The main objectives of supervision exercised by the CNB are to maintain confidence in the Croatian banking system, and to promote and safeguard its safety and stability. The exercise of supervision and oversight of credit institutions and credit institutions is governed by the Credit Institutions Act [31] and Credit Unions Act[32]. At the end of 2013, the amended Credit Institutions Act transposed the Directive 2013/36/EU[33], which additionally regulates the national framework for the operation of credit institutions regarding the establishment, corporate management, macroprudential risks and winding-up and bankruptcy of credit institutions. It was also the last year in which the calculation of the capital adequacy of credit institutions was regulated at national level – since the beginning of 2014, it was set by the Regulation (EU) No 575/2013[34] that is directly applied in the EU member states.

Supervision of credit institutions consists of several coordinated activities aimed at verifying compliance on the part of credit institutions (banks, savings banks and housing savings banks) with risk management rules, provisions of the Credit Institutions Act and regulations adopted under that Act, other laws and regulations governing the conduct of financial activities, their own rules, and professional standards and rules. In addition to supervision, the CNB exercises oversight of the implementation of the Act on the Croatian National Bank, regulations adopted under that act, and the implementation of other laws and regulations for which it is competent.

The CNB exercises supervision of credit institutions by:

- collecting and analysing reports and information, ongoing monitoring of credit institutions' operations;
- carrying out on-site examinations of credit institutions' operations;
- imposing supervisory measures in order to take actions at an early stage to improve the safety and stability of credit institutions' operations and to eliminate any illegalities established; and
- issuing opinions, authorisations, approvals and assessment of credit institutions.

The CNB exercises supervision of credit unions in a similar manner.

As of 1 July 2013, i.e. Croatia's accession to the European Union, the organisation of supervision has been adjusted to new requirements. The on-site and off-site examinations of indicators of credit institutions' operations are carried out by three new organisational units, which are entirely competent for the monitoring of operations of certain groups of credit institutions (from licensing to taking supervisory measures). These are provided by the new IT support related to analytical data on credit institutions' operations that are available to supervisors. The part of operations previously carried out within the on-site examination can thus be carried out successfully within the off-site examination, which increases the frequency and reduces the costs of these examinations. In addition to the existing specialised organisational units (prudential regulation and monitoring consumer protection), two new organisational units were established. They are competent for:

- collecting supervisory reports and preparing internal and external publications on the analysis of the banking system; and
- the supervision of fields of expertise – risk management models and IT systems.

3.3.1 New regulations on business operations and supervision of credit institutions and credit unions

Legislative activity regarding the alignment of laws and regulations of the Republic of Croatia with the acquis of the European Union in 2013 can be divided into two periods: the period before the accession to the EU, in which amendments to the Credit Institutions Act was the most important activity regarding credit institutions, and the period after the accession to the EU, i.e. from 1 July 2013, in which the adoption of the new Credit Institutions Act, transposing the Directive 2013/36/EU (CRD IV), was the most important activity.

In the first half of 2013, the CNB, by means of amendments to the Credit Institutions Act[35] and certain subordinate legislation, implemented in the domestic legal framework the provisions of CRD III[36] relating to the areas for which these standards were not previously applied. The Directive 2006/48/EC was thus fully applied until June 2013, when subordinate legislation regulating in detail areas from Credit Institutions Act was adopted.

First, the amendments to the Act introduced the regulation

30 OG 75/2008 and 54/2013.
31 OG 159/2013.
32 OG 141/2006, 25/2009 and 90/2011.
33 Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176/2013).
34 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176/2013).
35 OG 54/2013.
36 The Capital Requirements Directive III (CRD III) consisted of the Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions and the Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions, with relevant additional amendments.

of employee remuneration in credit institutions. Rules, procedures and criteria associated with the remuneration policy were set out in detail by the Decision on employee remuneration, and amendments to the Decision on public disclosure of compliance with prudential requirements by credit institutions introduced the requirements for public disclosure of qualitative and quantitative information on remuneration policies and practices[37].

Second, amendments to the following decisions[38] were adopted, pursuant to requirements from amendments to the Credit Institutions Act:

- Decision on the capital adequacy of credit institutions;
- Decision on public disclosure of compliance with prudential requirements by credit institutions;
- Decision on the internal capital adequacy assessment process for credit institutions;
- Decision on the method of exercising supervision of credit institutions and imposing supervisory measures;
- Decision on the supervision of a group of credit institutions on a consolidated basis; and
- Decision on limits on credit institutions' holdings in non-financial institutions and holdings of tangible assets.

Third, the Decision on the sale of placements by credit institutions[39], setting out in detail the requirements regarding the sale of placements, was adopted, after this area became a part of the legal framework, by means of amendments to the Credit Institutions Act.

Fourth, the Decision on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution[40] has been aligned with the amendments to the Credit Institutions Act and requirements from Guidelines on the assessment of the suitability of members of the management body and key function holders of the European Banking Authority, and it prescribes the criteria for membership in the management and supervisory board of a credit institution and for the suitability of key function holders in a credit institution.

Fifth, the Decision on the internal controls system[41] has been prepared for the purpose of alignment with Guidelines on internal governance of the European Banking Authority of September 2011 and amendments to the Credit Institutions Act, and also for the purpose of solving issues noticed in the application of the previous Decision on internal control systems[42]. The Decision prescribes in more detail the requirements associated with the work of control functions.

In addition to the mentioned subordinate legislation, adopted for the purpose of alignment with the acquis of the EU, the Decision on amendments to the Decision on the classification of placements and off-balance sheet liabilities of credit institutions[43] was adopted in July 2013 and it entered into force on 1 October 2013. The key amendments to this Decision are stricter rules on the classification of bad placements insured by eligible instruments of collateral, clearer rules on the application of criteria for the classification of placements, the treatment of restructured placements, changed classification of placements and value adjustments of placements and prescribing the minimum criteria and rules for the assessment of the value of instruments of collateral.

In October 2013, amendments to the Decision on foreign exchange risk exposure limits of credit institutions[44] were adopted for the purpose of aligning with amendments to the Decision on the classification of placements and off-balance sheet liabilities of credit institutions (in the part referring to the allocation of collective impairments of placements graded A to individual placements), but also for the purpose of aligning with the changed manner of reporting the deferred interest income for fees on placements, which aligns the reporting of financial instruments in financial reports with International Accounting Standards 39 (placements in financial reports are reported as reduced by the amount of deferred interest income).

Pursuant to Article 376 of the Credit Institutions Act, the CNB may charge annual supervision fees since 1 July 2013, i.e. since Croatia's accession to the EU. Entities subject to payment of the supervision fee are credit institutions with head offices in the Republic of Croatia and branches of credit institutions with head offices outside the Republic of Croatia. The policy of charging fees for the supervision of financial institutions has existed in the RC and charges have been made by the Croatian Financial Services Supervisory Agency (HANFA). The Decision on supervisory fees for credit institutions for 2014[45] prescribes the amount, calculation and method of payment of the supervisory fee. The total amount of the supervisory fee is determined by:

- the expected expenses of the Prudential Regulation and Supervision Area in the amount of HRK 40m in 2014, consisting of operating expenses of the Area, expenses of the CNB's membership in the EBA and expenses of the participation of Area's employees in structures of the EU; and
- the expected amount of total assets of credit institutions in 2014, which constitutes the basis for the calculation of the supervisory fee.

Legislative activities after the accession to the EU were marked by the adoption of two items of secondary legislation governing the operations of credit institutions and investment firms, which replace the previously applied Capital Requirements Directive (CRD III):

37 OG 67/2013.
38 OG 67/2013.
39 OG 67/2013.
40 OG 68/2013.
41 OG 69/2013.
42 OG 1/2009, 75/2009 and 2/2010.
43 OG 89/2013.
44 OG 128/2013.
45 OG 142/2013.

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC[46] which is transposed into the national legislation; and
- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012[47] that is directly applied in the EU member states.

Since the RC, as a member state of the EU since 1 July 2013, was obliged to incorporate the provisions of the Directive 2013/36/EU into the national legislation until the day of its entry into force (1 January 2014), preparations began for drafting the new Credit Institutions Act, which was published on 30 December 2013.[48] The new Act was also adjusted to the fact that prudential requirements were regulated by the Regulation (EU) No 575/2013 from 1 January 2014.

In addition to legislative changes, the CNB adjusted the corresponding subordinate legislation[49], which entered into force on 1 January 2014:

- the Decision on risk management was amended for the purpose of alignment with the Directive 2013/36/EU and Guidelines on internal governance of the European Banking Authority, and to improve the existing provisions of the Decision;
- the Decision on employee remuneration was amended for the purpose of alignment with the Directive 2013/36/EU and terminological alignment with the new Credit Institutions Act;
- the Decision on large exposures of credit institutions was amended for the purpose of alignment with the provisions on large exposures from the Regulation (EU) No 575/2013 and Guidelines on the revised large exposures regime of the European Banking Authority, due to which a major part of the provisions of the Decision was deleted; and
- the Decision on limits on credit institutions' holdings in non-financial institutions and holdings of tangible assets was amended for the purpose of alignment with the provisions on the qualifying holdings outside the financial sector from the Regulation (EU) No 575/2013, due to which a major part of the provisions of the Decision was also deleted.

Also published in addition to these amendments was the Decision implementing the part of Regulation (EU) No 575/2013 pertaining to the valuation of assets and off-balance sheet items and the calculation of own funds and capital requirements[50], which sets out in detail the specific requirements from the Regulation (EU) No 575/2013 relating to the valuation of assets and off-balance sheet items, the calculation of own funds, the maintenance of capital ratios, the use of the standardised approach or the IRB approach for the calculation of the risk-weighted exposure amount and the use of credit risk mitigation techniques. This Decision also entered into force on 1 January 2014.

In 2013, the Decision on liquidity risk management[51] was also amended, as a result of the alignment with Guidelines on liquidity cost benefit allocation of the European Banking Authority. However, as the Regulation (EU) No 575/2013, which also prescribes the quantitative requirements for liquidity risk management, and the previously applied Decision on liquidity management were adopted in June 2013, this Decision will have to be repealed by 2018 at the latest, i.e. until the full introduction of liquidity requirements from the Regulation.

As the EU strives towards greater harmonisation and a single rule book, the areas not fully prescribed by the Directive 2013/36/EU remain in the jurisdiction of the EU with more detailed regulation being left to EBA, regulatory technical standards (RTS) and implementing technical standards (ITS) that will be binding for all EU member states. The colleges of supervisors, set up on the EU level for individual groups of credit institutions, will also play a significant role in the regulation of such open issues. In order to improve the working efficiency within the EBA, committees and sub-committees were established, with experts in various fields intensively preparing the drafts of technical standards. CNB representatives actively participated in the work of committees and specific sub-committees (own funds, credit risk, liquidity risk, operational risk, risk assessment, performance indicators, colleges of supervisors, exchange of information, FINREP, COREP). After the accession to the EU, CNB representatives equally participated in all other working groups. After the adoption of the legislative package of the Directive 2013/36/EU and the Regulation (EU) No 575/2013, all administrative capacities of EBA were aimed at drafting the binding technical standards. In addition to these technical standards, the EBA is required to adopt some guidelines.

In June 2012, the European Commission released the proposal for the Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms. It was agreed between the Ministry of Finance of the RC, HANFA and DAB that RC representatives on the Council would be from the CNB. A few meetings were held in 2013, but as the proposal negotiations with the European Parliament began, remarks and positions of the RC were prepared in a written form.

In July 2013, the European Commission proposed the last step towards the creation of banking union – the Single Resolution Mechanism, i.e. it presented the proposal of the Regulation. Afterwards, the first meeting on the proposal of the Regulation was held in the Council in the same month. The drafting of the Regulation and meetings in the Council intensified in the

46 Capital Requirements Directive IV (CRD IV).
47 Capital Requirements Regulation (CRR).
48 OG 159/2013.
49 OG 160/2013.
50 OG 160/2013.
51 OG 60/2013.

period from October to December 2013 and the CNB mostly participated in these meetings. A general agreement in the Council was reached in December and it was followed by the beginning of the "trialogue" with the European Parliament and the Commission in January. Parallel negotiations on an intergovernmental agreement on the functioning of the single resolution fund were launched, but the CNB did not participate in these negotiations.

Furthermore, in September 2013, the Commission proposed the adoption of two regulations on the Single Supervisory Mechanism (SSM) and the Bank Supervision Mechanism (BSM), and negotiations on text proposals were launched with the European Parliament. Within the SSM, the European Central Bank would become responsible for the supervision of all banks in the banking union and the single rulebook on supervision would be applied in the single market.

In the second half of 2013, the CNB hosted several workshops at which new elements of the Directive 2013/36/EU, Regulation (EU) No 575/2013, draft proposals of the new Credit Institutions Act and subordinate legislation were presented in order to inform credit institutions authorised by the CNB of the forthcoming changes in EU regulations.

With a view to enhancing the transparency and uniformity of credit institutions' procedures, the CNB continued to provide opinions and replies to queries, most of which were posted on the CNB website. In 2013, the CNB received a total of 149 queries with 236 questions of credit institutions.

In 2013, the CNB representatives participated in working groups of the Ministry of Finance of the RC for drafting the Leasing Act, Factoring Act, Accounting Act and Act on Amendments to the Credit Unions Act.

3.3.2 Supervision of credit institutions

3.3.2.1 On-site examination of credit institutions

The CNB carries out on-site examinations in accordance with the adopted methodology for supervision, based on an on-site examination plan adopted at the end of each year for the following year. The on-site examination plan for 2013 was based on the established cycle of conducting regular on-site examinations of credit institutions, while extraordinary activities included engagement in operations of the trustee and special administration in Centar banka d.d., which is in bankruptcy.

In the first half of 2013, on-site examination was established by two departments specialised for on-site examination. Ten on-site examinations were carried out in that period, comprehending 58.6% of banking system assets. Following the reorganisation of the Area in the second half of the year, bank supervisory teams responsible for on-site and off-site examinations and licensing were organised. Six on-site examinations were carried out in that period, covering 4.6% of banking system assets, and supervisory fields were narrowed. In addition, an on-site examination of one electronic money institution was also carried out in 2013. Furthermore, significant resources were allocated in 2013 to the supervision of Centar banka d.d., which has been undergoing bankruptcy proceedings since September 2013 and which accounted for 0.4% of total bank assets as at 30 June 2013.

A total of 18 on-site examinations were carried out in 2013, adding up to 1803 supervisory days. Examinations were carried out in 12 credit institutions the assets of which accounted for 63.2% of banking system assets, according to unaudited data as at 31 December 2013 (Table 3.19). Eight on-site examinations of risk management were carried out in eight credit institutions, covering 13.7% of banking system assets according to unaudited data as at 31 December 2013. The system of internal controls, the prevention of money laundering and terrorist financing and the implementation of measures under decisions were each the subject of one on-site examination. Two on-site examinations were carried out in the field of IT system monitoring. In addition, five on-site examinations in three credit institutions were carried out for the purpose of validation of the internal ratings-based approach (IRB) for credit risk and validation of the advanced measurement approach (AMA) for the calculation of the capital requirement for operational risk.

The priorities in 2013 were on-site examinations of credit institutions, with a particular emphasis on asset quality control, credit risk management and value adjustments and provisions for partly recoverable and fully irrecoverable placements (eight credit institutions), while full scope on-site examinations of entire operations were conducted in two credit institutions.

The analysis of asset quality and credit risk management focused in particular on the following areas:

- on-site examination of the methodology and the process of value adjustment and provisions in relation to legal persons;
- effects of amendments to the Decision on the classification of placements and off-balance sheet liabilities of credit institutions, which entered into force on 1 October 2013;
- credit risk exposure to the construction and real estate management sectors;
- analysis of credit risk management adequacy in the segment of project financing and placements with bullet payments;
- credit risk management in cases of extended collection deadlines or placement restructuring and the assessment of the adequacy of value adjustments and provisions;
- analysis of the process of granting, monitoring and collection of placements in the factoring portfolio;
- analysis of the internal controls system in the process of managing the instruments of collateral; and
- analysis of the process of subsequent monitoring and organisation of forced collection of payments.

In addition, in 2013, special attention was paid to the analysis of the valuation of assets in accordance with IAS and the analysis of pledged assets and issued instruments of collateral of a bank to counterparties on the basis of bank liabilities.

The adequacy of placements' value adjustments is established by examining credit records and, in most cases, by intensive testing of the credit institution's methodology according to relevant portfolio characteristics. As a rule, the tests are harmonised with the internal placement distribution process including, among other things, simulations of maximum losses for the clients and the placements from the group of risky placements,

Table 3.19 On-site examinations carried out in 2013

in thousand HRK and %

	Examined areas												Assets covered by on-site examinations as at 31 December 2013[a]	The share of assets covered by on-site examinations in total assets of the group[b]
	ICS	ITS	PML and TF	On-site examinations of entire operations (CAMELS)	Capital	Assets	Management	Earnings	Liquidity	Market risk	Measures under decisions	Validation of IRB model/AMA		
Banks	1	2	1	2	3	6	3	3	4	1	1	4	256,175,386	64.3%
Housing savings banks													–	–
Credit institutions (total)	1	2	1	2	3	6	3	3	4	1	1	4	256,175,386	63.2%
Electronic money institutions		1											–	–

[a] Unaudited data.

[b] The percentage refers to the total amount of credit institution assets covered by on-site examinations and examined by using a representative sample that was selected in line with the best global supervisory practices.

ICS – internal control systems, ITS – IT systems, PML and TF – prevention of money laundering and terrorist financing

Source: CNB.

as well as the placements of the clients that recorded a deterioration in financial reports and were not insured by quality collateral.

As a result of all the above mentioned activities, on-site examination revealed considerable additional value adjustments in the credit portfolios of almost all credit institutions that were subjected to on-site examination. The total amount of additional value adjustments and provisions determined in the course of on-site examinations in 2013 stood at HRK 366.1m. In addition, in the course of on-site examinations, credit institutions made additional value adjustments and provisions amounting to HRK 58.6m for clients covered by the sample, which, added together, makes 7.2% of the total provision expenses for identified losses of the banking system in 2013. The growth in operating expenses in 2013 was also influenced by the impairment of assets in the total amount of HRK 63.5m, based on conclusions of on-site examinations.

Following the on-site examinations, and with regard to the illegalities, irregularities and weaknesses that were established in reports, the CNB issued recommendations for the improvement of business processes and IT systems and imposed measures for the elimination of established illegalities and irregularities and improvement of the situation. Based on issued reports, five decisions on supervisory measures were issued. A total of 15 supervisory measures were ordered via the issued decisions, 27% of which were related to credit risk, 33% to reporting, and the remaining measures were related to capital adequacy, IT systems, risk management and liquidity risk.

3.3.2.2 Off-site examination and cooperation with foreign supervisors

Off-site examination

Off-site examination is one of the segments of supervision of credit institutions' operations and it implies a system of procedures and processes based on the continuous monitoring of operations and detecting changes in credit institutions' operations. The CNB carries out the off-site examination of credit institutions by collecting and analysing reports and information and by analysing additional information submitted by credit institutions at the request of the CNB. Within the continuous monitoring of credit institutions' operations, the CNB regularly holds meetings with the management board and/or higher management, internal and external auditors, and if necessary, with the supervisory board of the credit institution. The purpose of off-site examination is to establish the risk profile of a credit institution, launch an on-site examination and adopt and monitor supervisory measures to ensure and maintain the stability of each credit institution and the system as a whole.

In 2013, the CNB carried out the supervisory cycle of the assessment of the risk profile of credit institutions in relation to all the risks to which credit institutions are exposed or might be exposed in their business operations, an assessment of the adequacy of the process of assessment and maintenance of the internal capital of a credit institution, continuous cooperation based on a dialogue between the supervisors and the credit institution and the imposition and monitoring of supervisory measures aimed at taking actions at an early stage to improve the safety and stability of credit institutions' operations and to eliminate any illegalities established.

The internal Methodology for the Risk Assessment of Credit Institutions was used to assess the risk profile of credit institutions. Risk profile assessment is one of the tools used by the CNB to determine the scope of activities, supervisory resources and priority credit institutions for supervision in the forthcoming period.

In 2013, written analyses based on off-site examinations were compiled within the prescribed deadlines, although the supervisory resources were mostly allocated to the continuous monitoring of credit institutions' operations through regular communication with the credit institution or the analysis of specific operating areas assessed to carry an increased degree of risk.

Off-site examination analyses comprehended credit institutions' performance indicators, a review and an analysis of key financial and supervisory reports, a review of the implementation of supervisory measures (if imposed on a credit institution), as well as compliance with legal restrictions. In addition, written off-site examination analyses also provided general information on a credit institution and its main operating guidelines, data on the market share of a particular credit institution in the whole system and its market share by individual types of product, recommendations for on-site examinations, important decisions made at the general meeting and other relevant information. In 2013, 124 written off-site examination analyses of credit institutions' operations and 28 reports on operations were compiled as part of the off-site examination process. Detailed specific analyses of individual parts of the operation of credit institutions were also made where required.

The off-site examination process includes an analysis of consolidated financial statements of groups of credit institutions. In 2013, the CNB monitored the operations of seven groups of credit institutions in each of which in this year one credit institution accounted for the dominant share of the assets and total income of the group, with the indicators of the business operations of the credit institution having a crucial impact on the performance indicators of the group.

The supervisory cycle of the assessment of credit institutions in 2013 also included the analyses of 33 internal capital adequacy assessment reports (ICAAP reports)[52]. ICAAP reports provide a comprehensive review of the organisation of the internal capital assessment process, the identified risks and the manner of determining their significance, the approach that a credit institution uses in the assumption, management and control of risks (separately for each risk identified as significant), the manner of determining the required internal capital and its amount as well as the comparison between internal and regulatory capital requirements and the manners of ensuring additional capital in the case where the internal capital adequacy assessment process identifies the need for such capital. The analysis of the submitted internal reports and self-assessments by credit institutions makes it possible for the supervisor to assess the adequacy of procedures prescribed and implemented by a credit institution with a view to timely identification, measuring, control and management of risks and the adequacy of the determined required internal capital. Combined, all these factors, together with the risk profile assessment, provide a basis for the planning of the next supervisory cycle for an individual credit institution.

Following off-site examination analyses in 2013, the CNB prepared seven reports on examination findings and ten decisions with a total of 23 measures imposed for the elimination of established illegalities and irregularities, as well as the measures for the improvement of the situation. Of these measures, 22% was related to credit risk, 13% to capital adequacy, 22% to risk management organisation, 17% to the approval to exclude some companies from the scope of the consolidation, 13% to reporting and 13% to other measures. The CNB also issued one decision permitting the credit institution to make changes in the use of the advanced measurement approach for the calculation of the capital requirement for operational risk. In 2013, two credit institutions received three written warnings as regards their failure to implement supervisory measures in the manner and within the time limits set in the CNB decisions.

Cooperation with foreign supervisors

In 2013, the CNB continued to cooperate with foreign supervisors, particularly as regards joint assessments of the risk of business operations of banking groups and the adequacy of allocated amounts of capital for members of individual groups.

Based on the memoranda of understanding in effect, in 2013 CNB representatives participated in eleven colleges of supervisors relating to the supervision of banking groups that include domestic credit institutions. Presentations on the risk profiles of credit institutions and the impact of the financial crisis on the business operations of credit institutions, the measures taken to reduce risk exposure and/or improve risk management and future business issues, particularly from the standpoint of adequacy of available capital, were also made for these colleges of supervisors in the CNB in 2013.

In 2013, the CNB delivered to consolidating supervisors the main findings, conclusions and recommendations of on-site examinations of domestic credit institutions that are members of banking groups. Within the framework of cooperation with foreign supervisors, the CNB is responsible for the drafting of a Supervisory Risk Report, i.e. an annual risk assessment of a domestic credit institution, which serves as an element for making the final joint risk assessment decision and for a joint decision on the required amount of capital of a banking group. Eleven supervisory reports were prepared in 2013 for 2012. A joint decision on capital adequacy of a banking group was adopted for nine credit institutions at the banking group level, while the decision was not adopted for one credit institution at the banking group level. The CNB was not obliged to sign the document in the process of adoption of a joint decision on the required amount of capital for one credit institution at the banking group level.

In 2013, the CNB continued to cooperate with the Austrian supervisory authority on the preparation of a Supervisory Newsletter that deals with the business operations of domestic banks majority-owned by Austrian banks. Twelve such newsletters were prepared.

Other activities

In 2013, the CNB continued to cooperate with the Croatian Financial Services Supervisory Agency (HANFA) by participating in the work of the joint Working Committee. At the Committee meetings, the institutions exchange information on current topics in the banking sector and the sector supervised by the Agency, resolve open issues on the exchange of data and arrange the coordination of supervisory activities. Two regular meetings of the Committee, a number of meetings of working groups and several bilateral meetings at which specific issues were discussed were held in 2013. The Protocol on the exchange of information and Rules of Procedure were also revised in 2013, due to the changes in the legislative framework for HANFA's operations.

In 2013, the CNB participated in the work of the Standing Coordination Group for Monitoring the Implementation of

52 Credit institutions which are members of groups of credit institutions in the Republic of Croatia are not required to submit these reports.

International Restrictive Measures and in the work of the inner task force of the Inter-institutional Working Group for the Prevention of Money Laundering and Terrorist Financing.

3.3.2.3 Supervision of IT systems

The Information Systems Supervision Division is responsible for the supervision of IT systems of credit institutions and credit unions in the RC. The supervision of IT systems includes on-site and off-site examinations of IT systems, imposition and monitoring of the implementation of supervisory measures, drafting of regulations, guidelines and publications relating to IT systems, and cooperation with the Payment Operations Area regarding the supervision of IT systems and participation in the authorisation procedure for payment institutions and electronic money institutions.

As regards on-site examinations of IT systems in 2013, in addition to performed on-site examinations of IT systems of credit institutions, the on-site examination of the IT system of an electronic money institution was also carried out, for the purpose of the assessment of the IT system's condition and risks arising from the use of IT and related technologies in the business operations of the institution.

Annual working meetings on off-site examinations of IT systems in 2013 were held with representatives of all credit institutions that have a significant impact on the safety and stability of the banking system and in which IT technology has a great impact on regular operations, and a working meeting with all external auditors regarding the presentation of results of the analysis of audit reports on the audits of IT systems of credit institutions. Furthermore, the annual Report on the condition of credit institutions' IT systems for 2013 was compiled; it provides a structured and systematic presentation of the condition of IT systems of all credit institutions in the RC, a review of the systemic issues susceptible of detection, a review of the regulatory adjustments and external auditors' views on the IT systems' condition. Analyses of audit reports on the audits of IT systems of credit institutions for the financial year 2012 were also carried out, with the focus on the analyses of methodologies of assessing IT systems' conditions and adequacy of managing IT systems by external auditors, i.e. on the review of comprehensiveness, consistence and clarity of assessment.

On behalf of the CNB and the National Computer Emergency Response Team, a joint workshop on the security incidents related to IT systems was organised for credit institutions, in which the heads of IT systems of all credit institutions participated.

3.3.2.4 Supervision of models

The main task of the risk modelling supervision is the assessment of models used by credit institutions for the measuring and management of risks, especially the determination of capital requirements and the assessment of the use of models in internal practices of credit institutions, which includes ratings assignment, granting placements, setting the product price, measuring the exposure, remuneration in relation to the risk taken and similar matters. One of the tasks is also the development of complex regulations related to advanced approaches, primarily the IRB approach (internal ratings-based approach) for credit risk, AMA (advanced measurement approach) for operational risk and IMA (internal model method) for market risk.

In the first quarter of 2013, a review of the status of the IRB approach implementation project was carried out in one bank which has indicated its intention of applying for the IRB approach implementation by 30 June 2014, in order to start the regulatory implementation of the IRB approach for the calculation of risk-weighted exposure amount as of 1 January 2015, provided that the permission was granted.

In the second quarter of 2013, an on-site examination of one bank was carried out at the request of the home regulator, in the part of operations involving materially significant changes in the model for large and regular companies. The bank does not have permission for the use of IRB approach in the RC (though the model, in terms of the business practice, determining the strategy and management of credit risk, has been applied for a while). The new model will be applied until further notice only at the consolidated level of a foreign parent bank. A part of the Joint Decision was drafted and coordinated within the process. In the fourth quarter of 2013, an on-site examination of the same bank was carried out in the part of operations regarding the use of the IRB approach for the major part of the portfolio of exposures to households (home loans, car purchase loans and unsecured general-purpose loans). At the home regulator's request, locally developed models for measuring the credit risk, intended to be used on a group, consolidated basis for the calculation of the capital requirement for credit risk were assessed.

3.3.2.5 Supervision of credit unions

As at 31 December 2013, there were 26 credit unions enrolled in the register of companies of the Republic of Croatia, whose assets, according to the reports submitted to the CNB, totalled HRK 660.4m. The number of credit unions remained unchanged from the end of 2012, while assets rose by HRK 58m. On 11 June 2013, the commercial court opened bankruptcy proceedings against the credit union which was previously in the process of winding-up. At the end of 2013, eight credit unions were in the process of winding-up and two were undergoing bankruptcy proceedings.

In 2013, regular analyses continued to be made by the CNB of the quarterly financial and supervisory reports and monthly liquidity reports submitted by credit institutions within the prescribed deadlines. Additional data submitted by credit unions after requests by the CNB were also analysed. Meetings with members of management and supervisory boards of credit unions continued to be held in 2013. Efforts continued to be made in handling complaints by consumers using services provided by credit unions.

53 From December 2013, this list is also available at the *Credit Institution Register* interface on EBA's website.

3.3.2.6 Issuance of authorisations and approvals to credit institutions and credit unions

Pursuant to its statutory powers arising from the Act on the Croatian National Bank, and in accordance with the provisions of the Credit Institutions Act, the Act on Housing Savings and State Incentives for Housing Savings, and the Credit Unions Act, the CNB, within its supervisory powers, is also responsible for issuing authorisations and approvals necessary for the establishment and operation of credit institutions and credit unions.

Through the system of authorisations and approvals, the CNB can control some of the decisions and legal transactions of a credit institution prior to their adoption, execution or realisation, and thus, as a supervisory tool, licensing can have two functions:

- to detect in advance and prevent decisions and transactions that might have an adverse effect on future operations of a credit institution; and
- make the credit institution implement the imposed supervisory measures.

Under the Credit Institutions Act, the following authorisations and approvals are prescribed:

- authorisation of credit institutions;
- authorisation to provide banking and financial services;
- authorisation for acquisition of/merger with another credit institution, or transfer of a portion of the assets and liabilities of a credit institution to another legal person;
- authorisation to divide/split off/transfer a portion of assets or a proportionate share of liabilities to another credit institution;
- authorisation to establish a branch of a credit institution in another member state;
- authorisation to establish a branch of a credit institution in a third country;
- authorisation to establish a branch and a representative office of a third-country credit institution;
- authorisation for a savings bank to operate as a bank;
- prior approval to acquire a qualifying holding in the initial capital of a credit institution;
- approval for the appointment of the chairperson or a member of the management board of a credit institution;
- approval for the appointment of the supervisory board members of a credit institution;
- approval to a credit institution for the acquisition of a 20% holding in another undertaking, which exceeds 10% of a credit institution's own funds; and
- approval to a credit institution for the acquisition of a majority holding or of a majority of the voting rights in another legal person.

In addition, pursuant to the Act on Housing Savings and State Incentives for Housing Savings, the CNB is responsible for approving the general operating conditions of housing savings banks.

As provided by the Credit Unions Act, the CNB also issues authorisations for the operation of credit unions and approvals for the appointment of management board members of credit unions.

Since the Credit Institutions Act provides for the possibility of withdrawal of authorisation from a credit institution and of approval for a management board member, the CNB is also responsible for the withdrawal of such authorisations and approvals. The same authorisation is also provided for by the provisions of the Credit Unions Act.

In 2013, a total of 76 decisions to issue or withdraw authorisations and approvals were issued to banks, housing savings banks, savings banks and credit unions. The largest number of these decisions involved approvals for the appointment of the chairperson and members of the management boards of credit institutions (44) and credit unions (10). Other decisions involved issuing (6) and withdrawing (3) authorisations for the provision of financial services by credit institutions. The authorisations to provide financial services were withdrawn at the request of credit institutions that ceased to provide these services. In addition, five approvals were issued to acquire a holding of over 10% in the initial capital of a credit institution, one approval for a merger of credit institutions, two approvals to credit institutions for the acquisition of a majority holding in another legal person and five for the changes in general operating conditions of a housing savings bank.

3.3.3 Reporting and analysis of credit institution system

3.3.3.1 New reporting regulations

In line with the accession to the European Union and the alignment of supervisory reporting in mid-2013, the Prudential Reporting Division was established. The alignment is based on the implementing technical standard associated with supervisory reporting, which was recommended by the EBA to the European Commission in July 2013 and which covers financial reporting, reporting on capital adequacy, liquidity, financial leverage ratio, large exposures, non-performing exposures and pledged assets. The application of the implementing technical standard began in 2014, following its adoption in the form of a regulation. In this regard and regarding the support in exercising supervision by off-site analysis, following activities were performed:

- drafting of subordinate legislation related to supervisory reports;
- the adjustment of IT applications for the receipt, compilation and processing of supervisory reports;
- ensuring the timeliness and accuracy of received supervisory reports;
- ensuring the unique set of performance indicators for the needs of off-site analysis of credit institutions;
- drafting of internal reports on business operations of credit institutions for the needs of off-site analysis of credit institutions' operations;
- development of data warehouses regarding business operations of credit institutions at CNB level; and
- participation in the work of European authorities regarding the content and techniques of collecting supervisory reports (in XBRL format).

3.3.3.2 Publications and analyses

In the framework of its regular activities, the CNB publishes annual, semi-annual and quarterly reports to provide market participants and the general public with data on the state and trends in the banking system and the basic indicators of the business operations of individual credit institutions. In addition, data are also prepared for meetings with credit rating agencies and different domestic and foreign institutions, questionnaires are completed and replies to queries of different interested parties, particularly the press, are prepared. In addition to published publications, internal analyses, both regular and *ad hoc* are also made for the supervision area and CNB management.

Of the regular publications, Banks Bulletin No. 26 for 2012 was issued in 2013. The following internal reports were compiled on a regular basis:

- Due but unpaid claims (monthly report); and
- Quarterly report on the banking system.

As in the previous years, reports on debtors whose debt exceeds HRK 5m (monthly report) were submitted to credit institutions and the CNB prepared a contribution for the BSCEE (Banking Supervisors from Central and Eastern Europe) consisting of quantitative data and written information on the situation in the Croatian banking system and CNB supervisory activities.

The list of credit institutions operating in the RC was regularly updated on the CNB website.[55] Following the accession to the EU, this list was extended to institutions that may directly provide mutually recognised services. Credit institutions from EU member states and from the countries signatories to the Agreement on the European Economic Area may temporarily provide mutually recognised services that they are authorised to provide in their host member state directly within the territory of the Republic of Croatia. In addition, the following data were also published on the CNB website:

- Prudential data on credit institutions for the first half of 2013,
- updated Statistical data presented as at the end of 2012 within the Supervisory disclosure,
- Indicators of credit institutions' operations, including indicators of individual institutions' operations and aggregated data on the quality of loans by sectors and currencies (quarterly); and
- Standard Presentation Format (SPF) – section on the banking system (quarterly).

3.3.4 Market competition

The CNB was responsible for the protection of market competition in the market of banking and financial services provided by credit institutions until Croatia's accession to the European Union.

In this regard, the CNB continued to pursuit investigations into alleged abuse of a dominant position of several banks, launched at end-2012. The CNB terminated two investigation proceedings with a settlement with particular banks, while unfinished investigations, following Croatia's accession to the EU, fell within the competence of the Croatian Competition Agency.

In accordance with CNB practice so far, until the transfer of the authority, the central bank provided interpretations and opinions to the requests submitted by natural and legal persons pertaining to the implementation of market competition policy and CNB activities in this context.

3.3.5 Consumer protection

Difficulties in the repayment of loans, driven by loss of employment or reduction in income, were the main source of dissatisfaction of a large number of credit institutions' clients. Consequently, considerable efforts had to be made in handling complaints by consumers using banking and financial services.

The CNB continued to pursue relationships and communicate with various media and other interested parties that often approached the CNB with specific topics and queries related to the consumer protection policy and current regulatory framework.

Following the previous research and collection of data in order to establish market conditions (through various questionnaires and information from consumer complaints), appropriate amendments in the part of the Credit Institutions Act relating consumer protection were carried out and entered into force in the second half of 2013. As a result, the CNB continued to monitor credit institution's relations with customers, taking into account the new regulatory environment.

As in the remaining segments falling within its competence, the CNB got involved in the work and monitoring of EBA activities on consumer protection, which particularly intensified after Croatia's accession to the EU. These developments led to the continuous coordination of activities between national authorities involved in the pursuit of the consumer protection policy – users of financial services, which, due to the shared competence in the RC, implies close cooperation of the CNB, HANFA and MoF in this field.

Furthermore, activities of the FinCoNet and INFE continued to be monitored for the purpose of better involvement in activities regarding the establishment of financial education at the national level, which are coordinated by the MoF.

CNB representatives also participated regularly in the work of the National Consumer Protection Council in 2013.

Payment operations

HNB

4.1 Alignment of domestic payment system regulations with the acquis communautaire

The Act on the Implementation of EU Regulations Governing Payment Systems (OG 54/2013) was adopted in 2013 and entered into force on 1 July 2013, with the exception of certain provisions, which would enter into force on 1 February 2014, 31 October 2016 and 1 February 2017.

The Act was passed for the purpose of aligning the legislation of the Republic of Croatia with the acquis of the European Union. The provisions of the Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001 and Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009 became applicable as of the day the Republic of Croatia acceded to the EU.

The Regulation (EC) No 924/2009 establishes the principle of equality of charges for national and cross-border payments in euro, i.e. the obligation is placed on payment service providers to apply the same charges for both cross-border and national payments of the same value and in the same currency.

The Regulation (EU) No 260/2012 lays down the rules and conditions for the execution of credit transfers and direct debits in euro within the European Economic Area, which are equal for national and cross-border payment transactions, and sets deadlines for their application.

These Regulations aim to govern the functioning of the internal market in such a way that an integrated payment market for electronic payments in euro will be established, with no difference in the manner of execution between national and cross-border payments. For this purpose, common payment instruments at the EU level have been developed. Common payment standards, rules and practices have been introduced, as well as the application of integrated processing of SEPA payments (Single Euro Payment Area, SEPA), which should ensure safe, accessible and reliable payment services in euro under the competitive prices.

This Act establishes competent authorities for exercising supervision over the implementation of the provisions of these Regulations (the CNB and the Ministry of Finance – Financial Inspectorate). The Act lays down the procedure for filing complaints to the CNB (as the competent authority) and prescribes cooperation of the CNB with the competent authority of another member state if the complaint refers to the payment service provider of that member state that directly provides payment services in the Republic of Croatia.

Out-of-court settlement of dispute between consumers as payment service users and their payment service providers is also regulated and the Conciliation Centre of the Croatian Chamber of Economy is set as the authority competent for the redress procedure. The Act also regulates violations and the amount of fines paid for individual violations by payment service providers, payment system operators and other persons. The Ministry of Finance – Financial Inspectorate will conduct violation proceedings of the first instance.

The CNB, Ministry of Finance – Financial Inspectorate and the Croatian Chamber of Economy must notify the European Commission of their respective competences pursuant to this Act.

4.2 Granting authorisation to provide payment services and to issue electronic money (licensing)

Since the introduction of the Payment System Act and the Electronic Money Act (both Acts entered into force on 1 January 2011), the CNB has granted a total of 7 authorisations to electronic money institutions. Apart from authorisations granted to electronic money institutions during 2011 and 2012 (Hrvatski telekom d.d., VIPnet d.o.o., PBZ CARD d.o.o., Erste Card Club d.o.o., Tele2 d.o.o. and Paysafecard d.o.o. as an electronic money institution under exemption), in 2013 the CNB granted authorisation to mStart d.o.o. to issue electronic money and provide payment services that are linked to the issuance of electronic money and issued a decision to Hrvatski telekom d.d. to provide additional payment services (that are not linked to the issuance of electronic money), i.e. money remittance payment services.

In accordance with the adopted regulations, the CNB keeps a register of electronic money institutions which have been granted authorisation to issue electronic money (and provide payment services that are linked to the issuance of electronic money), which is publicly available on the CNB's website.

The provisions of the Payment System Act (OG 133/2009 and 136/2012) and the Electronic Money Act (OG 139/2010), which enable payment system institutions and electronic money institutions from other member states (including the members of the European Economic Area) to provide their services in the Republic of Croatia (passporting), entered into force the day the Republic of Croatia acceded to the EU. These institutions may provide their services in the Republic of Croatia directly or through a branch or an agent.

In 2013, the CNB received from the competent authorities of other member states of the EU 21 notifications for payment system institutions and 11 notifications for electronic money institutions which intend to provide payment services and/or issue electronic money in the Republic of Croatia.

The list of payment system institutions and electronic money institutions from other member states for which the CNB received notifications of the intention to provide services in the Republic of Croatia is published on the CNB's website.

4.3 Interinstitutional cooperation in the area of payment operations

4.3.1 National Payment System Committee

The National Payment System Committee (hereinafter: the Committee), consisting of the representatives of the CNB, Ministry of Finance, Croatian Bank Association and Croatian Chamber of Economy – Banking and Finance Department, held three meetings in 2013 at which current issues in the payment operations area were discussed.

In accordance with its powers, the Committee issued conclusions and recommendations for acting within the payment system.

The organisational issues related to the implementation of the SEPA project in the Republic of Croatia were discussed at the meeting in January 2013. It was accepted that the Committee should manage the SEPA project in the Republic of Croatia and that separate working bodies will be formed within the Committee, as the main operational bodies in the organisational structure of the SEPA project. The working bodies' task is to coordinate and direct the work on the project, monitor the working groups' activities, discuss open issues and prepare reports on the progress of the project for the Committee.

The Committee also discussed the proposal of the Act on the Implementation of EU Regulations Governing Payment Systems, as well as certain provisions of the Payment System Act which entered into force upon the accession of the Republic of Croatia to the European Union and which require appropriate adjustments by payment service providers (e.g. shorter deadlines for the execution of national and cross-border payment transactions in euro).

The final proposal of the SEPA project organisation and management in the Republic of Croatia was adopted at the Committee meeting in April 2013. In this regard, it was concluded that the Committee will form two working bodies, the Croatian SEPA Coordination Committee – CSCC and the Croatian SEPA Forum – CSF. These working bodies will be autonomous in fulfilling their tasks and will report to the Committee on their performance. It was concluded that, for the purpose of fulfilling their objectives, the CSCC and CSF may establish special working groups with the aim of making proposals of practical solutions to the set tasks.

Following the adoption of the Annex to the Agreement Establishing the National Payment System Committee (25 April 2013), a new Committee meeting was held in May 2013 at which the members of the Committee accepted amendments to the Rules of Procedure of the National Payment System Committee, which created formal assumptions for the realisation of the described objectives and tasks. At the same meeting, the Committee adopted two decisions, the Decision establishing the Croatian SEPA Coordination Committee (CSCC) and the Decision establishing the Croatian SEPA Forum (CSF).

4.3.2 Council of the National Clearing System (NCS) Participants

The Council of NCS Participants consists of the representatives of the CNB, banks and the Financial Agency. During 2013, the Council held one meeting, featuring a presentation of the activities carried out during the year.

The operative group for the SEPA credit transfer (SCT), consisting of representatives of banks and the Financial Agency, was established as planned. It held seven working meetings in the two-month period at which the format of the client-bank message was defined, as well as the terminology and meaning of individual fields.

4.3.3 Participation of employees in the working groups of the European Union bodies and cooperation with other central banks

During 2013, the appointed CNB representatives in the area of payment systems participated in 22 meetings of committees of the European System of Central Banks, working bodies of the EU Council and committees of the European Commission.

4.4 Authorised exchange offices

Pursuant to the Foreign Exchange Act, the CNB issues authorisations to conduct exchange transactions to legal persons and craftsmen (authorised exchange offices). During 2013, 72 authorisations to conduct exchange transactions were issued and 79 authorisations were withdrawn in line with the applicable legal procedures.

A total of 1,309 valid authorisations were issued by 31 December 2013. As concerns their legal form, 63% of authorised exchange offices are limited liability companies, 27% are craftsmen, 8% are joint stock companies and 2% are other legal persons.

Authorised exchange offices have to use protected computer programmes certified by the CNB. The use of such programmes was introduced for the purpose of strengthening fiscal and financial discipline and is directly related to the pursuit of the policy of prevention of money laundering and terrorist financing. So far, the CNB issued 37 computer programme certificates for authorised exchange offices to legal persons and craftsmen.

According to the data on the turnover of authorised exchange offices, received and processed by the CNB, their turnover in foreign cash purchase and sale transactions with natural persons totalled HRK 28.55bn. Of that amount, HRK 21.1bn went to the purchase of foreign cash and checks denominated in foreign currency and HRK 7.45bn to the sale. The bulk of transactions (87.6%) were in the euro.

4.5 Interbank payment systems

In 2013, interbank payment systems operated without any serious situations that could in any way compromise the operational safety of interbank payment systems, the basic infrastructure of domestic payment operations.

The accessibility of the CLVPS to payment system participants was as high as 99.99%. The CLVPS was inaccessible for a total of 17 minutes in 2013. The deviation from the payment execution schedule totalled 227 minutes.

The accessibility of the NCS to payment system participants was 100.00 % (excluding regular technical maintenance), with a deviation from the payment execution schedule standing at 633 minutes.

The only difficulties in the use of particular payment system services, which were very slight, were of a technical or technological nature.

Compared with 2012, there was an increase in the number and a decrease in the value of payment transactions settled through the CLVPS, while an upward trend was observed in both the number and value of payment transactions cleared through the NCS.

4.5.1 Croatian Large Value Payment System

Below are the basic data on payment transactions settled through the CLVPS in 2013, and a comparison of some data with the data from the previous calendar year.

The number of payment transactions settled through the CLVPS increased by 3.61% from 2012. A total of 302,574 payment transactions were settled through CLVPS in 2013, with the daily average of settled payment transactions standing at 1,210.

The total value of payment transactions settled through the CLVPS decreased by 13.61% from 2012, which was brought about by the fall in the value of banks' overnight deposits with the CNB. This decrease was due to the reduction in interest rates on overnight deposits.

The total value of payment transactions settled through the CLVPS in 2013 was HRK 3,086.978m. The average value of a payment transaction was HRK 10.2m and the daily average value of transactions settled through the CLVPS stood at HRK 12.3bn.

Table 4.1 CLVPS – payment transactions executed in 2013

Month	CLVPS	
	Payment transaction number	Payment transaction value (in million HRK)
January	24,711	387,611
February	22,272	353,568
March	22,918	386,409
April	26,037	412,777
May	26,038	148,974
June	26,199	184,544
July	32,218	262,961
August	23,131	195,509
September	24,175	195,302
October	24,881	194,197
November	21,918	177,271
December	28,076	187,856
Total	302,574	3,086,978

Source: CNB.

Table 4.2 CLVPS – overview of payment transactions settled

	2012	2013
Payment transaction number	292,027	302,574
Payment transaction value (in million HRK)	3,573,414	3,086,978
Payment transaction average value (in million HRK)	12.2	10.2

Source: CNB.

The largest value of payment transactions settled through the CLVPS was recorded in April, totalling HRK 412,777m, and the largest number of 32,218 was recorded in July.

As shown by the structure of exchanged payment messages, as many as 66.67% of total messages were payment messages (MT103) used by banks for executing client payments. Payment messages used by banks for executing their own payments (MT202) and direct transfers accounted for 27.71% and 5.62% of total payment messages respectively. Direct transfers are payment messages used by the central bank to carry out its legal obligations and manage payment systems, as well as to execute payments ordered by participants encountering technical and communication difficulties.

4.5.2 National Clearing System

Below are the basic data on payment transactions cleared through the NCS in 2013, and a comparison of part of total data with the data from the previous calendar year.

The total number of payment transactions cleared through the NCS increased by 5.13% from 2012. A total of 146,098,888 payment transactions were cleared through the NCS in 2013, with the daily average of cleared payment transactions standing at 584,396.

The total value of payment transactions cleared through the NCS increased by 3.18% from 2012. The total value of payment transactions cleared through the NCS in 2013 was HRK 721,256m. The average value of a payment transaction was HRK 4,936.77 and the daily average value of transactions cleared through the NCS stood at HRK 2,885.03m.

The largest value of payment transactions cleared through the NCS was recorded in July (HRK 68,009.60m). The largest number of payment transactions was also recorded in July (13,480,458).

The largest value of payment transactions (36.44%) was cleared in the fourth clearing cycle. The largest number of payment transactions was cleared in the first clearing cycle, 31.14% of the total.

Table 4.3 NCS – payment transactions executed in 2013

Month	NCS	
	Payment transaction number	Payment transaction value (in million HRK)
January	11,007,317	55,306
February	10,863,571	50,984
March	12,157,782	58,356
April	11,913,287	59,741
May	12,733,572	61,400
June	11,898,207	63,065
July	13,480,458	68,010
August	11,634,008	59,045
September	12,549,796	61,631
October	12,807,923	61,679
November	11,937,025	57,116
December	13,115,942	64,923
Total	146,098,888	721,256

Source: FINA.

Table 4.4 NCS – overview of payment transactions cleared

	2012	2013
Payment transaction number (in million)	138.97	146.10
Payment transaction value (in million HRK)	699,019	721,256
Payment transaction average value (in HRK)	5,030	4,937

Source: FINA.

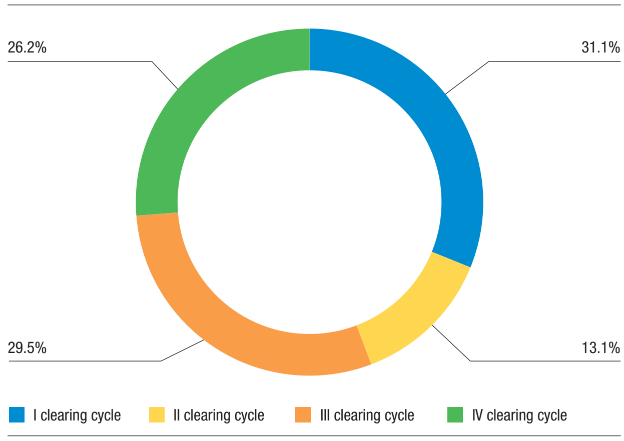
Table 4.5 NCS – total value and number of payment transactions by clearing cycles in 2013

	I clearing cycle	II clearing cycle	III clearing cycle	IV clearing cycle	Total
Payment transaction number	45,496,155	19,103,035	43,159,390	38,340,308	146,098,888
Share (in %)	31.14%	13.08%	29.54%	26.24%	100%
Payment transaction value (in million HRK)	122,128	81,357	254,922	262,849	721,256
Share (in %)	16.93%	11.28%	35.34%	36.44%	100%

Note: I clearing cycle – from 18.30 T_{-1} to 9.30 T_0 • II clearing cycle – from 9.30 T_0 to 11.00 T_0 • III clearing cycle – from 11.00 T_0 to 14.00 T_0 • IV clearing cycle – from 14.00 T_0 to 18.30 T_0

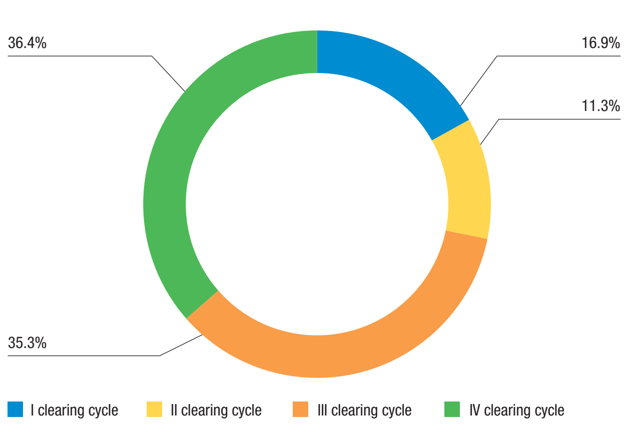
Source: FINA.

4.1 NCS – number of payment transactions by clearing cycles in 2013



Source: FINA.

4.2 NCS – value of payment transactions by clearing cycles in 2013



Source: FINA.

4.6 Payment statistics reports

Pursuant to the Decision on the obligation to submit the report on payment statistics (OG 189/2004 and 127/2009), the CNB received payment statistics from reporting entities (banks, savings banks and credit card issuers) within the prescribed deadlines, processed them and made them publicly available.

Below is an overview of the statistical data received from reporting entities:

Business entities and citizens held 5,963,901 bank accounts. Citizens had 5,527,758 bank accounts, which made up 92.69% of all accounts held with banks. Out of the total, 73.46% were current accounts, 21.75% giro accounts and 4.79% 'other citizens' accounts'.

Of the total number of business entities' accounts opened with banks, as many as 97.95% were business purpose accounts, whereas only 2.05% were other business entities' accounts.

As at 31 December 2013, there were more than 1,222 bank operating units in the Republic of Croatia. Of a total of 4,123 ATMs in the country, 82.27% were owned by banks and the remaining 17.73% by other legal entities. Of a total of 92,221 POS (EFTPOS) terminals, 54.67% were owned by banks and the rest by other legal entities.

As at 31 December 2013, there were 8,615,814 payment cards in circulation in the Republic of Croatia, 94.81% of which were general payment cards (issued in the names of individuals) and 5.19% were business payment cards (issued in the names of business entities). With respect to payment card types, debit cards accounted for the largest share in the total number of cards, 76.44%.

As regards payment card functions, of the total number of cards, as many as 86.25% had chips (payment cards containing one or more chips for data storage, identification or special purpose processing).

Table 4.6 Number of transaction accounts
as at 31 December 2013

Business entities' accounts	436,143
Business accounts	427,202
Other accounts[a]	8,941
Citizens' accounts	5,527,758
Giro accounts	1,202,318
Current accounts	4,060,432
Other citizens' accounts[b]	265,008
Total	5,963,901

[a] Budgetary credit accounts. [b] Specific purpose citizens' accounts and accounts of non-residents – natural persons resident abroad.
Source: CNB.

Table 4.7 Number of bank operating units, ATMs and POS (EFTPOS) terminals
as at 31 December 2013

	Total
Operating units	1,222
ATMs	4,123
ATMs owned by banks	3,392
ATMs owned by other legal persons	731
POS (EFTPOS) terminals	92,221
POS (EFTPOS) owned by banks	50,415
POS (EFTPOS) owned by other legal persons	41,806

Source: CNB.

Table 4.8 Issued payment cards and payment transactions according to card types

Type	Valid general and business payment cards			
	Number of payment cards in circulation[a]	Share (in %)	Total transactions	
			Number	Value
Credit card	150,799	1.8%	2,358,356	763,166,882
Revolving card[b]	645,236	7.5%	28,595,499	7,542,848,545
Deferred debit card[c]	471,336	5.5%	27,449,374	9,070,021,744
Charge card[d]	549,123	6.4%	38,216,504	9,735,364,116
Debit card	6,585,770	76.4%	213,045,856	87,726,937,497
Prepaid card	180,742	2.1%	759,924	135,103,939
Other	32,808	0.4%	138,006	46,027,660
Total	8,615,814	100.0%	310,563,519	115,019,470,383

[a] Reporting period as at 31 December 2013.
[b] Revolving card – the card user may pay total expenses in full or gradually (in instalments) in line with the agreed model of payment.
[c] Deferred debit card – total expenses are debited directly to the transaction account of the user in the bank following the receipt of the payment order issued by the card issuer.
[d] Charge card – the card user pays total expenses in full, at the latest when total expenses made fall due.
Source: CNB.

HNB

Currency department operations

HNB

5.1 Currency outside banks

As at 31 December 2013, currency outside banks (currency in circulation) amounted to HRK 17.4bn, which is an increase of 2.8% from the end of 2012.

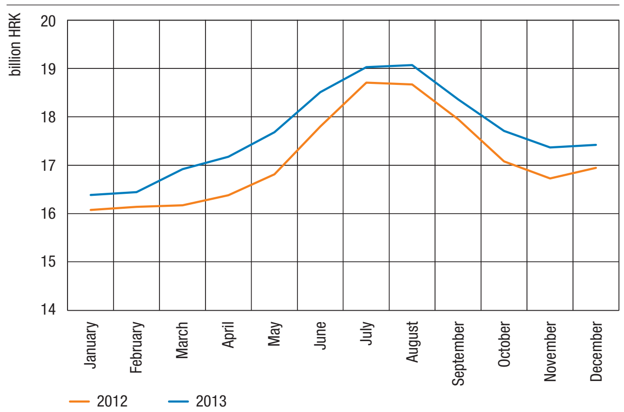
On 31 December 2013, there were 163.9m banknotes, worth HRK 20.9bn, outside the CNB vault and cash centres (CCs). Since the end of 2012, the number of banknotes outside the CNB vault and CCs rose by 1.8% in 2013, while the total value of all banknotes outside the CNB vault and CCs increased by 1.5%.

The total number of banknotes outside the CNB vault and CCs increased by 2.9m in 2013, which includes an increase in all denominations except in 100 kuna banknotes – the number of issued 100 kuna banknotes was 1.1m lower in 2013 than in 2012. The number of 10 kuna banknotes recorded the largest individual increase, 1.6m, and 20 kuna banknotes, 0.9m, which is 86.0% of the total increase in currency outside the CNB vault and CCs in 2013.

Of banknotes outside the CNB vault and CCs, 200 kuna banknotes, with a share of 29%, and 10 kuna banknotes, with a share of 22%, were the most numerous and accounted for HRK 9.9bn, or 47.6% of the total value of banknotes in 2013. The large share of 200 kuna banknotes in total banknotes outside the CNB vault and CCs is attributed to their widespread use in ATM payments.

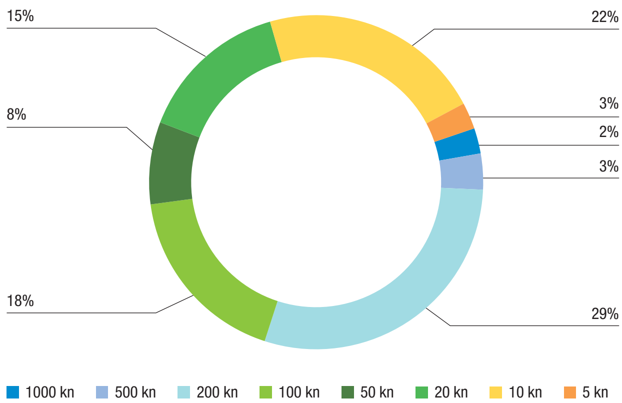
As at 31 December 2013, there were 1.9bn coins outside the CNB vault and CCs, worth a total of HRK 1.1bn. The number of coins outside the CNB vault and CCs rose by 4.7% at the end of 2013 relative to the end of 2012, while their total value increased by 8.9%. The number of coins outside the CNB vault and CCs rose by 84.9m in 2013.

5.1 Currency outside banks
end of period



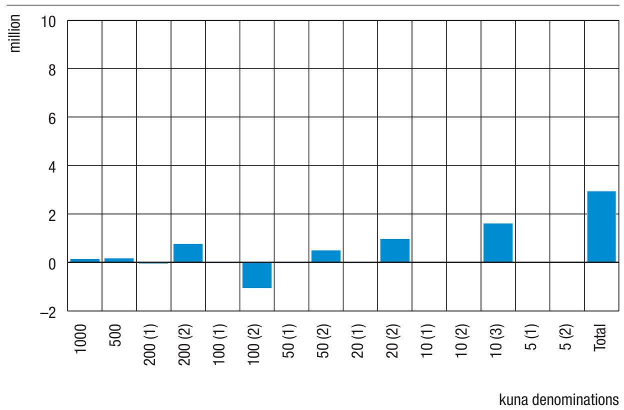
Source: CNB.

5.3 Structure of total volume of banknotes outside the CNB and CCs by denomination
end-2013



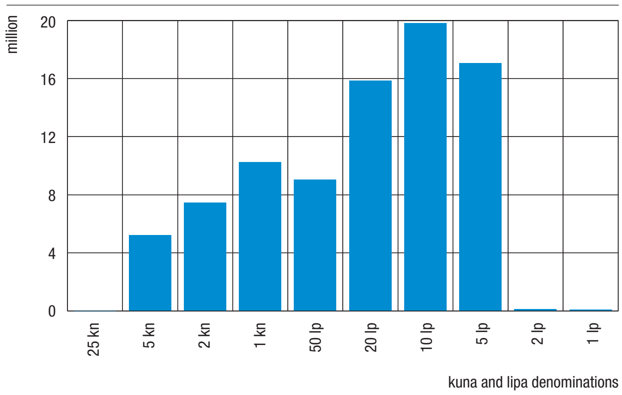
Source: CNB.

5.2 Change in the number of banknotes outside the CNB and CCs in 2013 as compared to 2012



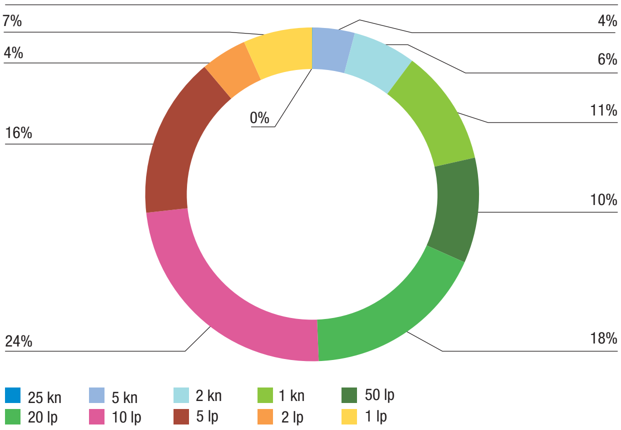
Note: 1, 2 and 3 in the brackets mark the series of issuance.
Source: CNB.

5.4 Change in the number of coins outside the CNB and CCs in 2013 as compared to 2012



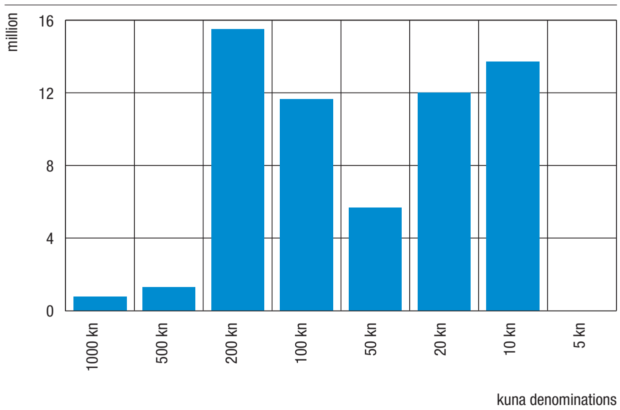
Source: CNB.

5.5 Structure of total volume of coins outside the CNB and CCs by denomination
end-2013



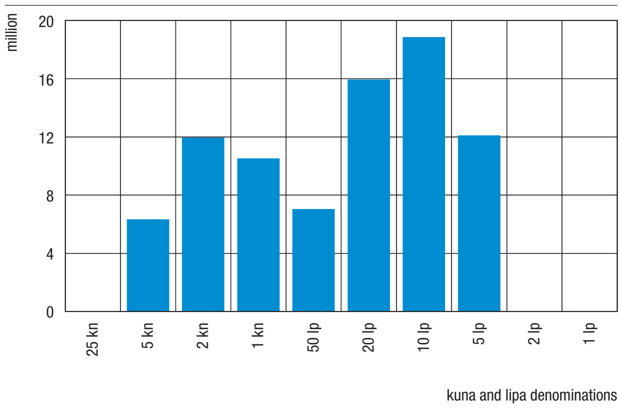
Source: CNB.

5.6 Banknotes issued to CCs in 2013



Source: CNB.

5.7 Coins issued to CCs in 2013



Source: CNB.

Of coins in circulation, the most numerous in 2013 were 10 lipa coins (448.9 million pieces, or 24% of the total number of coins outside the CNB vault and CCs). In terms of value, 5 kuna coins accounted for the largest share, HRK 381.6m, or 35.4% of the total value of coins outside the CNB vault and CCs.

5.2 Cash supply

A total of 6.4bn worth of kuna banknotes (60.7 million pieces) and 75.4m worth of coins (82.8 million pieces) was issued from the CNB vault to CCs in 2013 to meet the needs of banks for cash based on their orders, and to maintain adequate reserves in CCs. The total value of issued banknotes decreased by HRK 1.1bn (17.2%) from 2012 and their number decreased by HRK 3.1m (4.8%). The total value of issued coins grew by 23.1% and their number increased by 17.8%.

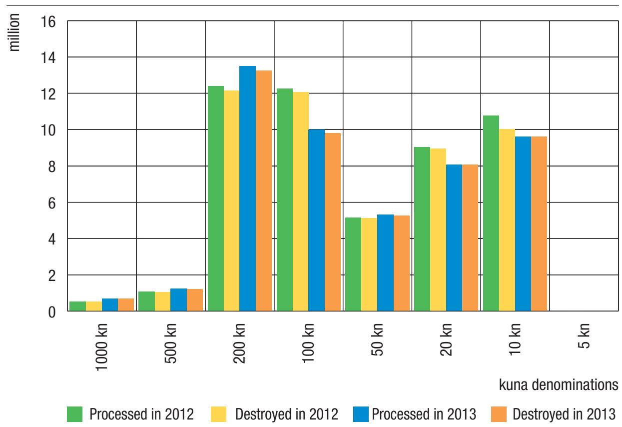
In 2013, the growth of issued quantities was observed in all coins, with the exception of 5 lipa coins, which were issued in the quantity of 12.1m pieces, which represents a drop by 0.9m pieces from 2012.

5.3 Withdrawal and processing of worn-out banknotes

In 2013, the CNB withdrew a total of 43.8 million banknotes from CCs, worth a total of HRK 4.0bn. The banknote processing system processed a total of 48.5 million banknotes, of which 98.9% or 48.0 million banknotes, worth HRK 5.5bn, were destroyed as the banknotes failed to meet the quality standards set for circulation banknotes.

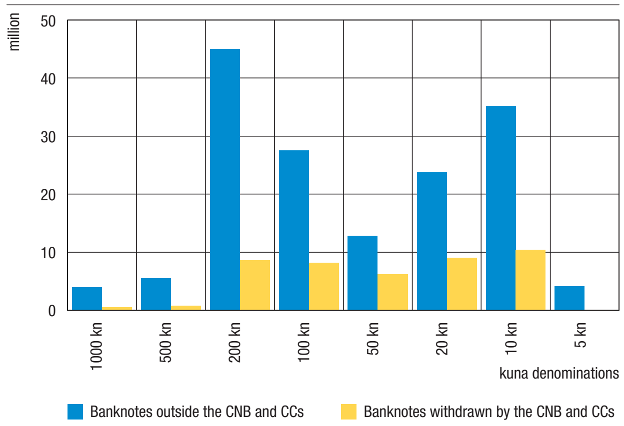
The renewal index (destroyed banknotes/banknotes

5.8 Processed and destroyed banknotes by denomination



Source: CNB.

5.9 Ratio of withdrawn banknotes and banknotes outside the CNB and CCs in 2013



Source: CNB.

outside the CNB vault and CCs × 100) was approximately 29% in 2013, with the number of banknotes outside the CNB vault and CCs and the number of destroyed banknotes totalling 163.9m and 48.0m respectively on 31 December 2013.

In 2013, the CNB vault received 43.8 million banknotes from CCs that they had sorted as unfit. Since 2012, the total number of unfit banknotes sorted and received dropped by 11.5m, as a result of the application of more lenient parameters for the sorting of banknotes stipulated by the new decision applied as of December 2012.

5.4 Banknote authentication

In 2013, the National Analysis Centre registered 515 counterfeit kuna banknotes, worth a total of HRK 196,150.00, during banknote authentication procedures. The number of registered counterfeit kuna banknotes increased by 63.5% from 2012. As shown by these indicators, and taking into account that the number of banknotes outside the CNB vault and CCs averaged 166.6m, three counterfeits were detected per 1 million kuna circulation banknotes in 2013.

In 2013, 1,123 counterfeit foreign currency banknotes were registered during banknote authentication procedures. Of the total number of registered counterfeit foreign currency banknotes, the largest share (863 banknotes) was accounted for by counterfeit euro banknotes, the second largest share (224 banknotes) went to counterfeit US dollar banknotes, and the remaining 36 banknotes were counterfeits of the following currencies: the

Table 5.1 Registered counterfeit banknotes in 2013

	1000	500	200	100	50	20	10	5	Total
Number	17	291	149	28	16	11	3	0	515
Share (in %)	3.3	56.5	28.9	5.4	3.1	2.1	0.6	0.0	100.0

Source: CNB.

convertible mark, German mark, pound sterling and Polish zloty.

The number of registered euro counterfeits was almost at the same level in 2013 (863 banknotes) as in 2012 (861 banknotes), whereas the total number of registered counterfeit US dollar banknotes almost doubled.

In 2013, the Coin National Analysis Centre registered 9 counterfeit 5 kuna coins and 453 counterfeit euro coins in coin authentication procedures.

Of the total number of registered counterfeit euro coins, 335 pieces were 2-euro coins (74%), 98 pieces were 1-euro coins (22%) and 20 pieces were 0.50-euro coins (4%). The number of registered counterfeit coins decreased by 13.9% in 2013 from 2012.

In 2013, the National Counterfeit Centre held 23 specialist courses for employees of banks and financial institutions involved in cash operations, as part of the National Training Programme on Banknote and Coin Authentication for Bank and Financial Institution Employees. In all, 347 employees of banks and financial institutions received expert training.

5.5 Commemorative coin issues

In 2013, the CNB issued the following commemorative coins and numismatic sets:

1) a 1,000 kuna commemorative gold coin and a 100 kuna commemorative silver coin celebrating the Republic of Croatia's gaining full membership in the European Union on 1 July 2013,

2) a 25 kuna commemorative circulation coin celebrating the Republic of Croatia's gaining full membership in the European Union on 1 July 2013,

3) a numismatic set of 25 kuna commemorative circulation coins for the following three issues:

a) "Republic of Croatia – EU Membership Candidate, 18 June 2004",

b) "Treaty of Accession of the Republic of Croatia to the European Union, 9 December 2011",

c) "Republic of Croatia – a Member of the European Union, 1 July 2013", and

4) a numismatic set of the Croatian kuna and lipa circulation coins, with the year of issue 2013.

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Publicness

In 2013, the Croatian National Bank paid particular attention to providing the fullest and most complete information possible to the domestic and international public on its objectives, measures to attain them and the results of its activities. Using different forms of communication, the CNB regularly and in good time informed the public about all relevant aspects of its activities.

The CNB website, www.hnb.hr, provides an insight into the comprehensive legislation and subordinate legislation concerning the activity of the central bank and financial institutions, which allows the public to submit their opinion on a number of proposals within the scope of relevant legislation before its enactment. Also published are regular publications of the CNB such as the Annual Report, Financial Stability, a monthly bulletin on current economic and monetary trends, Banks Bulletin, as well as expert working papers and surveys.

During the year, after particularly important decisions related to the monetary policy and other central bank tasks were made, press conferences were organised with journalists covering finances and banking to provide the fullest possible information on the effected changes and enable them to be reported to the public in the fullest and clearest possible manner.

Press releases on the decisions of the highest central bank body, the CNB Council, were published immediately after the sessions at which they were made. Press releases were also used to report about new banknotes being put in circulation, commemorative numismatic issues, as well as other activities undertaken in the carrying out of the central bank's tasks. The participation of the officials and other central bank employees in different thematic meetings outside the central bank's seat and in the public media contributes to the familiarisation of the expert and general public with the CNB's activity.

In cooperation with a number of domestic and foreign institutions, the CNB organised several conferences dedicated to current economic topics and providing incentives to sustainable growth. The conference "Foreign Direct Investments – Driver of Economic Growth and Development" was organised in January and the conference "International Competitiveness and Business Attractiveness of Croatia" was organised in February, the latter being dedicated to the importance of implementation of structural reforms in Croatia. Current trends in the European banking system were the topic of the Ante Čičin-Šain Lecture in September, whereas the conference held in November was dedicated to investment policy and an exchange of experiences in attracting foreign direct investments using the example of Switzerland as the main model. Last year, the CNB hosted the 19th consecutive international Dubrovnik Economic Conference.

In 2013, the CNB received over two thousand written and oral inquiries from members of the public, companies, media representatives, government institutions, embassies and so on, sent by email, telefax, mail or telephone. A large number of high school and university students, domestic and foreign researchers refer to the CNB for necessary explanations, data or information on literature. The requested information referred to all areas of the CNB activity. The CNB tried to respond to the above inquiries within the shortest possible period.

Visits to the CNB and lectures on topics from the CNB scope of activity were organised for several groups of domestic high school and university students and for students from European countries participating in the International Environment and European Integration summer school of the Faculty of Economics, the University of Rijeka. During the lectures, the high school and university students were able to broaden their knowledge about the activity of the Croatian central bank and learn more about the current economic and monetary trends in the country.

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International relations

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7.1 Activities connected with EU membership

7.1.1 Croatian National Bank in the European System of Central Banks and other EU structures

The Republic of Croatia became the 28th member of the European Union on 1 July 2013, after the successful completion of the ratification process, which had begun with the signing of the EU Accession Treaty as early as December 2011. In institutional terms, the CNB became a member of the European System of Central Banks (ESCB). As the subscribed capital of the ECB is increased whenever a country accedes to the EU, and its central bank joins the ESCB, the total subscribed capital of the ECB increased to EUR 10,825,007,069.61 on 1 July 2013. The CNB subscribed EUR 64,354,667.03; in line with relevant regulations, it paid 3.75% or EUR 2,413,300.01 of that amount as a national central bank outside the Eurosystem.

Furthermore, on the basis of EU membership, Croatian representatives started to participate fully (together with representatives of all other member states) in the work of relevant EU institutions and other bodies. In other words, full membership has been attained; this implies the right to vote, as well as increased obligations regarding the preparation and formulation of opinions on matters under discussion.

CNB representatives participated in a total of 283 meetings of EU structures in the course of 2013, about half of which were accounted for by ESCB committees and working groups. The CNB Governor participated in regular quarterly meetings of the ECB General Council, dealing with topics such as current macroeconomic, monetary, fiscal and financial developments in the EU. Together with the competent CNB Vicegovernor, the Governor also participated in regular quarterly meetings of the General Board of the European Systemic Risk Board (ESRB) at which topics related to systemic risks for the EU financial system and EU macroprudential policy were discussed. CNB representatives also took part in the work of other ESCB structures, such as the Advisory Technical Committee and the related working groups. CNB employees were also involved in the work of the European Banking Authority (EBA) and the competent Vicegovernor participated in the work of the EBA Board of Supervisors.

CNB experts participate in the work of relevant working bodies of the EU Council and the European Commission, most often together with the representatives of the Ministry of Finance. Accordingly, the CNB participates in the formulation of proposals of opinions held by the Republic of Croatia on topics being discussed by the EU Council. With reference to these EU structures, the Governor took part in informal meetings of finance ministers (the ECOFIN Informal Council) and designated Vicegovernors participated in meetings of the Economic and Financial Committee (EFC). In other working bodies of the EU Council (in particular, the Financial Services Working Group and EFC subcommittees) and of the European Commission (various expert working groups and committees), the CNB was represented by heads of relevant organisational units and experts in particular fields. A CNB representative at the Permanent Mission of the Republic of Croatia to the European Union also took part in numerous meetings of preparatory bodies of the EU Council.

In addition to participating in the work of EU institutions and bodies, in 2013, representatives of the CNB continued to make contacts with representatives of EU member state central banks and representatives of the ECB and other EU institutions and bodies. Noteworthy are several visits to the CNB by a representative of the Directorate General for Economic and Financial Affairs of the European Commission and the eighth annual dialogue with representatives of the Austrian central bank.

7.1.2 Republic of Croatia and coordination of economic policies within the European Union

Within the third European Semester (yearly cycle of the framework for the surveillance and coordination of economic policies in the EU), the European Commission published in May 2013 its recommendations for each member state and a working paper providing a qualitative assessment of the Croatian Economic Programme. The programme (in whose preparation CNB experts took part) replaced the former Pre-accession Economic Programme. As an accession country, Croatia participated in the European Semester on a voluntary and informal basis. Several key challenges were mentioned in the paper, above all the substantial government deficit-to-GDP ratio and a public debt close to 60% of GDP. In that context, it is necessary to implement a clear and sustainable consolidation strategy (broadening of the tax base, stepping up the fight against tax fraud and evasion, reviewing the effectiveness, sustainability and adequacy of expenditure on social protection and pensions, and rehabilitation of public enterprises and loss-making companies in which the state maintains an important role). In addition, the European Commission maintains that the financial sector is saddled with a large share of non-performing loans and that an increase in loan loss provisions could reinforce its stability, particularly bearing in mind that the private sector is exposed to currency risk.

In November 2013, the European Commission published two documents – the Annual Growth Survey and the Alert Mechanism Report – which marked the beginning of the European Semester for 2014. It thereby set out the main EU economic priorities for the year to come. An overview of potential risks and imbalances in EU economies is provided by means of 11 selected indicators, which also serve as signals that show which member states warrant more in-depth analysis, i.e. a detailed assessment of whether macroeconomic imbalances exist. The report states that three (out of 11) indicators for Croatia are above the indicative thresholds, namely the net international investment position, changes in export market shares and the unemployment rate, and points out that these results are above all due to structural factors. Among the main vulnerabilities of the Croatian economy mentioned are the deterioration in the quality of bank assets due to excessive indebtedness of the corporate sector, and difficulties in servicing Swiss franc-denominated loans. The European Commission decided that an in-depth analysis was warranted for Croatia with a view to assessing whether imbalances existed and what their extent was. The Commission was to publish in-depth analysis results in spring 2014.

Also, in December 2013, the European Commission issued an Opinion on the existence of an excessive deficit in Croatia and prepared a proposal for a Council Decision on the existence of an excessive deficit in Croatia under the government deficit and debt criterion, and a proposal for a Council Recommendation with a view to bringing an end to the situation of an excessive government deficit in Croatia. The deadline to bring the deficit to below 3% of the GDP reference value given in the Recommendation is 2016. In terms of structural deficit adjustment, this is consistent with an annual improvement in the structural balance of 0.5% of GDP in 2014, 0.9% of GDP in 2015 and 0.7% of GDP in 2016. In the Recommendation, the Council invites the Croatian authorities to carry out a thorough expenditure review (with the objective of rationalising wage, social security and subsidy outlays and providing sufficient fiscal space), to further improve tax compliance and increase the efficiency of tax administration and improve the institutional framework of public finances. In addition, the Council invites the Croatian authorities to implement structural reforms, notably in the areas of labour market, business environment and the quality of public administration. Croatia is obliged periodically to report in detail on the consolidation strategy and measures taken to implement the Recommendation. The ECOFIN Council is to adopt a decision on the opening of an excessive deficit procedure for Croatia in late January 2014.

7.1.3 Coordination of economic policies within the European Union

Within the European Semester, the member states confirmed in March 2013 the five priorities which the European Commission recommended in its Annual Growth Survey 2013: pursuing growth-friendly fiscal consolidation, restoring normal lending to the economy, promoting growth and competitiveness, tackling unemployment and the social consequences of the crisis, and modernising public administration. Based on its analyses, the European Commission concluded that fiscal consolidation efforts and reforms to boost competitiveness were taken by most member states, though at various paces, along with measures to fight unemployment, in particular of young people.

The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union[1] entered into force on 1 January 2013. It was followed in May by the two regulations concerning enhanced monitoring and assessing draft budgetary plans of eurozone members, in particular the countries subject to the excessive deficit procedure, as well enhanced surveillance for member states facing severe difficulties or those that requested financial assistance (the so-called two-pack). A harmonised framework for draft budgetary plans and debt issuance reports for all eurozone member countries was established to facilitate the implementation of the two regulations.

7.1.4 Legislative activities of the European Union

In 2013, the European Union continued its efforts to build a banking union. One of the key elements in this endeavour is the establishment of the Single Supervisory Mechanism (SSM) in the eurozone. The precondition for the SSM was met in October 2013 with the adoption of regulations conferring supervisory powers on the European Central Bank and governing the relationship between the European Banking Authority (EBA) and the ECB. In November 2014, a year after the enforcement of the two relevant regulations, SSM should become fully operational and the ECB should assume its supervisory role over some 130 credit institutions accounting for approximately 85% of eurozone bank assets. To prepare the ECB for its supervisory role, a comprehensive assessment of banks has been started within the SSM framework. The comprehensive assessment comprises three elements: a supervisory risk assessment, an asset quality review and a stress test. The comprehensive assessment will conclude with an aggregate disclosure of the outcomes, at country and bank level, together with any recommendations for supervisory measures. Negotiations on the Single Resolution Mechanism (SRM) also took place in 2013, and the EU Council's general approach was agreed in December. The Single Resolution Mechanism complements the SSM and is set to centralise key elements for managing the failure of any bank in the eurozone and in other member states participating in the banking union, and to constitute a Single Resolution Fund. The adoption of a relevant regulation is expected in the course of 2014. In addition, 2013 witnessed negotiations on harmonised rules on bank recovery and resolution (a political agreement between the EU Council and the European Parliament was reached in December). A political agreement was also reached on the Deposit Guarantee Scheme Directive, the objective of which is to harmonise national deposit guarantee schemes, and ensure a faster payout and improved financing of schemes. The Directive is to be adopted in the course of 2014.

In addition to the legislative proposals related to the banking union, a major step to transpose the new global standards on bank capital into the EU legal framework was made by the adoption of the CRD IV legislative package, which entered into force in July 2013. The package consists of a regulation, which is directly applicable in EU member states as of 1 January 2014, and a directive, which is to be transposed into national laws of

1 The Treaty was signed by the heads of 25 EU member states (the United Kingdom and Poland did not sign the Treaty; after its accession on 1 July 2013, Croatia also did not sign the Treaty) and it applies to member states that ratified the Treaty and whose currency is the euro. As at 31 December 2013, the Treaty was ratified by a total of 23 member states.

EU member states by the same date. Furthermore, negotiations on new regulations in the area of payment operations have also begun. Within the EU Council and the European Parliament negotiations were held on the proposal for a directive on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features. In late 2013, the European Commission adopted and presented proposals for a new directive on payment services in the internal market and a regulation on interbank card payment fees.

7.2 International Monetary Fund (IMF)

The quota of the Republic of Croatia in the IMF remained unchanged in 2013 (SDR 365.1m) as did its voting rights (0.174% of the total voting power). The reform of quotas and governance envisaged under the Resolution of the IMF Board of Governors of 2010, which, in the context of the 14th General Review of Quotas, was to double the total IMF quota by the time of the 2012 Annual Meeting and thus increase the quota of the Republic of Croatia to SDR 717.4m, did not enter into force in 2013.[2] Among other things, the 2010 Resolution requested the IMF Executive Board Directors to complete a comprehensive review of the quota formula by January 2013, while the completion of the next, 15th, general review of quotas was scheduled for January 2014. In late January 2013, the Board of Governors received a report stating that the revision of the formula for quota calculation had been completed but without an agreement on formula revision being reached, and it was concluded that the final decision was to be made at the time of the 15th General Review of Quotas.

The Republic of Croatia is a member of the constituency that is alternately headed by the Netherlands and Belgium. This constituency now comprises 15 countries (Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Macedonia, Moldova, Montenegro, the Netherlands, Romania and Ukraine) and accounts for 6.57% of the total voting power. In the current mandate, from November 2012 to October 2014, the constituency is headed by Menno Snel, the Dutch representative. The Republic of Croatia appoints its representative as advisor to the executive director for a two-year mandate within each four-year period.

The most recent Article IV consultations with the Republic of Croatia were concluded in November 2012 and the next consultations are expected in the first half of 2014. In the meantime, IMF experts made two one-week visits to Croatia in 2013, in February and November, to update their projections. In their concluding statements issued after the visits, IMF experts noted that Croatia was still in recession and that GDP had contracted more than expected. It was said in the February statement that the deterioration in economic conditions reflected weak external demand, private sector debt reduction, and lack of business and consumer confidence. Most of the recommendations given within previous Article IV consultations were repeated, particularly those relating to the need to accelerate the implementation of the structural reform programme and continue with the steady fiscal consolidation. In the financial sector, IMF experts supported the gradual increase in provisions against non-performing loans. The concluding statement of November 2013 said that a real GDP decline of about 0.75% was expected in 2013 amid still contracting consumption and private investment, subdued inflation, high unemployment and the current account surplus owing mainly to import compression. A modest recovery was projected for 2014, depending on recovery and growth in the euro area, publicly funded investments and potentially tighter global financing conditions. It was again estimated that medium-term growth prospects depended on progress achieved in structural reforms to enhance competitiveness, which would boost exports and attract the necessary investments. In that respect, further efforts are mostly expected in the labour market, safeguarding a predictable regulatory environment and strengthening the business climate. With regard to fiscal policy, it was estimated that the entry into the excessive deficit procedure, which had already been imminent because of the general government deficit (considerably above 3% of GDP in 2012) could provide a much needed fiscal anchor. The elements of the necessary budget adjustment could usefully include better targeting of subsidies and social assistance, pension reform, streamlining VAT and strengthening property taxation. In the area of monetary policy, which is anchored by the euro exchange rate, it was assessed that the central bank's intention to maintain the high kuna liquidity in the domestic market had been appropriate. It was noted that in the banking sector, which had retained ample capital and liquidity buffers, private sector credit was stagnating and non-performing loans had increased.

In early 2013, Ms Nemat Shafik, Deputy Managing Director of the IMF, and associates visited the Republic of Croatia. During the visit, which was a part of the regional tour, Ms Shafik met with the Prime Minister, the highest representatives of the MoF and CNB as well as representatives of the largest banks, employers and unions. The cooperation and exchange of opinions with IMF experts continued in 2013, the main occasion being the visit of the CNB and Ministry of Finance delegation to the IMF during the spring and autumn meetings of the International Monetary and Financial Committee and the Annual Meeting of the IMF Board of Governors in Washington.

In 2013, the Republic of Croatia continued to participate

2 The only remaining condition for the increase in IMF quotas is the entry into force of the Amendment to the Articles of Agreement on the Reform of the IMF Executive Board. Up to 6 December 2013, this amendment was approved by 141 IMF members, accounting for a total of 76.07% of the total voting power (of the 85% needed).

in IMF initiatives to increase funding for concessional lending facilities for low-income countries. In particular, the IMF Executive Board adopted two decisions in 2012 (in February and September) on the conditional disbursement to members, in proportion to their quota shares, of SDR 2.45bn in the IMF general reserves. The funds were attributable to windfall profits from IMF gold sales in 2009 and 2010, which were the result of the average selling price of gold per ounce being USD 294 higher than originally planned. The February decision related to SDR 700m, while the September decision related to the remaining SDR 1.75bn. In both cases, the distribution was conditional on satisfactory assurances of member countries that amounts equivalent to at least 90% of the amount distributed would be transferred for the purpose of new subsidy resources for concessional lending to low-income countries. For the first decision (SDR 700m), this condition was met in October 2012, and for the second decision (SDR 1.75bn), it was met in October 2013, when the respective distributions took place. By its decisions, the government of the Republic of Croatia supported in both cases this IMF initiative and surrendered 50% of its corresponding share in unexpected profits in favour of the Poverty Reduction and Growth Trust (PRGT) through which concessional lending is made. The Republic of Croatia thus surrendered in favour of the PRGT around SDR 0.54m in 2012 and additional SDR 1.34m under the government decision of 13 June 2013. Total funds surrendered by the Republic of Croatia under these two initiatives, of around SDR 1.88m, were paid in favour of the PRGT in November 2013.

In 2013, the Republic of Croatia continued to use the technical assistance of the International Monetary Fund. In this context, note should be taken of the continued technical assistance to CNB experts in the area of macroeconomic modelling and forecasting, as well as the continued technical assistance to experts from the MoF Tax Administration and MoF experts for redefining fiscal rules.

As the fiscal agent of the Republic of Croatia and a depository of the IMF, the CNB is responsible for keeping deposit accounts of the IMF and, in the name and for the account of the Republic of Croatia, for regular servicing of obligations arising from the allocation of special drawing rights.

7.3 Bank for International Settlements (BIS)

At its Annual General Meeting, held on 23 June 2013, the BIS adopted its Annual Report. The regular meetings of central bank governors from BIS member countries, including the CNB Governor, at which topical issues in the area of international banking and finance are discussed, continue to provide a strong incentive to central bank cooperation in this area. Committees and expert bodies operating within the BIS are also important in the context of promoting this cooperation.

A separate and important form of cooperation between the CNB and BIS was achieved in the area of international reserves management.

7.4 Cooperation with other international financial institutions

Within its field of competence, the Croatian National Bank also cooperates with other international multilateral financial institutions and organisations. The bulk of this cooperation entails CNB cooperation with multilateral development banks of which the Republic of Croatia is a member, such as the World Bank Group, the European Bank for Reconstruction and Development, the European Investment Bank, the Council of Europe Development Bank and the Inter-American Development Bank. RC membership in these banks is regulated by special regulations, pursuant to which the Ministry of Finance of the RC is the authority responsible for cooperation with these institutions and is authorised to perform all operations and transactions in the name of RC that are permissible under these institutions' articles of association. For some of these institutions, the CNB is the depository, i.e. it keeps all deposit accounts owned by these institutions, in their name and for their account, and performs financial transactions with these organisations as the payment agent of the Republic of Croatia. The CNB is also responsible for the execution of withdrawals and repayments of funds based on structural loans granted by the IBRD to the Republic of Croatia.

In 2013, at numerous meetings with representatives of multilateral development banks, which intensified following Croatia's accession to the EU, CNB representatives exchanged information on the banking sector and macroeconomic situation in the Republic of Croatia and the planned strategy of these development banks in the Republic of Croatia in the forthcoming period.

Statistics

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The Croatian National Bank performs the tasks of official statistics in accordance with the provisions of the Act on Official Statistics (OG 103/2003, 75/2009, 59/2012 and 12/2013 – consolidated version), Article 86 of the Act on the Croatian National Bank (OG 75/2008 and 54/2013) and special laws. In the past few years, the CNB Statistics Department put significant efforts into harmonising existing statistics with the reporting requirements of the European Commission (i.e. its Statistical Office – Eurostat) and the European Central Bank (ECB), which became mandatory on the date of accession of the Republic of Croatia to the European Union (EU). In 2013, CNB representatives participated in the work of two Eurostat committees and three working groups and in the work of the ECB Statistics Committee and seven working groups on statistics. They also actively participated in working group meetings at the Bank for International Settlements (BIS), the Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF).

To meet the assumed obligations as regards alignment with the acquis communautaire negotiating chapter 18 Statistics and other Eurostat requirements, the process of revision of a three-party December 2007 Cooperation Agreement in the Field of National Accounts of the General Government and Associated Statistics (whose signatories are the Croatian National Bank, the Ministry of Finance and the Central Bureau of Statistics) was completed and resulted in a redistribution of responsibility for individual statistics between the signatories and the definition of the process of quality management. The new Cooperation Agreement in the Field of National Accounts of the General Government and the Associated Statistics was signed and entered into force on 31 July 2013. In 2013, Croatian National Bank employees worked hard on the development of the methodology for fiscal and associated statistics falling within their competence under the provisions of the Agreement. Activities in 2013 involved those associated with the assessment of the necessary fiscal statistics adjustments with the forthcoming changes in methodological standards under the European System of National and Regional Accounts (ESA 2010) and the new Manual on Government Deficit and Debt (MGDD) which includes aspects of the application of ESA 2010. The monetary and financial statistics, balance of payments statistics, securities statistics and general economic statistics were also harmonised with the new international standards. The year 2013 also saw implementation of a demanding process of IT adjustment of all statistical reports with a new unified reporting standard – the Statistical Data and Metadata Exchange system (SDMX) and the development of a system for submitting statistical data to the European Central Bank.

As envisaged by the Programme of Statistical Activities of the Republic of Croatia for that year, six[1] regular surveys were carried out in 2013. The conduct of these surveys falls within the responsibility of the CNB, as an institution designated as a producer of official statistics. The results of regular statistical surveys carried out by the CNB are published in CNB publications (CNB Bulletin and Annual Report) and in CBS publications (Statistical Yearbook, Statistical Information and Monthly Statistical Report). All the data are also available on the CNB website, and in publications and on the websites of international financial and statistical institutions.

8.1 Monetary and financial statistics

The field of monetary and financial statistics underwent several methodological improvements in 2013, primarily related to the reporting requirements of the ECB.

In accordance with Regulation (EC) No 25/2009 of the European Central Bank concerning the balance sheet of the monetary financial institutions sector, in early 2006 the Croatian National Bank initiated the process of legislative adjustment and adjustment of the part of the reporting system of the CNB that relates to financial statements for statistical purposes. The reporting requirement is regulated by the Decision on statistical and prudential reporting, with the new reporting system providing for the compilation of macroeconomic aggregates and reports, the sectorisation and classification of financial instruments pursuant to ECB requirements, the compilation of financial flows statistics, a detailed maturity structure of financial instruments and the establishment of counterparties, reporting currency and scope. Other activities in 2013 were aimed at improving the quality of collected data in the new reporting system and developing the output component within the data warehousing system.

A system for regular monthly delivery of monetary statistics data to the European Central Bank was set up for the following reporting datasets: the balance sheet of monetary financial institutions (in accordance with the Regulation of the European Central Bank No 2008/32 concerning the balance sheet of the monetary financial institutions sector), interest rates of credit institutions (in accordance with the Regulation of the European Central Bank No 2001/18 concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations) and

1 Although in 2012 the Croatian National Bank conducted 18 surveys envisaged under the Programme of Statistical Activities of the Republic of Croatia, on account of changes in the scope and description of surveys in accordance with the Eurostat Statistical Requirements Compendium, the number of surveys conducted in 2013 was reduced to only six, but with no changes in the scope of reporting. Thus, the previous five surveys in the area of monetary and financial statistics were covered by one report in 2013 and the previous nine surveys in the area of balance of payments were reduced to three reports. Similar changes were seen in other statistical areas too.

investment funds statistics (in accordance with the Regulation of the European Central Bank No 2007/8 concerning statistics on the assets and liabilities of investment funds).

In the area of financial statistics development, the development of the reporting system for the purposes of investment funds statistics was completed (in accordance with ECB Regulations No 2007/8 and 2008/32). Using an internally developed system of investment funds statistics (IFON), the first report was submitted to the ECB, followed by other successive regular monthly reports.

The CNB compiles and publishes the annual financial accounts statistics in accordance with the European System of National and Regional Accounts – ESA 95, which defines the basic provisions on the sectorisation and classification of financial instruments, the recording of data on balances and transactions and valuation and adjustment rules. The annual financial accounts statistics are published on the CNB's and Eurostat's websites. Annual data for 2012 and revised data for the previous years were submitted to Eurostat in 2013. Methodological work on the improvement of financial account statistics in 2013 aimed at meeting the reporting requirements of the ECB (ECB Guidelines No 7/2002, 13/2005, 6/2006, 13/2007 and 2008/6) and the European Commission (Regulation No 501/2004 on quarterly financial accounts for general government).

Quarterly financial accounts (of all sectors) were compiled for the first time in accordance with ECB's guidelines on quarterly financial accounts (ECB 2002/7 and ECB 2013/24). The first test data were submitted to the ECB on 13 November 2013.

In 2013 the Statistics Department commenced reporting to the ECB on long-term interest rates as one of the convergence criteria (LTIR Report). In accordance with Article 140, paragraph 1, indent 4 of the Treaty on the Functioning of the European Union, examined in the Convergence Report is, among other things, a high degree of long-term sustainable convergence in the field of long-term interest rates. Under the convergence criteria for long term-interest rates defined in the Treaty and in accordance with Article 14 of the Protocol (No 13) on convergence criteria, during the observed year, a Member State must have an average nominal long-term interest rate that does not exceed by more than two percentage points that of, at most, the three best performing Member States in terms of price stability. For the purposes of this convergence criterion, interest rates are measured on the basis of long-term government bonds or comparable securities.

Development of a reporting system and related IT support was launched for the purposes of reporting the population of financial institutions into a common ESCB Register of Institutions and Affiliates Database (RIAD), in accordance with the reporting guideline of the ECB No 2007/9.

8.2 Balance of payments and international investment position statistics

In 2013, development activities in balance of payments and international investment position statistics again aimed at improving methodology for the purpose of alignment with the reporting requirements of Eurostat and full alignment with the manuals of the International Monetary Fund on balance of payments (Balance of Payments Manual, 6th edition, BPM6) and the Organisation for Economic Cooperation and Development in the area of foreign direct investment statistics (OECD Benchmark Definition of Foreign Direct Investment, 4th edition, BD4), the implementation of which was envisaged from 2014. At the end of 2013, a new Decision on collecting data for the compilation of the balance of payments, external debt and international investment position (OG 10/2014) was issued, which introduced changes in the existing research for the purpose of compliance with the BPM6 manual and new research was introduced for the purpose of monitoring further processing activities in the framework of the balance of payments. In the second half of 2013, a smaller set of reports was prepared and submitted to the ECB, among other things, in response to increased Eurostat requirements in the area of balance of payments and international investment position statistics.

8.3 External debt statistics

Development activities in external debt statistics in 2013 were focused on improving external debt statistics methodology for the purpose of full alignment with BPM6 manual and the provisions of the new IMF External Debt Statistics Guide.

8.4 Other statistics

Securities statistics

In accordance with Article 15 of ECB Guideline No 2007/9 on monetary, financial institutions and markets statistics, further developmental activities were launched in the Statistics Department in 2013 in the area of securities statistics. In the framework of this statistics, the required statistical information on the issue of securities of residents of the RC on Croatian financial markets and abroad and investors in securities issued in the RC were provided. A Decision on collecting data for the compilation of securities statistics was issued (OG 71/213) which provides for the scope of data on resident investments in securities issued abroad and the structure of investors in securities issued in the RC, in a segment in which this structure is not available in the framework of currently available CDCC data. In 2013, final preparations were made for connecting with the ECB's Centralised Securities Database (CSDB), with the connection being planned to be put into use in 2014. The planned access of the CNB to the Centralised Securities Database is a key precondition for the implementation of the second phase of development of the CNB's securities statistics system, which will ultimately result in the publication of statistics of investments in securities issued in the RC and abroad.

General economic statistics

Pursuant to the provisions of the Official Statistics Act and the role of CNB statistics in the official statistics system of the Republic of Croatia and in accordance with the provisions of the revised Eurostat Statistical Requirements Compendium, in the area of statistical research falling within the sphere of competence of the CNB in 2013, the Annual Statistical Research Plan for 2014, the Annual Implementation Plan for 2014 and the Report on Statistical Activities in 2012 were made. In compliance with the requirements of the membership in the BIS Data Bank, statistical time series bases were submitted twice a month, with regular data and metadata updates. The activities related to regular dissemination of statistics in accordance with the Special Data Dissemination Standard (SDDS) of the International Monetary Fund were carried out in accordance with the dissemination calendar. Also launched were activities on several experimental statistics for the purposes of ECB reporting.

Government finance statistics

Pursuant to the provisions of the new Cooperation Agreement in the Field of National Accounts of the General Government and Associated Statistics, in 2013 CNB employees worked intensively on the development of the methodology of fiscal and associated statistics falling within their competence (annual and quarterly financial accounts, quarterly financial accounts of the government sector and quarterly general government debt statistics). CNB representatives took an active part in national working groups for the sectoral classification of institutional units and the compilation of the report on the excessive deficit procedure (EDP). The bulk of activities of CNB representatives in these working groups involved preparation of changes in classification by sectors in accordance with the provisions of new ESA 2010 and on the application of ESA 2010 in the area of fiscal statistics. The work of all working groups, the methodological development of official statistics producers and interinstitutional data exchange were coordinated by the Committee for the implementation of the Cooperation Agreement, chaired by a CNB representative. The work on methodological development of Government Financial Statistics (GFS) intensified in accordance with the reporting requirements of the European Central Bank (ECB Guideline No 20/2009). Regular submission of these data to the ECB started in 2013 and towards the end of 2013, employees were actively involved in the preparation of the ECB's GFS Quality Report for all non-euro area countries[2]. Data on quarterly financial accounts for general government sector (based on Regulation (EC) No 501/2004) were regularly prepared and submitted to Eurostat. In accordance with the obligations arising from the new Cooperation Agreement in the Field of National Accounts of the General Government and Associated Statistics, the Croatian National Bank is now responsible for the compilation of consolidated central government debt statistics (previous data were methodologically aligned with Commission Regulation No 1224/2004 and published in CNB Bulletin and submitted to Eurostat for the first time) and actively cooperates with the Central Bureau of Statistics in the compilation of the Report on the deficit and debt and the accompanying Questionnaire related to the reporting tables.

Further methodological development of all government finance statistics falling within the CNB's competence is expected in 2014, and a special emphasis during that period will be placed on CNB participation in the compilation of the Report on the excessive budgetary deficit and further activities on the harmonisation of fiscal statistics with the incoming changes in the methodological standards of the European System of National Accounts (ESA 2010) and the new Manual on Government Deficit and Debt, which also includes the aspects of the application of ESA 2010 (MGDD) of November 2013.

2 GFS Quality Report for all non-euro area countries.

HNB

Financial statements of the Croatian National Bank

Building a better
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Independent auditor's report

To the Governor and the Council of the Croatian National Bank

We have audited the accompanying financial statements of the Croatian National Bank ("the financial statements"), which comprise the statement of financial position as at 31 December 2013, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (as set out on pages 3 to 57).

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report (continued)

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Croatian National Bank as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Other Matter

The financial statements of the Croatian National Bank for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 28 February 2013.

ERNST & YOUNG
d.o.o.
Zagreb, Radnička cesta 50

Zvonimir Madunić
Certified Auditor and member of the Management Board
Ernst & Young d.o.o.
Radnička cesta 50
Zagreb, Republic of Croatia
28 February 2014

Gergely Szabo
Partner
Ernst & Young Ltd
Váci út 20., 1132
Budapest, Hungary
28 February 2014

Income statement

(All amounts are expressed in thousands of kunas)

	Notes	2013	2012
Interest and similar income	3	809,853	880,351
Interest and similar expense	4	(11,455)	(17,388)
Net interest income/(expense)		**798,398**	862,963
Fee and commission income		5,692	5,058
Fee and commission expenses		(6,499)	(6,770)
Net fee and commission income/(expense)		**(807)**	(1,712)
Dividend income		6,630	6,789
Net investment result – equity method		1,305	387
Net securities trading result	5	(120,279)	(34,348)
Net effect on revaluation of precious metals	5	(3,139)	551
		(123,418)	(33,797)
Net exchange differences	6	327,504	(73,940)
Other income	7	6,352	6,942
Operating income		**1,015,964**	**767,632**
Operating expenses	8	(296,128)	(292,689)
Decrease/(increase) in provisions	9	15,741	902
Net profit		**735,577**	**475,845**
– Allocated to general reserves		(303,604)	(95,169)
– Allocated to the State Budget		(431,973)	(380,676)

Statement of comprehensive income

(All amounts are expressed in thousands of kunas)

	Notes	2013	2012
1 Net profit		**735,577**	**475,845**
2 Other comprehensive income			
Other comprehensive income, net		**–**	**–**
3 Total comprehensive income (1 + 2)		**735,577**	**475,845**

Statement of financial position

(All amounts are expressed in thousands of kunas)

	Notes	31/12/2013	31/12/2012
Assets			
Cash and current accounts with other banks	10	7,577,949	10,648,647
Deposits with other banks	11	20,828,609	6,310,083
Trading securities	12	37,852,724	35,566,371
Loans	13	72	79
Held-to-maturity securities	14	29,731,535	29,605,797
Balances with the International Monetary Fund	15	5,710,265	5,851,874
Financial assets available for sale	16	59,976	41,994
Investments accounted for using the equity method	17	19,570	18,264
Accrued interest and other assets	18	316,635	280,561
Tangible and intangible assets	19	605,267	613,916
TOTAL ASSETS		**102,702,602**	**88,937,586**
Liabilities			
Banknotes and coins in circulation	20	21,985,330	21,627,929
Due to banks and other financial institutions	21	47,224,909	47,516,299
Due to the State and State institutions	22	13,680,678	812,557
Due to the International Monetary Fund	23	5,688,738	5,836,524
Accrued interest and other liabilities	24	1,199,593	524,527
Total liabilities		**89,779,248**	**76,317,836**
Equity			
Initial capital	25	2,500,000	2,500,000
Reserves	25	10,423,354	10,119,750
Total equity		**12,923,354**	**12,619,750**
TOTAL EQUITY AND LIABILITIES		102,702,602	88,937,586

The financial statements set out on pages 122 to 154 were approved on 28 February 2014 by:

Director of the Accounting Department:

Ivan Branimir Jurković

Jurković

Governor:

Prof. D. Sc. Boris Vujčić

REPUBLIKA HRVATSKA – HRVATSKA NARODNA BANKA – ZAGREB

Statement of changes in equity

(All amounts are expressed in thousands of kunas)

	Initial capital	General reserves	Revaluation reserves for tangible assets	Operating surplus/ (deficit)	Total equity
Balance at 1 January 2012	2,500,000	9,647,547	377,034	–	12,524,581
Net profit	–	–	–	475,845	475,845
Net profit transferred to general reserves	–	95,169	–	(95,169)	–
Net profit transferred to the State Budget	–	–	–	(380,676)	(380,676)
Depreciation of revalued tangible assets	–	6,141	(6,141)	–	–
Balance at 31 December 2012/1 January 2013	2,500,000	9,748,857	370,893	–	12,619,750
Net profit	-	-	-	735,577	735,577
Net profit transferred to general reserves	–	303,604	–	(303,604)	–
Net profit transferred to the State Budget	–	–	–	(431,973)	(431,973)
Depreciation of revalued tangible assets	–	6,141	(6,141)	–	–
Balance at 31 December 2013	2,500,000	10,058,602	364,752	–	12,923,354

Statement of cash flows

(All amounts are expressed in thousands of kunas)

	2013	2012
Cash flows from operating activities		
Interest received	1,057,515	987,227
Interest paid	(14,255)	(21,464)
Fees and commissions received	5,707	5,039
Fees and commissions paid	(5,881)	(6,301)
Dividends received	6,630	6,789
Other receipts	38,648	48,039
Expenses paid	(252,667)	(257,939)
	835,697	**761,390**
Changes in operating assets and liabilities		
Decrease/(increase) in deposits with other banks	(14,543,194)	12,504,245
Decrease/(increase) in loans	7	126,780
Decrease/(increase) in trading securities	(2,590,346)	(4,563,406)
Decrease/(increase) in held-to-maturity securities	(1,850)	287,226
Decrease/(increase) in other assets	(65,346)	(73,289)
Increase/(decrease) in other liabilities	(308)	579
Increase/(decrease) in amounts due to the IMF	(17)	(36)
Increase/(decrease) of currency in circulation	357,523	684,916
Increase/(decrease) in amounts due to banks and other financial institutions	(2,971,666)	(2,255,453)
Increase/(decrease) in amounts due to the State	11,988,554	1,761,858
Increase/(decrease) in amounts due to European Commission	636,808	–
	(7,189,835)	**8,473,420**
Net cash from operating activities	**(6,354,138)**	**9,234,810**
Cash flows from investing activities		
Purchases of property and equipment	(21,332)	(18.310)
Payment of capital in ECB	(17,982)	–
Net cash from investing activities	**(39,314)**	**(18,310)**
Cash flows from financing activities		
Issuance of treasury bills	3,602,188	–
Payments to the State Budget	(380,676)	(480,077)
Net cash from financing activities	**3,221,512**	**(480,077)**
Effect of changes in exchange rates – positive/(negative) exchange differences	**40,406**	**(30,548)**
Net increase/(decrease) in cash	**(3,131,534)**	**8,705,875**
Cash at beginning of year	**13,310,900**	**4,605,025**
Cash at end of year (Note 28)	**10,179,366**	**13,310,900**

The notes on pages 126 to 154 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2013

Note 1 – General information and accounting standards

1.1 General information

The Croatian National Bank is the central bank of the Republic of Croatia with headquarters in Zagreb, Trg hrvatskih velikana 3. Its status has been defined by the Act on the Croatian National Bank. The Croatian National Bank is owned by the Republic of Croatia, which guarantees for all its obligations. The Croatian National Bank is autonomous and independent in fulfilling its objectives. The primary objective of the Croatian National Bank is maintaining price stability.

The Croatian National Bank reports to the Croatian Parliament on the financial condition, degree of price stability and fulfilment of monetary policy goals, and is represented by the Governor of the Croatian National Bank.

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

- Determining and implementing monetary and foreign exchange policies;
- Maintaining and managing international reserves of the Republic of Croatia;
- Issuing banknotes and coins;
- Issuing and withdrawing authorisations and approvals in accordance with laws regulating credit institutions, credit unions, payment institutions, electronic money institutions and payment systems, foreign exchange operations and operations of authorised foreign exchange offices;
- Performing supervision and oversight in accordance with laws regulating the operations of credit institutions, credit unions, payment institutions, electronic money institutions and payment systems;
- Maintaining accounts of credit institutions and performing payment transactions on those accounts, issuing loans to, and receiving deposit funds from credit institutions;
- Regulating and improving the payment system;
- Performing tasks on behalf of the Republic of Croatia as defined by law;
- Promulgating regulations from its area of competence;
- Contributing to overall stability of the financial system and
- Performing other tasks specified by law.

Bodies of the Croatian National Bank are the Council of the Croatian National Bank and the Governor of the Croatian National Bank. Until the date of accession of the Republic of Croatia to the European Union the Council of the Croatian National Bank comprised the Governor, Deputy Governor and Vice Governors of the Croatian National Bank by virtue of their office and eight external members. From the date of accession of the Republic of Croatia to the European Union the Council of the Croatian National Bank comprises eight members: Governor, Deputy Governor and six Vice Governors of the Croatian National Bank.

The Council of the Croatian National Bank is competent and responsible for the achievement of the objective and for the carrying out of the tasks of the Croatian National Bank and defines policies with respect to the activities of the Croatian National Bank.

Members of the Council of the Croatian National Bank:

- Prof. D. Sc. Boris Vujčić, Governor
- Relja Martić, Deputy Governor
- Vedran Šošić, Vice Governor
- Damir Odak, Vice Governor

- M. Sc. Tomislav Presečan, Vice Governor
- Bojan Fras, Vice Governor
- M. Sc. Michael Faulend, Vice Governor
- Neven Barbaroša, Vice Governor

Until the date of accession of the Republic of Croatia to the European Union members of the Council of the Croatian National Bank were:

- Prof. D. Sc. Boris Vujčić, Governor
- Relja Martić, Deputy Governor
- Vedran Šošić, Vice Governor
- Damir Odak, Vice Governor
- M. Sc. Adolf Matejka, Vice Governor
- M. Sc. Tomislav Presečan, Vice Governor
- Prof. D. Sc. Boris Cota
- Prof. D. Sc. Vlado Leko
- D. Sc. Branimir Lokin
- D. Sc. Željko Lovrinčević
- Prof. D. Sc. Silvije Orsag
- Prof. D. Sc. Jure Šimović
- D. Sc. Sandra Švaljek (until 21st June, 2013)
- Prof. D. Sc. Mladen Vedriš.

1.2 Accounting standards

The financial statements of the Croatian National Bank have been prepared in accordance with the International Financial Reporting Standards, which comprise International Accounting Standards (‘IASs’), together with the related amendments and Interpretations, and International Financial Reporting Standards (‘IFRSs’), together with the related amendments and Interpretations, as accepted by the European Commission and published in the Official Journal of the European Union. The preparation of financial statements of the Croatian National Bank in accordance with International Financial Reporting Standards as adopted in the European Union is required by the Act on the Croatian National Bank and the Accounting Act.

1.2.1 Application of new and revised International Financial Reporting Standards and changes in accounting policies

The financial statements for current reporting period are prepared according to the same accounting policies which were applied to the financial statements for the year ended 31st December 2012, with the application of standards and interpretations that must be applied in EU from 1st January 2013. Introduction of these standards had no significant impact on financial statements for the year 2013.

1.2.1.1 Standards and interpretations in force in EU from 1st January 2013

The following table presents new standards or amendments to existing standards and interpretations associated with the corresponding EU legislation on adoption, with mandatory application since 1st January 2013 or afterwards.

Official Journal of EU	Standard / Interpretation
OJ L 090/2013	IAS 1 – Presentation of Financial Statements (Amendments)
	IAS 16 – Property Plant and Equipment (Amendments)
	IAS 32 – Financial Instruments, Presentation (Amendments)
	IAS 34 – Interim Financial Reporting (Amendments)
	IFRS 1 – First-Time Adoption of International Financial Reporting Standards (Amendments)
OJ L 061/2013	IFRS 1 – First-Time Adoption of International Financial Reporting Standards (Amendments)
OJ L 360/2012	IFRS 7 – Financial Instruments: Disclosures (Amendments)

Official Journal of EU	Standard / Interpretation
OJ L 360/2012	IAS 32 – Financial Instruments: Presentation (Amendments)
	IFRS 1 – First-Time Adoption of International Financial Reporting Standards (Amendments)
	IAS 12 – Income Taxes (Amendments)
	IFRS 13 – Fair Value Measurement (New Standard)
	IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (New Standard)
OJ L 146/2012	IAS 1 – Presentation of Financial Statements (Amendments)
	IAS 19 – Employee Benefits (Amendments)

1.2.1.2 Standards and interpretations published in EU with mandatory application from 1st January 2014

The following table presents the new standards or amendments to existing standards, with corresponding EU regulations on the acceptance which were published in 2012 and 2013, with mandatory application in the EU from 1st January 2014 or later. The application of these standards will not have a significant impact on the financial statements of the Croatian National Bank.

Official Journal of EU	Standard / Interpretation
OJ L 346/2013	IAS 36 – Impairment of Assets (Amendments)
	IAS 39 – Financial Instruments: Recognition and Measurement (Amendments)
OJ L 312/2013	IFRS 10 – Consolidated Financial Statements (Amendments)
	IFRS 12 – Disclosure of Interests in Other Entities (Amendments)
	IAS 27 – Separate Financial Statements (Amendments)
OJ L 095/2013	IFRS 10 – Consolidated Financial Statements (Amendments)
	IFRS 11 – Joint Arrangements (Amendments)
	IFRS 12 - Disclosure of Interests in Other Entities (Amendments)
OJ L 360/2012	IFRS 10 – Consolidated Financial Statements (New Standard)
	IFRS 11 – Joint Arrangements (New Standard)
	IFRS 12 – Disclosure of Interests in Other Entities (New Standard)
	IAS 27 – Separate Financial Statements (New Standard)
	IAS 28 – Investments in Associates and Joint Ventures (New Standard)

Croatian National Bank did not early adopt new standards, amendments to standards and their interpretations adopted by the EU which early adoption in 2013 is optional.

1.2.1.3 Standards and interpretations which are not published in EU

International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") issued additional standards and interpretations which were not yet adopted in European Union. Currently it is estimated that the most significant impact on preparation of financial statement of Croatian National Bank will be introduction of *IFRS 9 – Financial Instruments* which is expected to replace the existing standard *IAS 39 – Financial Instruments: Recognition and Measurement*. IFRS 9 will introduce changes in classification and measurement of financial instruments. As IASB did not yet announce the full version of IFRS 9, and as the standard is not yet in force in European Union, currently it is not possible to assess the impact of application of this standard on financial statements of Croatian National Bank.

1.2.2 Basis of preparation

The financial statements have been prepared under the accrual basis of accounting and using the historical cost convention, except for certain financial assets and liabilities, and certain tangible assets, which have been measured at fair value.

The financial statements are expressed in thousands of kunas.

The preparation of the financial statements in accordance with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements, and of income and expenses for the reporting period. The estimates are based on the management's best estimate of current events and operations, and actual results may differ from those estimates.

Financial statements are prepared using going concern assumption.

Note 2 – Summary of significant accounting policies

2.1 Interest income and expense

Interest income and expense are recognised in the Income Statement on an accruals basis.

Interest income includes coupons earned on fixed income financial instruments and accrued discount on purchased securities.

Interest income on financial instruments at amortised cost is recognised in the Income Statement using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

2.2 Fee and commission income and expense

Fee and commission income from services provided by the Croatian National Bank is recognised when the service is provided.

Fee and commission expense is included in the statement of income for the period in which services are received.

2.3 Dividend income

Dividend income on equity investments is recognised in the Income Statement when the right to receive dividends is established.

2.4 Foreign exchange gains and losses

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. At each date of the Statement of financial position, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates in effect on that date. Gains and losses on translation are included in the Income Statement in the period in which they arise using the midpoint exchange rate of the Croatian National Bank, except for Special Drawing Rights (SDRs), which are translated to Croatian kunas at the XDR exchange rate provided by the International Monetary Fund.

Foreign exchange gains and losses arising from fluctuations in exchange rates are reported in the Income Statement as unrealised gains or losses in the period in which they occur. Gains and losses arising from trading in foreign currencies are included in realised income and expenses in the period in which they occur.

Non-monetary assets and liabilities denominated in foreign currencies stated at historical cost at the exchange rate valid on the date of transaction are not retranslated at the date of the Statement of Financial position, i.e. the exchange differences are not recognised for these items.

The exchange rates of major foreign currencies at 31 December 2013 were as follows:

- USD 1 = HRK 5.549000 (2012: HRK 5.726794)
- EUR 1= HRK 7.637643 (2012: HRK 7.545624)
- XDR 1 = HRK 8.515077 (2012: HRK 8.736257)

2.5 Provision charge and reversal

Impairment provisions for identified losses are recognised in the Income Statement as expenses in the related reporting period. The provisions are reversed to the extent of the amounts recovered in excess of carrying value, and the reversal is credited to income for the period in which the amounts are recovered. Financial assets carried at fair value are not provided against.

The Croatian National Bank recognises a provision when it has a present legal or constructive obligation as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate can be made of the obligation. No provision is recognised unless all of these conditions are met.

2.6 Financial instruments

2.6.1 Classification

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

a) Financial assets at fair value through profit or loss

This category comprises marketable debt securities in which the Croatian National Bank invests international reserve funds it manages, for the purpose of generating profit from interest or changes in the fair value of the underlying instrument.

b) Held-to-maturity investments

Included in this category are investments in debt securities that the Croatian National Bank intends to hold to maturity for the purpose of generating interest income.

c) Loans and receivables

This category comprises loans approved by the Croatian National Bank without the intention of short-term profit taking.

d) Financial assets available for sale

This category comprises the investments of the Croatian National Bank in equity securities of international financial institutions based on which the membership status in these institutions was realised, and participating interest of the Croatian National Bank in the European Central Bank which was recognised following the payment for one portion of the issued capital of the European Central Bank.

2.6.2 Recognition and derecognition

The Croatian National Bank recognises and derecognises financial instruments on a settlement date basis. Any gains and losses arising from changes in the fair value of financial instruments are recognised as of the last day of the reporting period.

2.6.3 Reclassifications

Securities may be reclassified out of the fair value through profit or loss category if they are no longer held for the purpose of selling or repurchasing them in the near future. Such reclassification is possible only in rare circumstances and if there is the intention and ability to hold the security for the foreseeable future or until maturity.

2.6.4 Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial asset or financial liability not designated at fair value through profit and loss, transaction costs. Subsequent to initial recognition, held for trading securities are measured at fair value. Gains and losses from changes in the fair value of securities held for trading are recognised in the Income Statement within "Net securities trading result". Foreign exchange gains and losses are presented within "Net foreign exchange differences". Held-to-maturity securities comprise debt securities with fixed or determinable payments and fixed maturities. They are measured at amortised cost using the effective interest method less any impairment. Financial instruments with no fixed maturities and prices not quoted in an active market, and whose fair value cannot be reliably measured, are measured at cost, less any impairment loss.

2.7 Impairment of financial assets

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, the asset's recoverable amount is estimated, and an impairment loss is recognised.

2.8 Repurchase and reverse repurchase agreements

The Croatian National Bank enters into securities purchase/sale agreements under which it agrees to resell/repurchase the same instrument on a specific future date at a fixed price. Securities purchased with the obligation to resell them in the future are not recognised on the Statement of Financial Position.

Payments arising from those agreements are recognised as amounts due from other banks or financial institutions, and are collateralised by securities underlying the repurchase agreement. Securities sold under repurchase agreements are not derecognised and removed from the balance sheet but are disclosed in the Statement of Financial Position. Receipts from sales of securities are recognised as amounts due to banks and other financial institutions. The difference between the sale and the repurchase price is included in interest income or expense and accrued over the period of the transaction.

2.9 Deposits with other banks

Amounts due from domestic and foreign banks represent balances on non-transactional accounts and are recognised at nominal value.

2.10 Balances with the International Monetary Fund

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

2.11 Gold and other precious metals

Gold and other precious metals are recognised at values prevailing at world market. Gains and losses on translation are included in the Income Statement for the period in which they arise.

2.12 Currency in circulation

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

2.13 Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash is defined as cash and current accounts with foreign banks, and balances with the International Monetary Fund.

2.14 Taxation

In accordance with relevant legislation the Croatian National Bank is not subject to Croatian income tax.

2.15 Tangible and intangible assets

Tangible and intangible assets are reported in the Statement of Financial Position at cost less accumulated depreciation, except for buildings which are carried at revalued amounts less accumulated depreciation, and land which is carried at revalued amounts. Depreciation is provided under the straight-line method.

Gains on revaluation are included as a separate component of statement of changes in equity. Losses on revaluation are charged to the revaluation reserve account to the extent of the revaluation surplus previously recognised in equity, and any loss in excess of the previously recognised surplus is charged to the Income Statement for the reporting period.

The following annual depreciation and amortization rates are used:

Asset class	Rates applied in 2013 (in %)	Rates applied in 2012 (in %)
Business buildings	2.0	2.0
Apartments	5.0	5.0
Garages	2.0	2.0
Mobile phones	25.0	25.0
Fixed-line switchboard and phones	20.0	20.0
Office equipment	20.0	20.0
Restaurant equipment	20.0	20.0
Machinery and other equipment	15.0	15.0
Furniture	15.0	15.0
Safety vaults	5.0	5.0
Vehicles	25.0	25.0
Personal computers	20.0	20.0
Servers and other hardware	20.0	20.0
Software	10.0	10.0
Intangible assets	10.0	10.0

2.16 Fair values and fair value hierarchy

Fair value is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

Valuation techniques that are used in determining the fair values are market approach, cost approach and income approach. The market approach uses prices and other relevant information from market transactions with identical or similar assets or liabilities. The cost approach is valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). The income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The fair value hierarchy consists of three levels of data included in the valuation techniques which are used to measure fair value:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 observable for the asset or liability, either directly or indirectly,
- Level 3 – inputs are unobservable inputs for the asset or liability (inputs not available either directly or indirectly).

In the process of fair value measurements a suitable valuation techniques for which the necessary data are available are used, with maximum use of observable inputs and minimal use of inputs that are not observable in an active market.

2.17. Appropriation

Operating surplus is allocated to the general reserves and to the state budget in accordance with Article 57 of the Act on the Croatian National Bank. Allocation of the surplus of income over expenditures to general reserves is being performed in the amount determined by the Council of the Croatian National Bank.

The amount of surplus of income over expenditures which is allocated to general reserves in the current financial year may neither be lower than net profit from the value adjustment of balance sheet items to changes in the exchange rate or to changes in market prices, nor higher than 20% of the realised surplus of income over expenditures. Exceptionally, if the surplus of income over expenditures is lower than net profit from the value adjustment of balance sheet items to changes in the exchange rate or to changes in market prices, the total surplus of income over expenditures shall be allocated to general reserves.

The surplus of income over expenditures remaining after the allocation to general reserves constitutes extraordinary revenue to the state budget. Any shortfall between income and expenditures is being covered by the Croatian National Bank from general reserves. Any shortfall between income and expenditures that cannot be covered from general reserves shall be covered from the state budget.

Note 3 – Interest and similar income

(All amounts are expressed in thousands of kunas)

	2013	2012
Deposits	10,967	25,892
Trading securities	134,815	163,636
Held-to-maturity securities	662,739	683,185
Loans to domestic banks	663	1,035
Utilisation of the reserve requirement funds	–	6,399
Other	669	204
	809,853	880,351

Note 4 – Interest and similar expenses

(All amounts are expressed in thousands of kunas)

	2013	2012
Repurchase transactions	2,017	5,240
Overnight deposits with banks – kuna denominated	4,380	6,648
Other	5,058	5,500
	11,455	17,388

Note 5 – Net trading result and precious metal revaluation

(All amounts are expressed in thousands of kunas)

	2013	2012
Net securities trading result, including net changes in fair value of trading securities	(120,279)	(34,348)
Net effect on revaluation of precious metals	(3,139)	551
	(123,418)	(33,797)

Note 6 – Net exchange differences

(All amounts are expressed in thousands of kunas)

	2013	2012
Net exchange differences	327,504	(73,940)
	327,504	(73,940)

Note 7 – Other income

(All amounts are expressed in thousands of kunas)

	2013	2012
Sale of numismatics	742	300
Other income	5,610	6,642
	6,352	6,942

Note 8 – Operating expenses

(All amounts are expressed in thousands of kunas)

	2013	2012
Staff costs (Note 8.1)	158,851	167,600
Materials, services and administrative expenses	82,305	78,462
Costs of production of banknotes and coins in Croatian kunas	26,948	19,671
Depreciation and amortisation costs	28,024	26,956
	296,128	292,689

The costs of printing banknotes are initially deferred and recognised in the income statement over a period of ten years, and the cost of minting coins over a period of twelve years.

Note 8.1 – Staff costs

(All amounts are expressed in thousands of kunas)

	2013	2012
Net salaries	70,782	70,897
Contributions from and contributions on salaries	39,904	40,986
Taxes and surtaxes	20,201	20,326
Other employee related expenses	27,964	35,391
	158,851	167,600

The average number of employees during 2013 was 629 (2012: 634).

Note 9 – (Decrease)/Increase in provisions

(All amounts are expressed in thousands of kunas)

	2013	2012
a) Accrued interest and receivables		
New provisions	244	–
c) Provisions for risks and charges		
New provisions	7,870	8,503
Reversals	(23,855)	(9,405)
	(15,741)	(902)

Note 10 – Cash and current accounts with other banks

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Cash on hand	1,074	1,225
Foreign currency cash in the CNB treasury vault	3,052,159	3,016,929
Current accounts with foreign banks	4,524,716	7,630,493
	7,577,949	10,648,647

Note 11 – Deposits with other banks

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Deposits with foreign central banks	272,456	2,771,207
Deposits with foreign commercial banks	18,733,612	2,345,410
Deposits with other foreign banking institutions	1,811,526	1,182,016
Deposits with domestic commercial banks	11,015	11,450
	20,828,609	6,310,083

Geographical concentration of deposits with other banks:

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Croatia	11,015	11,450
Europe	20,545,138	5,906,347
USA	272,456	392,286
	20,828,609	6,310,083

Note 12 – Trading securities

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
EUR-denominated securities	24,263,021	21,891,148
USD-denominated securities	13,589,703	13,675,223
	37,852,724	35,566,371

Note 13 – Loans

a) By type of loan

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Other loans	72	79
	72	79

b) Movements in impairment allowance

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Movements in impairment allowance		
Balance at 1 January	–	(681)
Amounts written off	–	681
	–	–

Note 14 – Held-to-maturity securities

Held-to-maturity investments comprise the following:

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Debt securities	29,273,151	29,096,258
Accrued interest	458,384	509,539
	29,731,535	29,605,797

Reclassified financial assets

According to a Governor Decision adopted under International Accounting Standard 39 – Financial Instruments: Recognition and Measurement, the Croatian National Bank reclassified as of 31 May 2011 its financial assets out of the fair value through profit or loss category (trading assets) to financial assets held to maturity at the fair value of those assets in the amount of HRK 2,639,527 thousand (the equivalent of EUR 355,162,001.65 using the exchange rate in effect at 31 May 2011), with the fair value at the reclassification date serving as the basis for the initial measurement.

The carrying amount and fair value of the reclassified assets (including accrued interest not yet due) are presented in the table below:

(All amounts are expressed in thousands of kunas)

	31/5/2011		31/12/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss reclassified to financial assets held to maturity	2,639,527	2,639,527	1,570,056	1,600,861

At the reclassification date, i.e. 31 May 2011, the effective interest rates on the reclassified assets ranged from 1.43 to 2.25 percent, and the expected recoverable cash flows amounted to HRK 2,857,642 thousand (equivalent to EUR 374,152,397.25 using the exchange rate in effect at 31 December 2013).

Had the assets not been reclassified, unrealised losses on the fair value of the reclassified assets (i.e. fair value excluding accrued interest not yet due) in the amount of HRK 57,660 thousand would have been included in the financial result reported in the Income Statement for the period.

Following the reclassification, the effect of the reclassified assets recognised in the Income Statement for the period amounts to HRK 35,077 thousand.

Note 15 – Balances with the International Monetary Fund

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Membership quota	3,108,848	3,189,621
Special Drawing Rights (SDR) and deposits	2,601,417	2,662,253
	5,710,265	5,851,874

Note 16 – Financial assets available for sale

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
BIS shares	41,914	41,914
SWIFT shares	80	80
ECB paid-up capital	17,982	–
	59,976	41,994

Based on ownership of 2,441 shares of Bank for International Settlements (“BIS”), nominal value of SDR 5,000 per share, Croatian National Bank is a member of BIS, which enables her the option to use services which BIS provides to central banks and other financial organisations. The shares of BIS are recorded at historical cost. In accordance with the Statute of BIS, 25% of the shares subscribed was paid, while the remaining 75% is payable upon call for payment. In June 2013 Croatian National Bank received a dividend in the amount of HKR 6,630 thousands.

Croatian National Bank is also a member of Society for Worldwide Interbank Financial Telecommunication (“SWIFT”). Based on membership Croatian National Bank participates in international transfers of financial massages. Six SWIFT shares of nominal value of 125 EUR per share which Croatian National Bank holds are fully paid in and are carried at historical cost.

Republic of Croatia joined the European Union on 1st July 2013, and thus the Croatian National Bank became a member of the European System of Central Banks (“ESCB”.) According to Article 28 of Statute of the ESCB and ECB, the Croatian National Bank became liable to subscribe for one portion of capital of the European Central Bank (“ECB”). The amount specified in this note is a participating interest of Croatian National Bank in ECB. Subscriptions depend on shares which are regulated by Article 29.3 of the Statute of the ESCB and ECB and are adjusted every five years. Share of Republic of Croatia in capital of ECB is 0.5945% and it is calculated based on Article 29 of the Statute of ESCB and on the basis of data on the population and gross domestic product provided by the European Commission. Since Republic of Croatia is not part of the Eurozone the transitional provisions of Article 47 of Statute of the ESCB are applied. Consequently, as part of admittance in ESCB on 1st July 2013, Croatian National Bank was liable to pay 3.75% of the subscribed capital of ECB in the amount of 64,354,667.03 EUR. Croatian National Bank shall not be entitled to receive any share of the distributable profits of the ECB, nor it is liable to fund any loss of the ECB.

The following table represents capital allocation keys and subscribed capital and paid up capital by the central banks members of ESCB.

(All amounts are expressed in EUR)

	ECB capital allocation key since 1 June 2013 (in %)	Subscribed capital 1/7/2013	Paid up capital 1/7/2013
Nationale Bank van België/Banque Nationale de Belgique	2.4176	261,705,370.91	261,705,370.91
Deutsche Bundesbank	18.7603	2,030,803,801.28	2,030,803,801.28
Eesti Pank	0.1780	19,268,512.58	19,268,512.58
Central Bank of Ireland	1.1111	120,276,653.55	120,276,653.55
Bank of Greece	1.9483	210,903,612.74	210,903,612.74
Banco de España	8.2533	893,420,308.48	893,420,308.48
Banque de France	14.1342	1,530,028,149.23	1,530,028,149.23
Banca d'Italia	12.4570	1,348,471,130.66	1,348,471,130.66
Central Bank of Cyprus	0.1333	14,429,734.42	14,429,734.42
Banque centrale du Luxembourg	0.1739	18,824,687.29	18,824,687.29
Central Bank of Malta	0.0635	6,873,879.49	6,873,879.49
De Nederlandsche Bank	3.9663	429,352,255.40	429,352,255.40
Oesterreichische Nationalbank	1.9370	209,680,386.94	209,680,386.94
Banco de Portugal	1.7636	190,909,824.68	190,909,824.68
Banka Slovenije	0.3270	35,397,773.12	35,397,773.12
Národná banka Slovenska	0.6881	74,486,873.65	74,486,873.65
Suomen Pankki – Finlands Bank	1.2456	134,836,288.06	134,836,288.06
Subtotal for euro area NCBs	69.5581	7,529,669,242.48	7,529,669,242.48
Българска народна банка (Bulgarian National Bank)	0.8644	93,571,361.11	3,508,926.04
Česká národní banka	1.4539	157,384,777.79	5,901,929.17
Danmarks Nationalbank	1.4754	159,712,154.31	5,989,205.79
Hrvatska narodna banka	0.5945	64,354,667.03	2,413,300.01
Latvijas Banka	0.2742	29,682,169.38	1,113,081.35
Lietuvos bankas	0.4093	44,306,753.94	1,661,503.27
Magyar Nemzeti Bank	1.3740	148,735,597.14	5,577,584.89
Narodowy Bank Polski	4.8581	525,889,668.45	19,720,862.57
Banca Națională a României	2.4449	264,660,597.84	9,924,772.42
Sveriges Riksbank	2.2612	244,775,059.86	9,179,064.74
Bank of England	14.4320	1,562,265,020.29	58,584,938.26
Subtotal for non-euro area NCBs	30.4419	3,295,337,827.14	123,575,168.51
TOTAL	100.00	10,825,007,069.61*	7,653,244,410.99

* Due to rounding, total amount may not correspond to the sum of the individual amounts listed.

Note 17 – Investments accounted for using the equity method

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Investment in Croatian Monetary Institute	19,570	18,264
	19,570	18,264

Investment of Croatian National Bank in Croatian Monetary Institute represents investment in associate in accordance with IAS 28 and it is accounted for using the equity method. The portion of Croatian National Bank share in capital of Croatian Monetary Institute is 42.6%.

Croatian Monetary Institute is a domestic company whose core operation is production of coins and medals of gold and other precious metals, production of coins and commemorative coins, jewellery manufacturing and related products, trade in gold and other precious metals, trade with jubilee coins, medals of gold and other precious metals, production of license plates and other activities associated with listed here and other registered activities.

The following table presents summarized financial information of Croatian Monetary Institute:

(All amounts are expressed in thousands of kunas)

	2013	2012
Total assets	51,397	58,506
Total liabilities	4,582	14,556
Capital	46,815	43,950
Total revenue	50,978	32,540
Total expenditure	47,224	(31,390)
Profit before tax	3,754	1,150
Income tax	(889)	(41)
Profit for the year	2,865	1,109

Summarized financial information of Croatian Monetary Institute for 2013 are presented based on preliminary financial statements of Croatian Monetary Institute for 2013 as the final official financial statements of the Croatian Monetary Institute for 2013 were not yet available at the time of preparation of these financial statements.

Note 18 – Accrued interest and other assets

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Accrued interest	8,966	7,435
Prepaid expenses	275,122	226,041
Numismatics	12,570	9,775
Precious metals	5,862	9,000
Other assets	73,253	87,204
	375,773	**339,455**
Accumulated depreciation	(59,138)	(58,894)
	316,635	280,561

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Movements in impairment allowance		
Balance at 1 January	(58,894)	(58,894)
New provisions	(244)	–
Balance at 31 December	(59,138)	(58,894)

The major portion of prepaid expenses in the amount of HRK 271,153 thousand (2012: HRK 220,103 thousand) relates to the prepaid expenses of printing banknotes and minting coins.

Note 19 – Tangible and intangible assets

(All amounts are expressed in thousands of kunas)

	Land and buildings	Computers	Furniture and equipment	Motor vehicles	Other assets	Assets under development	Software and licences	Total
Balance at 31 December 2011								
Cost or revaluation	525,897	95,315	39,893	10,225	4,468	63,171	68,424	807,393
Accumulated depreciation/amortisation	(11,737)	(79,863)	(32,986)	(10,003)	–	–	(49,308)	(183,897)
Net book value for the year ended 31 December 2012	**514,160**	**15,452**	**6,907**	**222**	**4,468**	**63,171**	**19,116**	**623,496**
Opening net book amount	514,160	15,452	6,907	222	4,468	63,171	19,116	623,496
Additions	–	–	–	–	56	17,329	–	17,385
Brought into use	26,126	18,670	287	–	–	(48,876)	3,793	–
Net written off	–	(3)	(6)	–	–	–	–	(9)
Charge for the year	(9,455)	(10,282)	(2,605)	(222)	–	–	(4,392)	(26,956)
Closing net book amount	**530,831**	**23,837**	**4,583**	**–**	**4,524**	**31,624**	**18,517**	**613,916**
Balance at 31 December 2012								
Cost or revaluation	552,023	98,015	39,232	10,225	4,524	31,624	72,217	807,860
Accumulated depreciation/amortisation	(21,192)	(74,178)	(34,649)	(10,225)	–	–	(53,700)	(193,944)
Net book value	**530,831**	**23,837**	**4,583**	**–**	**4,524**	**31,624**	**18,517**	**613,916**

(All amounts are expressed in thousands of kunas)

	Land and buildings	Computers	Furniture and equipment	Motor vehicles	Other assets	Assets under development	Software and licences	Total
Balance at 31 December 2012								
Cost or revaluation	552,023	98,015	39,232	10,225	4,524	31,624	72,217	807,860
Accumulated depreciation/ amortisation	(21,192)	(74,178)	(34,649)	(10,225)	–	–	(53,700)	(193,944)
Net book value for the year ended 31 December 2013	**530,831**	**23,837**	**4,583**	**–**	**4,524**	**31,624**	**18,517**	**613,916**
Opening net book amount	530,831	23,837	4,583	–	4,524	31,624	18,517	613,916
Additions	–	–	–	–	29	19,424	–	19,453
Brought into use	2,351	28,871	1,338	–	–	(38,563)	6,003	–
Net written off	–	(11)	(25)	–	(42)	–	–	(78)
Charge for the year	(9,523)	(11,725)	(2,186)	–	–	–	(4,590)	(28,024)
Closing net book amount	**523,659**	**40,972**	**3,710**	**–**	**4,511**	**12,485**	**19,930**	**605,267**
Balance at 31 December 2013								
Cost or revaluation	554,374	124,978	39,934	10,225	4,511	12,485	75,807	822,314
Accumulated depreciation/amortisation	(30,715)	(84,006)	(36,224)	(10,225)	–	–	(55,877)	(217,047)
Net book value	**523,659**	**40,972**	**3,710**	**–**	**4,511**	**12,485**	**19,930**	**605,267**

Revalued amounts of land and buildings were determined based on appraisals last time performed by independent experts in 2010. Valuation technique used to determine fair value was income approach. Certain significant inputs for valuation were not observable (Level 3 of fair value hierarchy). If the land and buildings were carried at cost less depreciation, their net book value as at 31 December 2013 would be HRK 158,907 thousand. The tangible assets of the Croatian National Bank are not subject to a mortgage or to a fiduciary relationship.

Note 20 – Banknotes and coins in circulation

(All amounts are expressed in thousands of kunas)

	2013	2012
Banknotes and coins put into circulation as of January 1	21,627,929	20,943,013
Increase/(decrease) in banknotes and coins in circulation during the year	357,401	684,916
Banknotes and coins in circulation – total as of December 31	21,985,330	21,627,929

In HRK	Nominal value	31/12/2013		31/12/2012	
		Pieces	Value in thousands of kunas	Pieces	Value in thousands of kunas
Coins	0.01	125,724,297	1,257	125,640,264	1,256
Coins	0.02	84,082,319	1,682	83,968,978	1,679
Coins	0.05	293,409,205	14,670	276,338,042	13,817
Coins	0.10	448,841,373	44,884	429,014,874	42,901
Coins	0.20	332,814,219	66,563	316,965,637	63,393
Coins	0.50	191,981,038	95,991	182,930,343	91,465
Coins	1	211,413,637	211,414	201,176,000	201,176
Coins	2	114,701,199	229,402	107,270,043	214,540
Coins	5	76,276,691	381,383	71,050,387	355,252
Coins	25	1,149,641	28,741	1,130,284	28,257
Banknotes	5	4,147,692	20,738	4,155,189	20,776
Banknotes	10	35,458,935	354,589	33,876,891	338,769
Banknotes	20	24,094,037	481,881	23,161,587	463,232
Banknotes	50	13,032,454	651,623	12,563,210	628,161
Banknotes	100	29,309,770	2,930,977	30,390,249	3,039,025
Banknotes	200	47,973,129	9,594,626	47,255,143	9,451,029
Banknotes	500	5,699,877	2,849,939	5,542,746	2,771,373
Banknotes	1,000	4,024,970	4,024,970	3,901,828	3,901,828
Total			21,985,330		21,627,929

Note 21 – Due to banks and other financial institutions

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Kuna reserve requirements	22,024,590	24,555,671
Foreign currency reserve requirements	4,418,752	5,094,529
Other deposits from domestic banks	15,356,003	15,145,429
Deposits from foreign banks and other financial institutions	72	72
Court-mandated deposits	18,815	1,637
Compulsory CNB bills in kunas	3,602,188	–
Liabilities to Croatian Bank for Reconstruction and Development	1,804,489	2,718,961
	47,224,909	47,516,299*

* The classification structure of financial statement positions “Due to banks and other financial institutions” and “Accrued interest and other liabilities” was amended in 2013 financial statements compared to disclosure in 2012 financial statements. Liabilities to Croatian Bank for Reconstruction and Development were reclassified out of “Accrued interest and other liabilities” in “Due to banks and other financial institutions” in 2013 financial statements.

By amendments of the decision on obligatory reserve requirements (Official Gazette No, 142/2013) the rate of the obligatory reserve was reduced from 13.5% to 12.0%. In accordance with the decision on the purchase of compulsory CNB bills (Official Gazette No, 142/2013), commercial banks were required to purchase treasury bills carrying zero interest with final maturity until 12 December 2016 with possibility to sale-back the treasury bills in the maximal amount of up to 50% of growth of commercial bank’s placements to domestic entities from non-financial sector.

Liabilities to the Croatian Bank for Reconstruction and Development (‘HBOR’) are funds on a transaction account opened on the basis of a contractual arrangement between the Croatian National

Bank and the Croatian Bank for Reconstruction and Development ('HBOR') and for the purpose of the Financing Models provided within the Measures for Economic Recovery and Development.

Note 22 – Due to the state and state institutions

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Domestic currency account balances	3,023,341	734,075
Foreign-currency denominated deposit account balances	10,657,337	78,482
	13,680,678	812,557

Note 23 – Due to the International Monetary Fund

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Kuna-denominated bills of exchange	3,099,721	3,180,257
Net cumulative allocations	2,581,234	2,648,282
Other IMF's accounts	7,783	7,985
	5,688,738	5,836,524

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

Note 24 – Accrued interest and other liabilities

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Accrued interest	1,031	1,037
Amounts due to employees	5,611	6,285
Payroll taxes and contributions	5,603	6,864
Obligations to European Commission in EUR	418,603	–
Obligations to European Commission in HRK	219,155	–
Due to the Ministry of Finance	437,897	386,656
Trade payables	9,767	11,635
Other liabilities	101,926	112,050
	1,199,593	524,527

Upon accession of Republic of Croatia to the European Union, the European Commission has opened EUR and HRK transaction accounts at Croatian National Bank for performance of payment transactions.

Included in other liabilities are long-term provisions for risks and charges, out of which HRK 25,380 thousand (2012: HRK 41,080 thousand) are in respect of legal actions and HRK 19,811 thousand (2012: HRK 20,095 thousand) in respect of provisions for employee benefits.

Note 25 – Equity

The equity funds of the Croatian National Bank consist of the initial capital and reserves.

The initial capital in the amount of HRK 2,500,000 thousand is held solely by the Republic of Croatia. The capital is non-transferable and cannot be used as collateral.

Reserves comprise general and specific reserves, General reserves are formed for the purpose of covering general risks of operations of the Croatian National Bank, they are not limited in size, and they are formed in accordance with the Act on the Croatian National Bank. Specific reserves are formed for the purpose of covering identified losses in accordance with decisions of the Council of the Croatian National Bank.

Note 26 – Maturity analysis of assets and liabilities

The following table presents maturity analysis of assets and liabilities depending on the expected maturity date or the settlement date:

- twelve months after the reporting period,
- more than twelve months after the reporting period.

26.1 Maturity analysis of assets and liabilities

(All amounts are expressed in thousands of kunas)

	Less than 12 months	More than 12 months	Total
Balance as at 31 December 2013			
Assets			
Cash and current accounts with other banks	7,577,949	–	7,577,949
Deposits with other banks	20,817,594	11,015	20,828,609
Trading securities	37,852,724	–	37,852,724
Loans	–	72	72
Held-to-maturity securities	7,876,996	21,854,539	29,731,535
Balances with the International Monetary Fund	2,596,996	3,113,269	5,710,265
Financial assets available for sale	–	59,976	59,976
Investments accounted for using the equity method	–	19,570	19,570
Accrued interest and other assets	35,857	280,778	316,635
Tangible and intangible assets	12,485	592,782	605,267
Total assets	76,770,601	25,932,001	102,702,602
Liabilities			
Banknotes and coins in circulation	21,985,330	–	21,985,330
Due to banks and other financial institutions	43,622,649	3,602,260	47,224,909
Due to the State and State institutions	13,680,678	–	13,680,678
Due to the International Monetary Fund	–	5,688,738	5,688,738
Accrued interest and other liabilities	1,159,993	39,600	1,199,593
Total liabilities	80,448,650	9,330,598	89,779,248
Net position	(3,678,049)	16,601,403	12,923,354
Balance as at 31 December 2012			
Assets			
Cash and current accounts with other banks	10,648,647	–	10,648,647
Deposits with other banks	6,298,633	11,450	6,310,083
Trading securities	35,566,371	–	35,566,371
Loans	–	79	79
Held-to-maturity securities	4,265,621	25,340,176	29,605,797
Balances with the International Monetary Fund	2,657,717	3,194,157	5,851,874
Financial assets available for sale	–	41,994	41,994
Investments accounted for using the equity method	–	18,264	18,264
Accrued interest and other assets	50,833	229,728	280,561
Tangible and intangible assets	31,624	582,292	613,916
Total assets	59,519,446	29,418,140	88,937,586

	Less than 12 months	More than 12 months	Total
Liabilities			
Banknotes and coins in circulation	21,627,929	–	21,627,929
Due to banks and other financial institutions	47,516,227	72	47,516,299
Due to the State and State institutions	812,557	–	812,557
Due to the International Monetary Fund	–	5,836,524	5,836,524
Accrued interest and other liabilities	484,773	39,754	524,527
Total liabilities	70,441,486	5,876,350	76,317,836
Net position	(10,922,040)	23,541,790	12,619,750

Note 27 – Contingent liabilities and commitments and treasury inventory system

Legal actions: At 31 December 2013, there were several legal actions outstanding against the Croatian National Bank. In the opinion of the management and internal legal advisers of the Croatian National Bank, the Bank may lose certain cases, As a result, provisions for potential losses on such cases were made by the Bank in the amount of HRK 25,380 thousand (see Note 24).

Capital commitments: At 31 December 2013 the capital commitments of the Croatian National Bank amounted to HRK 418 thousand (2011: HRK 6,457 thousand).

Treasury inventory system

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Banknotes and coins not in circulation	81,324,824	80,896,797
Inventory of government stamps and bill-of-exchange forms	259,518	282,727
	81,584,342	81,179,524

Note 28 – Cash

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Cash on hand	1,074	1,225
Foreign currency cash in the CNB treasury vault	3,052,159	3,016,929
Current accounts with foreign banks	4,524,716	7,630,493
Special Drawing Rights (SDR) and deposits with the IMF	2,601,417	2,662,253
	10,179,366	13,310,900

Note 29 – Appropriations

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Operating surplus	735,577	475,845
Transfer of surplus to general reserves	(303,604)	(95,169)
Surplus allocated to the State Budget	(431,973)	(380,676)
	–	–

Note 30 – Fair values of financial assets and liabilities

In the process of determination of fair value of financial assets and liabilities a market approach is used as a valuation technique. As a part of a hierarchical approach to the determination of fair value Croatian National Bank uses the first hierarchical valuation level (level 1), which means that inputs are observable market values which reflect quotation price for the same assets or liabilities in active markets. If price quotations are not available, fair value is calculated based on the models recognized by "GIPS" standards (Global Investment Performance Standards). The input data used are observable market values (interest rates), which correspond to level 2 of fair value hierarchy. During the reporting period there were no reclassifications between the levels of fair value hierarchy.

a) Financial assets and liabilities measured at fair value

The following table presents the fair value hierarchy for financial assets measured at fair value through profit or loss

(All amounts are expressed in thousands of kunas)

	31/12/2013		
	Level 1	Level 2	Total
Foreign securities held for trading			
Government securities	17,232,347	15,294,241	32,526,588
Securities of international financial institutions	707,660	277,415	985,075
Bank bonds with government guarantees	–	4,341,061	4,341,061
Total	17,940,007	19,912,717	37,852,724

(All amounts are expressed in thousands of kunas)

	31/12/2012		
	Level 1	Level 2	Total
Foreign securities held for trading			
Government securities	14,924,068	11,909,391	26,833,459
Guaranteed bonds (public sector collateral)	326,666	–	326,666
Securities of international financial institutions	4,518,033	–	4,518,033
Bank bonds with government guarantees	137,820	3,750,393	3,888,213
Total	19,906,587	15,659,784	35,566,371

b) Financial assets and liabilities not measured at fair value

Debt securities held to maturity are measured at amortized cost. The comparison of book and fair values is presented in the following table.

(All amounts are expressed in thousands of kunas)

	Debt securities	
	Book value	Fair value
31/12/2013	29,731,535	30,477,206
31/12/2012	29,605,797	30,971,243

In determining the fair value of financial assets held to maturity Level 1 of fair value hierarchy input data was used.

The fair values of remaining financial assets and liabilities of the Croatian National Bank are approximately equal to the accounting values due to the short maturities of the instruments.

Note 31 – Risk management

The Croatian National Bank manages international reserves of the Republic of Croatia based on the principles of liquidity and safety. The Bank maintains high liquidity of international reserves and appropriate risk exposures, and seeks to achieve a favourable return on its investments within the defined limits.

Risks inherent to managing international reserves consist primarily of financial risks such as credit risk, interest rate risk and foreign exchange risk. However, attention is given also to liquidity and operating risks.

Note 31.1 – Credit risk

Credit risk is the risk that the counterparty will not settle its liability i.e. the possibility that invested funds will not be recovered in full or within the planned schedule.

The Croatian National Bank manages its credit risk exposure, by investing its international reserve funds into high-quality instruments with minimum risk, such as government bonds, government guaranteed bonds, bank bonds with government guarantee and guaranteed bonds, into instruments of international financial institutions with high credit rating and into both collateralised and non-collateralised deposits made exclusively with high-credibility banks. Collateralised deposits represent deposits secured by government bonds in the amount equal to, or in excess of the value of the deposit. The total value of collateral received per reverse repo agreements as at 31 December 2013 amounts to HRK 18,178,124 thousand (31 December 2012: HRK 3,156,986 thousand). These collaterals are government bonds with rating within the range Aaa to Aa3.

Its assessment of counterparties' creditworthiness is based on ratings of major internationally recognized rating agencies (Moody's, Standard & Poor's, and Fitch).

Placements with individual financial institutions and countries are subject to limits, which diversifies the credit risk.

The Croatian National Bank invests the international reserve funds in government bonds and government guaranteed bonds of countries rated Aaa to A3 (Moody's), guaranteed bonds with ratings from Aaa to Aa2, reverse repo agreements with commercial banks with ratings of Aaa to A3, in deposits with central banks rated Aaa to A3, deposits with international financial institutions rated Aaa to Aa2, and deposits placed with commercial banks rated Aaa to A3.

At 31 December 2013, the largest credit risk exposure to a single counterparty was to a central bank rated "Aaa" and amounted to HRK 4,519,371 thousand (31 December 2012: HRK 9,886,424 thousand).

31.1.1 Credit risk concentration by type of asset

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Foreign-currency denominated securities held for trading		
Government securities	32,526,588	26,833,459
Guaranteed bonds (public sector collateral)	–	326,666
Securities of international financial institutions	985,075	4,518,033
Bank bonds with government guarantee	4,341,061	3,888,213
Total foreign-currency denominated securities held for trading	**37,852,724**	**35,566,371**
Foreign-currency denominated securities held to maturity		
Government securities	21,125,861	23,719,632
Guaranteed bonds (public sector collateral)	1,572,899	1,557,552
Securities of international financial institutions	6,498,335	4,026,999

	31/12/2013	31/12/2012
Bank bonds with government guarantee	534,440	301,614
Total foreign-currency denominated securities held to maturity	**29,731,535**	**29,605,797**
Total foreign-currency denominated securities	67,584,259	65,172,168
Foreign-currency denominated deposit account balances		
Reverse repo agreements	19,068,181	3,690,772
Deposits	5,899,492	10,009,424
Deposits with international financial institutions	2,977,531	2,891,365
Total foreign-currency denominated deposits	**27,945,204**	**16,591,561**
Total	95,529,463	81,763,729

31.1.2 Credit risk by counterparty credit rating

(All amounts are expressed in thousands of kunas)

	31/12/2013	31/12/2012
Rating (Moody's)		
	Government securities	Government securities
Aaa	36,580,715	34,787,093
Aa1	11,601,359	8,513,400
Aa2	–	–
Aa3	3,920,984	5,722,945
AA	1,549,391[a]	1,529,653
Total	**53,652,449**	**50,553,091**
	Guaranteed bonds	Guaranteed bonds
Aaa	1,572,899	1,884,218
Total	**1,572,899**	**1,884,218**
	Securities of international financial institutions	Securities of international financial institutions
Aaa	4,176,695	3,873,735
Aa1	3,306,715	4,671,297
Total	**7,483,410**	**8,545,032**
	Government-guaranteed bank bonds	Government-guaranteed bank bonds
Aaa	4,646,419	3,880,223
Aa1	229,082	309,604
Total	**4,875,501**	**4,189,827**
Total foreign-currency denominated securities	67,584,259	65,172,168
	Reverse repo agreements	Reverse repo agreements
Aaa	272,456	392,285
Aa3	1,811,634	1,182,030
A1	1,367,363	581,559
A2	13,167,086	675,805
A3	2,449,642	859,093
Total	**19,068,181**	**3,690,772**
	Deposits	Deposits
Aaa	4,522,254	9,889,572
Aa1	30	115,590
Aa2	107	304
Aa3	1,376,111	1,373
A1	91	95
A2	465	2,173
A3	207	272
Baa1	8[b]	3

	31/12/2013	31/12/2012
Not rated	219[c]	42
Total	**5,899,492**	**10,009,424**
	Deposits with international financial institutions	**Deposits with international financial institutions**
Not rated	2,977,531[d]	2,891,365
Total	**2,977,531**	**2,891,365**
Total foreign currency denominated deposits	27,945,204	16,591,561
Total	95,529,463	81,763,729

[a] The ratings according to Standard&Poor's.
[b] Demand deposits with banks at which foreign-exchange payment operation accounts are opened.
[c] Demand funds with Clearstream.
[d] Investments in the BIS and IMF which are not rated, but are considered institutions of high-credit score.

31.1.3 Geographical concentration of credit risk

(All amounts are expressed in thousands of kunas)

Instrument	Eurozone	Other	Total
Balance at 31 December 2013			
Government securities	44,101,367	9,551,082	53,652,449
Guaranteed bonds	1,572,899	–	1,572,899
Securities of international financial institutions	7,483,410	–	7,483,410
Bank bonds with government guarantee	4,875,501	–	4,875,501
Total foreign-currency denominated securities	**58,033,177**	**9,551,082**	**67,584,259**
Reverse repo agreements	13,641,653	5,426,528	19,068,181
Deposits	5,894,813	4,679	5,899,492
Deposits with international financial institutions	–	2,977,531	2,977,531
Total foreign-currency denominated deposits	**19,536,466**	**8,408,738**	**27,945,204**
Total at 31 December 2013	77,569,643	17,959,820	95,529,463

(All amounts are expressed in thousands of kunas)

Instrument	Eurozone	Other	Total
Balance at 31 December 2012			
Government securities	41,183,735	9,369,356	50,553,091
Guaranteed bonds	1,884,218	–	1,884,218
Securities of international financial institutions	8,545,032	–	8,545,032
Bank bonds with government guarantee	4,189,827	–	4,189,827
Total foreign-currency denominated securities	**55,802,812**	**9,369,356**	**65,172,168**
Reverse repo agreements	1,257,364	2,433,408	3,690,772
Deposits	10,003,372	6,052	10,009,424
Deposits with international financial institutions	–	2,891,365	2,891,365
Total foreign-currency denominated deposits	**11,260,736**	**5,330,825**	**16,591,561**
Total at 31 December 2012	67,063,548	14,700,181	81,763,729

Note 31.2 – Foreign exchange risk

The Croatian National Bank holds most of its assets in foreign currencies, which exposes it to foreign exchange risk in terms of fluctuations in the exchange rates of the kuna against the euro and the US dollar which affect the Income Statement and, consequently, the financial performance of the Croatian National Bank.

The Croatian National Bank takes on exposure to foreign exchange risk only in respect of the net international reserves, which are the international reserve funds formed out of foreign exchange funds purchased from banks on foreign exchange intervention and foreign exchange funds purchased from the Croatian Ministry of Finance.

The portion of International reserves formed out of the allocated foreign exchange reserve requirement, the Ministry of Finance funds, repo deals and funds in Special Drawing Rights (XDRs) are managed passively, based on the currency structure of foreign currency obligations; hence, there is no exposure to foreign exchange risk on this basis.

31.2.1 Sensitivity analysis – impact of percentage fluctuations in exchange rates on the Income Statement

2013 Sensitivity analysis

(All amounts are expressed in thousands of kunas)

2013	USD	EUR
	±5%	±1%
Impact of fluctuations in exchange rates on the Income Statement	731,900/(731,900)	658,500/(658,500)

The table above shows the sensitivity of the financial result for the year of the CNB in case of increase/decrease in the EUR/HRK exchange rate by ± 1% and in case of increase/decrease in the USD/HRK exchange rate by ± 5%, Historically, the yearly volatility of the USD/HRK exchange rate has been five times higher than the EUR/HRK exchange rate volatility.

A positive figure denotes an increase in the result for the year where the Croatian kuna depreciates against the relevant currency by the percentages specified above, while in case of the Croatian kuna appreciation against the relevant currencies, the balances would be negative, and the result of the Croatian National Bank for the year would be lower.

In case of a 1% decrease in the EUR/HRK exchange rate as at 31 December 2013, the financial result of the CNB for the year would be lower by approximately HRK 658,500 thousand, while for a 5% decrease in the USD/HRK exchange rate, the result would be lower by approximately HRK 731,900 thousand.

Calculation methodology

The amount of the net euro and net US dollar international reserves as at balance sheet date is multiplied by the difference between the EUR/HRK exchange rate or the USD/HRK exchange rate valid at that date and those rates increased/decreased by the relevant percentages.

2012 Sensitivity analysis

(All amounts are expressed in thousands of kunas)

2012	USD	EUR
	±5%	±1%
Impact of fluctuations in exchange rates on the Income Statement	700,700/(700,700)	629,400/(629,400)

31.2.2 CNB exposure to foreign exchange risk – analysis of assets and liabilities by currency

(All amounts are expressed in thousands of kunas)

	EUR	USD	XDR	Other foreign currencies	HRK	Total
Balance at 31 December 2013						
Assets						
Cash and current accounts with other banks	7,572,119	3,582	–	2,005	243	7,577,949
Deposits with other banks	18,615,329	2,202,265	–	–	11,015	20,828,609
Trading securities	24,263,021	13,589,703	–	–	–	37,852,724
Loans	–	–	–	–	72	72
Held-to-maturity securities	29,731,535	–	–	–	–	29,731,535
Balances with the IMF	–	–	5,710,265	–	–	5,710,265
Financial assets available for sale	–	–	–	–	59,976	59,976
Investments accounted for using the equity method	–	–	–	–	19,570	19,570
Accrued interest and other assets	1,618	86	–	–	314,931	316,635
Tangible and intangible assets	–	–	–	–	605,267	605,267
Total assets	**80,183,622**	**15,795,636**	**5,710,265**	**2,005**	**1,011,074**	**102,702,602**
Liabilities						
Banknotes and coins in circulation	–	–	–	–	21,985,330	21,985,330
Due to banks and other financial institutions	3,265,803	1,152,949	–	–	42,806,157	47,224,909
Due to the State and State institutions	10,652,435	4,715	–	187	3,023,341	13,680,678
Due to the IMF	–	–	5,688,738	–	–	5,688,738
Accrued interest and other liabilities	420,203	92	15,631	549	763,118	1,199,593
Total liabilities	**14,338,441**	**1,157,756**	**5,704,369**	**736**	**68,577,946**	**89,779,248**
Net position	65,845,181	14,637,880	5,896	1,269	(67,566,872)	12,923,354
Balance at 31 December 2012						
Assets						
Cash and current accounts with other banks	10,641,378	3,893	–	3,106	270	10,648,647
Deposits with other banks	3,826,823	2,471,810	–	–	11,450	6,310,083
Trading securities	21,891,149	13,675,222	–	–	–	35,566,371
Loans	–	–	–	–	79	79
Held-to-maturity securities	29,605,797	–	–	–	–	29,605,797
Balances with the IMF	–	–	5,851,874	–	–	5,851,874
Financial assets available for sale	–	–	–	–	41,994	41,994
Investments accounted for using the equity method	–	–	–	–	18,264	18,264
Accrued interest and other assets	159	179	–	–	280,223	280,561
Tangible and intangible assets	–	–	–	–	613,916	613,916
Total assets	**65,965,306**	**16,151,104**	**5,851,874**	**3,106**	**966,196**	**88,937,586**
Liabilities						
Banknotes and coins in circulation	–	–	–	–	21,627,929	21,627,929
Due to banks and other financial institutions	2,975,157	2,119,372	–	–	42,421,770	47,516,299
Due to the State and State institutions	60,190	17,934	–	358	734,075	812,557
Due to the IMF	–	–	5,836,524	–	–	5,836,524
Accrued interest and other liabilities	715	384	9,300	9	514,119	524,527
Total liabilities	**3,036,062**	**2,137,690**	**5,845,824**	**367**	**65,297,893**	**76,317,836**
Net position	62,929,244	14,013,414	6,050	2,739	(64,331,697)	12,619,750

Note 31.3 – Interest rate risk

Interest rate risk is the risk of decline in the value of foreign currency portfolios of international reserves of the CNB due to possible changes in interest rates on the fixed-yield instrument markets. Interest rate risk of international reserves of the CNB is managed by applying precisely defined reference portfolios. Reference portfolios meet the required risk/reward ratio and reflect the long-term reserve investment strategy.

The CNB has an open interest rate position only to the portions of its trading portfolio denominated in the euro and the US dollar, while there is almost no exposure on its held-to-maturity portfolio denominated in the euro. The CNB manages its remaining foreign-currency denominated assets based on the maturities of its obligations.

The Croatian National Bank limits its exposure to the interest rate risk on its trading portfolio by setting the strategic modified average remaining term to maturity (strategic modified duration) to less than one year.

31.3.1 Sensitivity analysis – exposure of the CNB's net international reserves to fluctuations in interest rates

2013 Sensitivity analysis

(All amounts are expressed in thousands of kunas)

2013	USD	EUR
Yield curve increase/decrease	+/–50 b. p.	+/–50 b. p.
Effect of a change in the level of the yield curve on the financial result	(36,600)/36,600	(96,400)/96,400

Should as at 31 December 2013 the entire USD yield curve increase by 50 basis points (0.5%), the result of the CNB reported in the Income Statement for the year would be lower by approximately HRK 36,600 thousand, while in the case of the EUR yield curve increasing by 50 basis points, the result would be lower by approximately HRK 96,400 thousand.

For a 50 b.p. decrease of the yield curve, the result reported in the Income Statement would be higher by approximately the same amounts.

Calculation methodology

The net amounts of the dollar and euro reserves as at 31 December 2013 were multiplied by modified duration and by 50 basis points (0.5%). Modified duration denotes by how many basis points the value of the portfolio will decrease should the interest rate curve increase by 1 percentage point.

2012 Sensitivity analysis

(All amounts are expressed in thousands of kunas)

2012	USD	EUR
Yield curve increase/decrease	+/–50 b. p.	+/–50 b. p.
Effect of a change in the level of the yield curve on the financial result	(35,000)/35,000	(88,400)/88,400

31.3.2 Interest rate risk analysis

(All amounts are expressed in thousands of kunas)

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Non-interest bearing	Total
Balance at 31 December 2013						
Assets						
Cash and current accounts with other banks	–	–	–	–	7,577,949	7,577,949
Deposits with other banks	18,782,126	2,035,468	–	–	11,015	20,828,609
Trading securities	37,852,724	–	–	–	–	37,852,724
Loans	–	–	–	72	–	72
Held-to-maturity securities	2,253,161	–	5,498,415	21,521,575	458,384	29,731,535
Balances with the IMF	2,596,996	–	–	–	3,113,269	5,710,265
Financial assets available for sale	–	–	–	–	59,976	59,976
Investments accounted for using the equity method	–	–	–	–	19,570	19,570
Accrued interest and other assets	–	–	–	–	316,635	316,635
Tangible and intangible assets	–	–	–	–	605,267	605,267
Total assets	**61,485,007**	**2,035,468**	**5,498,415**	**21,521,647**	**12,162,065**	**102,702,602**
Liabilities						
Banknotes and coins in circulation	–	–	–	–	21,985,330	21,985,330
Due to banks and other financial institutions	4,418,752	–	–	–	42,806,157	47,224,909
Due to the State and State institutions	2,732,536	–	–	–	10,948,142	13,680,678
Due to the IMF	2,581,234	–	–	–	3,107,504	5,688,738
Accrued interest and other liabilities	–	–	–	–	1,199,593	1,199,593
Total liabilities	**9,732,522**				**80,046,726**	**89,779,248**
Net position	51,752,485	2,035,468	5,498,415	21,521,647	(67,884,661)	12,923,354
Balance at 31 December 2012						
Assets						
Cash and current accounts with other banks	–	–	–	–	10,648,647	10,648,647
Deposits with other banks	6,069,561	229,072	–	–	11,450	6,310,083
Trading securities	35,566,371	–	–	–	–	35,566,371
Loans	–	–	–	79	–	79
Held-to-maturity securities	–	1,358,343	2,828,055	24,909,861	509,538	29,605,797
Balances with the IMF	2,657,717	–	–	–	3,194,157	5,851,874
Financial assets available for sale	–	–	–	–	41,994	41,994
Investments accounted for using the equity method	–	–	–	–	18,264	18,264
Accrued interest and other assets	–	–	–	–	280,561	280,561
Tangible and intangible assets	–	–	–	–	613,916	613,916
Total assets	**44,293,649**	**1,587,415**	**2,828,055**	**24,909,940**	**15,318,527**	**88,937,586**
Liabilities						
Banknotes and coins in circulation	–	–	–	–	21,627,929	21,627,929
Due to banks and other financial institutions	8,666,429	–	–	–	38,849,870	47,516,299
Due to the State and State institutions	4,308	–	–	–	808,249	812,557
Due to the IMF	2,648,282	–	–	–	3,188,242	5,836,524
Accrued interest and other liabilities	–	–	–	–	524,527	524,527
Total liabilities	**11,319,019**	**–**	**–**	**–**	**64,998,817**	**76,317,836**
Net position	32,974,630	1,587,415	2,828,055	24,909,940	(49,680,290)	12,619,750

Note 31.4 – Liquidity risk

Liquidity risk is the risk of inability to settle all the liabilities and obligations arising from the operations of the Croatian National Bank as they fall due. Hence, the Croatian National Bank has to ensure, through its strategy, sufficient liquid funds on a daily basis to settle all of its liabilities and commitments.

Liquidity risk is controlled by investing the international reserve funds into readily marketable bonds and partly in deposit instruments with short maturities.

Liquid funds include all assets that are convertible into cash within a period of 1 to 3 days. The CNB invests total international reserve funds into deposits with maturities of up to 1 month and into securities with maturities less than 5 years, provided that those securities are readily convertible into cash at any time.

At 31 December 2013, around 40 percent of net international reserves were liquid, whereas the average level of net international reserves liquid at the end of 2012 was 47 percent.

In the following tables, the financial liabilities of the Croatian National Bank are analysed into relevant groupings by the remaining contractual maturity from the balance sheet date. The tables have been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which payment could be required and include both interest and principal cash flows.

(All amounts are expressed in thousands of kunas)

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Balance at 31 December 2013						
Liabilities						
Banknotes and coins in circulation	21,985,330	–	–	–	–	21,985,330
Due to banks and other financial institutions	43,622,649	–	–	3,602,188	72	47,224,909
Due to the State and State institutions	13,680,678	–	–	–	–	13,680,678
Due to the IMF	–	–	–	–	5,688,738	5,688,738
Accrued interest and other liabilities	666,661	449,084	45,190	38,126	1,474	1,200,535
Total liabilities	**79,955,318**	**449,084**	**45,190**	**3,640,314**	**5,690,284**	**89,780,190**
Balance at 31 December 2012						
Liabilities						
Banknotes and coins in circulation	21,627,929	–	–	–	–	21,627,929
Due to banks and other financial institutions	47,516,227	–	–	–	72	47,516,299
Due to the State and State institutions	812,557	–	–	–	–	812,557
Due to the IMF	–	–	–	–	5,836,524	5,836,524
Accrued interest and other liabilities	31,825	391,797	61,175	38,126	1,628	524,551
Total liabilities	**69,988,538**	**391,797**	**61,175**	**38,126**	**5,838,224**	**76,317,860**

Note 32 – Related parties

While performing regular activities Croatian National Bank enters into transactions with related parties. In accordance with IAS 24 *Related Party Disclosures* related parties, are state and national authorities of the Republic of Croatia, the Croatian monetary Institute and key management of Croatian National Bank.

a) Relations with state and state bodies of the Republic of Croatia

Croatian National Bank is in the exclusive ownership of the Republic of Croatia, but in achieving its objective and in carrying out its tasks Croatian National Bank is independent and autonomous.

In relations with national authorities of the Republic of Croatia, Croatian National Bank acts as depositary institution, or keeps accounts of the Republic of Croatia and performs payments per these accounts.

Under market conditions Croatian National Bank can perform fiscal agency services for the Republic of Croatia related to:

- issuance of debt securities of the Republic of Croatia as an issuing agent or as an agent of the entire issuance,
- payment of the amount of principal, interest and other expenses related to securities,
- other issues associated with these operations, if they are consistent with the objective of Croatian National Bank.

b) Associated entities

Investment of Croatian National Bank in Croatian Monetary Institute represents the investment in associate in accordance with IAS 28. The share of ownership of Croatian National Bank in Croatian Monetary Institute capital is 42.6%. Detailed disclosures investment in associate are presented in note 17.

c) Key management of Croatian National Bank

The Council of the Croatian National Bank is responsible for the achievement of the objective and performance of tasks of Croatian National Bank. The Council of the Croatian National Bank establishes policies related to the activities of Croatian National Bank. In line with the aforementioned, key management of Croatian National Bank is composed of members of Council of the Croatian National Bank.

Until the date of accession of the Republic of Croatia to the European Union the members of the Croatian National Bank were Governor, Deputy Governor, four Vice Governors and eight external members. After accession of the Republic of Croatia to the European Union the Council of the Croatian National Bank comprises Governor, Deputy Governor and six Vice Governors.

Short-term compensations to the key management of Croatian National Bank for 2013 amounted to HRK 8,423 thousand, of which HRK 1,096 thousands refers to the pension insurance contributions (2012: HRK 8,560 thousands, out of which HRK 1,293 thousands refers to the pension insurance contributions).

Management and internal organisation of the Croatian National Bank

Members of the Council of the Croatian National Bank

Chairman of the Council	Boris Vujčić
Members of the Council	Neven Barbaroša
	Bojan Fras
	Michael Faulend
	Relja Martić
	Damir Odak
	Tomislav Presečan
	Vedran Šošić

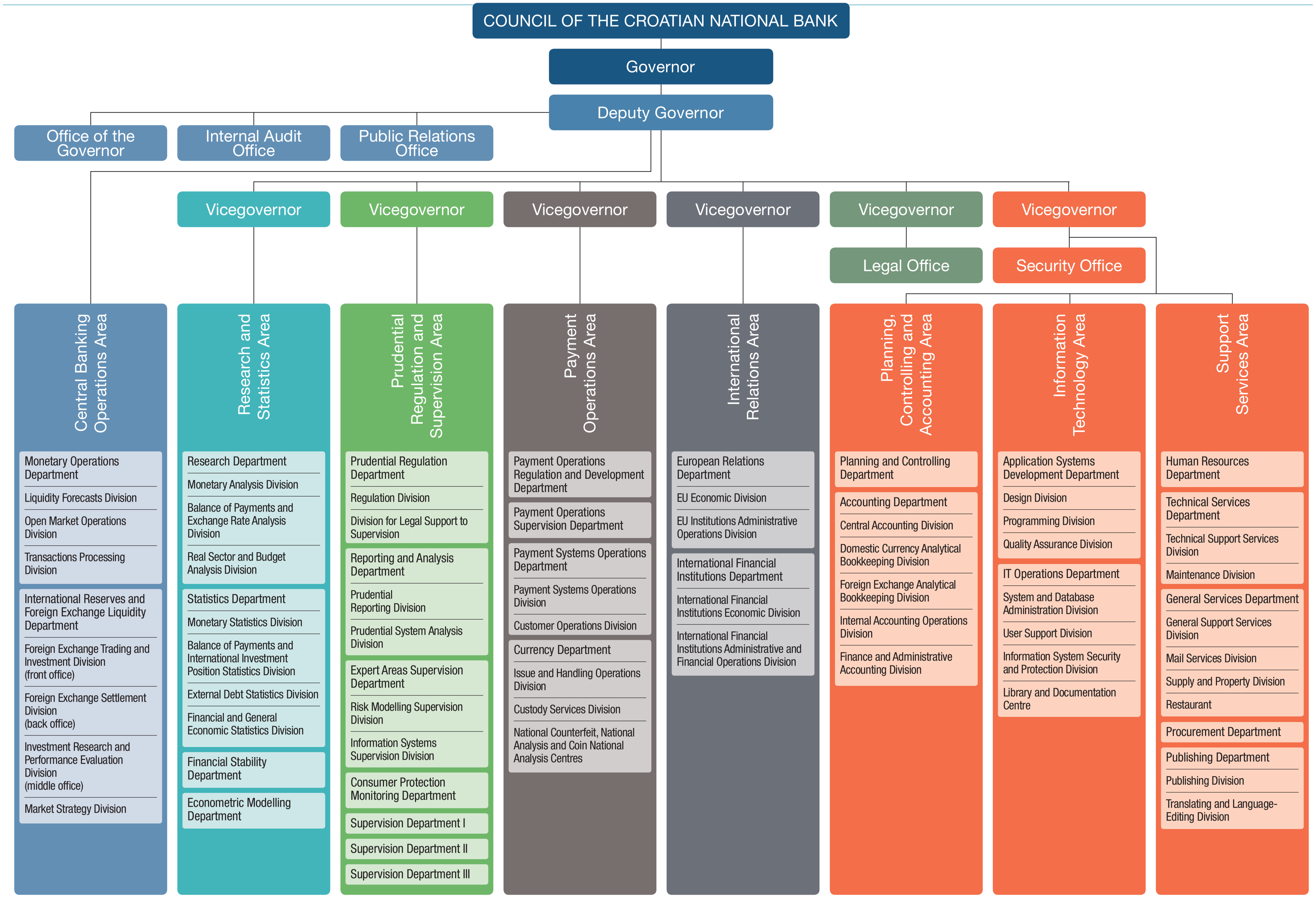
Management of the Croatian National Bank

Governor	Boris Vujčić
Deputy Governor	Relja Martić
Vicegovernor	Vedran Šošić
Vicegovernor	Damir Odak
Vicegovernor	Neven Barbaroša
Vicegovernor	Tomislav Presečan
Vicegovernor	Bojan Fras
Vicegovernor	Michael Faulend

Executive directors

Research and Statistics Area	Ljubinko Jankov
Central Banking Operations Area	Irena Kovačec
Prudential Regulation and Supervision Area	Željko Jakuš
International Relations Area	Sanja Tomičić
Payment Operations Area	Ivan Biluš
Planning, Controlling and Accounting Area	Diana Jakelić
Information Technology Area	Mario Žgela
Support Services Area	Boris Ninić

Internal organisation of the Croatian National Bank



List of credit institutions 31 December 2013

HNB

Authorised banks

BANCO POPOLARE CROATIA d.d.
Petrovaradinska 1
10000 Zagreb
Phone: + 385 1 46 53 400
Fax: + 385 1 46 53 775
SWIFT: BPCRHR22

BANKA KOVANICA d.d.
P. Preradovića 29
42000 Varaždin
Phone: + 385 42 40 34 03
Fax: + 385 42 40 34 43
SWIFT: SKOVHR22

BANKA SPLITSKO-DALMATINSKA d.d.
114. brigade 9
21000 Split
Phone: + 385 21 54 02 80
Fax: + 385 21 36 84 48
SWIFT: DALMHR22

BKS BANK d.d.
Mljekarski trg 3
51000 Rijeka
Phone: + 385 51 35 35 55
Fax: + 385 51 35 35 50
SWIFT: BFKKHR22

CROATIA BANKA d.d.
Kvaternikov trg 9
10000 Zagreb
Phone: + 385 1 23 91 111
Fax: + 385 1 23 32 470
SWIFT: CROAHR2X

ERSTE&STEIERMÄRKISCHE BANK d.d.
Jadranski trg 3a
51000 Rijeka
Phone: + 385 72 37 50 00
Fax: + 385 72 37 60 00
SWIFT: ESBCHR22

HRVATSKA POŠTANSKA BANKA d.d.
Jurišićeva 4
10000 Zagreb
Phone: + 385 1 48 04 574
Fax: + 385 1 48 10 791
SWIFT: HPBZHR2X

HYPO ALPE-ADRIA-BANK d.d.
Slavonska avenija 6
10000 Zagreb
Phone: + 385 1 60 30 000
Fax: + 385 1 60 35 100
SWIFT: HAABHR22

IMEX BANKA d.d.
Tolstojeva 6
21000 Split
Phone: + 385 21 40 61 00
Fax: + 385 21 34 55 88
SWIFT: IMXXHR22

ISTARSKA KREDITNA BANKA UMAG d.d.
E. Miloša 1
52470 Umag
Phone: + 385 52 70 23 00
Fax: + 385 52 70 23 88
SWIFT: ISKBHR2X

JADRANSKA BANKA d.d.
A. Starčevića 4
22000 Šibenik
Phone: + 385 22 24 22 42
Fax: + 385 22 33 58 81
SWIFT: JADRHR2X

KARLOVAČKA BANKA d.d.
I. G. Kovačića 1
47000 Karlovac
Phone: + 385 47 41 75 00
Fax: + 385 47 61 42 06
SWIFT: KALCHR2X

KENTBANKA d.d.
Gundulićeva 1
10000 Zagreb
Phone: + 385 1 49 81 900
Fax: + 385 1 49 81 910
SWIFT: KENBHR22

KREDITNA BANKA ZAGREB d.d.
Ul. grada Vukovara 74
10000 Zagreb
Phone: + 385 1 61 67 301
Fax: + 385 1 61 16 466
SWIFT: KREZHR2X

NAVA BANKA d.d.
Tratinska 27
10000 Zagreb
Phone: + 385 1 36 56 777
Fax: + 385 1 36 56 700
SWIFT: NAVBHR22

OTP BANKA HRVATSKA d.d.
Domovinskog rata 3
23000 Zadar
Phone: + 385 72 20 15 55
Fax: + 385 72 20 19 50
SWIFT: OTPVHR2X

PARTNER BANKA d.d.
Vončinina 2
10000 Zagreb
Phone: + 385 1 46 02 222
Fax: + 385 1 46 02 289
SWIFT: PAZGHR2X

PODRAVSKA BANKA d.d.
Opatička 3
48300 Koprivnica
Phone: + 385 72 65 50 00
Fax: + 385 72 65 52 39
SWIFT: PDKCHR2X

PRIMORSKA BANKA d.d.
Scarpina 7
51000 Rijeka
Phone: + 385 51 35 57 77
Fax: + 385 51 33 27 62
SWIFT: SPRMHR22

PRIVREDNA BANKA ZAGREB d.d.
Radnička cesta 50
10000 Zagreb
Phone: + 385 1 63 60 000
Fax: + 385 1 63 60 063
SWIFT: PBZGHR2X

RAIFFEISENBANK AUSTRIA d.d.
Petrinjska 59
10000 Zagreb
Phone: + 385 1 45 66 466
Fax: + 385 1 48 11 624
SWIFT: RZBHHR2X

SAMOBORSKA BANKA d.d.
Trg kralja Tomislava 8
10430 Samobor
Phone: + 385 1 33 62 530
Fax: + 385 1 33 61 523
SWIFT: SMBRHR22

SBERBANK d.d.
Varšavska 9
10000 Zagreb
Phone: + 385 1 48 01 300
Fax: + 385 1 48 01 365
SWIFT: VBCRHR22

SLATINSKA BANKA d.d.
V. Nazora 2
33520 Slatina
Phone: + 385 33 84 04 00
Fax: + 358 33 55 15 66
SWIFT: SBSLHR2X

SOCIÉTÉ GÉNÉRALE – SPLITSKA BANKA d.d.
R. Boškovića 16
21000 Split
Phone: + 385 21 30 43 04
Fax: + 385 21 30 40 34
SWIFT: SOGEHR22

ŠTEDBANKA d.d.
Slavonska avenija 3
10000 Zagreb
Phone: + 385 1 63 06 666
Fax: + 385 1 61 87 014
SWIFT: STEDHR22

VABA d.d. BANKA VARAŽDIN
Aleja kralja Zvonimira 1
42000 Varaždin
Phone: + 385 42 65 94 00
Fax: + 385 42 65 94 01
SWIFT: VBVZHR22

VENETO BANKA d.d.
Draškovićeva 58
10000 Zagreb
Phone: + 385 1 48 02 666
Fax: + 385 1 48 02 571
SWIFT: CCBZHR2X

ZAGREBAČKA BANKA d.d.
Trg bana Josipa Jelačića 10
10000 Zagreb
Phone: + 385 1 61 04 000
Fax: + 385 1 61 10 533
SWIFT: ZABAHR2X

Authorised savings banks

TESLA ŠTEDNA BANKA d.d.
Trg J. F. Kennedya 6B
10000 Zagreb
Phone: + 385 1 22 26 522
Fax: + 385 1 22 26 523
SWIFT: ASBZHR22

Representative offices of foreign banks

BKS BANK AG, Zagreb
COMMERZBANK AKTIENGESELLSCHAFT, Zagreb
DEUTSCHE BANK AG, Zagreb
LHB INTERNATIONALE HANDELSBANK AG, Zagreb

Authorised housing savings banks

HPB – STAMBENA ŠTEDIONICA d.d.
Savska cesta 58
10000 Zagreb
Phone: + 385 1 55 53 903
Fax: + 385 1 55 53 905

PBZ STAMBENA ŠTEDIONICA d.d.
Radnička cesta 44
10000 Zagreb
Phone: + 385 1 63 63 730
Fax: + 385 1 63 63 731

PRVA STAMBENA ŠTEDIONICA d.d.
Savska 60
10000 Zagreb
Phone: + 385 1 60 65 111
Fax: + 385 1 60 65 120

RAIFFEISEN STAMBENA ŠTEDIONICA d.d.
Ulica Savezne Republike Njemačke 8
10000 Zagreb
Phone: + 385 1 60 06 100
Fax: +385 1 60 06 199

WÜSTENROT STAMBENA ŠTEDIONICA d.d.
Heinzelova 33a
10000 Zagreb
Phone: + 385 1 48 03 777
Fax: + 385 1 48 03 798

Statistical appendix

Classification and presentation of data on claims and liabilities

Data on financial institutions' claims and liabilities are classified according to institutional sectors and financial instruments.

Up to November 2010, the sector classification of institutional units was based on the sector classification under the Decision on the Chart of Accounts for Banks, and data were based on the reporting system in accordance with the Decision relating to the bank statistical report.

From December 2010 on, the sector classification of counterparties is made in accordance with the Decision on the statistical classification of institutional sectors published by the Central Bureau of Statistics State (CBS). This classification by sectors is based on the European System of Accounts 1995 (ESA 1995), a mandatory statistical standard of the European Union, and is aligned with the basic international statistical standard – the System of National Accounts 1993 (SNA 1993). The data are based on the reporting system in accordance with the Decision on statistical and prudential reporting.

Table 1 provides a comparative overview of the two sector classifications.

Table 1 Comparative overview of the two sector classifications

Sector classification under the Decision on the Chart of Accounts for Banks	ESA 95 sector classification
Enterprises	Non-financial corporations
Public enterprises	Public non-financial corporations
Other enterprises	National private non-financial corporations
	Foreign controlled non-financial corporations
Financial institutions	Financial institutions
Croatian National Bank	Central bank
Banks	Other monetary financial institutions
Other banking institutions	Other financial intermediaries, except insurance corporations and pension funds
CBRD	
Non-banking financial institutions	Financial auxiliaries
Banks undergoing bankruptcy proceedings	Insurance corporations and pension funds
Government units	General government
Republic of Croatia (central government)	Central government
Central government funds	State government
Local government	Local government
	Social security funds
Households	Households
Non-profit institutions serving households	Non-profit institutions serving households
Non-residents	Rest of the world

For the purposes of the CNB Bulletin, institutional sectors in tables A to D12 are as follows: financial institutions, central government, other domestic sectors and rest of the world.

Financial institutions

Up to November 2010, the financial institutions sector included the following subsectors: monetary authorities (the central bank), banks, other banking institutions and non-banking financial institutions. The central bank is the Croatian National Bank. Banks are institutions to which the Croatian National Bank has issued a license to perform banking business services in accordance with the Banking Act. Data on banks do not include claims and liabilities of banks undergoing bankruptcy proceedings, nor former branches of banks headquartered outside the Republic of Croatia. Other banking institutions comprise housing savings banks, savings and loan cooperatives and investment funds. Non-banking financial institutions are financial institutions not classified as banks or other banking institutions (e.g. insurance corporations, pension funds).

Data in tables A to D12 have been revised due to the reclassification of the Croatian Bank for Reconstruction and Development from the subsector social security funds to the subsector other banking institutions as of July 1999.

Table 2 Sector classification of financial institutions up to November 2010

Financial institutions	Central bank	
	Banks	Banks and savings banks
	Other banking institutions	Housing savings banks
		Savings and loan cooperatives/Credit unions
		Investment funds etc.
		CBRD
	Non-banking financial institutions	Insurance corporations
		Pension funds
		Other financial intermediaries (e.g. leasing companies)
		Financial auxiliaries (stock exchanges, exchange offices, investment firms, investment and pension fund management companies, etc.)

Table 3 Sector classification of financial institutions from December 2010

Financial institutions	Central bank		
	Other monetary financial institutions	Credit institutions	Banks
			Savings banks
			Housing savings banks
		Open-end money market funds	
		Other monetary financial institutions	
	Other financial intermediaries (except insurance corporations and pension funds)	Investment funds	
		Leasing companies	
		Factoring companies	
		Banks undergoing bankruptcy/winding-up proceedings	
		CBRD	
		Credit unions, etc.	
	Financial auxiliaries	Stock exchanges	
		Exchange offices	
		Financial regulatory authorities	
		Insurance intermediaries and agents	
		Investment firms	
		Investment/pension fund management companies, etc	
	Insurance corporations and pension funds	Insurance corporations	
		Pension funds	

From December 2010 on, the financial institutions sector comprises the following subsectors: monetary authorities (the central bank), other monetary financial institutions, other financial intermediaries except insurance corporations and pension funds, financial auxiliaries, and insurance corporations and pension funds. The central bank is the Croatian National Bank. Other monetary financial institutions are credit institutions (banks, savings banks and housing savings banks). In line with European Central Bank regulations, the scope of the other monetary financial institutions is to be expanded to include money market funds. Credit institutions are institutions authorised by the Croatian National Bank under the Credit Institutions Act. Data on credit institutions do not include banks undergoing winding-up or bankruptcy proceedings. The subsector other financial intermediaries except insurance corporations and pension funds consists of institutions which are principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits. It includes, for example, investment funds, leasing companies, factoring companies, banks undergoing winding-up or bankruptcy proceedings, credit unions, the Croatian Bank for Reconstruction and Development, etc. Financial auxiliaries are institutions which are principally engaged in providing auxiliary financial services and comprise, in particular, stock exchanges, exchange offices, financial regulatory authorities, insurance intermediaries and agents, investment firms, investment and pension fund management companies, the CDCC, HANFA, FINA, DAB, etc. Insurance corporations and pension funds are institutions which are principally engaged in financial intermediation as the consequence of the pooling of risks.

Tables 2 and 3 provide a comparative overview of the structure of differences among financial institutions.

Central government

Up to November 2010, the central government and social security funds sector consisted of the central government subsector (up to CNB Bulletin No. 190, reported under Republic of Croatia) and the social security funds subsector (up to CNB Bulletin No. 190, reported under central government funds).

Up to December 2003, the central government subsector included government authorities, comprising the Croatian Roads, the Croatian Motorways and the State Agency for Deposit Insurance and Bank Rehabilitation. The subsector social security funds included the Croatian Institute for Health Insurance, the Croatian Pension Insurance Administration, the Croatian Employment Service, the Croatian Privatisation Fund and the Croatian Waters. As from January 2004, the Croatian Roads, the State Agency for Deposit Insurance and Bank Rehabilitation and the Croatian Motorways have been reclassified from the central government subsector to the social security funds subsector. In addition, as from January 2008, the Croatian Motorways have been reclassified from the social security funds subsector to the subsector of public non-financial corporations.

From December 2010 on, the central government includes government authorities, comprising the Croatian Roads, the Croatian Waters and the Agency for Management of the Public Property. The social security funds subsector comprises the Croatian Pension Insurance Administration, the Croatian Institute for Health Insurance and the Croatian Employment Service.

The central government sector also includes institutional units established and controlled by the central government (e.g. engaged in education, health, science, culture, etc.), which have been reclassified from the subsector national private non-financial corporations and foreign controlled non-financial corporations (up to CNB Bulletin No. 190, reported under other enterprises).

Other domestic sectors

Other domestic sectors comprise local government, public non-financial corporations, national private non-financial corporations, foreign controlled non-financial corporations and households, including craftsmen and non-profit institutions serving households.

In some tables other domestic sectors are divided into the following subsectors: local government, non-financial corporations (up to CNB Bulletin No. 190, reported under enterprises) and households.

Local government comprises units of local and regional self-government. The local government sector also includes institutional units established and controlled by local government units (e.g. engaged in education, health, science, culture, etc.), which have been reclassified from the subsector national private non-financial corporations and foreign controlled non-financial corporations (up to CNB Bulletin No. 190, reported under other enterprises).

Non-financial corporations include public non-financial corporations, national private non-financial corporations and foreign controlled non-financial corporations.

Up to November 2010, public non-financial corporations (up to CNB Bulletin No. 190, reported under public enterprises) comprised public non-financial corporations included in the list provided in the Instructions for the implementation of the Chart of Accounts for Banks.

National private non-financial corporations and foreign controlled non-financial corporations (up to CNB Bulletin No. 190, reported under other enterprises) include, among others, institutional units established and controlled by the central government (e.g. engaged in education, health, science, culture, etc.). This comprises, in particular, faculties, hospitals, kindergartens, health centres, etc., whereby reporting institutions have to classify e.g. higher education institutions into this subsector regardless of ownership and control (and regardless of whether they are established by the Republic of Croatia or whether they are private institutions). This subsector also includes banks undergoing bankruptcy proceedings.

Data in tables A to D12 have been revised due to the reclassification of the Croatian Motorways from the subsector social security funds to the subsector of public non-financial corporations as of January 2008.

From December 2010 on, public non-financial corporations (up to CNB Bulletin No. 190, reported under public enterprises) include all institutional units meeting the criteria for this subsector in accordance with the sector classification of institutional units.

All privately established institutions remained within national private non-financial corporations and foreign controlled non-financial corporations (up to CNB Bulletin No. 190, reported under other enterprises), while institutional units established and controlled by the government (e.g. engaged in education, health, science, culture, etc.) are classified into the corresponding subsector (central or local government) of the general government sector, depending on their founder. This subsector does not include banks undergoing bankruptcy proceedings.

Households also include craftsmen and non-profit institutions serving households.

Rest of the world includes foreign natural and legal persons.

All data on claims and liabilities in tables A to D12 refer to balances at the end of the reporting period. Foreign currency items are reported in their kuna equivalent at the CNB's midpoint exchange rate at the end of the reporting period. In tables where there is a breakdown into kuna and foreign currency items, kuna items include kuna items not indexed to foreign currency and kuna items indexed to foreign currency. All items are reported on a gross basis (i.e. before value adjustments).

The change in the sector classification and reporting system caused a break in the series of data in tables A to D12 (CNB Bulletin No. 190) and in tables H (CNB Bulletin No. 194) as of December 2010.

Furthermore, data in tables A to D12 have been revised starting from July 1999 to include data on housing savings banks in addition to data on banks and savings banks.

A Monetary and credit aggregates

Table A1 Monetary and credit aggregates

end of period, in million HRK and %

Year	Month	Reserve money	Money M1	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth				
							Reserve money	Money M1	Broadest money M4	Net domestic assets	Domestic credit
2004	December	33,925.5	34,563.2	148,819.7	117,087.8	127,929.0	8.46	2.66	0.70	2.62	2.02
2005	December	40,441.9	38,868.2	166,161.3	142,867.8	150,245.3	9.51	4.46	0.55	2.37	2.01
2006	December	46,338.0	48,527.8	196,724.2	169,171.5	184,879.1	3.18	4.76	1.86	3.57	3.06
2007	December	51,932.2	57,886.6	233,080.1	183,673.5	213,200.1	3.75	6.73	3.95	3.56	2.67
2008	December	49,752.8	55,237.9	244,134.1	202,476.0	241,827.1	–9.89	8.16	3.30	5.61	2.76
2009	December	56,153.9	47,195.7	244,445.9	199,520.7	241,862.6	4.57	3.16	0.67	0.25	0.01
2010	December	56,353.8	48,301.4	251,738.5	207,240.1	256,504.6	3.00	–0.12	–0.79	1.44	–1.02
2011	December	62,559.6	51,934.5	255,730.6	221,732.4	269,114.2	3.76	3.27	0.15	2.40	1.08
2012	December[a]	61,856.3	52,780.4	263,788.3	213,562.9	258,492.0	3.55	4.49	0.26	0.62	–1.74
2013	January	60,856.9	49,919.3	261,143.8	213,896.6	258,401.5	–1.62	–5.42	–1.00	0.16	–0.03
	February	60,509.1	49,625.1	261,170.4	214,661.9	258,732.2	–0.57	–0.59	0.01	0.36	0.13
	March	62,354.6	51,859.3	263,130.6	215,761.0	259,586.3	3.05	4.50	0.75	0.51	0.33
	April	61,580.6	52,896.1	262,070.0	211,724.1	261,889.7	–1.24	2.00	–0.40	–1.87	0.89
	May	62,746.3	54,780.3	263,572.5	212,804.8	260,556.0	1.89	3.56	0.57	0.51	–0.51
	June	63,520.8	57,124.6	263,936.2	215,915.1	259,236.5	1.23	4.28	0.14	1.46	–0.51
	July	60,808.4	56,746.0	265,771.9	214,277.0	259,912.0	–4.27	–0.66	0.70	–0.76	0.26
	August	61,414.6	59,145.1	273,021.1	212,315.3	259,843.2	1.00	4.23	2.73	–0.92	–0.03
	September	61,495.7	57,836.8	274,523.0	213,530.7	260,439.8	0.13	–2.21	0.55	0.57	0.23
	October	61,329.7	57,000.5	273,210.9	213,364.1	257,958.7	–0.27	–1.45	–0.48	–0.08	–0.95
	November	61,623.6	56,798.7	270,889.6	205,579.6	258,229.3	0.48	–0.35	–0.85	–3.65	0.10
	December	63,043.9	58,532.7	271,516.1	206,232.5	256,560.3	2.30	3.05	0.23	0.32	–0.65

[a] Within the Domestic credit, claims on other domestic sectors fell by HRK 5.6bn in December 2012. This fall was fully attributable to a transaction of one credit institution which, in an effort to reduce the amount of partly recoverable and fully irrecoverable placements, transferred a total of HRK 5.6bn in its claims on companies to a company indirectly owned by a parent bank.

Table A1 Monetary and credit aggregates • The table shows data on some basic monetary and credit aggregates, including their monthly growth rates.

As from CNB Bulletin No. 190, data on all the monetary aggregates have been revised from July 1999 onward to include housing savings banks in addition to the Croatian National Bank, banks and savings banks.

Reserve money is taken over in its entirety from the Monetary authorities accounts (Table C1).

Money (M1) is defined in the same way as the corresponding item in the Monetary survey (Table B1). It comprises currency outside credit institutions, deposits with the CNB by other financial institutions as well as demand deposits with credit institutions.

Broadest money (M4) comprises money (M1), savings and time deposits, foreign currency deposits as well as bonds and money market instruments (all components are taken over from the Monetary survey, Table B1).

Net domestic assets are defined as a difference between total liquid assets and foreign assets (net).

Up to November 2010, Domestic credit comprised banks' and housing savings banks' claims on other domestic sectors, other banking institutions and non-banking financial institutions.

From December 2010 on, Domestic credit comprises credit institutions' claims on other domestic sectors, other financial intermediaries, financial auxiliaries as well as insurance corporations and pension funds.

B Monetary institutions

Table B1 Monetary survey

end of period, in million HRK

	2012	2013											
	Dec.[a]	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
ASSETS													
1 Foreign assets (net)	50,225.4	47,247.2	46,508.4	47,369.7	50,346.0	50,767.7	48,021.0	51,494.9	60,705.8	60,992.3	59,846.9	65,309.9	65,283.6
2 Domestic credit	315,273.2	316,751.9	317,512.0	318,974.7	314,714.7	314,498.6	316,967.5	314,295.7	314,265.3	317,182.7	315,339.2	307,912.4	307,282.3
2.1 Claims on central government and social security funds (net)	56,781.3	58,350.4	58,779.8	59,388.3	52,825.1	53,942.5	57,731.0	54,383.8	54,422.0	56,743.0	57,380.4	49,683.1	50,722.1
2.2 Claims on other domestic sectors	247,816.4	247,922.5	248,533.1	249,083.0	250,890.9	249,883.0	248,254.4	248,976.4	249,194.7	249,719.0	247,486.8	248,654.9	246,630.2
2.3 Claims on other banking institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
2.4 Claims on non-banking financial institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
2.5 Claims on other financial intermediaries	9,366.9	9,264.8	9,072.3	9,310.4	9,743.4	9,443.1	9,009.8	8,741.0	8,543.0	8,674.4	8,858.6	8,041.1	7,899.3
2.6 Claims on financial auxiliaries	1,065.5	1,061.6	1,007.3	1,035.9	1,137.2	1,118.2	1,157.8	1,194.4	1,247.3	1,217.2	1,204.4	1,222.1	1,276.3
2.7 Claims on insurance corporations and pension funds	243.1	152.6	119.5	157.0	118.1	111.6	814.5	1,000.1	858.2	829.1	409.0	311.2	754.5
Total (1+2)	365,498.7	363,999.1	364,020.4	366,344.3	365,060.7	365,266.2	364,988.6	365,790.7	374,971.1	378,175.1	375,186.1	373,222.3	372,565.9
LIABILITIES													
1 Money	52,780.4	49,919.3	49,625.1	51,859.3	52,896.1	54,780.3	57,124.6	56,746.0	59,145.1	57,836.8	57,000.5	56,798.7	58,532.7
2 Savings and time deposits	40,590.0	40,917.2	41,488.8	41,780.0	40,959.1	40,989.4	41,470.6	41,499.2	41,612.3	42,134.7	42,153.6	41,733.6	41,846.5
3 Foreign currency deposits	152,649.2	152,837.5	152,648.9	152,731.1	151,318.9	150,996.7	148,554.1	150,503.8	155,072.0	157,308.7	157,158.4	155,990.5	154,921.2
4 Bonds and money market instruments	17,768.7	17,469.9	17,407.6	16,760.3	16,895.9	16,806.0	16,786.9	17,022.9	17,191.7	17,242.8	16,898.5	16,366.8	16,215.6
5 Restricted and blocked deposits	5,274.1	5,326.2	5,059.4	5,511.7	5,361.0	4,938.9	5,101.0	5,208.0	4,904.2	4,990.1	4,957.9	4,856.3	4,718.4
6 Other items (net)	96,436.2	97,529.1	97,790.7	97,702.0	97,629.7	96,754.9	95,951.4	94,810.8	97,045.8	98,661.9	97,017.2	97,476.4	96,331.5
Total (1+2+3+4+5+6)	365,498.7	363,999.1	364,020.4	366,344.3	365,060.7	365,266.2	364,988.6	365,790.7	374,971.1	378,175.1	375,186.1	373,222.3	372,565.9

[a] Claims on other domestic sectors fell by HRK 5.6bn in December 2012. This fall was fully attributable to a transaction of one credit institution which, in an effort to reduce the amount of partly recoverable and fully irrecoverable placements, transferred a total of HRK 5.6bn in its claims on companies to a company indirectly owned by a parent bank.

Table B1 Monetary survey • The monetary survey shows consolidated data from the Monetary authorities accounts (Table C1) and Credit institutions' accounts (Table D1).

As from CNB Bulletin No. 190, data on all the items have been revised from July 1999 onward to include housing savings banks in addition to the Croatian National Bank, banks and savings banks.

Foreign assets (net) is a difference between total foreign assets and total foreign liabilities of the CNB and credit institutions.

Domestic credit is the sum of the corresponding items in the Monetary authorities accounts and the Credit institutions' accounts. Claims on the central government are reported on a net basis, i.e. decreased by central government deposits with the CNB and credit institutions.

Money is the sum of currency outside credit institutions, deposits by other financial institutions with the CNB and demand deposits with credit institutions (item Demand deposits in the Credit institutions' accounts, Table D1).

Items Savings and time deposits, Foreign currency deposits as well as Bonds and money market instruments are entirely taken over from the Credit institutions' accounts, while item Restricted and blocked deposits represents the sum of the corresponding items in the Monetary authorities accounts (excluding credit institutions' blocked deposits with the CNB) and the Credit institutions' accounts. Other items (net) are unclassified liabilities decreased by unclassified assets.

Table B2 Number of credit institutions and their classification by total assets

Year	Month	Total number of credit institutions	Banks	Savings banks	Housing savings banks	Savings banks[a]	Credit institutions classified according to their total assets					
							Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over
1	2	3 = 4 to 7	4	5	6	7	8	9	10	11	12	13
2004	December	49	39	0	4	6	7	13	10	8	5	6
2005	December	43	36	0	4	3	4	10	8	8	7	6
2006	December	43	35	0	5	3	6	6	6	11	6	8
2007	December	42	35	0	5	2	5	5	2	16	5	9
2008	December	43	35	1	5	2	4	8	1	14	7	9
2009	December	43	34	2	5	2	5	6	3	14	7	8
2010	December	38	32	1	5	0	1	5	2	12	10	8
2011	December	37	31	1	5	0	1	5	1	12	10	8
2012	December	36	30	1	5	0	1	5	1	11	10	8
2013	January	36	30	1	5	0	1	5	1	11	10	8
	February	36	30	1	5	0	1	5	1	11	10	8
	March	36	30	1	5	0	1	5	1	11	10	8
	April	36	30	1	5	0	1	5	1	11	10	8
	May	36	30	1	5	0	1	5	1	11	10	8
	June	36	30	1	5	0	1	5	1	12	9	8
	July	36	30	1	5	0	1	5	1	11	10	8
	August	36	30	1	5	0	1	5	1	11	10	8
	September	36	30	1	5	0	1	5	1	12	9	8
	October	35	29	1	5	0	1	4	2	11	9	8
	November	35	29	1	5	0	1	4	2	11	9	8
	December	35	29	1	5	0	1	4	2	11	9	8

[a] Savings banks operated under the Act on Banks and Savings Banks of 1993.

Table B2 Number of reporting credit institutions and their classification by total assets • The table shows the total number of credit institutions which report monthly to the CNB. Their operations are shown in the Credit institutions' accounts. In line with European Central Bank regulations, the scope of the other monetary financial institutions is to be expanded to include money market funds.

Up to February 2005, monetary statistics included institutions whose authorisations have been withdrawn, but which have not initiated winding-up proceedings. Up to November 2010, monetary statistics included institutions undergoing winding-up proceedings.

The table also shows the classification of reporting credit institutions according to their total assets.

C Monetary authorities

Table C1 Monetary authorities accounts

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
ASSETS													
1 Foreign assets	**84,782.1**	**84,010.6**	**84,455.9**	**85,552.5**	**91,655.8**	**91,048.1**	**89,569.3**	**89,035.7**	**89,448.1**	**89,204.0**	**88,361.6**	**98,190.1**	**98,583.0**
1.1 Gold	–	–	–	–	–	–	–	–	–	–	–	–	–
1.2 Holdings of SDRs	2,662.3	2,627.7	2,675.5	2,709.1	2,672.5	2,676.8	2,627.1	2,603.1	2,629.8	2,637.5	2,618.3	2,644.5	2,601.4
1.3 Reserve position in the IMF	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
1.4 Currency and demand deposits with foreign credit institutions	10,647.4	6,219.4	4,318.1	6,460.5	5,959.6	6,403.1	6,411.7	5,304.6	7,360.1	7,067.6	6,368.3	4,542.8	7,576.9
1.5 Time deposits with foreign credit institutions	6,298.8	8,899.2	10,716.5	7,257.9	14,467.5	13,988.2	14,001.0	15,890.3	11,037.0	10,216.2	8,706.4	21,223.2	20,819.1
1.6 Securities in f/c	65,172.2	66,263.0	66,744.4	69,123.5	68,554.8	67,978.6	66,528.1	65,236.4	68,419.8	69,281.3	70,667.1	69,778.1	67,584.3
1.7 Non-convertible foreign exchange	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–
2 Claims on central government and funds	**–**	**–**	**–**	**–**	**0.0**	**0.0**	**0.0**	**–**	**–**	**–**	**–**	**–**	**–**
2.1 Claims in kuna	–	–	–	–	0.0	0.0	0.0	–	–	–	–	–	–
2.2 Claims in f/c	–	–	–	–	–	–	–	–	–	–	–	–	–
3 Claims on other domestic sectors	**2.5**	**2.5**	**2.5**	**2.5**	**2.5**	**2.5**	**2.4**	**2.4**	**2.4**	**2.4**	**2.4**	**2.3**	**2.3**
4 Claims on credit institutions	**11.8**	**11.6**	**11.5**	**11.5**	**72.9**	**48.9**	**11.1**	**11.1**	**11.2**	**20.6**	**11.3**	**11.3**	**11.3**
4.1 Loans to credit institutions	11.8	11.6	11.5	11.5	72.9	48.9	11.1	11.1	11.2	20.6	11.3	11.3	11.3
Lombard loans	–	–	–	–	–	–	–	–	–	–	–	–	–
Short-term liquidity loans	–	–	–	–	61.4	37.6	–	–	–	9.3	–	–	–
Other loans	11.8	11.6	11.5	11.5	11.5	11.3	11.1	11.1	11.2	11.3	11.3	11.3	11.3
Reverse repo transactions	–	–	–	–	–	–	–	–	–	–	–	–	–
4.2 Overdue claims	–	–	–	–	–	–	–	–	–	–	–	–	–
5 Claims on other banking institutions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total (1+2+3+4+5)	**84,796.4**	**84,024.7**	**84,469.9**	**85,566.5**	**91,731.2**	**91,099.5**	**89,582.9**	**89,049.3**	**89,461.7**	**89,227.0**	**88,375.2**	**98,203.7**	**98,596.6**
LIABILITIES													
1 Reserve money	**61,856.3**	**60,856.9**	**60,509.1**	**62,354.6**	**61,580.6**	**62,746.3**	**63,520.8**	**60,808.4**	**61,414.6**	**61,495.7**	**61,329.7**	**61,623.6**	**63,043.9**
1.1 Currency outside credit institutions	16,947.0	16,384.6	16,445.9	16,919.3	17,174.4	17,681.9	18,511.1	19,024.6	19,069.5	18,358.5	17,707.2	17,364.1	17,420.6
1.2 Credit institutions' cash in vaults	4,681.0	3,949.9	3,923.7	4,021.3	4,192.5	4,495.6	4,764.9	4,894.5	4,841.7	4,653.3	4,241.2	3,966.0	4,564.7
1.3 Credit institutions' deposits	39,636.7	40,484.3	40,133.0	41,347.5	39,363.2	39,745.1	40,092.1	36,813.1	37,222.7	37,981.6	38,916.5	39,948.3	40,707.7
Settlement accounts	11,509.2	10,147.0	10,038.5	9,847.7	15,180.5	15,436.9	15,829.1	12,288.5	12,766.1	13,319.5	14,036.9	15,168.8	15,080.9
Statutory reserve in kuna	24,555.7	24,312.3	24,209.5	24,129.8	24,182.7	24,308.1	24,263.0	24,524.6	24,456.6	24,662.1	24,879.6	24,779.5	22,024.6
CNB bills on obligatory basis	–	–	–	–	–	–	–	–	–	–	–	–	3,602.2
Overnight deposits	3,571.9	6,025.0	5,885.0	7,370.0	–	–	–	–	–	–	–	–	–
1.4 Deposits of other financial institutions	591.6	38.2	6.5	66.5	850.4	823.7	152.7	76.2	280.7	502.4	464.8	345.2	350.8
2 Restricted and blocked deposits	**7,954.8**	**7,798.3**	**7,591.6**	**7,482.5**	**7,391.4**	**7,381.3**	**7,241.7**	**7,149.1**	**7,150.3**	**7,110.2**	**7,079.5**	**6,964.5**	**6,401.2**
2.1 Statutory reserve in f/c	5,094.5	5,053.2	5,092.9	5,066.9	5,013.1	5,052.7	4,975.7	4,949.2	5,017.5	4,997.6	5,011.8	4,979.2	4,418.8
2.2 Restricted deposits	2,860.2	2,745.1	2,498.7	2,415.6	2,378.4	2,328.6	2,265.9	2,199.9	2,132.8	2,112.6	2,067.7	1,985.3	1,982.5
2.3 Blocked f/c deposits	–	–	–	–	–	–	–	–	–	–	–	–	–
3 Foreign liabilities	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**947.3**	**37.3**	**571.7**	**560.3**	**356.0**	**782.4**	**637.9**
3.1 Use of IMF credit	–	–	–	–	–	–	–	–	–	–	–	–	–
3.2 Liabilities to international institutions	0.1	0.1	0.1	0.1	0.1	0.1	0.1	37.3	571.7	560.3	356.0	602.4	637.8
3.3 Liabilities to foreign banks	0.0	–	–	–	–	–	947.3	–	0.0	–	–	179.9	0.0
4 Deposits of central government and social security funds	**146.6**	**588.9**	**943.9**	**296.3**	**7,475.5**	**5,913.1**	**4,158.4**	**7,170.6**	**5,686.1**	**5,022.6**	**4,761.3**	**13,645.7**	**13,446.8**
4.1 Demand deposits	68.1	548.2	905.8	258.0	2,930.2	1,818.2	1,098.2	3,906.9	2,855.7	2,829.8	3,182.8	2,696.0	2,788.9
Central government demand deposits	68.1	548.2	905.8	258.0	2,930.2	1,818.2	1,098.2	3,906.9	2,855.7	2,829.8	3,182.8	2,696.0	2,788.9
Demand deposits of social security funds	–	–	–	–	–	–	–	–	–	–	–	–	–

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
4.2 Central government f/c deposits	78.5	40.7	38.1	38.3	4,545.3	4,094.8	3,060.2	3,263.7	2,830.4	2,192.8	1,578.5	10,949.8	10,657.9
4.3 CNB bills	–	–	–	–	–	–	–	–	–	–	–	–	–
5 CNB bills	–	–	–	–	–	–	–	–	–	–	–	–	–
5.1 CNB bills in kuna	–	–	–	–	–	–	–	–	–	–	–	–	–
5.2 CNB bills in f/c	–	–	–	–	–	–	–	–	–	–	–	–	–
6 Capital accounts	15,716.8	15,662.4	16,311.8	16,329.9	16,186.7	15,960.3	14,631.2	14,826.6	15,578.6	15,961.7	15,767.3	16,117.8	15,988.9
7 Other items (net)	–878.1	–881.8	–886.7	–896.8	–903.1	–901.5	–916.5	–942.6	–939.6	–923.6	–918.5	–930.3	–922.0
Total (1+2+3+4+5+6+7)	84,796.4	84,024.7	84,469.9	85,566.5	91,731.2	91,099.5	89,582.9	89,049.3	89,461.7	89,227.0	88,375.2	98,203.7	98,596.6

Table C1 Monetary authorities accounts • The table reports data on claims and liabilities of the monetary authorities.

Foreign assets include the following forms of foreign currency and kuna claims on foreign legal and natural persons: monetary gold, holdings of special drawing rights, foreign cash in vault, reserve position in the International Monetary Fund, current account balances with foreign banks, time deposits with foreign banks and accrued interest, foreign currency security investments and other claims.

Claims on central government are loans, overdue claims on the budget of the Republic of Croatia and investments in short-term securities of the Republic of Croatia. In accordance with the Croatian National Bank Act that entered into force in July 2008, the Croatian National Bank may not extend credit to the Republic of Croatia. Hence, this item comprises only overdue claims on the budget of the Republic of Croatia based on the payment system operations and the liabilities to the IMF and foreign banks.

Claims on other domestic sectors are loans and overdue claims on other domestic sectors (up to CNB Bulletin No. 190, this item included claims on banks undergoing bankruptcy proceedings).

From May 1999 on, Claims on other financial institutions (up to CNB Bulletin No. 190, reported under Claims on other banking institutions) include overdue claims on credit institutions against which bankruptcy proceedings have been initiated.

Claims on credit institutions are loans to credit institutions and overdue claims on credit institutions. Loans to credit institutions comprise Lombard loans, short-term liquidity loans, other loans and reverse repo transactions. Item Lombard loans comprises loans to credit institutions for regular maintaining of the day-to-day liquidity, which were replaced by Lombard loans in December 1994. Short-term liquidity loans, which have been granted since the beginning of 1999, also serve to bridge liquidity problems. Other loans include intervention loans, special loans for bridging liquidity problems granted in the past (initial loans, prerehabilitation loans), due but unpaid loans and deposits of the CNB with credit institutions. From April 2005 on, reverse repo transactions are conducted on a weekly basis. Overdue claims on credit institutions comprise settlement account overdrafts (until mid-1994) and credit institutions' failure to correctly and promptly allocate and maintain statutory reserve requirements.

Reserve money consists of currency outside credit institutions, cash in credit institutions' vaults, credit institutions' deposits with the CNB and deposits of other financial institutions with the CNB.

Credit institutions' deposits are: settlement account balances, statutory reserves deposited on a special account with the CNB (including, from March 2006, the special reserve requirement on liabilities arising from issued securities), CNB bills on an obligatory basis and overnight deposits.

Deposits by other financial institutions are settlement account balances of the CBRD, CDCC deposits for securities trading and DAB deposits.

Restricted and blocked deposits include required foreign currency reserves and accrued interest, restricted deposits and blocked foreign currency deposits. Credit institutions are required to set aside the reserve requirements against certain foreign currency sources of funds and the marginal reserve requirements (from August 2004 to October 2008) in special accounts at the Croatian National Bank. Restricted deposits are kuna funds set aside on the basis of a court order or regulations, kuna funds set aside in the period between May 1999 and April 2002 and deposits of banks undergoing bankruptcy proceedings. From March 2010 on, this item includes CBRD funds related to the accounts of the programme for the development of the economy. Blocked foreign currency deposits are funds that were set aside in special accounts at the Croatian National Bank for repaying unpaid amounts due to foreign creditors.

Foreign liabilities include use of IMF credits, liabilities to international financial institutions and foreign banks and accrued interest.

Deposits of central government and social security funds are demand deposits and foreign currency deposits of the central government and social security funds with the CNB, and CNB bills purchased by institutions in the central government and social security funds' sector.

CNB bills are kuna and f/c CNB bills on a voluntary basis, excluding CNB bills voluntarily purchased by institutions in the central government and social security funds' sector.

Capital accounts include reserves, provisions and the income and cost accounts.

Other items (net) are unclassified liabilities decreased by unclassified assets of the Monetary authorities accounts.

D Credit institutions

Table D1 Credit institutions' accounts

end of period, in million HRK

	2012	2013											
	Dec.[a]	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
ASSETS													
1 Reserves with the CNB	49,411.3	49,486.1	49,151.0	50,442.0	48,569.8	49,294.1	49,832.7	46,660.0	47,086.0	47,660.8	48,181.3	48,909.1	49,707.5
1.1 In kuna	44,316.8	44,433.0	44,058.1	45,375.1	43,556.7	44,241.4	44,856.9	41,710.8	42,068.5	42,663.2	43,169.5	43,929.9	45,288.8
1.2 In f/c	5,094.5	5,053.2	5,092.9	5,066.9	5,013.1	5,052.7	4,975.7	4,949.2	5,017.5	4,997.6	5,011.8	4,979.2	4,418.8
2 Foreign assets	39,118.6	35,003.1	34,696.2	34,225.2	33,059.3	34,091.7	34,563.2	36,698.4	42,972.3	43,218.2	41,077.9	37,447.2	36,681.3
3 Claims on central government and social security funds	60,838.0	62,453.3	63,457.4	63,403.5	64,040.9	63,726.3	65,706.0	65,166.9	64,091.3	65,655.7	66,116.1	67,043.2	67,853.7
4 Claims on other domestic sectors	247,813.8	247,920.0	248,530.6	249,080.5	250,888.5	249,880.6	248,251.9	248,974.0	249,192.3	249,716.7	247,484.4	248,652.5	246,627.9
4.1 Claims on local government	3,500.1	3,511.8	3,545.1	3,547.2	3,523.3	3,410.8	3,311.6	3,189.9	3,182.9	3,136.6	3,432.8	4,056.9	4,231.8
4.2 Claims on non-financial corporations	114,622.2	115,342.5	115,784.3	116,082.3	117,878.7	117,996.0	117,584.8	118,186.9	117,926.9	117,908.6	116,455.2	116,864.7	114,963.8
4.3 Claims on households	129,691.5	129,065.7	129,201.2	129,451.0	129,486.5	128,473.9	127,355.5	127,597.3	128,082.5	128,671.4	127,596.3	127,730.9	127,432.3
5 Claims on other banking institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
6 Claims on non-banking financial institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
7 Claims on other financial intermediaries	9,366.9	9,264.8	9,072.3	9,310.4	9,743.4	9,443.1	9,009.8	8,741.0	8,543.0	8,674.4	8,858.6	8,041.1	7,899.3
8 Claims on financial auxiliaries	1,065.5	1,061.6	1,007.3	1,035.9	1,137.2	1,118.2	1,157.8	1,194.4	1,247.3	1,217.2	1,204.4	1,222.1	1,276.3
9 Claims on insurance corporations and pension funds	243.1	152.6	119.5	157.0	118.1	111.6	814.5	1,000.1	858.2	829.1	409.0	311.2	754.5
Total (1+2+3+4+5+6+7+8+9)	407,857.2	405,341.6	406,034.3	407,654.5	407,557.2	407,665.7	409,335.9	408,434.9	413,990.3	416,972.1	413,331.7	411,626.5	410,800.5
LIABILITIES													
1 Demand deposits	35,241.9	33,496.5	33,172.7	34,873.6	34,871.3	36,274.7	38,460.8	37,645.3	39,794.9	38,975.9	38,828.5	39,089.4	40,761.3
2 Savings and time deposits	40,590.0	40,917.2	41,488.8	41,780.0	40,959.1	40,989.4	41,470.6	41,499.2	41,612.3	42,134.7	42,153.6	41,733.6	41,846.5
3 Foreign currency deposits	152,649.2	152,837.5	152,648.9	152,731.1	151,318.9	150,996.7	148,554.1	150,503.8	155,072.0	157,308.7	157,158.4	155,990.5	154,921.2
4 Bonds and money market instruments	17,768.7	17,469.9	17,407.6	16,760.3	16,895.9	16,806.0	16,786.9	17,022.9	17,191.7	17,242.8	16,898.5	16,366.8	16,215.6
5 Foreign liabilities	73,675.1	71,766.5	72,643.6	72,408.0	74,369.0	74,372.1	75,164.1	74,201.9	71,142.8	70,869.6	69,236.6	69,545.0	69,342.9
6 Deposits of central government and social security funds	3,910.1	3,514.0	3,733.7	3,718.8	3,740.3	3,870.7	3,816.6	3,612.6	3,983.1	3,890.2	3,974.4	3,714.4	3,684.8
7 Credit from central bank	11.8	11.6	11.5	11.5	72.9	48.9	11.1	11.1	11.2	20.6	11.3	11.3	11.3
8 Restricted and blocked deposits	2,413.9	2,581.1	2,560.7	3,096.1	2,982.6	2,610.3	2,835.0	3,008.1	2,771.4	2,877.5	2,890.3	2,871.0	2,735.9
9 Capital accounts	80,700.6	81,206.8	81,258.5	82,000.6	81,402.7	81,791.1	81,415.8	81,994.3	82,539.6	83,102.6	83,327.6	83,288.4	83,245.1
10 Other items (net)	896.0	1,540.5	1,108.4	274.6	944.4	–94.3	820.9	–1,064.3	–128.7	549.5	–1,147.4	–983.8	–1,964.3
Total (1+2+3+4+5+6+7+8+9+10)	407,857.2	405,341.6	406,034.3	407,654.5	407,557.2	407,665.7	409,335.9	408,434.9	413,990.3	416,972.1	413,331.7	411,626.5	410,800.5

[a] Claims on other domestic sectors fell by HRK 5.6bn in December 2012. This fall was fully attributable to a transaction of one credit institution which, in an effort to reduce the amount of partly recoverable and fully irrecoverable placements, transferred a total of HRK 5.6bn in its claims on companies to a company indirectly owned by a parent bank.

Table D1 Credit institutions' accounts • Credit institutions' accounts include data on claims and liabilities of credit institutions.

As from CNB Bulletin No. 190, data on all the items have been revised from July 1999 onward to include housing savings banks in addition to the Croatian National Bank, banks and savings banks. Mutual claims and liabilities between banks, savings banks and housing savings banks are consolidated.

Required reserves held at the central bank include kuna and foreign currency reserves. Kuna reserves include vault cash and kuna funds held in accounts at the central bank. Foreign currency reserves include foreign currency held in the CNB's foreign currency accounts.

Foreign assets are the following forms of kuna and foreign currency claims on foreign legal and natural persons: foreign cash in vaults, current account balances with foreign banks and time deposits with foreign banks (including loro letters of credit and other forms of collateral), securities, loans and equities.

Claims on central government and social security funds are the following forms of claims in kuna and foreign currency: securities and loans.

Claims on other domestic sectors include the following claims in kuna and foreign currency: money market instruments, bonds, loans (including acceptances), and equities.

Up to November 2010, the same forms of kuna and foreign currency claims were included in claims on other banking institutions and non-banking financial institutions, with one difference: Claims on other banking institutions also included deposits with those institutions. From December 2010 on, the same forms of kuna and foreign currency claims are included in claims on other financial intermediaries (including claims on the CBRD), financial auxiliaries as well as insurance corporations and pension funds.

Up to November 2010, items Demand deposits, Savings and time deposits, Foreign currency deposits as well as Bonds and money market instruments comprised credit institutions' liabilities to other domestic sectors, other banking institutions and non-banking financial institutions. From December 2010 on, these items comprise credit institutions' liabilities to other domestic sectors, other financial intermediaries, financial auxiliaries as well as insurance corporations and pension funds.

Demand deposits include transaction accounts balances and credit institutions' obligations arising from kuna payment instruments issued, minus currency in the payment system, i.e. checks in credit institutions' vaults and checks in collection.

Savings and time deposits are kuna sight deposits as well as kuna time and notice deposits.

Foreign currency deposits are foreign currency sight deposits as well as foreign currency time and notice deposits.

Bonds and money market instruments are credit institutions' liabilities for securities issued (net) and loans received. Issued subordinated and hybrid instruments, purchased by foreign investors, are excluded from this item.

Foreign liabilities comprise the following forms of kuna and foreign currency liabilities to foreign legal and natural persons: transaction accounts, savings deposits (including loro letters of credit and other forms of collateral), time deposits, loans received and liabilities due. Issued subordinated and hybrid instruments, purchased by foreign investors, are also included in loans received.

Deposits of central government and social security funds are all forms of credit institutions' kuna and foreign currency liabilities (except restricted and blocked deposits) to the central government and social security funds.

Credit from central bank comprises loans received from the CNB and deposits by the CNB with credit institutions. Repurchase of securities is also considered and treated as loans.

Up to November 2010, Restricted and blocked deposits comprised the following banks' liabilities: kuna and foreign currency restricted deposits by other domestic sectors, other banking institutions, non-banking financial institutions, central government as well as foreign legal and natural persons, and households' blocked foreign currency deposits, regulated by the Act on Converting Households' Foreign Currency Deposits into the Public Debt of the Republic of Croatia.

From December 2010 on, Restricted and blocked deposits comprise the following credit institutions' liabilities: kuna and foreign currency restricted deposits by other domestic sectors, other financial intermediaries, financial auxiliaries, insurance corporations and pension funds, central government as well as foreign legal and natural persons, and households' blocked foreign currency deposits, regulated by the Act on Converting Households' Foreign Currency Deposits into the Public Debt of the Republic of Croatia.

Capital accounts are share capital, retained earnings (loss), profit (loss) for the previous year, profit (loss) for the current year, legal reserves, reserves provided for by the articles of association and other capital reserves, reserves for general banking risks, deferred tax in equity, dividends paid in the current year, revaluation reserves, collectively and individually assessed impairment provisions for off-balance sheet items, value adjustments and collectively assessed impairment provisions.

Other items (net) are unclassified liabilities decreased by unclassified assets, including the fair value of derivative financial instruments.

Tables D2 – D12 • This group of tables (with the exception of tables D5, D5a, D5b, D5c and D5d) provides a detailed analysis of the relevant asset and liability items in Table D1 (Credit institutions' accounts.

Table D2 Foreign assets of credit institutions

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Foreign assets in f/c	**37,343.7**	**33,619.3**	**33,262.7**	**33,260.4**	**32,043.7**	**33,175.0**	**33,172.3**	**35,274.8**	**41,360.4**	**41,949.3**	**39,478.5**	**36,072.4**	**35,392.2**
1.1 Claims on foreign financial institutions	28,730.5	25,197.3	25,835.6	26,088.1	24,488.7	24,976.9	24,869.3	26,495.0	31,531.4	31,861.4	30,462.8	27,588.1	26,954.4
Foreign currencies	1,758.0	1,479.5	1,571.7	1,748.7	1,799.2	1,830.2	2,052.9	2,498.5	2,409.2	1,906.2	1,650.0	1,590.1	1,804.9
Demand deposits	5,457.7	3,503.5	3,106.3	3,609.0	3,296.8	3,683.4	3,642.6	4,041.5	4,705.5	4,479.4	3,543.9	3,209.3	4,414.0
Time and notice deposits	15,915.9	14,073.7	14,953.6	14,629.5	13,475.6	13,570.3	15,667.6	14,754.0	18,940.9	19,804.6	19,767.6	17,673.6	15,751.5
Securities	5,360.6	5,908.7	6,014.5	5,982.6	5,760.6	5,726.4	3,348.7	5,038.3	5,316.1	5,515.9	5,343.3	4,953.3	4,821.8
Loans and advances	187.7	180.6	138.7	67.4	56.2	65.4	59.4	62.9	59.8	54.1	53.6	54.4	53.2
Shares and participations	50.6	51.1	50.8	50.9	100.4	101.2	98.2	99.7	100.1	101.1	104.5	107.5	109.0
1.2 Claims on foreign non-financial institutions	8,613.2	8,422.1	7,427.1	7,172.3	7,554.9	8,198.1	8,303.0	8,779.9	9,828.9	10,087.9	9,015.7	8,484.3	8,437.8
Claims on foreign governments	6,944.0	6,765.8	5,727.4	5,474.7	5,886.5	6,171.3	6,282.0	6,599.6	7,668.0	7,936.9	6,891.6	6,376.3	6,333.0
Claims on other non-residents	1,643.2	1,624.2	1,662.6	1,662.4	1,631.6	1,993.0	1,984.0	2,149.3	2,131.6	2,119.8	2,090.1	2,074.8	2,068.3
Securities	0.1	2.3	2.3	2.3	13.4	18.1	16.9	14.5	14.3	14.3	14.5	14.7	14.4
Loans and advances	1,643.1	1,622.0	1,660.3	1,660.1	1,618.2	1,974.9	1,967.1	2,134.8	2,117.4	2,105.4	2,075.6	2,060.2	2,053.8
Shares and participations	26.0	32.0	37.1	35.3	36.9	33.8	37.0	31.0	29.3	31.2	34.1	33.2	36.6
2 Foreign assets in kuna	**1,774.9**	**1,383.8**	**1,433.5**	**964.8**	**1,015.6**	**916.8**	**1,390.8**	**1,423.5**	**1,611.9**	**1,268.9**	**1,599.4**	**1,374.8**	**1,289.1**
2.1 Claims on foreign financial institutions	1,583.4	1,191.7	1,239.7	772.3	820.3	723.3	1,199.8	1,230.6	1,420.7	1,079.4	1,410.3	1,198.4	1,105.3
2.2 Claims on foreign non-banks	191.5	192.1	193.8	192.6	195.4	193.5	191.0	192.9	191.2	189.4	189.1	176.4	183.8
o/w: Loans and advances	191.2	191.8	193.5	192.2	195.1	193.1	190.7	192.6	190.9	189.1	188.7	176.1	183.5
Total (1+2)	**39,118.6**	**35,003.1**	**34,696.2**	**34,225.2**	**33,059.3**	**34,091.7**	**34,563.2**	**36,698.4**	**42,972.3**	**43,218.2**	**41,077.9**	**37,447.2**	**36,681.3**

Table D2 Foreign assets of credit institutions • This table shows credit institutions' claims on foreign legal and natural persons.

Foreign assets of credit institutions comprise foreign assets in kuna and in foreign currency. Claims on foreign financial institutions and Claims on foreign non-financial institutions (total and by financial instruments) are shown separately within both foreign assets in kuna and in foreign currency.

Table D3 Credit institutions' claims on the central government and social security funds

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 In kuna	**32,801.9**	**32,234.7**	**33,231.1**	**33,104.7**	**33,438.6**	**33,515.4**	**36,640.6**	**35,687.0**	**36,500.1**	**37,574.4**	**37,953.8**	**38,493.6**	**39,062.5**
1.1 Claims on central government	32,800.3	32,232.9	33,229.6	33,102.7	33,436.7	33,513.6	36,639.2	35,685.7	36,498.7	37,573.2	37,952.7	38,492.5	39,061.6
Securities	19,556.8	20,911.6	21,640.6	21,565.3	21,804.1	21,972.6	22,135.2	20,810.8	20,904.1	22,125.4	22,649.8	23,149.0	23,186.1
o/w: Bonds (c'part to f/c savings deposits)	15.6	15.6	15.5	15.5	15.5	15.5	15.2	15.3	15.4	15.6	15.6	15.6	15.6
Loans and advances	13,243.5	11,321.2	11,589.0	11,537.4	11,632.6	11,541.0	14,504.0	14,874.9	15,594.6	15,447.8	15,302.8	15,343.6	15,875.5
1.2 Claims on social security funds	1.6	1.8	1.6	1.9	1.9	1.8	1.4	1.3	1.4	1.2	1.1	1.1	0.9
Securities	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	1.6	1.8	1.6	1.9	1.9	1.8	1.4	1.3	1.4	1.2	1.1	1.1	0.9
2 In f/c	**28,036.1**	**30,218.7**	**30,226.3**	**30,298.8**	**30,602.3**	**30,210.9**	**29,065.4**	**29,479.9**	**27,591.1**	**28,081.4**	**28,162.4**	**28,549.5**	**28,791.2**
2.1 Claims on central government	28,036.1	30,218.7	30,226.3	30,298.8	30,602.3	30,210.9	29,065.4	29,479.9	27,591.1	28,081.4	28,162.4	28,549.5	28,791.2
Securities	6,907.5	7,020.8	6,897.1	6,948.8	7,118.4	7,021.5	6,884.3	6,851.2	4,801.5	4,857.0	4,906.5	5,265.7	5,328.5
Loans and advances	21,128.6	23,197.9	23,329.1	23,350.0	23,483.8	23,189.3	22,181.1	22,628.7	22,789.6	23,224.4	23,255.8	23,283.8	23,462.7
2.2 Claims on social security funds	–	–	–	–	–	–	–	–	–	–	–	–	–
Securities	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	–	–	–	–	–	–	–	–	–	–	–	–	–
Total (1+2)	**60,838.0**	**62,453.3**	**63,457.4**	**63,403.5**	**64,040.9**	**63,726.3**	**65,706.0**	**65,166.9**	**64,091.3**	**65,655.7**	**66,116.1**	**67,043.2**	**67,853.7**

Table D3 Credit institutions' claims on the central government and social security funds • The table shows credit institutions' kuna and foreign currency claims on the central government and social security funds. Item Securities, shown under kuna claims on the central government, also comprises bonds arising from blocked foreign currency savings deposits issued in accordance with the Act on Converting Households' Foreign Currency Deposits into the Public Debt of the Republic of Croatia.

Table D3a Credit institutions' kuna claims on the central government and social security funds

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Kuna claims not indexed to foreign currency	**18,072.2**	**18,620.7**	**19,713.3**	**20,318.2**	**20,740.7**	**21,157.9**	**22,405.6**	**21,149.3**	**21,249.1**	**22,487.4**	**22,890.4**	**22,925.1**	**22,623.8**
1.1 Claims on central government	18,070.6	18,618.9	19,711.7	20,316.2	20,738.8	21,156.0	22,404.2	21,148.0	21,247.7	22,486.2	22,889.3	22,924.0	22,622.8
Securities	12,650.7	13,242.4	14,070.8	14,637.7	15,060.5	15,580.7	15,864.3	14,254.6	14,279.9	15,550.9	16,023.3	16,082.2	15,897.2
Loans and advances	5,419.9	5,376.5	5,640.9	5,678.5	5,678.3	5,575.4	6,540.0	6,893.4	6,967.8	6,935.3	6,866.0	6,841.8	6,725.6
1.2 Claims on social security funds	1.6	1.8	1.6	1.9	1.9	1.8	1.4	1.3	1.4	1.2	1.1	1.1	0.9
Securities	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	1.6	1.8	1.6	1.9	1.9	1.8	1.4	1.3	1.4	1.2	1.1	1.1	0.9
2 Kuna claims indexed to foreign currency	**14,729.7**	**13,614.0**	**13,517.8**	**12,786.5**	**12,697.9**	**12,357.5**	**14,235.0**	**14,537.7**	**15,251.0**	**15,087.0**	**15,063.3**	**15,568.5**	**16,438.8**
2.1 Claims on central government	14,729.7	13,614.0	13,517.8	12,786.5	12,697.9	12,357.5	14,235.0	14,537.7	15,251.0	15,087.0	15,063.3	15,568.5	16,438.8
Securities	6,906.1	7,669.2	7,569.7	6,927.6	6,743.6	6,391.9	6,270.9	6,556.2	6,624.3	6,574.5	6,626.5	7,066.7	7,288.8
o/w: Bonds (c'part to f/c savings deposits)	15.6	15.6	15.5	15.5	15.5	15.5	15.2	15.3	15.4	15.6	15.6	15.6	15.6
Loans and advances	7,823.6	5,944.8	5,948.1	5,858.9	5,954.3	5,965.6	7,964.0	7,981.5	8,626.8	8,512.5	8,436.8	8,501.8	9,149.9
2.2 Claims on social security funds	–	–	–	–	–	–	–	–	–	–	–	–	–
Securities	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	–	–	–	–	–	–	–	–	–	–	–	–	–
Total (1+2)	**32,801.9**	**32,234.7**	**33,231.1**	**33,104.7**	**33,438.6**	**33,515.4**	**36,640.6**	**35,687.0**	**36,500.1**	**37,574.4**	**37,953.8**	**38,493.6**	**39,062.5**

Table D3a Credit institutions' kuna claims on the central government and social security funds • The table provides a detailed analysis of the claims in kuna item in Table D3, showing separately claims not indexed to foreign currency and claims indexed to foreign currency.

Table D4 Credit institutions' claims on other domestic sectors

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.[a]
1 Claims in kuna	**223,356.3**	**223,267.6**	**223,827.7**	**224,641.4**	**224,965.7**	**223,401.8**	**221,045.6**	**220,821.7**	**221,471.4**	**221,915.1**	**219,722.8**	**220,808.0**	**219,349.1**
1.1 Money market instruments	3,786.7	3,842.2	3,727.4	4,008.1	3,995.7	3,869.1	4,179.3	4,377.0	4,187.3	4,137.0	4,090.6	4,132.5	4,325.0
1.2 Bonds	1,553.1	1,530.0	1,532.3	1,508.6	1,506.0	1,488.0	1,444.0	1,410.6	1,407.0	1,324.2	1,319.4	1,163.6	1,110.9
1.3 Loans and advances	216,980.4	216,698.6	217,369.1	217,931.5	218,280.3	216,863.7	214,248.2	213,853.9	214,673.8	215,266.1	213,121.1	214,314.6	212,710.4
1.4 Shares and participations	1,036.1	1,196.8	1,198.9	1,193.3	1,183.7	1,181.1	1,174.0	1,180.2	1,203.4	1,187.8	1,191.7	1,197.3	1,202.7
2 Claims in f/c	**24,457.5**	**24,652.4**	**24,702.8**	**24,439.1**	**25,922.8**	**26,478.8**	**27,206.4**	**28,152.3**	**27,720.9**	**27,801.6**	**27,761.6**	**27,844.6**	**27,278.8**
2.1 Securities	143.5	126.6	156.5	167.0	164.3	136.2	164.5	172.8	165.5	185.2	159.6	179.2	217.7
2.2 Loans and advances	24,314.0	24,525.8	24,546.3	24,272.2	25,758.5	26,342.5	27,041.9	27,979.5	27,555.4	27,616.4	27,602.0	27,665.4	27,061.1
Total (1+2)	**247,813.8**	**247,920.0**	**248,530.6**	**249,080.5**	**250,888.5**	**249,880.6**	**248,251.9**	**248,974.0**	**249,192.3**	**249,716.7**	**247,484.4**	**248,652.5**	**246,627.9**

[a] Claims on other domestic sectors fell by HRK 5.6bn in December 2012. This fall was fully attributable to a transaction of one credit institution which, in an effort to reduce the amount of partly recoverable and fully irrecoverable placements, transferred a total of HRK 5.6bn in its claims on companies to a company indirectly owned by a parent bank.

Table D4 Credit institutions' claims on other domestic sectors • The table shows credit institutions' kuna and foreign currency claims on other domestic sectors, classified according to financial instruments: money market instruments (including factoring and forfeiting since January 2004), bonds, loans and advances, and equities.

From January 2004 to November 2010, factoring and forfeiting were in their entirety included in money market instruments. From December 2010 on, factoring and forfeiting which credit institutions report within the loan portfolio are included in loans and advances. Factoring and forfeiting in all other portfolios are reported within money market instruments (with original maturity of up to and including one year) or bonds (with original maturity of over one year).

Table D4a Credit institutions' kuna claims on other domestic sectors

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.[a]
1 Kuna claims not indexed to foreign currency	**64,761.5**	**65,367.4**	**65,377.3**	**66,329.5**	**67,022.2**	**67,064.2**	**66,752.5**	**66,788.5**	**66,521.1**	**66,545.9**	**66,020.5**	**66,470.3**	**66,973.4**
1.1 Money market instruments	3,176.5	3,209.5	3,074.6	3,357.0	3,384.4	3,290.4	3,449.7	3,611.2	3,408.0	3,359.1	3,380.3	3,394.3	3,692.2
1.2 Bonds	1,047.4	1,033.3	1,039.3	1,028.2	1,029.8	1,026.6	993.3	996.9	995.9	997.1	1,008.2	901.9	878.2
1.3 Loans and advances	59,501.5	59,927.9	60,064.5	60,751.1	61,424.3	61,566.2	61,135.5	61,000.2	60,913.8	61,001.9	60,440.3	60,976.8	61,200.3
1.4 Shares and participations	1,036.1	1,196.8	1,198.9	1,193.3	1,183.7	1,181.1	1,174.0	1,180.2	1,203.4	1,187.8	1,191.7	1,197.3	1,202.7
2 Kuna claims indexed to foreign currency	**158,594.8**	**157,900.2**	**158,450.4**	**158,311.9**	**157,943.5**	**156,337.7**	**154,293.1**	**154,033.2**	**154,950.4**	**155,369.2**	**153,702.2**	**154,337.7**	**152,375.7**
2.1 Securities	1,115.8	1,129.4	1,145.8	1,131.5	1,087.5	1,040.1	1,180.3	1,179.4	1,190.4	1,105.0	1,021.4	999.9	865.5
2.2 Loans and advances	157,479.0	156,770.8	157,304.6	157,180.4	156,856.0	155,297.5	153,112.7	152,853.8	153,760.0	154,264.2	152,680.8	153,337.8	151,510.2
Total (1+2)	223,356.3	223,267.6	223,827.7	224,641.4	224,965.7	223,401.8	221,045.6	220,821.7	221,471.4	221,915.1	219,722.8	220,808.0	219,349.1

Table D4a Credit institutions' kuna claims on other domestic sectors • The table provides a detailed analysis of the Claims in kuna item in Table D4, showing separately claims not indexed to foreign currency and claims indexed to foreign currency.

Table D5 Distribution of credit institutions' loans by domestic institutional sectors

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
LOANS IN KUNA													
1 Loans to central government and social security funds	13,245.1	11,323.0	11,590.6	11,539.3	11,634.6	11,542.8	14,505.3	14,876.3	15,596.0	15,449.0	15,303.9	15,344.6	15,876.5
1.1 Loans to central government	13,243.5	11,321.2	11,589.0	11,537.4	11,632.6	11,541.0	14,504.0	14,874.9	15,594.6	15,447.8	15,302.8	15,343.6	15,875.5
1.2 Loans to social security funds	1.6	1.8	1.6	1.9	1.9	1.8	1.4	1.3	1.4	1.2	1.1	1.1	0.9
2 Loans to local government	3,346.3	3,363.3	3,396.3	3,395.6	3,374.2	3,259.1	3,156.8	3,067.6	3,061.4	3,019.5	3,317.5	3,943.3	4,113.1
3 Loans to non-financial corporations	84,260.3	84,599.5	85,110.8	85,419.8	85,758.4	85,467.6	84,053.4	83,516.8	83,840.1	83,860.2	82,482.3	82,913.3	81,425.7
4 Loans to households	129,373.9	128,735.8	128,862.0	129,116.1	129,147.6	128,137.0	127,038.1	127,269.6	127,772.3	128,386.5	127,321.4	127,458.0	127,171.6
o/w: Housing loans	62,662.3	62,146.5	62,481.4	62,459.0	62,261.5	61,444.2	60,869.2	61,060.5	61,449.5	61,864.7	61,378.5	61,224.7	61,450.0
5 Loans to other banking institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
6 Loans to non-banking financial institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
7 Loans to other financial intermediaries	7,435.1	7,265.9	7,159.3	7,242.0	7,283.3	7,332.4	6,808.4	6,254.0	6,345.1	6,352.0	6,381.9	5,558.6	5,552.7
8 Loans to financial auxiliaries	661.3	619.5	572.5	604.4	616.8	626.9	667.2	684.7	729.9	704.6	699.2	718.2	797.9
9 Loans to insurance corporations and pension funds	134.1	42.8	9.2	49.0	9.2	4.2	708.9	894.1	753.6	724.7	307.2	209.9	474.6
A Total (1+2+3+4+5+6+7+8+9)	238,455.9	235,950.0	236,700.7	237,366.3	237,824.0	236,370.1	236,938.1	236,563.0	238,098.4	238,496.4	235,813.4	236,145.9	235,412.0
LOANS IN F/C													
1 Loans to central government and social security funds	21,128.6	23,197.9	23,329.1	23,350.0	23,483.8	23,189.3	22,181.1	22,628.7	22,789.6	23,224.4	23,255.8	23,283.8	23,462.7
1.1 Loans to central government	21,128.6	23,197.9	23,329.1	23,350.0	23,483.8	23,189.3	22,181.1	22,628.7	22,789.6	23,224.4	23,255.8	23,283.8	23,462.7
1.2 Loans to social security funds	–	–	–	–	–	–	–	–	–	–	–	–	–
2 Loans to local government	0.2	0.2	0.2	0.2	0.2	0.2	9.3	9.3	9.4	9.0	9.0	8.6	8.6
3 Loans to non-financial corporations	24,051.5	24,250.9	24,264.9	23,991.5	25,470.1	26,049.9	26,755.3	27,680.0	27,271.9	27,333.5	27,326.7	27,392.2	26,798.4
4 Loans to households	262.3	274.7	281.2	280.4	288.3	292.5	277.2	290.2	274.2	273.8	266.3	264.6	254.1
5 Loans to other banking institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
6 Loans to non-banking financial institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
7 Loans to other financial intermediaries	293.5	367.9	283.8	435.9	756.2	406.4	477.4	784.2	507.0	500.7	628.1	650.2	624.7
8 Loans to financial auxiliaries	37.9	75.7	68.5	70.3	68.8	39.7	38.9	58.1	65.8	59.5	59.2	57.9	42.0
9 Loans to insurance corporations and pension funds	–	–	–	–	–	0.0	–	0.0	–	–	–	–	106.9
B Total (1+2+3+4+5+6+7+8+9)	45,774.1	48,167.4	48,227.7	48,128.3	50,067.3	49,978.0	49,739.3	51,450.3	50,917.8	51,401.0	51,545.1	51,657.3	51,297.5
TOTAL (A+B)	284,230.0	284,117.3	284,928.4	285,494.6	287,891.3	286,348.1	286,677.4	288,013.4	289,016.2	289,897.4	287,358.5	287,803.2	286,709.5

Table D5 Distribution of credit institutions' loans by domestic institutional sectors • The table shows data on kuna and foreign currency loans granted by credit institutions to domestic sectors, including acceptances, financial leases, payments made on the basis of guarantees and similar instruments, purchased claims, and until December 2003 factoring and forfeiting. From December 2010 on, loans include the following types of loans: overnight loans, loans for payments made on the basis of guarantees and similar instruments, reverse repo loans, shares in syndicated loans, financial leases, consumer loans, education loans, housing loans, mortgage loans, car loans, credit card loans, overdrafts on transaction accounts, margin loans, Lombard loans, working capital loans, construction loans, agricultural loans, tourism loans, investment loans, export finance loans, any-purpose cash loans, factoring and forfeiting in the portfolio of loans and claims and other loans.

Tables D5a – D5d • This group of tables provides a detailed analysis of the corresponding items in Table D5 Distribution of credit institutions' loans by domestic institutional sectors.

Table D5a Distribution of credit institutions' kuna loans by domestic institutional sectors

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
KUNA LOANS NOT INDEXED TO FOREIGN CURRENCY													
1 Loans to central government and social security funds	5,421.5	5,378.2	5,642.5	5,680.5	5,680.2	5,577.2	6,541.3	6,894.8	6,969.3	6,936.5	6,867.1	6,842.9	6,726.5
1.1 Loans to central government	5,419.9	5,376.5	5,640.9	5,678.5	5,678.3	5,575.4	6,540.0	6,893.4	6,967.8	6,935.3	6,866.0	6,841.8	6,725.6
1.2 Loans to social security funds	1.6	1.8	1.6	1.9	1.9	1.8	1.4	1.3	1.4	1.2	1.1	1.1	0.9
2 Loans to local government	974.7	1,049.7	1,070.3	1,087.6	1,091.0	978.9	916.8	827.6	806.1	800.1	792.0	792.7	796.4
3 Loans to non-financial corporations	27,943.5	28,203.1	28,416.5	28,819.5	29,114.1	29,155.2	28,683.1	28,636.0	28,536.6	28,500.0	27,903.8	28,349.0	28,533.9
4 Loans to households	30,583.2	30,675.1	30,577.7	30,843.9	31,219.2	31,432.1	31,535.6	31,536.5	31,571.1	31,701.8	31,744.5	31,835.1	31,869.9
5 Loans to other financial intermediaries	6,650.0	6,558.4	6,492.4	6,553.9	6,597.8	6,675.2	6,114.4	5,541.4	5,635.5	5,611.4	5,668.9	4,908.1	4,931.2
6 Loans to financial auxiliaries	473.3	461.7	432.2	445.0	457.7	459.2	507.2	548.9	586.2	562.3	564.4	585.2	665.4
7 Loans to insurance corporations and pension funds	131.1	39.8	6.2	46.1	6.3	0.2	705.0	890.2	749.7	720.7	303.3	206.0	470.7
A Total (1+2+3+4+5+6+7)	72,177.3	72,366.0	72,637.8	73,476.5	74,166.3	74,278.0	75,003.3	74,875.5	74,854.5	74,832.8	73,844.1	73,519.0	73,994.1
KUNA LOANS INDEXED TO FOREIGN CURRENCY													
1 Loans to central government and social security funds	7,823.6	5,944.8	5,948.1	5,858.9	5,954.3	5,965.6	7,964.0	7,981.5	8,626.8	8,512.5	8,436.8	8,501.8	9,149.9
1.1 Loans to central government	7,823.6	5,944.8	5,948.1	5,858.9	5,954.3	5,965.6	7,964.0	7,981.5	8,626.8	8,512.5	8,436.8	8,501.8	9,149.9
1.2 Loans to social security funds	–	–	–	–	–	–	–	–	–	–	–	–	–
2 Loans to local government	2,371.5	2,313.6	2,326.0	2,307.9	2,283.2	2,280.2	2,240.0	2,240.0	2,255.3	2,219.4	2,525.5	3,150.6	3,316.7
3 Loans to non-financial corporations	56,316.8	56,396.4	56,694.3	56,600.3	56,644.3	56,312.4	55,370.3	54,880.7	55,303.6	55,360.1	54,578.4	54,564.3	52,891.8
4 Loans to households	98,790.6	98,060.8	98,284.4	98,272.2	97,928.5	96,704.9	95,502.5	95,733.1	96,201.1	96,684.7	95,576.9	95,622.9	95,301.7
5 Loans to other financial intermediaries	785.1	707.5	666.9	688.1	685.5	657.2	694.1	712.6	709.6	740.6	713.0	650.5	621.5
6 Loans to financial auxiliaries	188.0	157.9	140.3	159.4	159.1	167.7	160.1	135.7	143.7	142.4	134.8	132.9	132.5
7 Loans to insurance corporations and pension funds	3.0	3.0	2.9	2.9	2.9	4.0	3.9	3.9	3.9	3.9	3.9	3.9	3.8
B Total (1+2+3+4+5+6+7)	166,278.7	163,584.0	164,062.9	163,889.7	163,657.8	162,092.1	161,934.8	161,687.6	163,244.0	163,663.6	161,969.3	162,626.9	161,418.0
TOTAL (A+B)	238,455.9	235,950.0	236,700.7	237,366.3	237,824.0	236,370.1	236,938.1	236,563.0	238,098.4	238,496.4	235,813.4	236,145.9	235,412.0

Table D5a Distribution of credit institutions' kuna loans by domestic institutional sectors • The table provides a detailed analysis of the Loans in kuna item in Table D5, showing separately loans not indexed to foreign currency and loans indexed to foreign currency.

Table D5b Distribution of credit institutions' loans by domestic institutional sectors and original maturity

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Loans to central government and social security funds	**34,373.6**	**34,521.0**	**34,919.7**	**34,889.3**	**35,118.4**	**34,732.1**	**36,686.5**	**37,505.0**	**38,385.7**	**38,673.4**	**38,559.8**	**38,628.5**	**39,339.1**
1.1 Loans to central government	34,372.1	34,519.2	34,918.2	34,887.4	35,116.5	34,730.3	36,685.1	37,503.6	38,384.2	38,672.2	38,558.7	38,627.4	39,338.2
Up to 1 year	2,938.6	2,988.0	2,354.2	2,370.9	2,299.9	2,229.8	2,208.8	2,803.5	2,903.4	2,902.3	1,471.4	1,473.7	898.8
Over 1 and up to 5 years	10,243.2	11,620.4	12,412.2	12,440.9	12,476.5	12,260.1	13,745.0	13,604.5	14,207.3	14,980.8	17,038.1	17,051.8	17,461.6
Over 5 years	21,190.2	19,910.7	20,151.8	20,075.6	20,340.1	20,240.5	20,731.3	21,095.7	21,273.6	20,789.0	20,049.2	20,101.8	20,977.8
1.2 Loans to social security funds	1.6	1.8	1.6	1.9	1.9	1.8	1.4	1.3	1.4	1.2	1.1	1.1	0.9
Up to 1 year	1.6	1.8	1.6	1.9	1.9	1.8	1.4	1.3	1.4	1.2	1.1	1.1	0.9
Over 1 and up to 5 years	–	–	–	–	–	–	–	–	–	–	–	–	–
Over 5 years	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Loans to local government	**3,346.5**	**3,363.5**	**3,396.5**	**3,395.7**	**3,374.4**	**3,259.3**	**3,166.1**	**3,076.9**	**3,070.7**	**3,028.5**	**3,326.5**	**3,951.9**	**4,121.7**
Up to 1 year	261.1	296.6	312.0	318.1	324.6	339.0	304.8	208.8	185.8	175.5	164.6	158.3	150.4
Over 1 and up to 5 years	793.9	727.3	730.0	733.5	732.4	614.7	593.8	564.7	568.5	568.9	566.2	567.6	714.6
Over 5 years	2,291.5	2,339.6	2,354.4	2,344.2	2,317.4	2,305.6	2,267.4	2,303.4	2,316.4	2,284.1	2,595.6	3,226.0	3,256.7
3 Loans to non-financial corporations	**108,311.9**	**108,850.4**	**109,375.7**	**109,411.3**	**111,228.4**	**111,517.5**	**110,808.7**	**111,196.7**	**111,112.0**	**111,193.7**	**109,809.0**	**110,305.5**	**108,224.1**
Up to 1 year	23,389.1	23,535.8	23,819.5	23,832.9	24,627.1	24,733.8	23,886.4	23,576.3	23,860.5	23,655.3	23,357.6	23,526.5	22,812.8
Over 1 and up to 5 years	28,075.3	28,577.4	28,301.5	27,822.3	28,830.4	28,708.4	27,915.8	28,153.9	27,439.3	27,637.5	27,195.9	27,347.5	26,188.5
Over 5 years	56,847.5	56,737.2	57,254.7	57,756.1	57,771.0	58,075.3	59,006.5	59,466.5	59,812.1	59,900.9	59,255.5	59,431.4	59,222.8
4 Loans to households	**129,636.2**	**129,010.5**	**129,143.2**	**129,396.6**	**129,435.9**	**128,429.5**	**127,315.3**	**127,559.7**	**128,046.4**	**128,660.3**	**127,587.7**	**127,722.6**	**127,425.8**
Up to 1 year	12,483.0	12,605.7	12,333.2	12,305.1	12,442.8	12,414.2	12,237.0	12,149.8	12,141.1	12,141.9	12,157.2	12,096.0	12,007.9
Over 1 and up to 5 years	9,471.9	9,347.8	9,368.0	9,519.4	9,541.1	9,613.1	9,596.5	9,705.1	9,655.3	9,658.9	9,611.1	9,676.2	9,599.8
Over 5 years	107,681.3	107,057.0	107,442.0	107,572.1	107,452.0	106,402.2	105,481.8	105,704.8	106,250.0	106,859.5	105,819.3	105,950.3	105,818.1
5 Loans to other financial intermediaries	**7,728.6**	**7,633.8**	**7,443.1**	**7,677.9**	**8,039.5**	**7,738.8**	**7,285.9**	**7,038.1**	**6,852.1**	**6,852.7**	**7,010.1**	**6,208.9**	**6,177.5**
Up to 1 year	1,477.0	1,321.5	1,151.0	1,379.5	1,755.7	1,460.1	1,506.5	1,713.7	1,371.8	1,345.9	1,522.6	1,641.0	1,602.3
Over 1 and up to 5 years	5,293.6	5,278.6	5,257.4	5,248.9	5,212.6	5,202.3	5,042.1	4,574.8	4,554.4	4,565.8	4,548.7	3,741.6	3,751.7
Over 5 years	958.0	1,033.8	1,034.7	1,049.5	1,071.1	1,076.5	737.2	749.6	925.8	941.1	938.7	826.2	823.5
6 Loans to financial auxiliaries	**699.2**	**695.2**	**641.0**	**674.7**	**685.5**	**666.6**	**706.1**	**742.7**	**795.7**	**764.1**	**758.4**	**776.1**	**839.9**
Up to 1 year	526.3	522.4	471.0	503.5	515.4	498.4	531.2	602.0	655.3	625.4	629.9	655.6	724.8
Over 1 and up to 5 years	98.4	98.6	95.3	96.2	94.5	92.3	100.0	90.5	64.6	63.1	61.4	53.3	48.4
Over 5 years	74.5	74.2	74.7	75.0	75.7	76.0	75.0	50.2	75.8	75.6	67.0	67.1	66.7
7 Loans to insurance corporations and pension funds	**134.1**	**42.8**	**9.2**	**49.0**	**9.2**	**4.2**	**708.9**	**894.1**	**753.6**	**724.7**	**307.2**	**209.9**	**581.5**
Up to 1 year	131.1	39.8	6.2	46.1	6.3	0.2	705.0	890.2	749.7	720.7	303.3	206.0	577.7
Over 1 and up to 5 years	0.0	0.0	0.0	0.0	0.0	–	–	–	–	–	–	–	–
Over 5 years	3.0	3.0	3.0	2.9	2.9	4.0	3.9	3.9	3.9	3.9	3.9	3.9	3.8
Total (1+2+3+4+5+6+7)	**284,230.0**	**284,117.3**	**284,928.4**	**285,494.6**	**287,891.3**	**286,348.1**	**286,677.4**	**288,013.4**	**289,016.2**	**289,897.4**	**287,358.5**	**287,803.2**	**286,709.5**
Up to 1 year	41,207.7	41,311.7	40,448.7	40,758.0	41,973.7	41,677.2	41,381.1	41,945.6	41,869.1	41,568.1	39,607.9	39,758.5	38,775.6
Over 1 and up to 5 years	53,976.2	55,650.2	56,164.3	55,861.3	56,887.4	56,490.8	56,993.1	56,693.6	56,489.5	57,475.2	59,021.4	58,438.1	57,764.5
Over 5 years	189,046.1	187,155.5	188,315.4	188,875.3	189,030.3	188,180.1	188,303.2	189,374.2	190,657.6	190,854.1	188,729.3	189,606.7	190,169.4

Table D5b Distribution of credit institutions' loans by domestic institutional sectors and original maturity • The table provides a detailed analysis of the Loans in kuna and Loans in f/c items in Table D5, showing separately loans by domestic institutional sectors and original maturity, with the latter divided into maturity of up to one year, over one and up to five years and over five years.

Table D5c Distribution of credit institutions' loans to households by purpose and currency composition

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Consumer loans	**102.3**	**99.3**	**95.8**	**92.9**	**90.0**	**86.7**	**84.3**	**83.9**	**81.1**	**78.9**	**74.3**	**76.2**	**74.2**
1.1 Kuna loans not indexed to f/c	91.3	89.0	86.0	83.6	81.3	78.5	76.6	76.4	74.0	72.1	68.1	70.2	68.5
1.2 Kuna loans indexed to f/c	11.0	10.4	9.8	9.3	8.7	8.2	7.7	7.5	7.1	6.8	6.2	6.0	5.7
o/w: Indexed to EUR	10.6	10.1	9.5	9.0	8.5	8.0	7.5	7.2	6.9	6.5	6.0	5.8	5.5
o/w: Indexed to CHF	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
1.3 Foreign currency loans	–	–	–	–	–	–	–	–	–	–	–	–	–
2 Housing loans	**62,673.6**	**62,157.5**	**62,492.5**	**62,470.0**	**62,272.3**	**61,454.6**	**60,879.5**	**61,070.9**	**61,459.9**	**61,875.0**	**61,388.6**	**61,234.8**	**61,460.1**
2.1 Kuna loans not indexed to f/c	4,544.4	4,524.4	4,505.3	4,490.3	4,477.6	4,471.8	4,465.1	4,459.1	4,457.9	4,452.1	4,425.4	4,411.1	4,415.9
2.2 Kuna loans indexed to f/c	58,117.9	57,622.1	57,976.1	57,968.7	57,783.9	56,972.4	56,404.1	56,601.4	56,991.6	57,412.6	56,953.1	56,813.6	57,034.1
o/w: Indexed to EUR	34,989.3	35,160.5	35,199.9	35,285.7	35,412.1	35,256.3	34,814.7	35,021.4	35,313.4	35,566.9	35,450.7	35,414.9	35,536.5
o/w: Indexed to CHF	23,086.0	22,420.2	22,733.7	22,640.7	22,331.0	21,674.3	21,548.8	21,540.5	21,638.5	21,806.9	21,464.1	21,360.2	21,459.8
2.3 Foreign currency loans	11.3	11.0	11.0	11.0	10.8	10.5	10.4	10.4	10.4	10.3	10.1	10.1	10.1
3 Mortgage loans	**3,073.7**	**3,053.5**	**3,045.8**	**3,021.3**	**3,009.9**	**2,971.5**	**2,910.9**	**2,907.0**	**2,911.1**	**2,913.1**	**2,865.3**	**2,842.3**	**3,007.4**
3.1 Kuna loans not indexed to f/c	117.3	116.2	114.4	112.6	111.4	111.6	113.0	113.4	110.2	110.4	111.1	111.0	179.9
3.2 Kuna loans indexed to f/c	2,953.8	2,934.8	2,928.9	2,906.2	2,896.1	2,857.6	2,795.6	2,791.3	2,794.3	2,796.0	2,747.6	2,724.7	2,821.7
o/w: Indexed to EUR	2,422.3	2,419.4	2,406.5	2,386.1	2,385.2	2,361.7	2,302.9	2,300.7	2,305.1	2,303.6	2,263.7	2,243.2	2,340.1
3.3 Foreign currency loans	2.5	2.5	2.5	2.5	2.4	2.3	2.3	2.3	6.6	6.6	6.5	6.5	5.8
4 Car loans	**3,175.0**	**3,063.0**	**2,943.2**	**2,848.6**	**2,750.9**	**2,644.7**	**2,552.4**	**2,475.8**	**2,404.0**	**2,334.5**	**2,241.6**	**2,235.2**	**2,162.6**
4.1 Kuna loans not indexed to f/c	1,200.7	1,181.1	1,149.2	1,130.0	1,112.4	1,096.6	1,082.6	1,065.2	1,045.1	1,025.3	1,002.5	998.1	982.8
4.2 Kuna loans indexed to f/c	1,972.5	1,880.1	1,792.5	1,717.1	1,637.2	1,547.0	1,468.7	1,409.6	1,358.0	1,308.4	1,238.3	1,236.4	1,179.1
o/w: Indexed to EUR	1,169.6	1,151.0	1,104.5	1,082.2	1,057.9	1,027.5	990.5	969.1	949.6	931.1	897.9	925.7	897.3
o/w: Indexed to CHF	802.8	729.2	687.9	634.9	579.3	519.5	478.2	440.5	408.4	377.2	340.5	310.7	281.7
4.3 Foreign currency loans	1.8	1.7	1.6	1.5	1.3	1.2	1.1	1.0	0.9	0.8	0.8	0.7	0.7
5 Credit card loans	**3,941.2**	**3,897.8**	**3,848.9**	**3,860.9**	**3,851.0**	**3,906.6**	**3,912.9**	**3,904.0**	**3,874.8**	**3,861.9**	**3,861.1**	**3,838.5**	**3,834.6**
5.1 Kuna loans not indexed to f/c	3,937.8	3,894.4	3,846.4	3,858.2	3,848.4	3,903.9	3,910.4	3,901.6	3,872.4	3,859.6	3,858.7	3,836.0	3,832.3
5.2 Kuna loans indexed to f/c	1.4	1.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
o/w: Indexed to EUR	1.4	1.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
5.3 Foreign currency loans	2.0	2.0	2.0	2.2	2.1	2.2	2.1	1.9	1.9	1.8	1.9	2.0	1.8
6 Overdrafts on transaction accounts	**8,612.0**	**8,699.2**	**8,560.7**	**8,490.5**	**8,605.5**	**8,544.5**	**8,428.0**	**8,361.2**	**8,395.1**	**8,423.9**	**8,504.0**	**8,442.7**	**8,353.5**
6.1 Kuna loans not indexed to f/c	8,611.5	8,698.8	8,560.3	8,490.1	8,605.0	8,544.0	8,427.5	8,360.7	8,394.6	8,423.4	8,503.5	8,442.2	8,353.0
6.2 Kuna loans indexed to f/c	–	–	–	–	–	–	–	–	–	–	–	–	–
o/w: Indexed to EUR	–	–	–	–	–	–	–	–	–	–	–	–	–
6.3 Foreign currency loans	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
7 Any-purpose cash loans	**36,436.3**	**36,434.4**	**36,557.6**	**36,945.3**	**37,156.6**	**37,157.5**	**36,948.2**	**37,169.7**	**37,341.4**	**37,596.8**	**37,258.1**	**37,444.3**	**37,229.2**
7.1 Kuna loans not indexed to f/c	9,931.9	10,037.2	10,167.9	10,460.9	10,726.7	10,940.9	11,083.1	11,206.1	11,278.9	11,432.7	11,475.9	11,629.6	11,674.6
7.2 Kuna loans indexed to f/c	26,504.4	26,397.2	26,388.3	26,483.2	26,428.7	26,215.5	25,864.0	25,962.6	26,061.6	26,163.1	25,781.2	25,813.8	25,553.7
o/w: Indexed to EUR	26,148.2	26,028.3	26,006.1	26,139.7	26,096.2	25,896.9	25,576.4	25,684.5	25,787.8	25,892.1	25,519.7	25,555.5	25,304.8
7.3 Foreign currency loans	–	–	1.4	1.3	1.2	1.1	1.1	1.0	1.0	1.0	0.9	0.9	0.9
8 Other loans	**11,622.0**	**11,605.8**	**11,598.6**	**11,667.1**	**11,699.7**	**11,663.3**	**11,599.2**	**11,587.3**	**11,579.0**	**11,576.3**	**11,394.6**	**11,608.6**	**11,304.3**
8.1 Kuna loans not indexed to f/c	2,148.2	2,134.0	2,148.2	2,218.3	2,256.4	2,284.9	2,377.4	2,353.9	2,338.1	2,326.2	2,299.2	2,337.0	2,363.0
8.2 Kuna loans indexed to f/c	9,229.6	9,214.7	9,188.2	9,187.2	9,173.4	9,103.7	8,961.9	8,960.2	8,988.0	8,997.3	8,849.9	9,027.8	8,707.0
o/w: Indexed to EUR	8,465.9	8,475.1	8,436.3	8,443.2	8,443.8	8,397.2	8,263.5	8,265.4	8,295.0	8,303.1	8,169.7	8,250.8	8,047.3
8.3 Foreign currency loans	244.2	257.1	262.3	261.6	269.9	274.7	259.9	273.1	252.9	252.8	245.5	243.8	234.3
Total (1+2+3+4+5+6+7+8)	129,636.2	129,010.5	129,143.2	129,396.6	129,435.9	128,429.5	127,315.3	127,559.7	128,046.4	128,660.3	127,587.7	127,722.6	127,425.8

Table D5c Distribution of credit institutions' loans to households by purpose and currency composition • The table provides a detailed analysis of kuna and f/c loans to households in Table D5 by purpose, showing separately loans not indexed to f/c, loans indexed to f/c and foreign currency loans. Within loans indexed to f/c, loans indexed to the euro and loans indexed to the Swiss franc are reported separately under the "o/w" items.

Table D5d Distribution of credit institutions' working capital and investment loans to non-financial corporations by currency composition

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Working capital loans	39,729.0	40,065.1	40,737.4	40,689.6	42,133.3	42,419.2	41,679.4	41,932.5	41,981.2	41,803.5	41,103.8	41,117.8	39,635.3
1.1 Kuna loans not indexed to f/c	14,789.8	14,954.7	15,105.4	15,330.5	15,573.2	15,606.7	15,492.5	15,501.6	15,475.9	15,553.6	15,112.2	15,400.0	15,389.0
1.2 Kuna loans indexed to f/c	18,166.1	18,243.4	18,587.9	18,610.2	18,912.6	19,107.8	18,484.4	18,301.9	18,489.9	18,273.3	18,027.7	17,855.0	17,020.8
o/w: Indexed to EUR	17,868.5	17,955.1	18,295.5	18,317.3	18,622.6	18,824.9	18,203.7	18,017.5	18,205.5	17,983.2	17,738.9	17,561.5	16,739.3
o/w: Indexed to CHF	270.6	262.3	265.8	265.5	262.9	255.8	254.5	258.3	258.4	264.1	262.5	269.5	263.2
1.3 Foreign currency loans	6,773.1	6,867.0	7,044.1	6,748.9	7,647.5	7,704.7	7,702.5	8,129.0	8,015.4	7,976.6	7,963.9	7,862.7	7,225.5
o/w: In EUR	6,241.3	6,330.4	6,512.1	6,225.1	7,076.8	7,133.6	7,139.8	7,496.9	7,319.1	7,371.8	7,366.5	7,303.1	6,699.7
o/w: In USD	415.1	423.6	417.0	426.0	477.7	480.3	472.4	510.8	565.6	466.5	460.9	424.2	409.6
2 Investment loans	36,659.8	36,666.4	36,596.1	36,776.0	36,753.0	36,401.3	35,902.9	35,612.2	35,776.1	35,940.8	35,401.5	35,423.6	34,856.3
2.1 Kuna loans not indexed to f/c	5,593.1	5,639.2	5,625.9	5,820.3	5,803.7	5,864.1	5,956.2	5,944.4	5,968.2	5,941.2	5,923.1	5,944.6	5,974.9
2.2 Kuna loans indexed to f/c	26,405.3	26,384.3	26,354.8	26,271.8	26,017.0	25,670.3	25,260.9	24,968.6	25,112.4	25,317.1	24,836.4	24,848.3	24,381.9
o/w: Indexed to EUR	24,997.5	25,031.4	24,994.9	24,934.9	24,708.7	24,408.7	24,012.2	23,750.5	23,902.3	24,121.7	23,663.3	23,683.1	23,266.4
o/w: Indexed to CHF	1,372.7	1,319.4	1,325.7	1,302.9	1,275.9	1,229.7	1,218.4	1,188.3	1,180.6	1,167.2	1,146.3	1,138.4	1,089.7
2.3 Foreign currency loans	4,661.4	4,642.9	4,615.5	4,683.9	4,932.3	4,866.8	4,685.8	4,699.2	4,695.5	4,682.4	4,642.1	4,630.8	4,499.5
o/w: In EUR	4,430.2	4,415.6	4,385.9	4,514.9	4,767.9	4,708.0	4,529.1	4,546.9	4,542.3	4,531.3	4,496.0	4,484.8	4,369.3
o/w: In USD	14.8	17.2	16.8	17.6	17.0	16.9	16.1	13.6	13.4	12.3	11.8	11.9	11.9
Total (1+2)	76,388.8	76,731.6	77,333.6	77,465.6	78,886.3	78,820.5	77,582.3	77,544.6	77,757.2	77,744.3	76,505.4	76,541.4	74,491.6

Table D5d Distribution of credit institutions' working capital and investment loans to non-financial corporations by currency composition • The table provides a detailed analysis of kuna and f/c loans to non-financial corporations in Table D5 by purpose, showing separately loans not indexed to f/c, loans indexed to f/c and foreign currency loans. Within loans indexed to f/c, loans indexed to the euro and loans indexed to the Swiss franc are reported separately under the "o/w" items.

Table D6 Demand deposits with credit institutions

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Local government	2,210.4	1,807.1	1,688.9	1,704.2	1,707.9	1,575.8	1,583.8	1,515.9	1,670.6	1,747.3	1,842.7	1,985.2	2,324.3
2 Non-financial corporations	15,328.2	14,259.8	13,937.4	15,180.5	15,506.0	16,584.3	17,658.7	16,704.2	18,473.1	17,603.1	17,352.0	17,529.3	18,737.5
3 Households	15,994.3	15,943.8	15,976.0	16,292.2	16,225.0	16,504.8	17,032.8	17,643.2	18,153.9	17,993.6	17,650.9	17,613.8	17,685.3
4 Other banking institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
5 Non-banking financial institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
6 Other financial intermediaries	834.1	686.5	850.2	747.1	630.5	574.0	725.8	626.0	703.5	584.6	662.9	722.6	740.6
7 Financial auxiliaries	512.2	293.9	323.4	316.4	340.3	350.8	399.4	401.1	354.0	336.7	395.2	330.4	480.5
8 Insurance corporations and pension funds	362.7	505.5	396.8	633.3	461.5	685.0	1,060.4	754.9	439.7	710.6	924.9	908.0	793.0
9 Less: Checks of other banks and checks in collection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5+6+7+8+9)	35,241.9	33,496.5	33,172.7	34,873.6	34,871.3	36,274.7	38,460.8	37,645.3	39,794.9	38,975.9	38,828.5	39,089.4	40,761.3

Table D6 Demand deposits with credit institutions • The table shows demand deposits with credit institutions, classified by domestic institutional sectors.

Up to November 2010, demand deposits were the sum of balances in transaction accounts of other domestic sectors, other banking institutions and non-banking financial institutions, minus currency in the payment system (i.e. checks in credit institutions' vaults and checks in collection). From December 2010 on, demand deposits are the sum of balances in transaction accounts of other domestic sectors, other financial intermediaries, financial auxiliaries as well as insurance corporations and pension funds, minus currency in the payment system (i.e. checks in credit institutions' vaults and checks in collection). Credit institutions' obligations arising from kuna payment instruments issued are included in the household sector.

Table D7 Kuna deposits with credit institutions

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Savings deposits	2,535.6	2,545.7	2,571.3	2,682.5	2,719.9	2,685.0	2,699.2	2,771.2	2,854.4	2,884.9	2,997.6	3,087.4	2,812.2
1.1 Local government	18.9	2.4	2.0	1.2	0.7	6.0	4.2	2.4	3.3	2.6	3.4	3.6	2.4
1.2 Non-financial corporations	417.7	473.8	507.5	625.5	701.4	655.8	684.7	721.4	767.6	802.4	928.1	1,028.9	684.8
1.3 Households	2,055.1	2,008.1	2,003.8	2,004.7	1,968.7	1,961.3	1,942.8	1,955.5	1,969.9	1,977.9	2,017.1	2,005.7	2,076.3
1.4 Other banking institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
1.5 Non-banking financial institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
1.6 Other financial intermediaries	30.1	45.7	39.2	33.7	34.7	48.0	49.3	76.1	98.8	94.0	41.2	41.3	38.6
1.7 Financial auxiliaries	8.3	10.5	12.8	11.4	8.4	9.3	10.0	11.2	9.0	1.9	1.0	1.4	1.3
1.8 Insurance corporations and pension funds	5.4	5.2	6.0	6.0	6.0	4.5	8.2	4.5	5.7	6.0	6.9	6.5	8.8
2 Time and notice deposits	38,054.4	38,371.5	38,917.5	39,097.5	38,239.2	38,304.4	38,771.4	38,728.0	38,757.9	39,249.8	39,155.9	38,646.2	39,034.3
2.1 Local government	331.8	716.6	817.6	828.3	799.6	753.7	748.9	792.4	748.3	823.6	827.9	767.3	259.8
o/w: Indexed to f/c	84.0	82.1	81.9	85.9	80.7	84.2	73.3	72.6	69.2	66.3	66.3	64.5	62.3
2.2 Non-financial corporations	7,072.3	6,898.2	6,899.8	6,692.9	6,453.0	6,665.8	6,474.0	7,077.0	7,051.6	6,760.5	6,794.6	6,334.3	6,395.4
o/w: Indexed to f/c	815.1	730.4	715.9	698.7	669.3	672.0	710.5	742.4	731.6	702.2	703.3	662.0	556.3
2.3 Households	26,956.1	27,453.5	27,605.8	27,622.5	27,653.3	27,685.3	27,400.8	27,579.0	27,679.8	28,124.0	28,142.4	28,227.0	28,758.3
o/w: Indexed to f/c	6,993.7	7,067.2	6,980.0	6,834.7	6,803.2	6,748.0	6,591.6	6,610.9	6,682.0	6,717.5	6,657.2	6,613.4	6,799.1
2.4 Other banking institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
o/w: Indexed to f/c	....	....	....	....	....	....	....	....	....	....	....	....	....
2.5 Non-banking financial institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
o/w: Indexed to f/c	....	....	....	....	....	....	....	....	....	....	....	....	....
2.6 Other financial intermediaries	898.6	794.6	965.4	984.8	845.0	867.6	929.3	1,012.7	1,001.1	1,112.7	1,110.6	1,011.8	1,162.0
o/w: Indexed to f/c	144.2	148.8	139.8	161.3	146.6	143.2	145.0	149.2	151.3	155.9	147.7	154.9	163.0
2.7 Financial auxiliaries	563.6	652.1	649.2	698.2	595.4	558.4	589.3	549.3	637.1	676.9	672.8	677.8	730.9
o/w: Indexed to f/c	5.3	5.9	7.0	7.1	11.1	10.1	6.4	9.9	10.4	10.8	10.8	10.9	10.9
2.8 Insurance corporations and pension funds	2,231.9	1,856.5	1,979.7	2,270.7	1,893.0	1,773.7	2,629.1	1,717.6	1,640.0	1,752.2	1,607.6	1,628.0	1,727.9
o/w: Indexed to f/c	270.1	248.3	252.3	212.5	207.5	161.4	161.8	162.4	163.4	154.2	147.2	147.5	128.4
Total (1+2)	40,590.0	40,917.2	41,488.8	41,780.0	40,959.1	40,989.4	41,470.6	41,499.2	41,612.3	42,134.7	42,153.6	41,733.6	41,846.5

Table D7 Kuna deposits with credit institutions • Up to November 2010, the table shows kuna savings and time deposits by other domestic sectors, other banking institutions and non-banking financial institutions. From December 2010 on, the table shows kuna savings and time deposits by other domestic sectors, other financial intermediaries, financial auxiliaries as well as insurance corporations and pension funds.

Within time and notice deposits, deposits indexed to f/c are reported separately for each sector under the “o/w” item.

Table D8 Foreign currency deposits with credit institutions

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Savings deposits	**24,072.7**	**22,879.8**	**22,372.2**	**22,613.2**	**22,863.7**	**24,208.3**	**23,760.1**	**24,333.2**	**25,867.3**	**26,849.3**	**26,233.4**	**25,578.9**	**25,077.2**
1.1 Local government	52.9	48.4	48.1	31.7	40.1	37.2	31.5	33.6	33.9	32.5	29.3	29.1	30.6
1.2 Non-financial corporations	6,498.4	5,589.9	5,277.8	4,910.7	5,426.8	6,201.7	5,807.5	6,137.6	6,897.9	7,684.3	7,242.9	6,968.8	6,778.9
1.3 Households	16,417.9	16,241.8	16,272.5	16,333.5	16,476.3	16,666.3	16,787.8	17,295.9	18,007.6	18,113.6	17,788.0	17,695.1	17,569.6
1.4 Other banking institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
1.5 Non-banking financial institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
1.6 Other financial intermediaries	556.5	510.9	458.1	436.6	559.3	645.7	582.3	509.3	598.3	474.9	436.7	443.2	447.0
1.7 Financial auxiliaries	52.0	81.8	67.1	66.1	95.1	74.5	95.5	83.4	69.2	96.3	99.0	103.7	91.0
1.8 Insurance corporations and pension funds	495.1	407.0	248.6	834.6	266.2	582.9	455.4	273.4	260.3	447.7	637.5	339.1	160.1
2 Time deposits	**128,576.5**	**129,957.7**	**130,276.7**	**130,117.8**	**128,455.2**	**126,788.4**	**124,794.0**	**126,170.6**	**129,204.8**	**130,459.4**	**130,925.0**	**130,411.6**	**129,844.0**
2.1 Local government	5.7	7.6	7.6	16.8	13.4	5.7	8.6	7.1	8.7	8.7	9.1	8.9	7.4
2.2 Non-financial corporations	10,451.0	11,390.6	11,196.4	11,147.0	10,216.1	9,928.8	9,703.3	10,324.2	11,545.2	11,561.0	12,039.4	11,487.4	10,356.9
2.3 Households	114,246.5	114,971.4	115,677.8	115,687.2	115,221.3	114,099.8	112,296.6	113,079.3	114,683.8	115,873.6	115,807.0	116,104.6	116,443.8
2.4 Other banking institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
2.5 Non-banking financial institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
2.6 Other financial intermediaries	1,534.0	1,677.4	1,818.5	1,895.4	1,816.9	1,764.8	1,767.3	1,812.4	1,961.5	2,029.7	2,009.8	1,843.9	1,833.7
2.7 Financial auxiliaries	493.9	312.0	246.4	220.7	203.1	212.8	216.9	214.3	227.4	233.1	335.6	261.1	245.4
2.8 Insurance corporations and pension funds	1,845.5	1,598.7	1,329.9	1,150.7	984.5	776.6	801.3	733.3	778.1	753.4	724.0	705.6	956.9
Total (1+2)	**152,649.2**	**152,837.5**	**152,648.9**	**152,731.1**	**151,318.9**	**150,996.7**	**148,554.1**	**150,503.8**	**155,072.0**	**157,308.7**	**157,158.4**	**155,990.5**	**154,921.2**

Table D8 Foreign currency deposits with credit institutions • Up to November 2010, the table shows foreign currency savings and time deposits by other domestic sectors, other banking institutions and non-banking financial institutions. From December 2010 on, the table shows foreign currency savings and time deposits by other domestic sectors, other financial intermediaries, financial auxiliaries as well as insurance corporations and pension funds.

Foreign currency savings deposits are all foreign currency sight deposits and foreign currency payment instruments issued, while foreign currency time deposits also include foreign currency notice deposits.

Table D8a Currency composition of time deposits of households and non-financial corporations

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Kuna deposits not indexed to foreign currency	**26,219.7**	**26,554.0**	**26,809.6**	**26,782.0**	**26,633.9**	**26,931.1**	**26,572.7**	**27,302.7**	**27,317.8**	**27,464.8**	**27,576.4**	**27,285.8**	**27,798.4**
1.1 Deposits of households	19,962.5	20,386.3	20,625.7	20,787.8	20,850.1	20,937.3	20,809.1	20,968.1	20,997.9	21,406.5	21,485.1	21,613.6	21,959.2
1.2 Deposits of non-financial corporations	6,257.2	6,167.8	6,183.8	5,994.2	5,783.7	5,993.8	5,763.6	6,334.6	6,319.9	6,058.3	6,091.3	5,672.2	5,839.1
2 Kuna deposits indexed to foreign currency	**7,808.8**	**7,797.7**	**7,696.0**	**7,533.4**	**7,472.4**	**7,420.0**	**7,302.1**	**7,353.3**	**7,413.6**	**7,419.7**	**7,360.5**	**7,275.5**	**7,355.3**
2.1 Deposits of households	6,993.7	7,067.2	6,980.0	6,834.7	6,803.2	6,748.0	6,591.6	6,610.9	6,682.0	6,717.5	6,657.2	6,613.4	6,799.1
2.1.1 Indexed to EUR	6,828.1	6,911.6	6,813.9	6,675.9	6,654.4	6,588.6	6,439.1	6,460.7	6,531.9	6,569.2	6,503.8	6,473.3	6,654.1
2.1.2 Indexed to USD	55.4	42.3	50.7	49.6	41.5	48.6	49.6	47.7	47.4	44.9	51.5	38.0	42.7
2.1.3 Indexed to other currencies	110.1	113.3	115.4	109.1	107.3	110.8	103.0	102.5	102.6	103.3	101.9	102.1	102.3
2.2 Deposits of non-financial corporations	815.1	730.4	715.9	698.7	669.3	672.0	710.5	742.4	731.6	702.2	703.3	662.0	556.3
2.2.1 Indexed to EUR	812.6	728.2	712.9	696.4	667.1	670.8	709.3	741.2	729.7	701.0	701.7	660.8	555.0
2.2.2 Indexed to USD	1.8	1.8	2.5	1.8	1.7	0.7	0.7	0.7	1.5	0.7	1.1	0.7	0.7
2.2.3 Indexed to other currencies	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
3 Foreign currency deposits	**124,697.4**	**126,362.0**	**126,874.2**	**126,834.3**	**125,437.4**	**124,028.6**	**121,999.9**	**123,403.5**	**126,229.0**	**127,434.5**	**127,846.4**	**127,592.1**	**126,800.7**
3.1 Deposits of households	114,246.5	114,971.4	115,677.8	115,687.2	115,221.3	114,099.8	112,296.6	113,079.3	114,683.8	115,873.6	115,807.0	116,104.6	116,443.8
3.1.1 In EUR	103,102.6	103,992.8	104,323.3	104,146.2	103,922.5	102,848.1	101,274.8	102,179.2	103,685.7	104,877.2	105,047.7	105,300.2	105,813.6
3.1.2 In USD	6,967.3	6,877.3	7,175.3	7,327.7	7,196.2	7,258.9	7,132.6	7,042.6	7,156.9	7,115.5	6,932.6	7,018.0	6,943.6
3.1.3 In other currencies	4,176.6	4,101.3	4,179.1	4,213.4	4,102.5	3,992.8	3,889.3	3,857.4	3,841.2	3,880.9	3,826.7	3,786.4	3,686.5
3.2 Deposits of non-financial corporations	10,451.0	11,390.6	11,196.4	11,147.0	10,216.1	9,928.8	9,703.3	10,324.2	11,545.2	11,561.0	12,039.4	11,487.4	10,356.9
3.2.1 In EUR	9,182.9	10,282.3	10,050.0	9,645.6	8,875.2	8,520.8	8,367.2	9,084.6	10,061.1	10,269.8	10,759.9	10,427.1	9,322.9
3.2.2 In USD	1,082.6	925.3	945.0	1,318.1	1,143.4	1,210.8	1,109.2	1,020.5	1,244.0	1,082.2	1,103.3	965.6	962.5
3.2.3 In other currencies	185.5	183.1	201.4	183.4	197.5	197.2	226.9	219.1	240.1	209.0	176.2	94.7	71.5
Total (1+2+3)	158,725.9	160,713.7	161,379.7	161,149.6	159,543.6	158,379.6	155,874.7	158,059.5	160,960.4	162,318.9	162,783.3	162,153.4	161,954.4

Table D8a Currency composition of time deposits of households and non-financial corporations • The table provides a detailed analysis of the time deposits of households and non-financial corporations items in tables D7 and D8, showing separately kuna deposits not indexed to foreign currency, kuna deposits indexed to foreign currency and foreign currency deposits. Within deposits indexed to foreign currency and foreign currency deposits, separately reported are deposits indexed to/denominated in the euro, the US dollar and other currencies.

Table D8b Maturity composition of time deposits by sectors

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Local government	**337.5**	**724.2**	**825.3**	**845.1**	**813.0**	**759.4**	**757.5**	**799.6**	**757.0**	**832.3**	**837.0**	**776.2**	**267.2**
Up to 1 year	242.8	630.7	732.6	754.8	725.2	670.4	671.6	704.0	660.9	750.8	753.5	694.0	190.4
Over 1 and up to 2 years	16.5	16.7	16.8	14.4	13.0	15.0	14.5	24.4	24.4	11.0	13.2	13.2	12.9
Over 2 years	78.3	76.8	75.9	75.9	74.7	74.0	71.3	71.2	71.6	70.6	70.3	69.0	63.9
2 Non-financial corporations	**17,523.3**	**18,288.8**	**18,096.2**	**17,839.9**	**16,669.1**	**16,594.6**	**16,177.4**	**17,401.2**	**18,596.8**	**18,321.4**	**18,833.9**	**17,821.7**	**16,752.3**
Up to 1 year	12,805.4	12,779.3	15,157.2	12,753.7	11,583.5	11,353.4	11,455.7	12,138.9	13,282.6	13,026.1	13,479.4	12,721.8	13,472.8
Over 1 and up to 2 years	3,327.6	4,150.4	1,571.3	3,692.3	3,666.8	3,589.2	3,336.1	3,693.5	3,786.5	3,934.4	3,959.1	3,850.6	1,993.1
Over 2 years	1,390.4	1,359.1	1,367.7	1,393.9	1,418.8	1,652.0	1,385.5	1,568.9	1,527.7	1,360.9	1,395.4	1,249.3	1,286.4
3 Households	**141,202.6**	**142,424.9**	**143,283.5**	**143,309.7**	**142,874.6**	**141,785.1**	**139,697.4**	**140,658.2**	**142,363.6**	**143,997.5**	**143,949.4**	**144,331.7**	**145,202.1**
Up to 1 year	81,913.0	82,124.0	82,284.9	81,709.5	80,697.4	79,281.1	77,344.5	76,887.1	76,593.4	76,333.0	75,069.2	74,100.8	73,552.9
Over 1 and up to 2 years	28,108.2	28,621.3	29,257.2	29,738.8	30,003.0	30,267.5	30,389.8	31,484.5	32,734.4	33,927.4	34,933.7	35,848.4	36,602.4
Over 2 years	31,181.4	31,679.6	31,741.5	31,861.4	32,174.1	32,236.5	31,963.0	32,286.7	33,035.8	33,737.1	33,946.5	34,382.5	35,046.8
4 Other financial intermediaries	**2,432.6**	**2,472.0**	**2,783.9**	**2,880.2**	**2,661.8**	**2,632.3**	**2,696.6**	**2,825.1**	**2,962.6**	**3,142.4**	**3,120.5**	**2,855.6**	**2,995.6**
Up to 1 year	2,298.6	2,334.5	2,623.9	2,610.3	2,421.5	2,373.5	2,429.6	2,561.2	2,694.0	2,839.9	2,835.7	2,573.8	2,619.8
Over 1 and up to 2 years	131.3	134.2	153.9	243.4	236.9	240.6	245.7	253.1	261.1	297.4	260.6	267.9	369.7
Over 2 years	2.7	3.3	6.1	26.6	3.3	18.2	21.3	10.8	7.5	5.1	24.2	13.9	6.1
5 Financial auxiliaries	**1,057.5**	**964.1**	**895.6**	**919.0**	**798.5**	**771.2**	**806.2**	**763.6**	**864.5**	**910.0**	**1,008.5**	**938.9**	**976.3**
Up to 1 year	850.2	756.2	707.8	730.6	609.8	580.7	571.4	511.9	616.3	663.6	764.5	694.9	704.6
Over 1 and up to 2 years	162.2	163.0	142.8	143.4	143.8	145.6	151.0	167.6	163.8	159.4	159.2	159.2	159.8
Over 2 years	45.0	45.0	45.0	44.9	44.9	44.9	83.8	84.0	84.4	87.0	84.7	84.8	111.9
6 Insurance corporations and pension funds	**4,077.4**	**3,455.2**	**3,309.6**	**3,421.4**	**2,877.5**	**2,550.4**	**3,430.4**	**2,450.9**	**2,418.2**	**2,505.6**	**2,331.6**	**2,333.6**	**2,684.8**
Up to 1 year	2,840.9	2,172.8	2,056.3	2,102.9	1,541.2	1,203.9	2,142.3	1,210.1	1,167.0	1,240.4	1,089.8	1,075.7	1,423.3
Over 1 and up to 2 years	644.2	686.1	655.4	731.8	748.9	711.2	689.4	630.9	641.2	664.1	723.6	762.2	717.0
Over 2 years	592.4	596.2	597.9	586.7	587.4	635.3	598.7	609.9	609.9	601.1	518.3	495.7	544.4
Total time deposits (1+2+3+4+5+6)	166,630.9	168,329.1	169,194.2	169,215.3	166,694.4	165,092.9	163,565.5	164,898.6	167,962.6	169,709.2	170,080.9	169,057.7	168,878.3
Up to 1 year	100,950.9	100,797.5	103,562.8	100,661.7	97,578.7	95,463.0	94,615.2	94,013.3	95,014.2	94,853.9	93,992.1	91,861.0	91,963.8
Over 1 and up to 2 years	32,389.9	33,771.7	31,797.3	34,564.1	34,812.5	34,969.0	34,826.6	36,253.9	37,611.5	38,993.7	40,049.4	40,901.5	39,855.0
Over 2 years	33,290.1	33,760.0	33,834.0	33,989.5	34,303.3	34,660.9	34,123.7	34,631.4	35,336.9	35,861.7	36,039.4	36,295.2	37,059.5

Table D8b Maturity composition of time deposits by sectors • The table provides a detailed analysis of the Time deposits item in tables D7 and D8, showing separately time deposits by sectors, with the division according to original maturity of up to one year, over one and up to five years and over five years.

Table D9 Bonds and money market instruments

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Money market instruments (net)	–	–	–	–	–	–	–	–	–	–	–	–	–
2 Bonds (net)	1,592.3	1,615.8	1,647.2	1,654.9	1,649.7	1,629.1	1,617.2	1,612.5	1,617.5	1,634.7	1,604.6	1,602.5	1,616.7
3 Other domestic borrowing	16,176.4	15,854.1	15,760.3	15,105.4	15,246.1	15,176.9	15,169.7	15,410.4	15,574.1	15,608.1	15,293.9	14,764.3	14,598.9
3.1 Local government	–	–	–	–	–	–	–	–	–	–	–	–	–
3.2 Non-financial corporations	786.5	801.0	801.0	248.0	248.0	248.0	247.0	393.0	466.0	541.0	685.5	538.5	317.0
3.3 Other banking institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
3.4 Non-banking financial institutions	....	....	....	....	....	....	....	....	....	....	....	....	....
3.5 Other financial intermediaries	15,350.7	15,014.5	14,923.7	14,818.9	14,941.7	14,871.9	14,883.9	14,933.5	15,026.6	14,985.6	14,514.3	14,131.3	14,220.5
3.6 Financial auxiliaries	39.2	38.6	35.6	38.4	56.4	56.9	38.8	83.9	81.5	81.5	94.1	94.5	61.4
3.7 Insurance corporations and pension funds	–	–	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3)	17,768.7	17,469.9	17,407.6	16,760.3	16,895.9	16,806.0	16,786.9	17,022.9	17,191.7	17,242.8	16,898.5	16,366.8	16,215.6

Table D9 Bonds and money market instruments • The table shows credit institutions' liabilities for securities issued (net) and loans received from other domestic sectors and, up to November 2010, other banking institutions and non-banking financial institutions and, from December 2010, other financial intermediaries, financial auxiliaries as well as insurance corporations and pension funds.

Up to November 2010, money market instruments (net) comprised credit institutions' net liabilities for CNB bills, bills of exchange (issued and accepted) and other securities issued. From December 2010 on, money market instruments (net) comprise net liabilities for issued commercial bills and non-transferable instruments (debt securities).

Bonds (net) comprise credit institutions' net liabilities for kuna and foreign currency bonds issued, as well as issued subordinated and hybrid instruments, excluding those purchased by foreign investors.

Other domestic borrowing comprises loans received, which are reported in the total amount and classified by institutional sectors.

Table D10 Foreign liabilities of credit institutions

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Foreign liabilities in f/c	**57,806.1**	**56,007.5**	**56,388.5**	**56,045.8**	**55,962.0**	**56,233.4**	**55,936.9**	**56,351.9**	**53,982.2**	**53,923.1**	**52,422.3**	**52,387.8**	**53,560.3**
1.1 Liabilities to foreign financial institutions	47,451.4	45,595.1	45,947.8	45,540.2	45,506.3	45,843.5	45,883.0	46,323.0	43,846.1	43,815.8	42,389.1	42,577.6	43,436.3
Subordinated and hybrid instruments	2,237.7	2,266.7	2,276.1	2,277.1	2,277.1	2,256.0	2,230.3	2,242.2	2,261.8	2,281.4	2,280.5	2,285.2	2,037.2
Demand deposits	179.1	208.6	198.7	228.6	219.6	202.0	210.6	218.4	228.5	235.8	267.8	253.1	276.2
Time and notice deposits	17,377.5	16,703.0	17,144.1	16,689.9	16,474.0	17,215.1	18,508.4	19,033.6	16,834.6	17,505.2	17,485.6	17,284.7	18,771.8
Loans and advances	27,657.1	26,416.8	26,328.9	26,344.7	26,535.6	26,170.5	24,933.7	24,828.8	24,521.1	23,793.3	22,355.2	22,754.6	22,351.2
Bonds	–	–	–	–	–	–	–	–	–	–	–	–	–
1.2 Liabilities to foreign non-financial institutions	10,354.7	10,412.4	10,440.6	10,505.6	10,455.7	10,389.9	10,053.9	10,028.9	10,136.1	10,107.3	10,033.2	9,810.2	10,124.0
Subordinated and hybrid instruments	9.3	9.4	9.4	9.4	9.4	9.3	9.2	9.3	9.3	9.4	5.1	5.1	5.1
Savings and time deposits	10,193.3	10,250.2	10,278.4	10,343.9	10,293.7	10,228.8	9,895.1	9,869.3	9,975.1	9,945.7	9,875.7	9,652.5	9,813.4
Savings deposits	1,606.5	1,639.0	1,637.6	1,580.0	1,609.0	1,652.3	1,660.1	1,628.6	1,679.8	1,689.4	1,667.8	1,670.0	1,725.8
Time and notice deposits	8,586.8	8,611.3	8,640.8	8,763.9	8,684.8	8,576.5	8,235.0	8,240.7	8,295.2	8,256.3	8,208.0	7,982.4	8,087.6
Loans and advances	152.1	152.8	152.9	152.3	152.6	151.7	149.6	150.4	151.7	152.2	152.4	152.6	305.5
Bonds	–	–	–	–	–	–	–	–	–	–	–	–	–
2 Foreign liabilities in kuna	**15,869.0**	**15,758.9**	**16,255.2**	**16,362.2**	**18,407.0**	**18,138.7**	**19,227.2**	**17,850.0**	**17,160.7**	**16,946.4**	**16,814.3**	**17,157.2**	**15,782.5**
2.1 Liabilities to foreign financial institutions	15,289.0	15,210.6	15,717.1	15,761.1	17,858.3	17,569.8	18,684.5	17,293.4	16,587.0	16,376.9	16,246.6	16,556.8	15,233.7
o/w: Indexed to f/c	1,097.3	1,074.4	1,083.8	1,079.0	1,075.9	1,052.9	1,051.1	1,066.8	1,076.1	1,089.5	1,081.2	1,086.0	1,104.1
Subordinated and hybrid instruments	1,043.4	1,020.1	1,029.4	1,024.6	1,021.4	999.0	998.4	1,013.7	1,022.2	1,029.8	1,021.5	1,026.0	1,044.1
Demand deposits	724.4	683.2	812.4	1,045.6	2,313.9	2,450.7	2,329.5	643.5	706.8	689.7	622.9	841.2	924.6
Time and notice deposits	11,398.4	11,408.2	11,783.0	11,598.5	12,430.6	12,023.3	12,117.4	12,413.1	11,624.0	11,428.9	11,153.9	11,223.9	9,806.1
Loans and advances	2,091.7	2,092.2	2,092.2	2,092.3	2,092.4	2,091.9	3,234.2	3,218.1	3,225.0	3,228.5	3,448.3	3,465.6	3,458.9
Bonds	30.9	6.9	0.0	0.0	0.0	5.0	5.0	5.0	9.0	0.0	0.0	0.0	0.0
2.2 Liabilities to foreign non-financial institutions	580.0	548.3	538.0	601.1	548.7	568.9	542.7	556.6	573.7	569.5	567.7	600.4	548.8
o/w: Indexed to f/c	23.1	23.3	23.3	23.4	23.4	23.3	22.0	21.8	22.1	22.5	22.3	21.6	21.4
Subordinated and hybrid instruments	14.9	15.0	15.0	15.0	15.0	15.1	15.0	14.8	14.7	15.1	15.5	15.6	15.6
Demand deposits	364.8	330.8	320.0	389.7	334.5	349.3	332.0	344.1	362.8	355.1	341.9	372.9	326.1
Time and notice deposits	200.4	202.5	203.0	196.4	199.1	204.5	195.6	197.7	196.1	199.3	210.3	211.9	207.1
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	–	–	–	–	–	–	–	–	–	–	–	–	–
Total (1+2)	**73,675.1**	**71,766.5**	**72,643.6**	**72,408.0**	**74,369.0**	**74,372.1**	**75,164.1**	**74,201.9**	**71,142.8**	**70,869.6**	**69,236.6**	**69,545.0**	**69,342.9**

Table D10 Foreign liabilities of credit institutions • The table shows credit institutions' total foreign currency and kuna liabilities to foreign legal and natural persons, with the exception of restricted kuna and foreign currency deposits by foreign legal and natural persons.

Foreign liabilities of credit institutions comprise foreign currency liabilities and foreign kuna liabilities.

Within foreign kuna and foreign currency liabilities, liabilities to foreign financial institutions are reported separately from liabilities to foreign non-financial institutions (total and by financial instruments). Items Demand deposits and Savings deposits comprise transaction accounts and savings deposits.

As from CNB Bulletin No. 190, data on item Loans have been revised to exclude data related to subordinated and hybrid instruments. Item "o/w: Subordinated and hybrid instruments", which was up to CNB Bulletin No. 190 reported under Loans and advances, has been reclassified accordingly. It is now reported as a separate item and includes all instruments on the liability side having the features of a subordinated or hybrid instrument.

Table D11 Deposits of the central government and social security funds with credit institutions

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 In kuna	2,459.1	2,352.8	2,464.0	2,414.8	2,382.1	2,520.4	2,561.0	2,599.3	3,010.1	2,878.9	2,769.1	2,576.7	2,535.3
1.1 Central government deposits	2,447.3	2,340.9	2,454.3	2,405.1	2,372.3	2,510.7	2,551.5	2,589.5	3,000.3	2,869.1	2,759.2	2,566.8	2,488.6
Demand deposits	1,790.4	1,551.9	1,541.0	1,464.6	1,434.9	1,753.3	1,795.1	1,852.0	2,222.3	2,088.2	1,972.6	1,780.7	1,973.9
Savings deposits	20.3	14.9	15.4	32.2	22.0	20.1	35.6	19.2	30.2	23.7	27.6	43.5	31.9
Time and notice deposits	630.6	768.1	891.8	902.3	909.4	731.4	714.8	718.3	694.5	703.8	705.6	689.0	482.8
Loans and advances	6.0	6.0	6.0	6.0	6.0	6.0	6.0	–	53.4	53.4	53.4	53.6	–
1.2 Deposits of social security funds	11.8	12.0	9.7	9.7	9.9	9.7	9.6	9.8	9.8	9.8	9.9	9.9	46.7
Demand deposits	0.0	0.2	0.0	0.1	0.2	0.1	0.1	0.1	0.0	0.0	0.1	0.1	36.9
Savings deposits	–	–	–	–	–	–	–	–	–	–	–	–	–
Time and notice deposits	11.8	11.8	9.7	9.7	9.7	9.6	9.5	9.7	9.8	9.8	9.8	9.9	9.9
Loans and advances	–	–	–	–	–	–	–	–	–	–	–	–	–
2 In f/c	1,451.0	1,161.2	1,269.7	1,304.0	1,358.2	1,350.3	1,255.6	1,013.3	973.0	1,011.3	1,205.3	1,137.6	1,149.5
2.1 Central government deposits	1,418.0	1,125.3	1,234.7	1,265.0	1,316.1	1,334.3	1,238.0	993.9	950.1	984.4	1,173.0	1,121.7	1,125.7
Savings deposits	1,192.7	992.9	774.0	767.1	887.2	941.8	954.4	794.4	805.4	649.1	823.9	759.1	818.2
Time and notice deposits	225.4	132.4	460.6	497.9	428.8	392.5	283.6	199.5	144.7	335.3	349.1	362.6	307.5
Refinanced loans and advances	–	–	–	–	–	–	–	–	–	–	–	–	–
2.2 Deposits of social security funds	33.0	35.9	35.1	39.0	42.1	16.0	17.6	19.4	22.9	26.8	32.3	15.9	23.8
Savings deposits	33.0	35.9	35.1	39.0	42.1	16.0	17.6	19.4	22.9	26.8	32.3	15.9	23.8
Time and notice deposits	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	–	–	–	–	–	–	–	–	–	–	–	–	–
Total (1+2)	3,910.1	3,514.0	3,733.7	3,718.8	3,740.3	3,870.7	3,816.6	3,612.6	3,983.1	3,890.2	3,974.4	3,714.4	3,684.8

Table D11 Deposits of the central government and social security funds with credit institutions • The table reports total credit institutions' kuna and foreign currency liabilities to the central government and social security funds, with the exception of restricted (kuna and foreign currency) deposits by the central government and social security funds with credit institutions.

Kuna and foreign currency deposits by the central government and social security funds are shown separately. Kuna deposits comprise demand deposits, savings deposits, time and notice deposits, and loans received from the central government and social security funds. Foreign currency deposits comprise savings deposits, time deposits and notice deposits.

Table D12 Restricted and blocked deposits with credit institutions

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Restricted deposits	2,413.9	2,581.1	2,560.7	3,096.1	2,982.6	2,610.3	2,835.0	3,008.1	2,771.4	2,877.5	2,890.3	2,871.0	2,735.9
1.1 In kuna	1,429.0	1,426.3	1,418.0	1,491.6	1,510.9	1,505.3	1,669.7	1,640.2	1,601.2	1,672.4	1,643.5	1,697.3	1,707.9
1.2 In f/c	984.9	1,154.8	1,142.7	1,604.5	1,471.7	1,105.0	1,165.3	1,367.8	1,170.2	1,205.2	1,246.8	1,173.7	1,028.1
2 Blocked f/c deposits of housholds	–	–	–	–	–	–	–	–	–	–	–	–	–
Total (1+2)	2,413.9	2,581.1	2,560.7	3,096.1	2,982.6	2,610.3	2,835.0	3,008.1	2,771.4	2,877.5	2,890.3	2,871.0	2,735.9

Table D12 Restricted and blocked deposits with credit institutions • The table shows households' restricted (kuna and foreign currency) deposits and blocked deposits.

Blocked foreign currency deposits include households' foreign currency deposits, regulated by the Act on Converting Households' Foreign Currency Deposits into the Public Debt of the Republic of Croatia.

F Monetary policy instruments and liquidity

Table F1: Credit rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	CNB discount rate	CNB repo rate[a]	Credit rates					
				On Lombard credits	On intervention credits	On intra-day refinance facility	On short-term liquidity credits	On inaccurately calculated statutory reserves	On arrears
1	2	3	4	5	6	7	8	9	10
2004	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	December	4.50	3.50	7.50[b]	–	–	8.50[b]	15.00	15.00
2006	December	4.50	3.50	7.50	–	–	8.50	15.00	15.00
2007	December	9.00[c]	4.06	7.50	–	–	8.50	15.00	15.00
2008	December	9.00	6.00	9.00	–	–	10.00	15.00	14.00
2009	December	9.00	–	9.00	–	–	10.00	15.00	14.00
2010	December	9.00	–	9.00	–	–	10.00	15.00	14.00
2011	December	7.00	–	6.25	–	–	7.25	15.00	12.00
2012	December	7.00	–	6.25	–	–	7.25	14.50	12.00
2013	January	7.00	–	6.25	–	–	7.25	14.50	12.00
	February	7.00	–	6.25	–	–	7.25	14.50	12.00
	March	7.00	–	6.25	–	–	7.25	14.50	12.00
	April	7.00	–	6.25	–	–	7.25	14.50	12.00
	May	7.00	–	6.25	–	–	7.25	14.50	12.00
	June	7.00	–	6.25	–	–	7.25	14.50	12.00
	July	7.00	–	6.25	–	–	7.25	14.50	12.00
	August	7.00	–	6.25	–	–	7.25	14.50	12.00
	September	7.00	–	6.25	–	–	7.25	14.50	12.00
	October	7.00	–	6.25	–	–	7.25	14.50	12.00
	November	7.00	–	6.25	–	–	7.25	14.50	12.00
	December	7.00	–	5.00[d]	–	–	6.00[d]	12.00[d]	12.00

[a] Weighted averages of weighted repo rates achieved at regular reverse repo auctions of the CNB in the reporting month. [b] Since 14 December 2005. [c] Since 31 December 2007. [d] Since 7 December 2013.

Table F1 Credit rates of the Croatian National Bank • The table shows interest rates used by the CNB to calculate and charge interest on credits from the primary issue and on all other claims.

Credit rates of the CNB are set by decisions of the Council of the Croatian National Bank, on a yearly basis. Exceptionally, from June 1995 interest rate charged by the CNB on Lombard credits was 1.5 percentage points higher than the weighted average interest rate on CNB bills on a voluntary basis (which serve as collateral for Lombard credits) in cases when the weighted average interest rate was higher than 16.5%. Congruently, from June 1995 to August 1996 the table reports the weighted average interest rate on Lombard credits.

Time series presented in the table contain certain breaks, due to changes in the CNB's monetary policy instruments.

Data shown in column 4 refer to the weighted averages of the weighted repo rates achieved at regular reverse repo auctions of the CNB in the reporting month.

Data shown in column 7 refer, until September 1994, to interest rates on special credits for savings deposits' payments and for payments from households' current accounts, and from October 1994 until September 1997 to interest rates on daily credits for savings deposits and households' current accounts in kuna. Daily credits, as opposed to special credits, are paid back on the same day. In October 1997, this instrument was replaced by daily credits for overcoming short-term liquidity problems that are collateralised by CNB bills. From December 1998 to April 1999, this credit is incorporated in Lombard credit, applying different interest rate for its usage within one day.

Data shown in column 8 refer, until December 1994, to interest rate on initial credits, and since 18 March 1998, to credits for overcoming liquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures and since February 1999, to interest rates on short-term liquidity credits. From December 1999 on, data show interest rates on short-term liquidity credit with a maturity over 3 months which is 1 percentage point higher than interest rate on Lombard credits. Interest rate on short-term liquidity credit up to 3 months is 0.5 percentage point higher than interest rate on Lombard credits.

Table F2 Deposit rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis				Interest rates on f/c CNB bills on a voluntary basis					Interest rates on overnight deposits
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2006	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2007	December	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
2008	December	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
2009	December	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
2010	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2011	December	0.00	–	–	–	–	–	–	–	–	–	–	0.25
2012	December	0.00	–	–	–	–	–	–	–	–	–	–	0.25
2013	January	0.00	–	–	–	–	–	–	–	–	–	–	0.25
	February	0.00	–	–	–	–	–	–	–	–	–	–	0.25
	March	0.00	–	–	–	–	–	–	–	–	–	–	0.25
	April	0.00	–	–	–	–	–	–	–	–	–	–	0.00
	May	0.00	–	–	–	–	–	–	–	–	–	–	0.00
	June	0.00	–	–	–	–	–	–	–	–	–	–	0.00
	July	0.00	–	–	–	–	–	–	–	–	–	–	0.00
	August	0.00	–	–	–	–	–	–	–	–	–	–	0.00
	September	0.00	–	–	–	–	–	–	–	–	–	–	0.00
	October	0.00	–	–	–	–	–	–	–	–	–	–	0.00
	November	0.00	–	–	–	–	–	–	–	–	–	–	0.00
	December	0.00	–	–	–	–	–	–	–	–	–	–	0.00

Table F2 Deposit rates of the Croatian National Bank • The table shows interest rates used by the CNB to calculate and pay interest on funds deposited with the CNB and on issued securities.

Interest rates paid by the CNB for appropriated statutory reserve funds are set by a decision of the Council of the Croatian National Bank. Until April 2005, the appropriated statutory reserve funds included the calculated statutory reserve funds that were deposit in a special statutory reserve account with the CNB, or maintained (in average) in banks' settlement accounts, or deposited in a special account with the CNB for the settlement of net positions in the National Clearing System (NCS). From April 2005, they include the calculated statutory reserve funds allocated to a special statutory reserve account with the CNB. From March 2011 on, the CNB pays no remuneration on the reserve requirement funds (column 3).

Interest rates on CNB bills on an obligatory basis are set by a decision of the Council of the Croatian National Bank.

Interest rates on CNB bills on a voluntary basis are set at CNB bills' auction sales. Congruently, columns 5, 6 and 7 report the weighted average interest rates attained at auctions of CNB bills. From November 1994 through January 2001, columns 7 and 8 report interest rates on CNB bills on a voluntary basis due in 91 and 182 days respectively.

From April 1998 on, columns 9 through 13 report the weighted average interest rates on CNB bills on a voluntary basis in EUR and USD (until December 1998, in DEM and USD) attained at CNB bills' auctions as a weighted average of subscribed amounts in those two currencies.

Column 14 reports the interest rate on overnight deposits with the CNB.

Table F3 Banks' reserve requirements • This table shows data on monthly averages of day-to-day balances of banks' kuna and foreign currency reserve requirements with the CNB. Savings banks are included beginning in July 1999.

Column 3 shows the weighted average reserve requirement ratio as a percentage of the kuna and foreign currency reserve requirements (column 4) in the reserve base.

Reserve requirement (column 4) represents the prescribed amount of funds banks are required to deposit in a special statutory reserve account with the CNB, or to maintain (in average) in their settlement accounts and in vaults, or in accounts of liquid foreign currency claims (which include foreign cash and checks in foreign currency, liquid foreign currency claims maintained in the accounts with the high-grade foreign banks and foreign currency CNB bills).

Column 5 shows the amount of kuna reserve requirements. Between January 1995 and December 2000, this amount corresponded with the statutory reserve requirement instrument, while until December 1994 it comprised two instruments: statutory reserves and liquid assets requirement – LAR (except for the part in which banks were conforming to this requirement by registering CNB bills on a voluntary basis). In December 2000, reserve requirements in kuna and in foreign currency were unified, i.e. reserve requirements rate, periods for calculating, allocating and maintaining reserve requirements were unified, as

Table F3 Banks' reserve requirements

daily averages and percentages, in million HRK and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilised funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
2004	December	18.00	33,615.7	20,040.9	13,574.8	430.1	14,664.1	10,171.3	1.22	1.36
2005	December	18.00	37,424.5	24,997.9	12,426.6	3,940.2	17,497.7	9,271.4	0.52	0.92
2006	December	17.00	40,736.4	28,966.1	11,770.4	7,332.5	20,257.0	8,780.9	0.52	1.06
2007	December	17.00	44,465.9	31,809.1	12,656.8	6,641.1	22,266.4	9,203.5	0.53	1.29
2008	December	14.87	41,474.4	29,179.7	12,294.7	461.9	20,425.8	8,807.0	0.52	0.81
2009	December	14.00	40,423.5	33,693.7	6,729.8	30.9	23,585.6	4,898.0	0.52	–
2010	December	13.00	38,990.6	32,374.8	6,615.8	–	22,662.4	4,736.7	0.52	–
2011	December	14.00	44,443.2	36,936.6	7,506.7	–	25,654.6	5,437.9	–	–
2012	December	13.50	42,272.1	35,107.8	7,164.3	–	24,575.4	5,120.7	–	–
2013	January	13.50	41,981.1	34,821.5	7,159.5	–	24,375.1	5,093.0	–	–
	February	13.50	41,781.7	34,647.9	7,133.7	–	24,253.5	5,068.9	–	–
	March	13.50	41,623.5	34,515.2	7,108.3	–	24,160.6	5,051.4	–	–
	April	13.50	41,607.5	34,524.1	7,083.4	–	24,166.8	5,027.8	–	–
	May	13.50	41,773.0	34,685.5	7,087.6	–	24,279.8	5,040.5	–	–
	June	13.50	41,729.4	34,685.1	7,044.3	–	24,279.6	5,013.6	–	–
	July	13.50	41,931.4	34,926.7	7,004.7	–	24,448.7	4,989.1	–	–
	August	13.50	41,975.6	34,978.8	6,996.8	–	24,485.2	4,985.2	–	–
	September	13.50	42,169.6	35,133.8	7,035.9	–	24,593.6	4,996.6	–	–
	October	13.50	42,566.6	35,462.1	7,104.4	–	24,823.5	5,021.3	–	–
	November	13.50	42,562.2	35,456.5	7,105.7	–	24,819.5	5,006.3	–	–
	December	12.48	39,283.2	32,733.2	6,550.0	2,655.2	22,913.3	4,605.3	–	–

well as a minimum percentage of the total reserve requirements deposited with the Croatian National Bank. From September 2001 on, column 5 includes also the f/c component of reserve requirements that is set aside/maintained in kuna.

Column 6 shows the amount of foreign currency reserve requirements, i.e. the prescribed amount of funds banks are required to deposit in the CNB's foreign currency accounts, or to maintain (in average) in accounts of liquid claims. Until November 2000, the calculation base consisted of the average daily balances of household foreign currency savings deposits with a remaining maturity of up to 3 months, while starting from December 2000 the base consists of foreign currency sources of funds, including: ordinary foreign currency accounts, special foreign currency accounts, foreign currency accounts and foreign currency sight deposits, received foreign currency deposits and received foreign currency loans, as well as obligations arising from securities issued in foreign currency (excluding banks' equity securities). From November 2001 on, the base includes also hybrid and subordinated instruments.

Column 7 shows the total amount of other obligatory deposits with the CNB, including CNB bills on an obligatory basis, those CNB bills on a voluntary basis used by banks to maintain the prescribed minimal liquidity (LAR), special statutory reserves until July 1995, special reserve requirement on liabilities arising from issued securities from March 2006 to February 2009, statutory reserves on f/c deposits, f/c credits from foreign banks and guarantees for such credits and marginal reserve requirement (from August 2004 to October 2008).

Column 8 shows the portion of the kuna reserve requirement which banks deposit in a statutory reserve account with the CNB (until December 1994, this amount corresponded with the statutory reserve instrument, while since January 1995 a minimum percentage of the total reserve requirement banks are required to deposit in a special statutory reserve account with the CNB has been prescribed). In April 2005, this percentage was set at 70%.

Column 9 shows the portion of the foreign currency reserve requirement which banks deposit in the CNB's foreign currency accounts. The percentage for allocating the foreign currency component of reserve requirements calculated on the basis of foreign currency funds of non-residents and foreign currency funds received from legal persons in a special relationship with a bank amounts to 100%, while the percentage for allocating the remaining portion of the foreign currency component of reserve requirements amounts to 60%.

Column 10 shows the weighted average remuneration rate on all forms of immobilised kuna funds which include reserve requirements and other obligatory deposits with the CNB. From March 2011 on, the CNB pays no remuneration on the reserve requirement funds.

Column 11 shows the weighted average remuneration rate on allocated funds in foreign currency, including the marginal reserve requirement funds (from August 2004 to October 2008). From November 2009 on, the CNB does not pay remuneration on the allocated foreign currency component of reserve requirements.

Table F4 Banks' liquidity indicators

daily averages and percentages, in million HRK and %

Year	Month	Free reserves		Primary liquidity ratio	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna MoF treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
2004	December	1,495.5	26,126.1	2.64	0.0	–	–	4,581.7
2005	December	672.5	20,493.4	0.96	0.2	–	–	4,163.3
2006	December	840.8	20,239.1	0.83	–	–	–	5,993.7
2007	December	1,161.5	30,412.6	1.03	330.4	–	–	4,449.4
2008	December	1,168.7	28,101.4	1.03	289.1	–	–	6,171.2
2009	December	880.0	24,885.6	0.91	–	–	–	4,776.6
2010	December	407.1	30,511.9	0.42	–	–	–	5,705.9
2011	December	333.0	15,693.8	0.32	97.3	–	–	8,157.7
2012	December	612.4	5,113.4	0.61	–	–	–	8,010.0
2013	January	520.3	4,803.0	0.53	–	–	–	8,357.8
	February	378.9	4,455.3	0.39	–	–	–	8,768.3
	March	418.5	4,164.2	0.43	–	–	–	10,013.4
	April	2,260.6	3,894.7	2.30	18.6	–	–	10,719.1
	May	5,211.5	3,963.0	5.24	17.4	–	–	11,404.0
	June	5,613.8	3,986.0	5.59	11.8	–	–	11,037.6
	July	3,613.4	4,422.3	3.51	6.0	–	–	11,584.8
	August	3,068.5	5,274.3	2.96	5.5	–	–	10,554.0
	September	3,716.7	6,425.8	3.58	19.5	–	–	11,623.2
	October	4,415.3	6,298.6	4.21	27.4	–	–	12,058.7
	November	4,765.0	5,263.2	4.55	13.7	–	–	12,571.0
	December	5,390.9	4,944.6	5.14	2.3	–	–	12,495.7

Table F4 Banks' liquidity indicators • The table reports monthly averages of day-to-day balances of some indicators of banks' liquidity. Savings banks are included beginning in July 1999.

Column 3 shows free reserves in kuna, defined as a difference between the average balance in the settlement account and the average balance in the vault (until October 2008). From November 2008 on, they are defined as a difference between the average balance in the settlement account in the kuna reserve requirement maintenance period and the minimal average settlement account balance prescribed by the kuna reserve requirement calculation methodology.

Column 4 shows free reserves in foreign currency, defined as funds for the maintenance of foreign currency reserve requirements (foreign cash and checks in foreign currency, liquid foreign currency claims maintained in the accounts with the high-grade foreign banks and foreign currency CNB bills) decreased by the minimal required balance of these funds in the same period.

Column 5 shows the primary liquidity ratio as a percentage of monthly day-to-day kuna free reserves averages (column 3) in monthly day-to-day averages of deposits which constitute the reserve base.

Column 6 shows the monthly average of day-to-day balances of secondary liquidity sources used. Secondary liquidity sources comprise: Lombard credits (since December 1994), short-term liquidity credits (since February 1999) and overdue liabilities to the CNB.

Column 7 reports the monthly average of day-to-day balances of kuna CNB bills on a voluntary basis (until December 1994, this amount is decreased by the portion of voluntarily registered CNB bills used by banks to maintain the prescribed minimal liquidity).

Column 8 reports the monthly average of day-to-day balances of foreign currency CNB bills on a voluntary basis (in EUR and USD).

Column 9 reports the monthly average of day-to-day balances of kuna MoF treasury bills. Until September 2002, it shows the discounted value of treasury bills, while starting from October 2002, it shows their nominal value.

G Financial markets

Table G1 Banks' interest rates on kuna credits not indexed to foreign currency

weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on interbank demand deposit trading		Interest rates on kuna credits not indexed to foreign currency								
				Total average	On short-term credits					On long-term credits		
		On overnight credits	On other credits		Total average	Enterprises	Households			Total average	Enterprises	Households
							Total average	Credit lines	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13
2004	December	4.87	4.74	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16
2005	December	3.08	3.91	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35
2006	December	3.14	2.52	9.07	9.37	6.75	11.84	13.21	4.67	7.53	5.86	9.44
2007	December	6.23	7.33	9.32	9.74	7.39	12.34	13.19	4.95	7.50	6.66	8.01
2008	December	5.77	6.77	10.71	10.89	8.98	12.33	12.97	4.96	9.05	8.10	10.35
2009	December	1.20	1.50	11.12	11.22	9.29	12.68	13.24	4.89	9.77	8.27	11.33
2010	December	1.28	1.70	9.90	10.05	6.98	12.64	13.17	4.66	8.38	6.45	11.29
2011	December	0.61	1.73	9.36	9.49	7.48	11.18	11.58	4.21	8.15	6.76	9.21
2012	December	0.46	0.50	9.26	9.45	7.15	11.20	11.56	4.68	7.70	5.43	9.75
2013	January	0.38	0.90	9.08	9.18	6.35	11.09	11.42	3.83	7.92	4.87	9.63
	February	0.32	0.85	9.19	9.34	6.53	11.23	11.55	3.77	7.65	4.94	9.58
	March	0.37	1.16	9.21	9.36	6.58	11.18	11.55	4.33	7.91	4.79	9.42
	April	0.41	0.85	9.18	9.27	6.27	11.20	11.55	3.99	8.33	4.71	9.47
	May	0.31	1.16	9.26	9.32	6.29	11.19	11.55	4.09	8.55	5.09	9.49
	June	0.32	1.29	9.14	9.25	6.28	11.19	11.56	3.86	8.05	5.65	9.50
	July	0.68	1.35	9.16	9.21	6.39	11.02	11.39	3.78	8.65	5.50	9.47
	August	0.40	0.59	9.47	9.62	6.91	11.11	11.46	3.46	7.96	5.69	9.51
	September	0.36	0.43	9.35	9.46	6.76	11.18	11.54	3.86	8.18	5.36	9.42
	October	0.36	0.77	9.24	9.33	6.47	11.01	11.39	3.77	8.36	4.99	9.35
	November	0.28	0.41	9.34	9.47	6.67	11.17	11.54	4.13	8.07	5.52	9.39
	December	0.30	0.49	8.83	8.93	6.12	11.01	11.39	4.10	7.89	5.86	9.17
Relative significance[a]		**–**	**–**	**71.85**	**64.95**	**27.60**	**37.36**	**35.42**	**1.94**	**6.89**	**2.66**	**4.23**

[a] Relative significance is calculated as a percentage of corresponding credit category in total credits disbursed in the reporting month (according to data for the last period included in the table).

Note: A break in the time series occurred due to changes in the methodology used in interest rate statistics as of 1 January 2001. This especially refers to interest rates shown in columns 5, 6 and 7. Interbank credits, which bear relatively low interest rates, were, among others, excluded from short-term credits to enterprises. The increase in interest rates was also caused by the weighting method: all categories are weighted by the amounts of newly-granted credits, except credit lines whose relative share grew in the new coverage, which are weighted by book balances.

Table G1 Banks' interest rates on kuna credits not indexed to foreign currency • The table contains the weighted averages of banks' monthly interest rates on kuna credits not indexed to f/c, reported on a yearly basis.

Up to December 2001, data refer to the weighted averages of banks' monthly interest rates on kuna credits not indexed to f/c granted to legal persons (which included enterprises, the public sector, financial institutions, non-profit institutions and non-residents) and households, reported on a yearly basis. Savings banks are not covered.

From January 2002 on, data refer to the weighted averages of banks' monthly interest rates on kuna credits not indexed to f/c granted only to enterprises (public and other) and households, reported on a yearly basis.

Up to February 1996, columns 3 and 4 show interest rates on the interbank money market, according to information published by the Zagreb Money Market (ZMM). From March 1996 to August 2002, interest rates on the money market were calculated as the weighted monthly averages of the weighted daily interest rates and shown separately for trading in overnight credits and trading in other credits on the ZMM. In the period between May 1998 and January 2001, the repayment of credits granted on the interbank overnight market was guaranteed by banks' required reserves with the CNB.

As from Bulletin No. 157 columns 3 and 4 contain the revised data for the period from September 2002 onward. From September 2002 on, interest rates on overnight credits and other credits are calculated as the weighted monthly averages of the weighted daily interest rates on interbank demand deposit trading.

Columns 5 through 13 show the weighted averages of banks' monthly interest rates classified by maturity and sectors. Interest rates on short-term credits to enterprises also include interest rates on callable loans.

Data on banks' interest rates on kuna credits not indexed to f/c are based on banks' periodic reports. The basis for the calculation of the weighted averages are amounts of credits bearing corresponding interest rates, which were disbursed during the

Table G2 Banks' interest rates on kuna credits indexed to foreign currency and on credits in euros

weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros		
		Total average	On short-term credits			On long-term credits							
			Total average	Enterprises	Housholds	Total average	Enterprises	Households			Total average	On short-term credits	On long-term credits
								Total average	Housing credits	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83
2005	December	6.18	6.52	6.34	7.91	6.07	5.18	6.98	4.95	8.10	5.29	5.28	5.30
2006	December	6.30	6.56	6.29	8.33	6.22	6.21	6.22	4.75	7.57	5.65	6.19	5.34
2007	December	6.73	6.86	6.86	6.84	6.66	6.51	6.80	5.12	8.24	6.79	6.59	7.10
2008	December	7.73	8.20	8.18	8.65	7.43	6.92	7.89	6.08	9.02	7.08	7.17	6.83
2009	December	8.28	8.48	8.41	10.23	8.11	7.31	9.02	6.45	9.96	6.98	7.35	6.49
2010	December	7.78	7.95	7.91	8.86	7.67	7.19	8.16	6.02	8.94	6.38	7.12	6.06
2011	December	7.15	7.60	7.56	8.49	6.82	6.37	7.53	5.26	8.48	6.49	6.27	6.87
2012	December	6.54	6.52	6.47	7.42	6.55	5.76	7.61	5.37	8.64	5.08	4.69	5.83
2013	January	6.67	7.03	6.99	7.64	6.49	5.77	7.19	5.27	8.20	5.51	5.43	5.60
	February	6.86	6.67	6.64	7.16	6.95	6.04	7.57	5.32	8.42	5.53	5.53	5.54
	March	6.91	6.75	6.74	6.84	6.98	5.88	7.76	5.31	8.57	5.22	5.30	5.07
	April	6.75	6.36	6.31	7.22	6.95	6.23	7.42	5.26	8.36	4.73	4.32	5.26
	May	6.74	6.52	6.45	7.86	6.84	6.02	7.42	5.30	8.24	4.50	4.29	4.90
	June	6.89	6.99	7.02	6.60	6.85	5.87	7.77	5.35	8.54	4.97	4.18	5.99
	July	6.84	6.50	6.47	7.01	6.99	5.90	7.72	5.40	8.46	4.09	3.77	5.21
	August	6.34	6.47	6.45	6.83	6.29	5.38	7.66	5.50	8.42	3.75	3.46	6.38
	September	6.80	6.77	6.78	6.54	6.82	5.79	7.65	5.44	8.38	3.82	3.60	5.74
	October	6.69	6.09	6.09	6.04	6.92	5.97	7.54	5.43	8.30	4.75	4.52	5.36
	November	6.87	6.62	6.59	7.02	6.93	5.78	7.77	5.48	8.46	4.40	4.20	5.35
	December	6.65	6.66	6.64	7.00	6.64	6.01	7.59	5.50	8.27	4.52	4.10	5.15
Relative significance[a]		**20.13**	**6.22**	**5.92**	**0.30**	**13.91**	**8.34**	**5.57**	**1.38**	**4.19**	**8.02**	**4.82**	**3.20**

[a] Relative significance is calculated as a percentage of corresponding credit category in total credits disbursed in the reporting month (according to data for the last period included in the table).

reporting month, with the exception of interest rates on giro and current account credit lines, for which the weighted averages were calculated based on the balance of these loans at the end of the reporting month.

Table G2 Banks' interest rates on kuna credits indexed to foreign currency and on credits in euros • The table contains the weighted averages of banks' monthly interest rates on kuna credits indexed to f/c and on credits in euros, reported on a yearly basis.

Up to December 2001, data refer to the weighted averages of banks' monthly interest rates on kuna credits indexed to f/c and on credits in euros (or German marks) granted to legal persons (which included enterprises, the public sector, financial institutions, non-profit institutions and non-residents) and households, reported on a yearly basis. Savings banks are not covered.

From January 2002 on, data refer to the weighted averages of banks' monthly interest rates on kuna credits indexed to f/c and on credits in euros granted only to enterprises (public and other) and households, reported on a yearly basis.

Data on banks' interest rates on kuna credits indexed to f/c and on credits in euros are based on banks' periodic reports. The basis for the calculation of the weighted averages are amounts of credits bearing corresponding interest rates, which were disbursed during the reporting month.

Columns 3 through 11 show the weighted averages of banks' monthly interest rates classified by maturity and sectors. Interest rates on short-term credits to enterprises also include interest rates on callable loans.

Up to December 2001, interest rates on credits in euros (columns 12, 13 and 14) refer to credits released in German marks in the reporting month, and starting from January 2002, they refer to credits released in euros, while the weighted averages are calculated based on their kuna equivalent using the current exchange rate. Credits released in other currencies are not included in this table.

Table G3 Banks' interest rates on kuna deposits not indexed to foreign currency

weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
2004	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	December	1.91	0.56	2.98	2.94	4.10	2.69	4.32	4.98	3.11
2007	December	2.67	0.49	5.42	5.34	4.47	5.48	6.28	5.45	6.45
2008	December	2.92	0.43	5.65	5.60	5.34	5.64	6.58	5.88	6.85
2009	December	2.22	0.43	2.52	2.49	4.89	2.04	2.76	6.12	2.07
2010	December	1.61	0.34	1.93	1.85	3.66	1.41	4.26	4.76	3.03
2011	December	1.88	0.36	2.46	2.33	3.55	1.88	2.98	4.58	2.78
2012	December	1.76	0.34	2.09	1.95	3.37	1.37	4.36	4.33	4.46
2013	January	1.75	0.35	1.87	1.73	3.34	1.07	4.19	4.34	3.46
	February	1.70	0.33	1.81	1.64	3.15	0.86	3.95	4.09	3.46
	March	1.64	0.33	1.65	1.45	3.14	0.83	3.72	4.19	2.92
	April	1.60	0.32	1.74	1.58	3.05	0.88	3.94	4.11	2.89
	May	1.52	0.32	1.19	1.09	3.02	0.61	3.84	3.98	2.65
	June	1.48	0.31	1.44	1.31	2.90	0.74	3.77	3.90	3.19
	July	1.47	0.30	1.28	1.15	2.90	0.73	3.80	3.90	2.88
	August	1.43	0.31	1.31	1.18	2.92	0.67	3.76	3.84	2.86
	September	1.42	0.27	1.81	1.64	2.96	0.97	3.80	3.86	3.26
	October	1.43	0.27	1.55	1.36	2.85	0.76	3.52	3.81	2.90
	November	1.40	0.26	1.88	1.37	2.82	0.70	4.35	4.55	2.34
	December	1.36	0.25	1.79	1.58	2.78	0.92	3.36	3.69	2.85
Relative significance[a]		**54.09**	**42.23**	**8.92**	**7.88**	**2.82**	**5.07**	**1.03**	**0.64**	**0.40**

[a] Relative significance is calculated as a percentage of corresponding deposit category in total deposits received in the reporting month (according to data for the last period included in the table).

Table G3 Banks' interest rates on kuna deposits not indexed to foreign currency • The table contains the weighted averages of banks' monthly interest rates on kuna deposits not indexed to f/c, reported on a yearly basis.

Up to December 2001, data refer to the weighted averages of banks' monthly interest rates on kuna deposits not indexed to f/c received from legal persons (which included enterprises, the public sector, financial institutions, non-profit institutions and non-residents) and households, reported on a yearly basis. Savings banks are not covered.

From January 2002 on, data refer to the weighted averages of banks' monthly interest rates on kuna deposits not indexed to f/c received from enterprises (public and other) and households, reported on a yearly basis.

Data on banks' interest rates on kuna deposits not indexed to f/c are based on banks' periodic reports.

Column 3 reports the weighted averages of monthly interest rates on total kuna deposits (giro and current accounts, household savings deposits and time deposits) not indexed to f/c.

Column 4 shows the weighted averages of monthly interest rates on deposits in giro and current accounts not indexed to f/c received from enterprises (until December 2001, all legal persons) and households, and column 5 shows the weighted averages of monthly interest rates on total time deposits not indexed to f/c.

The basis for the calculation of the weighted averages for kuna time deposits not indexed to f/c are the amounts of those deposits received during the reporting month. The basis for the calculation of the weighted averages for deposits in giro and current accounts are the end-of-month book balances of those deposits. The averages of interest rates on total kuna deposits not indexed to f/c (column 3) are weighted by the end-of-month balances of all categories included in the calculation.

Kuna and foreign currency deposits used as collateral for credit are included, while restricted deposits (deposits used for payment of imports and other restricted deposits) are not included into the calculation of the weighted averages.

Table G4a Banks' interest rates on kuna deposits indexed to foreign currency and on foreign currency deposits

weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on savings and time deposits indexed to f/c			Interest rates on foreign currency deposits					
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits				
						Total average	Households		Enterprises	
							EUR	USD	EUR	USD
1	2	3	4	5	6	7	8	9	10	11
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21
2005	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76
2006	December	3.67	3.30	4.07	2.94	0.25	0.23	0.17	0.32	0.44
2007	December	3.98	3.76	4.35	3.44	0.25	0.22	0.15	0.36	0.43
2008	December	4.09	4.05	4.42	3.97	0.21	0.20	0.15	0.26	0.13
2009	December	3.01	3.12	3.31	3.98	0.18	0.22	0.16	0.10	0.07
2010	December	2.91	2.75	3.46	3.09	0.19	0.21	0.14	0.18	0.07
2011	December	2.86	2.75	3.62	2.90	0.19	0.21	0.14	0.13	0.08
2012	December	2.38	3.42	2.10	2.84	0.16	0.22	0.11	0.05	0.04
2013	January	1.88	2.18	3.42	2.79	0.17	0.22	0.11	0.05	0.05
	February	2.54	2.25	2.85	2.71	0.16	0.22	0.11	0.05	0.04
	March	2.06	2.38	2.87	2.64	0.17	0.22	0.11	0.06	0.03
	April	2.04	2.94	2.14	2.49	0.17	0.21	0.11	0.07	0.03
	May	2.33	2.28	2.16	2.44	0.16	0.21	0.11	0.06	0.04
	June	2.56	3.06	2.68	2.38	0.18	0.21	0.11	0.12	0.04
	July	2.12	2.63	2.56	2.34	0.17	0.21	0.11	0.10	0.03
	August	2.50	2.03	2.34	2.34	0.17	0.21	0.11	0.10	0.03
	September	2.30	2.73	3.32	2.32	0.17	0.21	0.11	0.12	0.04
	October	2.57	2.51	3.03	2.26	0.17	0.20	0.11	0.12	0.02
	November	2.30	2.47	3.39	2.23	0.16	0.21	0.11	0.09	0.03
	December	2.68[a]	2.86	3.52	2.24	0.15	0.21	0.11	0.05	0.02
Relative significance[b]		**0.18**	**0.13**	**0.04**	**45.73**	**25.40**	**16.07**	**2.23**	**6.49**	**0.61**

[a] Of the total amount of deposits to which this interest rate refers, 41.25% refers to enterprises. [b] Relative significance is calculated as a percentage of corresponding deposit category in total deposits received in the reporting month (according to data for the last period included in the table).

Tables G4a – G4b Banks' interest rates on kuna deposits indexed to foreign currency and on foreign currency deposits • The table contains the weighted averages of banks' monthly interest rates on kuna deposits indexed to f/c and on foreign currency deposits, reported on a yearly basis.

Up to December 2001, data refer to the weighted averages of banks' monthly interest rates on kuna deposits indexed to f/c and on foreign currency deposits received from legal persons (which included enterprises, the public sector, financial institutions, non-profit institutions and non-residents) and households, reported on a yearly basis. Savings banks are not covered.

From January 2002 on, data refer to the weighted averages of banks' monthly interest rates on kuna deposits indexed to f/c and on foreign currency deposits received from enterprises (public and other) and households, reported on a yearly basis.

Data on banks' interest rates on kuna deposits indexed to f/c and on foreign currency deposits are based on banks' periodic reports.

Column 3 reports the weighted averages of monthly interest rates on total kuna savings and time deposits indexed to f/c received from enterprises (until December 2001, all legal persons) and households, whereas the weighted averages of monthly interest rates on time deposits are shown in column 4 (short-term deposits) and column 5 (long-term deposits) respectively.

Up to December 2001, interest rates on foreign currency deposits refer to deposits received in German marks or US dollars, and starting from January 2002, they refer to deposits received in euros and US dollars, while the weighted averages are calculated based on their kuna equivalent using the current exchange rate. Deposits received in other currencies are not included in this table.

The basis for the calculation of the weighted averages for kuna time deposits indexed to f/c and foreign currency time deposits are the amounts of those deposits received during the reporting month. The basis for the calculation of the weighted averages for savings deposits indexed to f/c are the end-of-month book balances of those deposits. From January 2002 on, the averages of interest rates on total kuna deposits indexed to f/c (column 3) are weighted by the end-of-month balances of all categories included in the calculation.

The average interest rate on total foreign currency deposits (column 6) refers to the weighted average of monthly interest rates on savings and foreign currency time deposits, which are weighted by the end-of-month balances of all categories included in the calculation.

The basis for the calculation of the weighted averages of

Table G4b Banks' interest rates on kuna deposits indexed to foreign currency and on foreign currency deposits

weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										
		Total average	On short-term deposits					On long-term deposits				
			Total average	Households		Enterprises		Total average	Households		Enterprises	
				EUR	USD	EUR	USD		EUR	USD	EUR	USD
1	2	12	13	14	15	16	17	18	19	20	21	22
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
2005	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	–
2006	December	3.82	3.76	3.16	2.05	4.24	5.84	4.25	4.47	2.26	4.79	4.61
2007	December	4.32	4.25	3.47	2.60	5.10	5.33	4.80	4.83	3.84	5.13	2.19
2008	December	4.15	3.95	4.33	2.69	4.13	1.84	5.51	5.57	3.58	5.52	2.38
2009	December	3.58	3.40	4.33	2.73	2.64	1.77	5.13	5.43	3.86	2.85	0.13
2010	December	2.69	2.15	3.13	2.45	1.63	0.76	5.36	4.28	3.20	6.91	3.80
2011	December	2.76	2.56	2.87	2.45	2.37	0.86	3.84	3.92	3.27	3.54	1.70
2012	December	2.59	2.34	2.70	2.24	1.92	0.48	3.64	3.67	3.16	4.11	3.20
2013	January	2.82	2.33	2.67	2.22	1.81	0.59	4.21	3.64	3.26	6.66	2.40
	February	2.55	2.18	2.51	2.08	1.65	0.93	3.66	3.65	3.04	4.99	0.55
	March	2.74	1.98	2.50	2.05	1.39	0.33	4.34	3.60	3.13	5.95	1.58
	April	2.28	1.94	2.34	1.96	1.36	0.34	3.40	3.41	3.03	3.80	–
	May	2.25	1.90	2.35	2.00	1.28	0.38	3.34	3.33	3.04	4.05	1.68
	June	2.22	1.86	2.29	1.96	1.26	0.42	3.39	3.29	3.20	5.37	1.51
	July	2.20	1.87	2.29	1.99	1.38	0.34	3.19	3.25	2.95	3.15	1.22
	August	2.22	1.89	2.28	1.99	1.46	0.44	3.23	3.19	2.73	5.56	1.20
	September	2.27	1.89	2.24	1.88	1.41	0.35	3.33	3.16	2.92	5.64	0.60
	October	2.03	1.77	2.15	1.85	1.40	0.40	2.96	3.01	2.51	2.60	1.23
	November	2.05	1.78	2.08	1.78	1.18	0.71	2.89	2.91	2.41	3.09	–
	December	2.55	1.86	2.11	1.89	1.60	0.54	3.82	2.95	2.42	5.69	2.42
Relative significance[a]		**20.33**	**13.23**	**8.02**	**0.74**	**3.67**	**0.80**	**7.10**	**4.49**	**0.26**	**2.32**	**0.02**

[a] Relative significance is calculated as a percentage of corresponding deposit category in total deposits received in the reporting month (according to data for the last period included in the table).

monthly interest rates on total foreign currency savings deposits (column 7) are the end-of-month balances of those deposits.

The basis for the calculation of the weighted averages of monthly interest rates on total foreign currency time deposits (column 12) are the amounts of those deposits received during the reporting month. The same basis is applied in calculating the weighted averages of monthly interest rates on total short-term foreign currency deposits (column 13) and on total long-term foreign currency deposits (column 18).

Table G5 Banks' trade with foreign exchange

in million EUR, current exchange rate

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
A Purchase of foreign exchange													
1 Legal persons	1,812.6	1,563.9	869.6	1,143.2	1,180.1	1,278.5	1,546.5	1,582.0	1,227.3	1,269.6	1,288.5	1,058.9	1,617.9
2 Natural persons	347.1	319.3	316.3	379.8	431.6	471.0	399.6	556.0	543.8	480.1	441.4	357.8	387.0
2.1 Residents	340.6	313.1	312.0	371.4	416.9	452.9	367.1	474.5	444.7	429.7	423.9	349.4	377.6
2.2 Non-residents	6.5	6.2	4.3	8.4	14.7	18.1	32.4	81.5	99.1	50.4	17.6	8.4	9.4
3 Domestic banks	1,002.3	586.3	337.6	485.1	954.4	1,202.6	1,771.7	1,376.2	960.2	1,099.0	930.7	755.3	892.3
4 Foreign banks	758.5	458.1	230.0	378.1	448.4	407.2	721.0	779.8	540.4	492.3	527.7	532.2	548.6
5 Croatian National Bank	–	–	–	–	214.9	–	–	–	–	–	–	–	–
Total (1+2+3+4)	**3,920.5**	**2,927.6**	**1,753.6**	**2,386.3**	**3,229.4**	**3,359.3**	**4,438.8**	**4,293.9**	**3,271.6**	**3,340.9**	**3,188.4**	**2,704.2**	**3,445.8**
B Sale of foreign exchange													
1 Legal persons	1,823.0	1,596.9	1,119.4	1,627.0	1,692.9	1,618.9	2,071.0	2,136.1	1,783.3	1,732.8	1,533.0	1,366.0	1,912.2
2 Natural persons	118.8	94.5	94.6	87.1	151.2	149.5	121.8	165.9	132.7	115.4	116.0	96.8	118.4
2.1 Residents	118.5	94.3	94.3	86.7	151.0	149.3	120.9	164.1	130.9	114.4	115.6	96.6	118.1
2.2 Non-residents	0.3	0.2	0.4	0.4	0.2	0.2	1.0	1.8	1.8	1.1	0.4	0.1	0.2
3 Domestic banks	1,002.3	586.3	337.6	485.1	954.4	1,202.6	1,771.7	1,376.2	960.2	1,099.0	930.7	755.3	892.3
4 Foreign banks	892.2	497.6	315.9	408.5	538.9	487.4	925.9	785.0	632.7	526.2	557.5	618.1	788.5
5 Croatian National Bank	–	–	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4)	**3,836.3**	**2,775.3**	**1,867.5**	**2,607.7**	**3,337.4**	**3,458.3**	**4,890.5**	**4,463.2**	**3,508.8**	**3,473.4**	**3,137.2**	**2,836.2**	**3,711.4**
C Net purchase (A-B)													
1 Legal persons	–10.3	–33.0	–249.8	–483.8	–512.8	–340.4	–524.5	–554.2	–556.0	–463.2	–244.4	–307.1	–294.3
2 Natural persons	228.3	224.8	221.7	292.7	280.4	321.5	277.7	390.1	411.1	364.6	325.5	261.0	268.7
2.1 Residents	222.1	218.8	217.7	284.7	265.9	303.6	246.3	310.4	313.7	315.3	308.3	252.8	259.5
2.2 Non-residents	6.2	5.9	4.0	8.0	14.5	17.9	31.5	79.7	97.4	49.3	17.2	8.2	9.2
3 Foreign banks	–133.7	–39.5	–85.8	–30.4	–90.5	–80.2	–204.9	–5.2	–92.3	–33.9	–29.8	–86.0	–239.9
4 Croatian National Bank	–	–	–	–	214.9	–	–	–	–	–	–	–	–
Total (1+2+3)	**84.2**	**152.3**	**–113.9**	**–221.4**	**–108.0**	**–99.1**	**–451.6**	**–169.3**	**–237.2**	**–132.5**	**51.3**	**–132.0**	**–265.6**
Memo items: Other Croatian National Bank transactions													
Purchase of foreign exchange	0.2	0.2	0.2	130.4	450.3	0.7	0.4	0.2	0.2	0.9	0.5	0.4	200.3
o/w: MoF	0.2	0.2	0.2	130.4	450.3	0.7	0.4	0.2	0.2	0.9	0.5	0.4	200.3
Sale of foreign exchange	0.0	87.0	35.0	37.0	–	–	–	0.0	–	0.0	19.7	–	49.8
o/w: MoF	0.0	87.0	35.0	37.0	–	–	–	0.0	–	0.0	–	–	0.0

Table G5 Banks' trade with foreign exchange • Data on trade with foreign exchange between banks comprise the spot purchase and sale of foreign exchange in domestic foreign exchange market. Spot transactions are contracted obligations to buy/sell foreign currency within maximally 48 hours.

The transactions are classified by category of participants (legal and natural persons, domestic and foreign banks and the CNB). Sources of data are banks' reports on trading with foreign exchange, including data on exchange transactions with natural persons conducted by authorised currency exchange offices.

Other Croatian National Bank transactions include foreign exchange sales and purchases on behalf of others.

H International economic relations

Table H1 Balance of payments – summary[a,b]

in million EUR

	2009	2010	2011	2012	2013[c]	2013			
						Q1	Q2	Q3	Q4[c]
A CURRENT ACCOUNT (1+6)	–2,292.7	–501.8	–389.1	–40.1	564.4	–1,400.3	–252.4	2,946.1	–729.1
1 Goods, services, and income (2+5)	–3,297.1	–1,564.2	–1,534.9	–1,196.4	–539.6	–1,675.1	–603.6	2,675.5	–936.5
1.1 Credit	17,111.7	18,608.6	19,715.2	20,061.8	19,640.0	3,197.1	4,999.9	7,873.2	3,569.9
1.2 Debit	–20,408.7	–20,172.8	–21,250.2	–21,258.3	–20,179.7	–4,872.2	–5,603.4	–5,197.7	–4,506.3
2 Goods and services (3+4)	–1,516.7	30.0	54.4	398.9	559.8	–1,337.4	–289.6	2,952.6	–765.9
2.1 Credit	16,314.7	17,714.8	18,769.3	19,091.8	18,736.2	2,923.4	4,712.5	7,539.1	3,561.1
2.2 Debit	–17,831.4	–17,684.8	–18,714.9	–18,692.9	–18,176.4	–4,260.8	–5,002.1	–4,586.5	–4,327.0
3 Goods	–7,207.0	–5,745.5	–6,148.5	–6,030.6	–6,247.3	–1,522.8	–1,953.6	–1,550.6	–1,220.3
3.1 Credit	7,674.5	9,063.6	9,773.7	9,806.9	9,194.3	2,112.8	2,337.8	2,352.4	2,391.2
3.2 Debit	–14,881.5	–14,809.1	–15,922.2	–15,837.5	–15,441.6	–3,635.7	–4,291.4	–3,903.0	–3,611.5
4 Services	5,690.3	5,775.5	6,202.9	6,429.5	6,807.1	185.4	1,664.0	4,503.3	454.4
4.1 Credit	8,640.2	8,651.2	8,995.6	9,284.9	9,541.9	810.6	2,374.7	5,186.7	1,169.9
4.2 Debit	–2,949.9	–2,875.7	–2,792.7	–2,855.4	–2,734.8	–625.1	–710.7	–683.5	–715.5
5 Income	–1,780.4	–1,594.2	–1,589.3	–1,595.3	–1,099.4	–337.7	–314.0	–277.1	–170.6
5.1 Credit	796.9	893.8	946.0	970.0	903.8	273.7	287.3	334.1	8.8
5.2 Debit	–2,577.3	–2,488.0	–2,535.3	–2,565.4	–2,003.2	–611.4	–601.3	–611.2	–179.4
6 Current transfers	1,004.4	1,062.4	1,145.9	1,156.3	1,104.0	274.8	351.1	270.6	207.4
6.1 Credit	1,575.9	1,659.0	1,669.3	1,713.7	1,861.2	410.5	479.8	516.8	454.2
6.2 Debit	–571.5	–596.6	–523.5	–557.4	–757.2	–135.7	–128.6	–246.1	–246.7
B CAPITAL AND FINANCIAL ACCOUNT	3,446.7	1,372.8	1,420.2	445.0	385.5	1,091.7	296.9	–1,443.0	439.9
B1 Capital account	**61.4**	**59.6**	**37.6**	**42.5**	**33.2**	**–5.2**	**16.0**	**6.5**	**15.8**
B2 Financial account, excl. reserves	**4,281.7**	**1,397.0**	**1,783.2**	**448.4**	**2,196.6**	**1,058.3**	**1,085.1**	**–1,634.7**	**1,688.0**
1 Direct investment	1,492.4	484.4	1,053.3	1,083.1	578.0	585.9	–52.3	–34.1	78.5
1.1 Abroad	–916.5	114.4	–37.9	28.1	141.0	23.3	–65.8	–70.5	254.1
1.2 In Croatia	2,408.8	370.0	1,091.1	1,055.0	436.9	562.6	13.6	36.4	–175.6
2 Portfolio investment	454.4	407.1	584.6	1,737.5	1,880.9	–42.7	957.6	–495.0	1,461.0
2.1 Assets	–521.0	–408.0	491.9	–309.9	106.9	76.2	293.2	–527.5	264.9
2.2 Liabilities	975.4	815.1	92.7	2,047.4	1,774.1	–118.9	664.4	32.5	1,196.1
3 Financial derivatives	0.0	–252.7	–61.2	93.8	–8.7	–2.9	–10.8	29.1	–24.0
4 Other investment	2,335.0	758.2	206.6	–2,466.1	–253.6	518.0	190.6	–1,134.7	172.6
4.1 Assets	695.7	689.2	245.1	662.5	140.8	453.2	–153.3	–521.7	362.7
4.2 Liabilities	1,639.3	69.0	–38.5	–3,128.6	–394.4	64.8	343.9	–613.0	–190.1
B3 Reserve assets	**–896.4**	**–83.8**	**–400.6**	**–45.8**	**–1,844.3**	**38.6**	**–804.2**	**185.2**	**–1,263.9**
C NET ERRORS AND OMISSIONS	–1,154.0	–871.0	–1,031.2	–404.9	–949.9	308.5	–44.5	–1,503.1	289.2

[a] The CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. [b] Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m). [c] Preliminary data.
Note: The item net errors and omissions also comprises the counter-entry of a part of revenues from travel services which relates to such revenues not stated in the banks' records.

Tables H1 – H6 Balance of payments • The balance of payments of the Republic of Croatia represents a systematic overview of the value of economic transactions performed by the Croatian residents with foreign countries within a particular period. It is compiled in accordance with the recommendations of the International Monetary Fund (Balance of Payments Manual, Fifth Edition, 1993). Data sources include: 1) reports of the government institutions (Central Bureau of Statistics and Croatian Institute for Health Insurance), 2) special reports of the Croatian National Bank (International Transaction Reporting System (ITRS), external debt relations, monetary statistics and reserve assets) and 3) estimates and statistical research carried out by the Croatian National Bank.

Balance of payments of the Republic of Croatia data are reported in three currencies: in euros (EUR), US dollars (USD) and domestic currency (HRK). In all cases, the same data sources are used and the same principles regarding the scope of transactions and the procedures for compiling particular items are applied. Since the original data are reported in different currencies, the transaction values are converted from the original currency into the reporting currency by applying the exchange rate from the CNB exchange rate list in one of the following manners:

Table H2 Balance of payments – goods and services

in million EUR

	2009	2010	2011	2012	2013[a]	2013			
						Q1	Q2	Q3	Q4[a]
Goods	–7,207.0	–5,745.5	–6,148.5	–6,030.6	–6,247.3	–1,522.8	–1,953.6	–1,550.6	–1,220.3
1 Credit	**7,674.5**	**9,063.6**	**9,773.7**	**9,806.9**	**9,194.3**	**2,112.8**	**2,337.8**	**2,352.4**	**2,391.2**
1.1 Exports (f.o.b.) in trade statistics	7,529.4	8,905.2	9,582.2	9,628.7	8,994.0	2,075.7	2,284.4	2,293.0	2,340.9
1.2 Adjustments for coverage	145.1	158.3	191.5	178.3	200.3	37.1	53.4	59.4	50.3
2 Debit	**–14,881.5**	**–14,809.1**	**–15,922.2**	**–15,837.5**	**–15,441.6**	**–3,635.7**	**–4,291.4**	**–3,903.0**	**–3,611.5**
2.1 Imports (c.i.f.) in trade statistics	–15,220.1	–15,137.0	–16,281.1	–16,214.4	–15,798.2	–3,730.1	–4,393.7	–3,984.8	–3,689.6
2.2 Adjustments for coverage	–331.1	–376.0	–359.0	–356.0	–357.5	–74.1	–96.3	–98.4	–88.7
2.3 Adjustments for classification	669.7	703.9	718.0	732.9	714.1	168.6	198.6	180.1	166.8
Services	5,690.3	5,775.5	6,202.9	6,429.5	6,807.1	185.4	1,664.0	4,503.3	454.4
1 Transportation	**287.6**	**299.3**	**282.2**	**272.5**	**256.9**	**11.3**	**63.1**	**115.7**	**66.8**
1.1 Credit	938.2	973.0	971.0	959.8	909.6	170.7	241.5	281.0	216.3
1.2 Debit	–650.7	–673.7	–688.8	–687.3	–652.6	–159.4	–178.4	–165.3	–149.5
2 Travel	**5,655.8**	**5,600.8**	**5,984.5**	**6,136.7**	**6,517.1**	**168.0**	**1,585.9**	**4,343.8**	**419.5**
2.1 Credit	6,379.7	6,230.0	6,616.9	6,858.7	7,194.3	306.9	1,771.0	4,524.3	592.2
2.1.1 Business	255.7	236.3	210.1	233.2	225.4	39.4	91.2	51.5	43.2
2.1.2 Personal	6,124.0	5,993.6	6,406.9	6,625.5	6,969.0	267.5	1,679.7	4,472.7	549.0
2.2 Debit	–724.0	–629.2	–632.4	–722.0	–677.2	–139.0	–185.1	–180.5	–172.7
2.2.1 Business	–240.8	–180.6	–184.3	–224.6	–211.7	–42.8	–59.1	–48.8	–61.0
2.2.2 Personal	–483.1	–448.6	–448.1	–497.4	–465.5	–96.1	–126.0	–131.7	–111.7
3 Other services	**–253.0**	**–124.6**	**–63.9**	**20.3**	**33.0**	**6.2**	**15.0**	**43.8**	**–31.9**
3.1 Credit	1,322.2	1,448.3	1,407.7	1,466.4	1,438.0	332.9	362.2	381.5	361.4
3.2 Debit	–1,575.2	–1,572.8	–1,471.6	–1,446.1	–1,405.0	–326.8	–347.2	–337.7	–393.3

[a] Preliminary data.

- by applying the midpoint exchange rate on the date of the transaction;
- by applying the average monthly or quarterly midpoint exchange rate in the case the transaction date is not available;
- by applying the end-of-period exchange rate for the calculation of a change in the transaction value between the two periods; the end-of-period balances reported in the original currency serve as a basis for calculating the change in the original currency value, which is converted, by applying the average midpoint exchange rate in the observed period, into the value of change in the reporting currency.

The Report of the Central Bureau of Statistics on foreign trade in goods of the Republic of Croatia represents the basic data source for the balance of payments items related to exports and imports. These data are adjusted, in accordance with the recommended compilation method, for coverage and classification. Accordingly, goods exports and imports in the balance of payments are reported at f.o.b. parity. The value of exports at this parity is already contained in the previously mentioned CBS Report, whereas the value of imports f.o.b. is estimated on the basis of research studies of the CNB on the stratified sample of importers. The resulting value serves as a basis for the estimate of the share of transportation and insurance services by which the original value of imports c.i.f., stated in the CBS Report, is reduced. In the 1993-2001 period, this share stood at 7.10% (estimated only on the basis of the largest and large importers), while from 2002 on it has amounted to 3.73%. The same research study, conducted by the CNB at the end of 2006 (comprising the imports in the previous year), showed that the share of transportation and insurance costs, after continuing to decrease, has reached 3.03%. This share was first applied in the calculation for the first quarter of 2007. For the sake of greater reliability, the c.i.f./f.o.b. coefficient as of 2011 started to be estimated based on the available CBS data on goods imports. The shares of transportation and insurance services have been calculated separately for each year, starting with 2008, based on the goods imported at f.o.b. parity and similar parities. The estimated coefficient amounted to 4.1% for 2008, 4.4% for 2009 and 4.7% for 2010. The figure is estimated again in the same manner for each following year. In the period from 1993 to 1996, the value of imports was modified by estimates of imports in duty free zones, which have been included in the merchandise trade statistics since 1997. From 1996 on, goods exports and imports are modified by the data on repairs on goods and goods procured in ports by carriers. In addition, since 1999, based on the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad, the item of goods exports has been modified by the estimated value of goods sold to foreign travellers and tourists and taken out of the Republic of Croatia. The item of goods imports is adjusted for the estimated value of goods imported personally by the Croatian citizens from the neighbouring countries (shopping expenditures).

Transportation, travel and other services are reported separately under service account. Revenues and expenditures on the basis of transportation, in the 1993-1998 period, were adopted

Table H3 Balance of payments – income and current transfers
in million EUR

	2009	2010	2011	2012	2013[a]	2013			
						Q1	Q2	Q3	Q4[a]
Income	–1,780.4	–1,594.2	–1,589.3	–1,595.3	–1,099.4	–337.7	–314.0	–277.1	–170.6
1 Compensation of employees	**586.5**	**620.8**	**634.9**	**719.3**	**757.1**	**185.2**	**206.2**	**174.4**	**191.2**
1.1 Credit	624.2	657.1	673.5	753.4	784.9	192.0	213.2	183.6	196.2
1.2 Debit	–37.6	–36.3	–38.5	–34.2	–27.8	–6.8	–6.9	–9.2	–5.0
2 Direct investment income	**–1,153.0**	**–1,126.7**	**–996.5**	**–1,016.9**	**–672.8**	**–241.7**	**–230.8**	**–142.9**	**–57.4**
2.1 Credit	–64.5	86.4	61.6	–14.3	–95.7	29.7	16.5	94.8	–236.7
o/w: Reinvested earnings	–117.1	7.3	–7.4	–82.3	–147.9	22.0	–2.5	76.2	–243.6
2.2 Debit	–1,088.5	–1,213.1	–1,058.1	–1,002.6	–577.1	–271.3	–247.3	–237.7	179.2
o/w: Reinvested earnings	–293.9	–521.2	–276.4	–231.6	219.9	–96.9	163.4	–177.0	330.4
3 Portfolio investment income	**–173.8**	**–304.6**	**–351.3**	**–494.5**	**–611.1**	**–137.8**	**–149.2**	**–161.9**	**–162.2**
3.1 Credit	73.0	40.5	49.4	35.7	43.0	8.3	14.7	12.5	7.5
3.2 Debit	–246.9	–345.1	–400.7	–530.1	–654.2	–146.1	–163.9	–174.4	–169.7
4 Other investment income	**–1,040.1**	**–783.7**	**–876.4**	**–803.2**	**–572.6**	**–143.4**	**–140.2**	**–146.8**	**–142.1**
4.1 Credit	164.3	109.7	161.5	195.3	171.6	43.7	43.0	43.2	41.7
4.2 Debit	–1,204.3	–893.4	–1,037.9	–998.5	–744.2	–187.1	–183.2	–190.0	–183.9
Current transfers	1,004.4	1,062.4	1,145.9	1,156.3	1,104.0	274.8	351.1	270.6	207.4
1 General government	**–61.9**	**–65.4**	**–81.5**	**–99.8**	**–271.5**	**–34.4**	**–9.5**	**–94.0**	**–133.5**
1.1 Credit	277.1	279.1	224.6	211.5	262.9	45.4	69.9	98.9	48.7
1.2 Debit	–339.0	–344.4	–306.0	–311.3	–534.3	–79.8	–79.4	–192.9	–182.2
2 Other sectors	**1,066.3**	**1,127.8**	**1,227.4**	**1,256.2**	**1,375.5**	**309.2**	**360.7**	**364.6**	**340.9**
2.1 Credit	1,298.8	1,379.9	1,444.8	1,502.2	1,598.3	365.1	409.9	417.9	405.5
2.2 Debit	–232.5	–252.2	–217.4	–246.1	–222.9	–55.9	–49.2	–53.2	–64.6

[a] Preliminary data.

from the ITRS. From 1999 on, revenues and expenditures arising from transportation of goods and passengers, as well as the value of accompanying services, which together constitute the total value of these services, are compiled on the basis of the results of the Research on transactions related to international transportation services, carried out by the CNB. Owing to an exceptionally large population of road carriers, revenues and expenditures on the basis of road freight transportation are not adopted from that research. They are compiled by using ITRS data. As of January 2011, due to the abolishment of the ITRS, this item has been complied on the basis of data from export customs declarations of the CBS and estimates of the Road Freight Transporters Association. Expenditures on the basis of road freight transportation equal transportation and insurance costs related to imports of goods which belong to non-residents and which are estimated by adjusting the value of imports at c.i.f. parity to the value of imports f.o.b.

Revenues from services rendered to foreign travellers and tourists, as well as expenditures incurred by domestic travellers and tourists abroad are shown under the position Travel. In the 1993-1998 period, this position was assessed by using various data sources which did not provide for a full coverage in accordance with the recommended methodology. Accordingly, in the second half of 1998, the Croatian National Bank started to carry out the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad and use its results for compiling the Travel position. Since early 1999, the results of this Survey, based on carrying out a survey of travellers (stratified sample) at border crossings, have been combined with the Ministry of the Interior and Central Bureau of Statistics data on the number of foreign and domestic travellers, along with the data on distribution of foreign travellers by countries contained in the CBS Report on tourism, in order to assess the corresponding balance of payment items. Starting from the first quarter of 2012, the balance of payments data on revenues from services rendered to foreign travellers and tourists are not computed using the standard methodological combination of volume indicators and estimated average consumption from the Survey on Consumption of Foreign Travellers, but are based on a combination of the estimated level of tourism consumption in 2011 and an econometrically computed indicator – the first principal component of a group of variables that are assumed to follow the dynamics of tourism revenue (foreign tourist arrivals and nights, the number of foreign travellers at border crossings, total tourist consumption according to the CNB survey, the number of the employed in accommodation and food service activities, the revenues of hotels and restaurants, the price index of hotel and restaurants services, the real retail trade turnover index, currency outside banks, the value of foreign credit card transactions, the banks' turnover in transactions with natural persons in the foreign exchange market and the industrial production EU-27).

Other services position is complied by using different data sources: apart from revenues and expenditures related to insurance services and communication and construction services, which have been determined by the CNB special statistical

Table H4 Balance of payments – direct and portfolio investments[a,b]

in million EUR

	2009	2010	2011	2012	2013[c]	2013			
						Q1	Q2	Q3	Q4[c]
Direct investment	1,492.4	484.4	1,053.3	1,083.1	578.0	585.9	–52.3	–34.1	78.5
1 Abroad	**–916.5**	**114.4**	**–37.9**	**28.1**	**141.0**	**23.3**	**–65.8**	**–70.5**	**254.1**
1.1 Equity capital and reinvested earnings	–919.7	253.0	–176.2	–70.7	83.9	–23.9	–52.7	–79.7	240.2
1.1.1 Claims	–1,036.8	236.0	–199.4	–180.3	–162.3	–23.9	–55.2	–79.7	–3.4
1.1.2 Liabilities	117.1	17.0	23.2	109.6	246.2	0.0	2.5	0.0	243.6
1.2 Other capital	3.2	–138.6	138.3	98.8	57.2	47.2	–13.2	9.3	13.9
1.1.1 Claims	–35.2	–369.2	323.9	117.3	75.0	40.1	–15.5	13.9	36.5
1.2.2 Liabilities	38.4	230.6	–185.6	–18.5	–17.9	7.1	2.4	–4.6	–22.7
2 In Croatia	**2,408.8**	**370.0**	**1,091.1**	**1,055.0**	**436.9**	**562.6**	**13.6**	**36.4**	**–175.6**
2.1 Equity capital and reinvested earnings	956.1	919.9	2,247.0	1,073.0	298.2	298.1	–155.1	319.4	–164.2
2.1.1 Claims	–92.6	–63.9	–61.3	–225.6	–493.8	0.0	–163.4	0.0	–330.4
2.1.2 Liabilities	1,048.7	983.8	2,308.3	1,298.6	792.0	298.1	8.3	319.4	166.2
2.2 Other capital	1,452.8	–550.0	–1,155.9	–18.0	138.7	264.5	168.6	–283.0	–11.4
2.2.1 Claims	–22.1	–13.1	19.9	6.5	–33.1	4.7	–13.0	1.4	–26.2
2.2.2 Liabilities	1,474.9	–536.9	–1,175.8	–24.5	171.8	259.8	181.6	–284.4	14.8
Portfolio investment	454.4	407.1	584.6	1,737.5	1,880.9	–42.7	957.6	–495.0	1,461.0
1 Assets	**–521.0**	**–408.0**	**491.9**	**–309.9**	**106.9**	**76.2**	**293.2**	**–527.5**	**264.9**
1.1 Equity securities	–74.3	–514.0	–117.0	–121.8	–2.3	–45.2	99.9	–30.6	–26.4
1.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1 Credit institutions	8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2 Other sectors	–82.8	–514.0	–117.0	–121.8	–2.3	–45.2	99.9	–30.6	–26.4
1.2 Debt securities	–446.7	105.9	608.9	–188.1	109.2	121.4	193.3	–496.9	291.3
1.2.1 Bonds	–86.2	263.9	345.2	–293.0	198.0	49.6	97.8	–48.8	99.4
1.2.1.1 General government	0.0	–1.5	0.0	–0.7	0.0	0.0	0.0	0.0	0.0
1.2.1.2 Credit institutions	–52.5	167.3	343.0	–267.8	260.6	17.6	144.4	–21.2	119.8
1.2.1.3 Other sectors	–33.7	98.1	2.1	–24.4	–62.5	32.1	–46.6	–27.6	–20.4
1.2.2 Money market instruments	–360.5	–157.9	263.8	104.9	–88.8	71.8	95.5	–448.1	191.9
1.2.2.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2 Credit institutions	–341.4	–124.3	300.3	22.3	–82.7	101.6	95.6	–438.0	158.2
1.2.2.3 Other sectors	–19.0	–33.6	–36.6	82.6	–6.2	–29.7	0.0	–10.1	33.7
2 Liabilities	**975.4**	**815.1**	**92.7**	**2,047.4**	**1,774.1**	**–118.9**	**664.4**	**32.5**	**1,196.1**
2.1 Equity securities	12.7	137.8	16.5	–123.7	–76.0	8.1	–97.6	7.7	5.7
2.1.1 Credit institutions	–3.7	–0.2	–1.4	–1.8	0.0	0.0	–0.4	–0.6	0.9
2.1.2 Other sectors	16.4	138.0	17.9	–121.9	–76.0	8.0	–97.1	8.3	4.8
2.2 Debt securities	962.7	677.3	76.3	2,171.1	1,850.1	–126.9	761.9	24.8	1,190.3
2.2.1 Bonds	817.3	380.8	388.2	2,211.9	1,897.6	–178.3	790.7	64.9	1,220.4
2.2.1.1 General government	862.9	389.1	625.6	1,270.0	1,909.1	–189.5	857.9	20.0	1,220.7
2.2.1.2 Credit institutions	–447.2	–0.2	–7.0	7.0	–5.2	–6.5	4.1	–2.3	–0.5
2.2.1.3 Other sectors	401.7	–8.1	–230.3	934.8	–6.3	17.7	–71.3	47.2	0.2
2.2.2 Money market instruments	145.3	296.5	–312.0	–40.7	–47.5	51.4	–28.7	–40.1	–30.1
2.2.2.1 General government	145.4	296.5	–312.1	–40.7	–47.4	51.4	–28.8	–40.0	–30.0
2.2.2.2 Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3 Other sectors	0.0	0.0	0.1	0.0	–0.1	0.0	0.0	–0.1	0.0

[a] The CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. [b] Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m). [c] Preliminary data.

research since 2001, the values of all other services were adopted from the ITRS until the end of 2010, when the reporting by transaction types was abolished. As of 2011, the uniform statistical survey is used for estimating the position of Other services, which encompasses 30 different types of services, the classification of which is prescribed by the IMF's Balance of Payments Manual, 6th edition. That survey also includes communication services, as a result of which a special survey on communication services was abolished, while insurance and construction services continued to be monitored through separate surveys.

Transactions in the income account are classified into four main groups. Compensation of employees item was compiled on the basis of the ITRS until the end of 2010, when the reporting by transaction types was abolished. As of 2011, this

Table H5 Balance of payments – other investment[a]

in million EUR

	2009	2010	2011	2012	2013[b]	2013 Q1	2013 Q2	2013 Q3	2013 Q4[b]
Other investment (net)	2,335.0	758.2	206.6	–2,466.1	–253.6	518.0	190.6	–1,134.7	172.6
1 Assets	**695.7**	**689.2**	**245.1**	**662.5**	**140.8**	**453.2**	**–153.3**	**–521.7**	**362.7**
1.1 Trade credits	130.8	289.0	–124.3	392.7	–117.4	–100.6	98.9	13.8	–129.5
1.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1 Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2 Other sectors	130.8	289.0	–124.3	392.7	–117.4	–100.6	98.9	13.8	–129.5
1.1.2.1 Long-term	58.0	22.2	2.9	0.2	2.6	0.8	0.7	0.6	0.5
1.1.2.2 Short-term	72.8	266.8	–127.3	392.5	–120.0	–101.3	98.2	13.1	–130.0
1.2 Loans	41.5	–105.2	42.6	–66.8	–84.4	51.9	–60.2	–54.8	–21.3
1.2.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.1 Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2 Credit institutions	20.5	–85.5	51.0	–36.8	–2.9	100.3	–48.5	–53.4	–1.3
1.2.2.1 Long-term	–28.7	–63.3	10.4	52.9	–57.2	4.0	–42.3	–26.5	7.6
1.2.2.2 Short-term	49.2	–22.2	40.6	–89.7	54.3	96.3	–6.3	–26.9	–8.9
1.2.3 Other sectors	21.0	–19.7	–8.4	–29.9	–81.6	–48.4	–11.7	–1.4	–20.0
1.2.3.1 Long-term	20.9	17.4	–34.6	–9.9	–71.4	–49.6	–8.1	–2.4	–11.4
1.2.3.2 Short-term	0.1	–37.1	26.1	–20.1	–10.2	1.1	–3.7	1.0	–8.6
1.3 Currency and deposits	523.4	505.4	326.8	336.5	371.7	501.9	–191.9	–478.3	540.1
1.3.1 General government	0.0	0.0	0.0	–2.1	–2.5	–0.6	–0.5	–0.7	–0.7
1.3.2 Credit institutions	423.7	417.0	522.0	421.0	129.0	477.5	–331.5	–557.7	540.7
1.3.3 Other sectors	99.7	88.5	–195.1	–82.3	245.2	25.0	140.1	80.1	0.0
1.4 Other assets	**0.0**	**0.0**	**0.0**	**0.0**	**–29.0**	**0.0**	**0.0**	**–2.4**	**–26.6**
2 Liabilities	**1,639.3**	**69.0**	**–38.5**	**–3,128.6**	**–394.4**	**64.8**	**343.9**	**–613.0**	**–190.1**
2.1 Trade credits	–149.2	58.7	–428.9	279.9	79.5	18.6	27.1	–65.3	99.0
2.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.1.1 Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	–149.2	58.7	–428.9	279.9	79.5	18.6	27.1	–65.3	99.0
2.1.2.1 Long-term	–58.0	–25.4	–147.6	–53.8	–17.9	–9.7	–26.6	13.6	4.9
2.1.2.2 Short-term	–91.2	84.0	–281.3	333.7	97.3	28.4	53.8	–78.8	94.0
2.2 Loans	593.0	33.9	–511.3	–1,410.4	–567.9	61.2	–192.1	–181.6	–255.4
2.2.1 Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1 o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.1 Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2 Repayments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 General government	–21.3	127.3	77.3	–73.3	308.6	204.6	–71.4	–30.6	206.0
2.2.2.1 Long-term	10.4	127.3	77.3	–68.7	109.5	204.6	–71.6	–29.5	6.0
2.2.2.1.1 Drawings	309.3	370.1	352.4	181.8	368.2	233.6	20.9	32.1	81.6
2.2.2.1.2 Repayments	–298.9	–242.9	–275.0	–250.5	–258.7	–29.1	–92.6	–61.6	–75.6
2.2.2.2 Short-term	–31.7	0.0	0.0	–4.6	199.1	0.0	0.3	–1.2	200.0
2.2.3 Credit institutions	–162.2	–192.7	–50.5	–290.1	–510.3	–183.9	39.7	–227.8	–138.4
2.2.3.1 Long-term	162.4	–322.9	369.9	–281.2	–556.5	–165.1	–105.2	–139.0	–147.2
2.2.3.1.1 Drawings	1,219.2	849.3	1,090.4	730.2	409.2	80.6	98.5	25.4	204.5
2.2.3.1.2 Repayments	–1,056.8	–1,172.2	–720.5	–1,011.4	–965.6	–245.7	–203.7	–164.4	–351.7
2.2.3.2 Short-term	–324.6	130.2	–420.4	–9.0	46.1	–18.8	144.9	–88.8	8.8
2.2.4 Other sectors	776.6	99.3	–538.2	–1,047.0	–366.1	40.5	–160.4	76.8	–323.0
2.2.4.1 Long-term	500.3	–91.9	–913.1	–1,486.8	–455.0	–51.6	–196.8	114.8	–321.5
2.2.4.1.1 Drawings	4,401.2	4,336.2	2,867.3	3,311.3	4,445.8	824.2	1,527.6	1,092.7	1,001.4
2.2.4.1.2 Repayments	–3,900.9	–4,428.2	–3,780.4	–4,798.1	–4,900.9	–875.7	–1,724.3	–977.9	–1,322.9
2.2.4.2 Short-term	276.2	191.2	374.9	439.9	88.9	92.1	36.4	–38.0	–1.5
2.3 Currency and deposits	1,185.5	–19.0	910.5	–1,967.4	45.9	–12.7	494.8	–415.8	–20.4
2.3.1 General government	–1.2	0.0	–1.0	0.0	83.8	0.0	0.0	73.9	9.9
2.3.2 Credit institutions	1,197.2	–19.0	911.5	–1,967.3	–37.9	–12.7	494.8	–489.8	–30.3
2.3.3 Other sectors	–10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4 Other liabilities	9.9	–4.5	–8.7	–30.6	48.1	–2.4	14.1	49.7	–13.3

[a] The CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. [b] Preliminary data.

Table H6 Balance of payments – summary[a]

in million HRK

	2009	2010	2011	2012	2013[b]	2013			
						Q1	Q2	Q3	Q4[b]
A CURRENT ACCOUNT (1+6)	–16,970.3	–3,893.2	–2,970.4	–701.3	3,887.6	–10,699.2	–1,970.7	22,127.0	–5,569.5
1 Goods, services, and income (2+5)	–24,342.9	–11,604.1	–11,488.8	–9,394.7	–4,451.0	–12,781.8	–4,624.3	20,106.2	–7,151.1
1.1 Credit	125,509.8	135,368.6	146,416.1	150,394.5	148,166.7	24,150.6	37,676.0	59,206.7	27,133.5
1.2 Debit	–149,852.7	–146,972.6	–157,904.9	–159,789.2	–152,617.8	–36,932.4	–42,300.3	–39,100.5	–34,284.6
2 Goods and services (3+4)	–11,254.7	11.4	386.1	2,684.9	3,928.9	–10,200.8	–2,241.4	22,202.9	–5,831.8
2.1 Credit	119,656.7	128,866.6	139,463.6	143,194.8	141,405.4	22,097.4	35,524.6	56,698.5	27,084.9
2.2 Debit	–130,911.3	–128,855.3	–139,077.5	–140,509.9	–137,476.5	–32,298.3	–37,766.0	–34,495.6	–32,916.7
3 Goods	–52,927.0	–41,861.3	–45,712.0	–45,494.1	–47,375.7	–11,601.5	–14,788.1	–11,663.8	–9,322.3
3.1 Credit	56,336.3	66,044.6	72,653.1	73,706.7	69,593.1	16,011.2	17,657.6	17,722.9	18,201.4
3.2 Debit	–109,263.3	–107,905.9	–118,365.1	–119,200.9	–116,968.8	–27,612.7	–32,445.8	–29,386.7	–27,523.6
4 Services	41,672.3	41,872.7	46,098.2	48,179.1	51,304.6	1,400.7	12,546.8	33,866.7	3,490.5
4.1 Credit	63,320.4	62,822.1	66,810.5	69,488.0	71,812.3	6,086.2	17,867.0	38,975.6	8,883.6
4.2 Debit	–21,648.1	–20,949.4	–20,712.4	–21,309.0	–20,507.7	–4,685.6	–5,320.2	–5,108.9	–5,393.1
5 Income	–13,088.2	–11,615.4	–11,874.9	–12,079.7	–8,380.0	–2,581.0	–2,382.9	–2,096.7	–1,319.4
5.1 Credit	5,853.2	6,502.0	6,952.5	7,199.7	6,761.3	2,053.2	2,151.4	2,508.2	48.5
5.2 Debit	–18,941.4	–18,117.4	–18,827.4	–19,279.3	–15,141.3	–4,634.1	–4,534.3	–4,604.9	–1,367.9
6 Current transfers	7,372.6	7,710.9	8,518.5	8,693.4	8,338.6	2,082.6	2,653.6	2,020.8	1,581.6
6.1 Credit	11,565.5	12,066.6	12,411.7	12,882.5	13,993.5	3,110.8	3,625.5	3,794.1	3,463.1
6.2 Debit	–4,192.9	–4,355.7	–3,893.3	–4,189.1	–5,654.9	–1,028.2	–971.9	–1,773.3	–1,881.5
B CAPITAL AND FINANCIAL ACCOUNT	25,205.1	9,358.9	10,546.0	3,427.5	3,306.3	8,263.0	2,294.1	–10,814.3	3,563.5
B1 Capital account	**309.6**	**258.3**	**280.8**	**320.0**	**250.1**	**–39.2**	**119.8**	**48.9**	**120.6**
B2 Financial account, excl. reserves	**31,406.8**	**9,562.6**	**13,187.9**	**3,441.0**	**17,082.9**	**8,009.4**	**8,251.7**	**–12,258.4**	**13,080.3**
1 Direct investment	11,009.7	3,502.2	7,830.9	8,137.6	4,400.4	4,439.7	–389.6	–252.8	603.1
1.1 Abroad	–6,712.3	889.6	–268.9	228.4	1,083.4	175.5	–497.8	–534.3	1,939.9
1.2 In Croatia	17,722.0	2,612.6	8,099.8	7,909.3	3,317.0	4,264.2	108.2	281.4	–1,336.8
2 Portfolio investment	3,236.9	2,841.2	4,339.6	13,041.2	14,381.6	–320.9	7,257.5	–3,705.0	11,150.1
2.1 Assets	–3,769.9	–2,991.9	3,674.5	–2,304.3	834.9	582.0	2,196.4	–3,962.9	2,019.4
2.2 Liabilities	7,006.8	5,833.1	665.1	15,345.5	13,546.7	–902.9	5,061.1	257.9	9,130.7
3 Financial derivatives	0.0	–1,838.9	–450.0	703.1	–68.0	–22.1	–81.7	219.1	–183.3
4 Other investment	17,160.1	5,058.1	1,467.4	–18,440.9	–1,631.0	3,912.8	1,465.5	–8,519.7	1,510.4
4.1 Assets	5,222.9	4,496.6	2,554.3	5,038.4	1,325.4	3,417.4	–1,136.3	–3,910.4	2,954.8
4.2 Liabilities	11,937.2	561.5	–1,086.9	–23,479.3	–2,956.4	495.4	2,601.8	–4,609.2	–1,444.4
B3 Reserve assets (CNB)	**–6,511.2**	**–462.0**	**–2,922.6**	**–333.5**	**–14,026.7**	**292.7**	**–6,077.3**	**1,395.2**	**–9,637.3**
C NET ERRORS AND OMISSIONS	–8,234.8	–5,465.8	–7,575.7	–2,726.1	–7,193.9	2,436.2	–323.4	–11,312.7	2,006.0

[a] The CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. [b] Preliminary data.
Note: The item net errors and omissions also comprises the counter-entry of a part of revenues from travel services which relates to such revenues not stated in the banks' records.

position on the revenues side is estimated by a model based on the aggregate data of banks on inflows of resident natural persons from non-residents. On the expenditures side, the existing surveys on services are used, containing a part which relates to compensation of employees paid to non-residents. Income from direct investment, portfolio investment and other investment are reported separately. Data on reinvested earnings are reported separately, under direct investment income, calculated on the basis of the CNB Research on direct and other equity investment. In contrast to data on dividends, these data are not available for the 1993-1996 period, since at that time they were not reported separately. From the first quarter of 2009 on, international standards are applied in the statistical monitoring of reinvested earnings, meaning that reinvested earnings are reported on a quarterly basis, i.e. in the period in which the profit is actually earned. Previously, reinvested earnings were reported in the month in which the decision on the distribution of the previous year's profit was adopted, meaning that they were based on the profit earned in the preceding year. On the basis of statistical data on external debt relations, starting from 1997, income from direct investment includes data on interest arising from credit relations between residents and non-residents directly related through ownership. Income from equity portfolio investment is compiled on the basis of the same survey, whereas data on debt portfolio investment income have been compiled since 1999, based on statistics on foreign credit relations, which also encompasses income related to debt securities owned by non-residents. Income from other investments includes the calculation of interest in accordance with the foreign credit relations statistics. The methodology for compiling the statistics on debt investment income was changed in 2007 to include the reporting of income on an accrual basis. This basically means that income from debt investment and interest are reported at the point in time when they accrue and not at the point in time when they mature or when they are paid. As a result, the historical data for the 1999–2006 period have been revised.

Current transfers are reported separately for the government sector and other sectors. The ITRS was used as the main data source on current transfers for both sectors until the end of 2010, when the reporting by transaction types was abolished. As of 2011, transfers of the government sector are recorded on the basis of the data of the Ministry of Finance and the Croatian Pension Insurance Administration in the case of pensions paid out to non-residents. In addition to taxes and excise duties, pensions, gifts and donations, which are included in current transfers of both sectors, the government sector also encompasses data on multilateral cooperation, whereas other sectors include data on workers' remittances. As of 2011, the position of workers' remittances and gifts and donations for other sectors is estimated through a model based on aggregate data of banks on inflows of resident natural persons from abroad and outflows of resident natural persons abroad. Pensions from abroad are estimated on the basis of the available data of the Croatian Pension Insurance Administration. Furthermore, other sector transfers are supplemented by the data from the survey on trade in international services, containing a special part for possible transfers from and to foreign countries. Current transfers of the government sector also include data on exports and imports of goods without a payment obligation, provided by the CBS. In the 1993–1998 period, current transfers of other sectors also encompassed an estimate of unregistered foreign currency remittances, which accounted for 15% of the positive difference between unclassified inflows and outflows of the household sector. From 1993 to the second quarter of 1996, the CNB also assessed a portion of the outflow based on current transfers. From 2002 on, inflows and outflows based on current transfers of other sectors are supplemented by the data of the CNB special statistical research on international transactions related to insurance services.

Foreign direct investments include equity capital, reinvested earnings and debt relations between ownership-related residents and non-residents. Direct investments are investments whereby a foreign owner acquires a minimum of 10% interest in equity capital of a company, regardless of whether a resident invests abroad or a non-resident invests in Croatian residents. The CNB Research on foreign direct investments started in 1997 when companies included in the survey also delivered data on direct investments for the 1993–1996 period. For the same period, no data are available on reinvested earnings and other capital under direct investment position, where all debt relations between related residents and non-residents are classified (excluding the banking sector). Such data actually became available only after the stated research had been launched. Since 1999, data on debt relations within direct investments have been collected on the basis of external debt relations statistics. From 2007 on, the CNB Statistics Department conducts the research on the purchase and sale of the real estate by non-residents on the territory of the Republic of Croatia. Persons obliged to submit reports are the public notaries who learn about these transactions in the course of their business. Data on the purchase and sale of the real estate by Croatian residents abroad are compiled on the basis of the ITRS. These purchase and sale transactions are also a constituent part of direct investments.

Data on equity portfolio investments are collected from the same data source as the data on direct equity investments. Debt portfolio investments include all investments in short-term and long-term debt securities that cannot be classified under direct investments. In the 1997-1998 period, these data were collected through the CNB Research on direct and portfolio investments, and since 1999 data on external debt relations and monetary statistics data for bank investment have been used. Starting from 2002 and 2004, this position has also been compiled for investment funds and pension funds, respectively. Since 2009, these positions have been modified by the statistics on trade in equity and debt securities submitted by the Central Depository and Clearing Company and commercial banks providing securities custody services. Portfolio investments are modified by these data in the parts not fully covered by the existing research. Data for the 2006–2009 period have also been revised. As a result, from 2006 on, the balance of payments includes data on debt securities issued by domestic issuers and traded by non-residents in the domestic market (portfolio investment, debt securities on the liabilities side). Since these are debt securities of domestic issuers traded by non-residents, the balance of this portfolio on a specific day reflects an increase in the external debt, notwithstanding the fact that securities are issued in the domestic market. It should be noted that this approach is already applied in relation to securities issued by our residents abroad and that the amount of debt generated in this manner is reduced by the amount repurchased by residents.

From the first quarter of 2010, the balance of payments includes the transactions arising from the concluded contracts which have features of financial derivatives. Reporting institutions are commercial banks and other financial institutions. In addition, the reporting population has been extended as of the fourth quarter of 2012 to include non-financial institutions which enter into these transactions mainly to hedge against changing market conditions.

Other investment encompasses all other debt investments that have not been mentioned, apart from investment constituting reserve assets. Other investments are classified by instruments, maturity and sectors. Trade credits, in the 1996–2002 period, included the CNB estimates of advance payment and deferred payments, made on the basis of the sample of the largest and large importers and exporters. Data on advance payments have been estimated since 1996, while data on short-term deferred payments (first up to 90 days, then up to 150 days, and today from 8 days to 1 year) have been collected since 1999. In 2003, this research was replaced by a new one, where the selected companies, regardless of their size (stratified sample), are obliged to submit data. Data on deferred payments with the original maturity of more than one year are adopted from the CNB foreign credit relations statistics. Credits granted by residents to non-residents, i.e. foreign loans utilised by residents and granted by non-residents, which cannot be classified into direct investments or trade credits, are classified by the institutional sector and maturity under the corresponding positions of other investment. The CNB foreign credit relations statistics represent the data source for these positions. Currency and deposit position shows residents' claims on foreign countries for foreign cash and deposits with foreign banks, as well as obligations of the Croatian banks for deposits owned by non-residents. Monetary statistics represent a data source for the government sector and banks sector. Data on balance and currency structure of foreign assets and liabilities, contained in monetary statistics, are used to assess transactions from which the exchange rate effect was eliminated. In the 1993-1998 period, data on other sectors' claims under this position were compiled on the basis of the CNB estimate of a portion of net foreign currency inflows of the household sector which is not classified under current transfers. Since 1999, this position has included only the data based on the Bank for International Settlement quarterly data, while data in the fourth quarter of 2001 and in the first two quarters of 2002 also relate to the effect of the EMU countries' currencies changeover to the euro. Data for the fourth quarter of 2008 were modified by estimates of currency and deposit withdrawals from the financial system driven by fears of the effects of the global financial crisis.

The sector classification of the portfolio and other investment involves the sector classification of residents and is fully harmonised with the sector classification of the gross external debt by domestic sectors and the international investment position. As a result, the government sector includes the general government, which up to December 2010 comprised the Republic of Croatia, central government funds (including the State Agency for Deposit Insurance and Bank Rehabilitation, the Agency for Management of the Public Property, the Croatian Waters, the Croatian Roads and, up to 31 December 2007, the Croatian Motorways; from this date on, the Croatian Motorways is shown within the subsector public enterprises under item Other sectors), and local government. From December 2010 on, the government sector includes central government, social security funds and local government. The sector of the central bank includes the Croatian National Bank. The sector of credit institutions comprises credit institutions. Other domestic sectors comprise all financial institutions and intermediaries except credit institutions and the central bank (including the Croatian Bank for Reconstruction and Development), private and public corporations, non-profit institutions and households, including craftsmen.

In the period from 1993 to 1998, the estimate of reserve assets transactions was made by converting the changes in the original currencies into the US dollars by applying the average monthly exchange rate of the currencies contained in the reserves. Since 1999, the changes in reserve assets balance have been calculated on the basis of the CNB accounting data.

From the first quarter of 2013, data on transactions carried out by the International Reserves and Foreign Exchange Liquidity Department of the Croatian National Bank represent the data source for this position.

Table H7 International reserves and banks' foreign currency reserves[a]

end of period, in million EUR

Year	Month	International reserves of the Croatian National Bank							Banks' foreign currency reserves
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign currency			
						Total	Currency and deposits	Bonds and notes	
2004	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
2006	December	8,725.3	0.7	0.2	–	8,724.4	4,526.9	4,197.5	3,315.0
2007	December	9,307.4	0.8	0.2	–	9,306.5	4,533.9	4,772.5	4,388.9
2008	December	9,120.9	0.7	0.2	–	9,120.0	2,001.8	7,118.2	4,644.5
2009	December	10,375.8	331.7	0.2	–	10,043.9	2,641.4	7,402.6	4,293.9
2010	December	10,660.3	356.7	0.2	–	10,303.4	3,274.9	7,028.5	3,828.9
2011	December	11,194.9	360.7	0.2	–	10,834.0	2,730.7	8,103.2	3,463.7
2012	December	11,235.9	352.8	0.2	–	10,882.9	2,245.8	8,637.1	2,895.3
2013	January	11,080.3	346.6	0.2	–	10,733.6	1,994.0	8,739.6	2,330.7
	February	11,133.6	352.7	0.2	–	10,780.7	1,982.0	8,798.8	2,415.3
	March	11,276.6	357.1	0.2	–	10,919.3	1,808.2	9,111.1	2,473.6
	April	12,058.9	351.6	0.2	–	11,707.1	2,687.5	9,019.6	2,290.0
	May	12,049.4	354.3	0.2	–	11,695.0	2,698.6	8,996.4	2,350.1
	June	12,020.6	352.6	0.2	–	11,667.8	2,739.5	8,928.3	2,718.1
	July	11,887.2	347.5	0.2	–	11,539.4	2,829.7	8,709.7	2,691.6
	August	11,841.3	348.1	0.2	–	11,493.0	2,435.4	9,057.6	3,311.7
	September	11,719.5	346.5	0.2	–	11,372.8	2,270.7	9,102.1	3,317.9
	October	11,596.2	343.6	0.2	–	11,252.4	1,978.4	9,274.1	3,156.5
	November	12,867.6	346.6	0.2	–	12,520.8	3,376.6	9,144.3	2,829.6
	December	12,907.5	340.6	0.2	–	12,566.7	3,717.9	8,848.8	2,756.6

[a] International reserves of the Republic of Croatia consist only of the Croatian National Bank's foreign currency reserves.

Table H7 International reserves and banks' foreign currency reserves • Data on the international reserves of the Croatian National Bank are compiled in accordance with the methodology set out in the Balance of Payments Manual (International Monetary Fund, 1993), and include those foreign claims of the Croatian National Bank that can be used to bridge imbalances in international payments. International reserves include special drawing rights, reserve position in the Fund, gold, foreign currency and deposits with foreign banks, as well as bonds and debt instruments.

The foreign currency reserves of banks include foreign currency and deposits of domestic banks with foreign banks. These foreign currency reserves represent an additional source of liquidity for bridging imbalances in international payments.

Table H8 International reserves and foreign currency liquidity • International reserves and foreign currency liquidity are shown in accordance with a Template on international reserves and foreign currency liquidity, drawn up by the IMF. A detailed explanation of the Template is given in "International Reserves and Foreign Currency Liquidity – Guidelines for a Data Template, 2001".

The first part of the Template shows total assets of the Croatian National Bank in convertible foreign currency. Official reserve assets (IA) show those types of assets that are readily available to the CNB at any moment for bridging imbalances in international payments. Official international reserves include: short-term foreign negotiable debt securities, foreign cash, foreign currency sight deposits, foreign currency time deposits which can be withdrawn before maturity, foreign currency time deposits with a remaining maturity of up to 1 year, reserve position with the IMF, special drawing rights, gold, and reverse repos with foreign negotiable debt securities.

The second part of the Template shows fixed predetermined foreign currency net liabilities of the Croatian National Bank and the central government (excluding central government funds) that fall due in the next 12 months. Foreign currency loans, securities and deposits (II1) include future interest payments on banks' foreign currency reserve requirements with the CNB (only interest payments for the next month are included), payments of future maturities of foreign currency CNB bills, future principal and interest payments on loans from the IMF, and future principal and interest payments on the central government's foreign currency debts (excluding central government funds). Aggregate short and long positions in forwards and futures in foreign currencies (II2) include future collections (+) or payments (–) arising from currency swaps between the CNB and domestic banks (temporary sale or purchase of foreign currency). Item Other (II3) includes future payments arising from repo transactions with foreign negotiable debt securities.

The third part of the Template shows predetermined contingent foreign currency net liabilities of the Croatian National Bank and the central government (excluding central government funds), which fall due in the following 12 months. Contingent liabilities in foreign currency (III1) include future principal and interest payments on foreign loans guaranteed by the central government, and banks' foreign currency reserve requirements with the CNB. (The inclusion of reserve requirements in foreign currency is based on the assumption that there will

Table H8 International reserves and foreign currency liquidity

end of period, in million EUR

		2012	2013											
		Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
I Official reserve assets and other f/c assets (approximate market value)														
A Official reserve assets		**11,235.9**	**11,080.3**	**11,133.6**	**11,276.6**	**12,058.9**	**12,049.4**	**12,020.6**	**11,887.2**	**11,841.3**	**11,719.5**	**11,596.2**	**12,867.6**	**12,907.5**
(1) Foreign currency reserves (in convertible f/c)		10,445.8	10,689.3	10,480.7	10,895.9	10,892.2	10,849.0	10,309.5	10,575.8	10,200.3	10,200.5	10,209.1	10,019.9	10,105.8
(a) Securities		8,637.1	8,739.6	8,798.8	9,111.1	9,019.6	8,996.4	8,928.3	8,709.7	9,057.6	9,102.1	9,274.1	9,144.3	8,848.8
o/w: Issuer headquartered in reporting country but located abroad		–	–	–	–	–	–	–	–	–	–	–	–	–
(b) Total currency and deposits with:		1,808.7	1,949.8	1,682.0	1,784.8	1,872.6	1,852.7	1,381.1	1,866.1	1,142.8	1,098.4	935.0	875.7	1,257.0
(i) Other national central banks, BIS and IMF		1,808.1	1,949.3	1,681.4	1,784.4	1,872.1	1,852.0	1,253.6	1,865.7	1,142.3	1,096.9	934.7	651.7	1,076.6
(ii) Banks headquartered in the reporting country		–	–	–	–	–	–	–	–	–	–	–	–	–
o/w: Located abroad		–	–	–	–	–	–	–	–	–	–	–	–	–
(iii) Banks headquartered outside the reporting country		0.6	0.5	0.5	0.4	0.6	0.6	127.5	0.4	0.4	1.5	0.4	223.9	180.3
o/w: Located in the reporting country		–	–	–	–	–	–	–	–	–	–	–	–	–
(2) IMF reserve position		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs		352.8	346.6	352.7	357.1	351.6	354.3	352.6	347.5	348.1	346.5	343.6	346.6	340.6
(4) Gold		–	–	–	–	–	–	–	–	–	–	–	–	–
(5) Other reserve assets		437.1	44.3	300.0	23.4	814.9	845.9	1,358.3	963.6	1,292.7	1,172.3	1,043.3	2,500.9	2,460.9
– Reverse repo		437.1	44.3	300.0	23.4	814.9	845.9	1,358.3	963.6	1,292.7	1,172.3	1,043.3	2,500.9	2,460.9
B Other foreign currency assets (specify)		–	–	–	–	–	–	–	–	–	–	–	–	–
– Time deposits		–	–	–	–	–	–	–	–	–	–	–	–	–
C Total (A+B)		**11,235.9**	**11,080.3**	**11,133.6**	**11,276.6**	**12,058.9**	**12,049.4**	**12,020.6**	**11,887.2**	**11,841.3**	**11,719.5**	**11,596.2**	**12,867.6**	**12,907.5**
II Predetermined short-term net drains on f/c assets (nominal value)														
1 F/c loans, securities, and deposits (total net drains up to one year)		–801.8	–843.8	–918.5	–912.8	–1,477.4	–1,470.6	–1,499.8	–1,390.7	–1,360.2	–1,339.4	–1,370.1	–1,387.3	–1,557.8
(a) Croatian National Bank		–	–	–	–	–	–	–	–	–	–	–	–	–
Up to 1 month	Principal	–	–	–	–	–	–	–	–	–	–	–	–	–
	Interest	–	–	–	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	Principal	–	–	–	–	–	–	–	–	–	–	–	–	–
	Interest	–	–	–	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–	–	–	–	–	–	–	–	–	–	–	–	–
	Interest	–	–	–	–	–	–	–	–	–	–	–	–	–
(b) Central government (excl. central government funds)		–801.8	–843.8	–918.5	–912.8	–1,477.4	–1,470.6	–1,499.8	–1,390.7	–1,360.2	–1,339.4	–1,370.1	–1,387.3	–1,557.8
Up to 1 month	Principal	–170.5	–123.1	–187.0	–181.6	–131.6	–123.9	–262.6	–133.3	–204.2	–171.2	–156.8	–146.0	–172.8
	Interest	–6.5	–1.7	–7.2	–7.7	–6.4	–1.3	–0.1	–2.0	–5.9	–1.9	–6.1	–1.5	–4.2
More than 1 and up to 3 months	Principal	–50.1	–76.6	–85.9	–83.5	–174.8	–145.8	–67.7	–88.5	–68.7	–75.7	–89.7	–117.4	–284.2
	Interest	–22.7	–42.9	–38.6	–15.3	–9.6	–2.0	–14.1	–39.7	–34.4	–17.1	–24.3	–16.0	–24.0
More than 3 months and up to 1 year	Principal	–311.6	–336.5	–362.1	–368.9	–801.5	–827.3	–830.3	–807.6	–773.2	–779.7	–789.0	–736.2	–758.3
	Interest	–240.3	–263.0	–237.7	–255.7	–353.6	–370.3	–325.1	–319.6	–273.7	–293.9	–304.2	–370.1	–314.4
2 Aggregate short and long positions in forwards and futures in f/c vis-a-vis the domestic currency (including the forward leg of currency swaps)		–	–	–	–	–	–	–	–	–	–	–	–	–
(a) Short positions (–)		–	–	–	–	–	–	–	–	–	–	–	–	–
Up to 1 month		–	–	–	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months		–	–	–	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year		–	–	–	–	–	–	–	–	–	–	–	–	–
(b) Long positions (+)		–	–	–	–	–	–	–	–	–	–	–	–	–
Up to 1 month		–	–	–	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months		–	–	–	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year		–	–	–	–	–	–	–	–	–	–	–	–	–
3 Other		–	–	–	–	–	–	–	–	–	–	–	–	–
– Outflows related to repos (–)		–	–	–	–	–	–	–	–	–	–	–	–	–
Up to 1 month	Principal	–	–	–	–	–	–	–	–	–	–	–	–	–
	Interest	–	–	–	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	Principal	–	–	–	–	–	–	–	–	–	–	–	–	–
	Interest	–	–	–	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–	–	–	–	–	–	–	–	–	–	–	–	–
	Interest	–	–	–	–	–	–	–	–	–	–	–	–	–

		2012	2013											
		Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
4 Total predetermined short-term net drains on f/c assets (1+2+3)		**–801.8**	**–843.8**	**–918.5**	**–912.8**	**–1,477.4**	**–1,470.6**	**–1,499.8**	**–1,390.7**	**–1,360.2**	**–1,339.4**	**–1,370.1**	**–1,387.3**	**–1,557.8**
III Contingent short-term net drains on f/c assets (nominal value)														
1 Contingent liabilities in foreign currency		**–1,311.6**	**–1,298.2**	**–1,295.8**	**–1,322.1**	**–1,321.6**	**–1,314.8**	**–1,389.6**	**–1,358.3**	**–1,366.1**	**–1,368.4**	**–1,338.1**	**–1,315.2**	**–1,334.0**
(a) Collateral guarantees on debt falling due within 1 year		–636.4	–631.7	–624.4	–653.9	–662.0	–646.1	–721.3	–697.5	–702.2	–711.8	–680.3	–662.5	–755.4
– Croatian National Bank		–	–	–	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)		–636.4	–631.7	–624.4	–653.9	–662.0	–646.1	–721.3	–697.5	–702.2	–711.8	–680.3	–662.5	–755.4
Up to 1 month		–26.6	–5.5	–28.2	–28.9	–54.9	–85.9	–89.0	–26.9	–24.5	–27.9	–54.7	–77.0	–23.0
More than 1 and up to 3 months		–70.3	–101.6	–117.1	–195.7	–234.6	–140.4	–56.7	–76.8	–113.9	–184.9	–147.6	–84.7	–74.7
More than 3 months and up to 1 year		–539.5	–524.7	–479.1	–429.3	–372.5	–419.8	–575.5	–593.8	–563.8	–498.9	–478.1	–500.8	–657.6
(b) Other contingent liabilities		–675.2	–666.5	–671.4	–668.1	–659.6	–668.7	–668.4	–660.8	–663.9	–656.6	–657.8	–652.7	–578.6
– Croatian National Bank		–675.2	–666.5	–671.4	–668.1	–659.6	–668.7	–668.4	–660.8	–663.9	–656.6	–657.8	–652.7	–578.6
Up to 1 month		–	–	–	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months		–675.2	–666.5	–671.4	–668.1	–659.6	–668.7	–668.4	–660.8	–663.9	–656.6	–657.8	–652.7	–578.6
More than 3 months and up to 1 year		–	–	–	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)		–	–	–	–	–	–	–	–	–	–	–	–	–
2 Foreign currency securities issued with embedded options (puttable bonds)		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
3 Undrawn, unconditional credit lines provided by:		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– BIS (+)		–	–	–	–	–	–	–	–	–	–	–	–	–
– IMF (+)		–	–	–	–	–	–	–	–	–	–	–	–	–
4 Aggregate short and long positions of options in f/c vis-a-vis the domestic currency		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
5 Total contingent short-term net drains on f/c assets (1+2+3+4)		**–1,311.6**	**–1,298.2**	**–1,295.8**	**–1,322.1**	**–1,321.6**	**–1,314.8**	**–1,389.6**	**–1,358.3**	**–1,366.1**	**–1,368.4**	**–1,338.1**	**–1,315.2**	**–1,334.0**
IV Memo items														
(a) Short-term domestic currency debt indexed to the exchange rate		–	–	–	–	–	–	–	–	–	–	–	–	–
o/w: Central government (excl. central government funds)		–	–	–	–	–	–	–	–	–	–	–	–	–
(b) Financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)		–	–	–	–	–	–	–	–	–	–	–	–	–
(c) Pledged assets		–	–	–	–	–	–	–	–	–	–	–	–	–
(d) Securities lent and on repo		–	–	–	–	–	–	–	–	–	–	–	–	–
– Lent or repoed and included in Section I		–	–	–0.8	–	–5.0	–	–	–	–	–1.3	–2.4	–1.0	0.0
– Lent or repoed but not included in Section I		–	–	–	–	–	–	–	–	–	–	–	–	–
– Borrowed or acquired and included in Section I		–	–	–	–	–	–	–	–	–	–	–	–	–
– Borrowed or acquired but not included in Section I		551.3	45.3	277.5	23.7	735.1	795.1	1,282.5	914.6	1,253.5	1,125.8	979.4	2,347.5	2,380.1
(e) Financial derivative assets (net, marked to market)		–	–	–	–	–	–	–	–	–	–	–	–	–
(f) Currency composition of official reserves assets														
– Currencies in SDR basket		11,235.7	11,080.1	11,133.4	11,276.4	12,058.7	12,049.2	12,020.3	11,886.9	11,841.1	11,719.2	11,596.1	12,867.4	12,907.4
– Currencies not in SDR basket		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.1	0.1	0.1
– By individual currencies	USD	2,140.4	1,985.9	2,050.9	2,086.1	2,136.8	2,169.5	2,163.4	2,118.3	2,128.7	2,091.1	2,055.1	2,083.9	2,068.1
	EUR	8,742.1	8,747.3	8,729.5	8,832.8	9,569.9	9,525.1	9,504.0	9,420.7	9,363.9	9,281.3	9,197.1	10,436.7	10,498.4
	Other	353.4	347.1	353.2	357.7	352.2	354.8	353.1	348.1	348.7	347.1	344.0	347.0	341.0

be no changes in ratios or in the base of foreign currency reserve requirements, which comprises foreign currency sources of funds, including ordinary foreign currency accounts, special foreign currency accounts, foreign currency accounts and foreign currency sight deposits, received foreign currency deposits and received foreign currency loans, as well as obligations arising from securities issued in foreign currency (excluding banks' equity securities) and hybrid and subordinated instruments). Undrawn credit lines show potential inflows (+) or outflows (–) which would arise from drawdowns under these credits.

The fourth part of the Template lists memo items. Short-term, domestic currency debt indexed to foreign currency (IV(a)) shows obligations arising from the Act on Converting Households' Foreign Currency Deposits into the Public Debt of the Republic of Croatia, which fall due in the next 12 months. Pledged assets (IV(c)) show time deposits in foreign currency with a maturity over 3 months listed in item IB which are also used as collateral. Repo transactions with securities show the value of collateral that is subject to repo and reverse repo transactions with securities as well as how these transactions are registered in the Template.

Table H9 Midpoint exchange rates of the Croatian National Bank (period average)

Year	Month	EUR/HRK	CHF/HRK	GBP/HRK	USD/HRK
2004		7.495680	4.854986	11.048755	6.031216
2005		7.400047	4.780586	10.821781	5.949959
2006		7.322849	4.656710	10.740292	5.839170
2007		7.336019	4.468302	10.731537	5.365993
2008		7.223178	4.553618	9.101622	4.934417
2009		7.339554	4.861337	8.233112	5.280370
2010		7.286230	5.285859	8.494572	5.500015
2011		7.434204	6.035029	8.566138	5.343508
2012		7.517340	6.237942	9.269634	5.850861
2013		7.573548	6.154290	8.922067	5.705883
2013	January	7.567746	6.166394	9.115161	5.701444
	February	7.582399	6.161676	8.790390	5.664825
	March	7.585782	6.185597	8.819467	5.846774
	April	7.602485	6.234325	8.937617	5.845017
	May	7.568123	6.104171	8.924146	5.828459
	June	7.500346	6.084023	8.801832	5.687173
	July	7.494112	6.061138	8.704896	5.733695
	August	7.521353	6.100104	8.744931	5.647567
	September	7.587204	6.148251	9.005257	5.690963
	October	7.614419	6.185285	8.996090	5.585714
	November	7.627680	6.191761	9.095568	5.651523
	December	7.633202	6.232143	9.129392	5.575408

Table H9 Midpoint exchange rates of the Croatian National Bank (period average) • The annual averages of CNB midpoint exchange rates are calculated based on the midpoint exchange rates effective on the working days in a year, using CNB exchange rate lists whose application dates pertain to the calculation period.

The monthly averages of CNB midpoint exchange rates are calculated based on the midpoint exchange rates effective on the working days in a month, using CNB exchange rate lists whose application dates pertain to the calculation period.

Table H10 Midpoint exchange rates of the Croatian National Bank (end of period)

Year	Month	EUR/HRK	CHF/HRK	GBP/HRK	USD/HRK
2004		7.671234	4.971314	10.824374	5.636883
2005		7.375626	4.744388	10.753209	6.233626
2006		7.345081	4.571248	10.943208	5.578401
2007		7.325131	4.412464	9.963453	4.985456
2008		7.324425	4.911107	7.484595	5.155504
2009		7.306199	4.909420	8.074040	5.089300
2010		7.385173	5.929961	8.608431	5.568252
2011		7.530420	6.194817	8.986181	5.819940
2012		7.545624	6.245343	9.219971	5.726794
2013		7.637643	6.231758	9.143593	5.549000
2013	January	7.581946	6.102661	8.824425	5.594294
	February	7.585661	6.223877	8.771578	5.795890
	March	7.586727	6.234470	8.996475	5.918807
	April	7.600678	6.186958	9.026933	5.811805
	May	7.556230	6.039186	8.821188	5.861177
	June	7.451344	6.035432	8.702808	5.706344
	July	7.490071	6.071718	8.639067	5.645215
	August	7.553891	6.129912	8.838061	5.707942
	September	7.611593	6.210503	9.074384	5.642397
	October	7.619859	6.168927	8.898586	5.538091
	November	7.630815	6.198371	9.157344	5.608007
	December	7.637643	6.231758	9.143593	5.549000

Table H10 Midpoint exchange rates of the Croatian National Bank (end of period) • The table shows CNB midpoint exchange rates applied on the last day of the observed period.

Table H11 Indices of the effective exchange rate of the kuna

indices 2005 = 100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator		Real effective exchange rate of the kuna[b]; deflator
			Consumer price index	Industrial producer price index[a]	Unit labour costs in the total economy
2004	December	101.23	102.11		102.38
2005	December	100.26	99.63		99.78
2006	December	98.76	98.02		93.56
2007	December	97.20	94.18		88.70
2008	December	96.12	92.10		85.20
2009	December	96.36	91.83		85.56
2010	December	100.14	95.58	99.22	89.72
2011	December	101.50	97.54	100.89	90.94
2012	December	102.34	96.05	101.54	95.86
2013	January	102.18	95.06	100.84	
	February	101.94	94.98	100.43	
	March	102.25	95.83	100.87	94.42
	April	102.37	95.57	100.86	
	May	101.78	95.12	101.04	
	June	100.71	94.41	101.65	94.40
	July	100.58	94.42	101.33	
	August	100.81	94.67	101.56	
	September	101.70	95.44	101.86	93.50
	October	101.92	95.95	102.16	
	November	101.98	96.01	102.62	
	December	101.66	96.18	102.14	96.64[c]

[a] The index of industrial producer price on the non-domestic market for Croatia is available from January 2010. As a result, the real effective exchange rate is calculated on the 2010 basis. [b] The values shown are quaterly data. [c] Preliminary data.

Table H11 Indices of the effective exchange rate of the kuna • The index of the nominal effective exchange rate of the kuna is a weighted geometric average of the index of bilateral nominal exchange rates of the kuna against the selected currencies of the main trading partners. The currencies of the main trading partners and their weights are determined based on the structure of imports and exports of manufactured goods, where the weights used reflect direct import competition, direct export competition and export competition in third markets (see Box 2 in CNB Bulletin No. 165, 2011). The group of countries included in the formation of the index of the effective exchange rate of the kuna comprises the following 16 partner countries: a) eight eurozone countries: Austria (a 6.9% weight), Belgium (2.8%), France (6.4%), Germany (22.5%), Italy (21.4%), the Netherlands (3.2%), Slovenia (6.5%) and Spain (2.6%); b) five EU countries outside the eurozone: the Czech Republic (2.8%), Hungary (2.6%), Poland (2.8%), Sweden (1.9%) and the United Kingdom (3.9%); and c) three non-EU countries: the United States (7.6%), Japan (4.0%) and Switzerland (2.2%). The reference period for the calculation of the weights is the average for the 2007-2009 period. The time series of basic indices were recalculated on the basis of 2005.

The index of the nominal effective exchange rate is an aggregate indicator of the average value of the domestic currency against a basket of currencies. An increase in the index of the nominal effective exchange rate of the kuna in a certain period indicates that the kuna has depreciated against the basket of currencies and vice versa. The index of the real effective exchange rate is a weighted geometric average of the index of bilateral exchange rates of the kuna adjusted for the corresponding indices of relative prices or costs (the ratio of price indices or costs in partner countries to domestic prices). Industrial producer price indices, consumer price indices and the harmonised consumer price indices for EU member states and unit labour cost indices in the total economy are used as deflators. The time series for the index of industrial producer prices on the non-domestic market for Croatia is available from January 2010. The time series for consumer prices in Croatia is constructed in the following manner: retail price indices are used for the period until and including December 1997 and consumer price indices for the period as of January 1998. Unit labour costs in Croatia are calculated as the ratio of compensation per employee at current prices to labour productivity at constant prices (for more details on the calculation of unit labour costs, see Box 1 in CNB Bulletin No. 141, 2008). Data on the real effective exchange rate for the last month are preliminary. The historical data may be corrected for the subsequent changes in the data on deflators used in the calculation of the index of the real effective exchange rate of the kuna.

Table H12 Gross external debt by domestic sectors

in million EUR

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 General government	8,573.4	8,424.0	8,606.4	8,765.1	9,475.0	9,529.9	9,432.2	9,203.6	9,369.3	9,218.7	9,090.4	10,377.1	10,487.4
Short-term	**118.9**	**168.6**	**170.2**	**170.6**	**166.7**	**141.8**	**140.8**	**134.5**	**120.4**	**100.7**	**113.1**	**75.4**	**270.4**
Debt securities	117.2	166.9	168.5	168.8	165.0	139.9	138.8	133.7	119.6	99.9	112.3	74.6	69.6
Credits	0.9	0.9	0.9	0.9	0.9	1.2	1.2	0.0	0.0	0.0	0.0	0.0	200.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Principal arrears	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Interest arrears	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**8,454.5**	**8,255.4**	**8,436.2**	**8,594.5**	**9,308.3**	**9,388.1**	**9,291.5**	**9,069.2**	**9,248.9**	**9,118.0**	**8,977.4**	**10,301.7**	**10,217.0**
Debt securities	6,247.1	6,052.6	6,224.8	6,180.5	6,934.4	7,028.3	6,950.7	6,733.0	6,913.9	6,808.7	6,682.5	7,993.2	7,908.0
Credits	2,207.5	2,202.8	2,211.5	2,414.1	2,373.9	2,359.8	2,340.8	2,336.1	2,335.1	2,309.3	2,294.9	2,308.6	2,309.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	75.7	73.6	46.7	79.0	83.5
Short-term	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**5.0**	**75.7**	**73.6**	**46.7**	**79.0**	**83.5**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	75.7	73.6	46.7	79.0	83.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 Credit institutions	9,389.7	9,080.5	9,196.8	9,165.2	9,401.6	9,473.6	9,713.3	9,527.8	9,049.0	8,934.9	8,705.0	8,740.6	8,726.7
Short-term	**1,997.4**	**2,111.6**	**2,129.5**	**2,156.6**	**2,456.6**	**2,643.5**	**2,824.8**	**2,787.0**	**2,275.6**	**2,303.1**	**2,159.3**	**2,151.8**	**2,302.3**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	515.8	575.1	490.3	495.8	550.8	640.5	639.9	663.2	593.2	548.4	477.6	514.3	556.3
Currency and deposits	1,470.0	1,525.3	1,627.6	1,648.8	1,894.1	1,991.1	2,172.9	2,112.5	1,671.0	1,743.4	1,670.9	1,626.5	1,735.1
Other debt liabilities	11.6	11.3	11.6	12.0	11.6	11.9	12.1	11.2	11.5	11.3	10.8	11.0	10.9
Principal arrears	7.1	7.0	7.2	7.5	7.2	7.4	7.6	6.9	7.2	7.0	6.7	6.8	6.7
Interest arrears	4.5	4.2	4.4	4.5	4.4	4.5	4.4	4.3	4.3	4.3	4.2	4.2	4.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**7,392.4**	**6,968.9**	**7,067.3**	**7,008.6**	**6,945.0**	**6,830.1**	**6,888.5**	**6,740.9**	**6,773.4**	**6,631.8**	**6,545.7**	**6,588.8**	**6,424.4**
Debt securities	8.9	5.5	3.4	2.5	3.0	6.3	6.5	7.6	8.0	4.3	4.1	4.1	3.8
Credits	3,452.9	3,209.9	3,283.4	3,278.9	3,243.4	3,129.9	3,168.1	3,109.2	3,111.9	3,029.2	2,937.2	2,953.2	2,869.5
Currency and deposits	3,930.5	3,753.5	3,780.6	3,727.2	3,698.5	3,693.9	3,714.0	3,624.1	3,653.5	3,598.3	3,604.4	3,631.5	3,551.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Other sectors	19,647.2	19,457.3	19,618.6	19,446.9	19,191.0	19,219.0	19,067.8	18,978.6	19,129.2	19,120.3	18,940.7	18,906.7	18,693.4
Short-term	**1,965.3**	**1,928.1**	**1,979.4**	**2,048.5**	**2,002.1**	**1,971.4**	**2,036.9**	**1,991.9**	**1,941.4**	**1,917.4**	**1,882.7**	**1,896.9**	**2,006.6**
Debt securities	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Credits	498.6	520.0	529.5	585.4	519.6	482.7	533.2	534.0	512.1	476.6	461.7	466.4	376.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	178.1	156.6	174.7	162.6	158.7	166.7	136.8	107.1	95.6	95.8	92.8	93.6	115.2
Other debt liabilities	1,288.5	1,251.4	1,275.1	1,300.4	1,323.6	1,321.9	1,366.8	1,350.7	1,333.5	1,345.1	1,328.1	1,336.9	1,514.9
Principal arrears	1,098.4	1,065.7	1,086.7	1,105.6	1,139.0	1,138.0	1,174.3	1,153.6	1,137.0	1,143.6	1,129.1	1,138.6	1,300.1
Interest arrears	190.1	185.8	188.3	194.8	184.6	183.9	192.5	197.2	196.5	201.5	199.0	198.3	214.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**17,681.9**	**17,529.2**	**17,639.2**	**17,398.4**	**17,188.9**	**17,247.6**	**17,030.9**	**16,986.7**	**17,187.8**	**17,202.9**	**17,058.0**	**17,009.8**	**16,686.8**
Debt securities	2,299.6	2,286.7	2,320.4	2,334.5	2,321.5	2,336.5	2,304.0	2,233.1	2,411.1	2,332.8	2,325.9	2,324.9	2,290.5
Credits	15,269.4	15,153.0	15,215.5	14,965.3	14,768.8	14,838.2	14,652.6	14,665.6	14,691.8	14,785.3	14,647.3	14,600.1	14,306.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	113.0	89.5	103.3	98.6	98.6	72.9	74.3	88.0	84.8	84.8	84.8	84.8	89.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5 Direct investment	7,250.3	7,316.4	7,313.2	7,577.2	7,717.2	7,798.7	7,742.5	7,693.8	7,676.4	7,609.9	7,590.1	7,550.5	7,640.4
Short-term	**863.4**	**777.5**	**780.3**	**801.5**	**650.2**	**685.0**	**676.3**	**621.3**	**625.0**	**620.4**	**615.7**	**615.3**	**567.9**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	575.4	545.3	531.5	550.5	372.0	407.4	326.2	275.8	261.1	256.7	252.0	250.6	198.3
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	288.1	232.2	248.7	251.0	278.2	277.5	350.1	345.5	363.9	363.8	363.7	364.7	369.6
Principal arrears	235.7	179.5	191.3	194.0	212.2	211.3	278.8	273.9	289.8	290.0	289.8	290.1	298.2
Interest arrears	52.4	52.7	57.4	57.0	66.0	66.2	71.3	71.6	74.1	73.7	73.9	74.6	71.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**6,386.8**	**6,538.9**	**6,532.9**	**6,775.7**	**7,067.0**	**7,113.7**	**7,066.2**	**7,072.5**	**7,051.4**	**6,989.5**	**6,974.4**	**6,935.2**	**7,072.5**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	6,378.2	6,530.3	6,524.4	6,767.2	7,058.6	7,105.2	7,057.6	7,064.0	7,043.0	6,981.2	6,966.1	6,926.9	7,064.2
Trade credits	8.7	8.6	8.6	8.5	8.5	8.5	8.6	8.5	8.4	8.3	8.3	8.3	8.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	44,860.7	44,278.2	44,734.9	44,954.5	45,784.8	46,021.1	45,955.8	45,408.8	45,299.5	44,957.5	44,372.9	45,653.9	45,631.4

Table H12 Gross external debt by domestic sectors • Gross external debt is defined as the external debt liabilities of residents on the basis of debt securities issued in the foreign markets (at nominal value), credits (repo agreements included) regardless of their contractual maturity, deposits of non-residents, and trade credits granted by non-residents with contractual maturity of more than 180 days (90 days up to 11 July 2001 and 150 days up to 31 December 2002) and, from December 2005 on, non-resident investment in debt securities issued in the domestic market. External debt is shown by domestic sectors, i.e. by debtor sectors. Item Government shows the external debt of the general government, which up to December 2010 comprised the Republic of Croatia, central government funds (including the State Agency for Deposit Insurance and Bank Rehabilitation, the Agency for Management of the Public Property, the Croatian Waters, the Croatian Roads and, up to 31 December 2007, the Croatian Motorways; from this date on, the Croatian Motorways is shown within the subsector public non-financial corporations under item Other sectors), and local government. From December 2010 on, item General government includes central government, social security funds and local government. Item Croatian National Bank shows the debt of the central bank. Item credit institutions shows the debt of credit institutions. Item Other sectors shows the debt of all financial institutions and intermediaries except credit institutions and the central bank (including the Croatian Bank for Reconstruction and Development), private and public non-financial corporations, non-profit institutions serving households, including employers and self-employed persons. Item Direct investment shows borrower – lender transactions of other sectors that are interrelated by ownership. Each sector data are further shown by contractual (short-term or long-term) maturity and by debt instrument. From the beginning of 2004, instruments included in item Currency and deposits (3 Credit institutions) are reported in accordance with their maturity. Data for the previous periods are reported only on a long-term basis. Outstanding gross external debt includes future principal payments, accrued interest and principal and interest arrears. Outstanding debt data are shown at the CNB's midpoint exchange rate at the end of the period. Data are considered preliminary until after publication of the final BOP data for the reporting quarter.

Table H13 Public sector gross external debt, and publicly guaranteed and non-publicly guaranteed private sector gross external debt • TThe gross external debt position presented in this table highlights the role of the public sector. Public sector includes the general government (which up to December 2010 comprised the Republic of Croatia, central government funds and local government and which from December 2010 on includes central government, social security funds and local government), the central bank, public non-financial corporations, financial corporations and the CBRD. Publicly guaranteed private sector gross external debt is defined as the external debt liabilities of business entities not covered by the definition of the public sector, the servicing of which is guaranteed by a business entity from the public sector. Non-publicly guaranteed private sector gross external debt is defined as the external debt liabilities of business entities not covered by the definition of the public sector, the servicing of which is not guaranteed by the public sector. Items are valued in the same manner as in Table H12.

Table H13 Public sector gross external debt, and publicly guaranteed and non-publicly guaranteed private sector gross external debt

in million EUR

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Public sector	14,773.8	14,472.5	14,749.5	15,020.3	15,450.1	15,491.4	15,304.2	15,082.8	15,430.0	15,314.2	15,056.2	16,329.2	16,323.2
Short-term	**159.0**	**210.3**	**212.8**	**263.4**	**274.7**	**213.5**	**172.6**	**204.2**	**219.2**	**174.4**	**159.9**	**154.4**	**353.9**
Debt securities	117.2	166.9	168.5	168.8	165.0	139.9	138.8	133.7	119.6	99.9	112.3	74.6	69.6
Credits	0.9	0.9	0.9	53.0	71.9	33.1	32.9	64.6	23.1	0.0	0.0	0.0	200.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	75.7	73.6	46.7	79.0	83.5
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	40.9	42.5	43.4	41.5	37.8	40.5	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Principal arrears	38.3	39.9	40.8	39.0	35.7	38.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Interest arrears	2.6	2.6	2.6	2.6	2.1	2.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**14,612.0**	**14,259.4**	**14,534.0**	**14,754.2**	**15,172.7**	**15,275.2**	**15,128.8**	**14,875.9**	**15,208.0**	**15,137.1**	**14,893.6**	**16,172.1**	**15,966.5**
Debt securities	7,253.5	7,056.2	7,248.6	7,211.0	7,958.8	8,054.2	7,962.7	7,691.0	8,021.6	7,839.8	7,709.8	9,004.7	8,914.9
Credits	7,261.1	7,152.6	7,234.7	7,497.2	7,167.8	7,175.0	7,119.7	7,131.6	7,133.1	7,244.0	7,130.5	7,114.1	6,998.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	97.4	50.6	50.7	46.0	46.0	46.0	46.4	53.3	53.3	53.3	53.3	53.3	53.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	**2.8**	**2.8**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**
2 Publicly guaranteed private sector	2.9	38.0	34.2	34.4	34.5	2.9	28.6	28.2	23.4	23.0	22.6	22.9	22.6
Short-term	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**25.7**	**25.3**	**23.4**	**23.0**	**22.6**	**22.9**	**22.6**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	25.7	25.3	23.4	23.0	22.6	22.9	22.6
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	25.7	25.3	23.4	23.0	22.6	22.9	22.6
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**2.9**	**38.0**	**34.2**	**34.4**	**34.5**	**2.9**	**2.9**	**2.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	35.1	31.3	31.4	31.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
3 Non-publicly guaranteed private sector	30,083.9	29,767.7	29,951.2	29,899.8	30,300.2	30,526.8	30,623.0	30,297.7	29,846.1	29,620.3	29,294.1	29,301.9	29,285.5
Short-term	**3,922.6**	**3,998.0**	**4,066.3**	**4,112.3**	**4,350.6**	**4,543.2**	**4,804.2**	**4,688.9**	**4,170.4**	**4,197.4**	**4,019.4**	**4,025.8**	**4,286.2**
Debt securities	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Credits	1,014.3	1,095.0	1,019.8	1,029.2	999.4	1,091.2	1,141.3	1,132.6	1,082.3	1,024.9	939.3	980.7	932.7
Currency and deposits	1,470.0	1,525.3	1,627.6	1,648.7	1,894.1	1,991.1	2,172.9	2,112.5	1,671.0	1,743.4	1,670.9	1,626.5	1,735.1
Trade credits	178.1	156.6	174.7	162.6	158.7	166.7	136.8	107.1	95.6	95.8	92.8	93.6	115.2
Other debt liabilities	1,260.0	1,221.0	1,244.1	1,271.6	1,298.3	1,294.1	1,353.1	1,336.6	1,321.4	1,333.2	1,316.3	1,324.9	1,503.1
Principal arrears	1,067.9	1,033.5	1,053.9	1,074.8	1,111.3	1,107.7	1,156.3	1,135.2	1,120.7	1,127.5	1,113.2	1,122.5	1,284.1
Interest arrears	192.1	187.5	190.2	196.8	187.0	186.3	196.8	201.4	200.7	205.7	203.1	202.5	218.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**18,913.8**	**18,456.1**	**18,574.5**	**18,213.0**	**18,235.1**	**18,187.6**	**18,079.1**	**17,917.8**	**18,002.1**	**17,815.7**	**17,687.4**	**17,728.3**	**17,361.8**
Debt securities	1,302.0	1,288.5	1,299.9	1,306.5	1,300.0	1,316.9	1,298.4	1,282.7	1,311.4	1,306.1	1,302.7	1,317.5	1,287.5
Credits	13,668.7	13,378.0	13,444.4	13,129.7	13,186.9	13,152.9	13,041.7	12,979.3	13,005.7	12,879.8	12,748.8	12,747.8	12,486.7
Currency and deposits	3,930.5	3,753.5	3,780.5	3,727.2	3,698.5	3,693.9	3,713.9	3,624.1	3,653.5	3,598.3	3,604.4	3,631.5	3,551.1
Trade credits	12.6	36.1	49.6	49.6	49.6	23.9	25.0	31.8	31.5	31.5	31.5	31.5	36.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	**7,247.5**	**7,313.6**	**7,310.4**	**7,574.4**	**7,714.5**	**7,795.9**	**7,739.8**	**7,691.0**	**7,673.6**	**7,607.2**	**7,587.3**	**7,547.8**	**7,637.6**
Total (1+2+3)	**44,860.7**	**44,278.2**	**44,734.9**	**44,954.5**	**45,784.8**	**46,021.1**	**45,955.8**	**45,408.8**	**45,299.5**	**44,957.5**	**44,372.9**	**45,653.9**	**45,631.4**

Table H14 Gross external debt by domestic sectors and projected future payments

in million EUR

	Gross external debt 31/12/2013	Immediate	Projected future principal payments												
			Q1/2014		Q2/2014	Q3/2014	Q4/2014	2014	2015	2016	2017	2018	2019	2020	Other
			Total[s]	o/w: Accrued interest[a]											
1 General government	10,487.4	0.8	457.6	159.9	605.3	46.8	110.3	1,220.0	1,208.2	414.2	1,266.7	487.7	1,144.5	964.5	3,780.9
Short-term	**270.4**	**0.8**	**212.9**	**0.7**	**11.3**	**5.1**	**40.2**	**269.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities	69.6	0.0	12.9	0.7	11.3	5.1	40.2	69.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	200.0	0.0	200.0	0.0	0.0	0.0	0.0	200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**10,217.0**	**0.0**	**244.7**	**159.2**	**594.0**	**41.6**	**70.1**	**950.4**	**1,208.2**	**414.2**	**1,266.7**	**487.7**	**1,144.5**	**964.5**	**3,780.9**
Debt securities	7,908.0	0.0	200.6	141.8	472.9	0.4	4.1	678.0	854.0	9.2	1,092.4	388.8	1,055.3	884.5	2,945.9
Credits	2,309.0	0.0	44.1	17.4	121.0	41.3	66.1	272.4	354.2	405.0	174.3	98.9	89.3	80.1	834.9
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Croatian National Bank	83.5	0.0	83.5	0.0	0.0	0.0	0.0	83.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	**83.5**	**0.0**	**83.5**	**0.0**	**0.0**	**0.0**	**0.0**	**83.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	83.5	0.0	83.5	0.0	0.0	0.0	0.0	83.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 Credit institutions	8,726.7	10.9	1,874.7	45.8	1,153.8	697.5	697.5	4,423.5	998.9	691.2	1,110.8	1,107.0	72.1	72.1	240.3
Short-term	**2,302.3**	**10.9**	**1,524.6**	**12.2**	**452.5**	**157.1**	**157.2**	**2,291.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	556.3	0.0	406.3	5.5	110.0	20.0	20.0	556.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1,735.1	0.0	1,118.3	6.7	342.5	137.1	137.2	1,735.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	10.9	10.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	6.7	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	4.2	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**6,424.4**	**0.0**	**350.1**	**33.6**	**701.3**	**540.3**	**540.3**	**2,132.1**	**998.9**	**691.2**	**1,110.8**	**1,107.0**	**72.1**	**72.1**	**240.3**
Debt securities	3.8	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0	3.8	0.0	0.0	0.0	0.0
Credits	2,869.5	0.0	36.9	7.5	153.8	265.6	265.6	721.8	486.0	465.8	501.4	501.4	34.0	34.0	125.3
Currency and deposits	3,551.1	0.0	313.2	26.0	547.5	274.8	274.8	1,410.3	513.0	225.5	605.6	605.6	38.1	38.1	115.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Other sectors	18,693.4	1,514.9	1,454.8	383.1	874.8	856.1	1,547.4	4,733.1	1,869.8	2,138.4	2,087.7	1,014.2	986.1	1,603.7	2,745.4
Short-term	**2,006.6**	**1,514.9**	**144.9**	**5.0**	**152.1**	**155.4**	**39.4**	**491.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	376.4	0.0	144.9	5.0	152.0	40.1	39.4	376.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	115.2	0.0	0.0	0.0	0.0	115.2	0.0	115.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1,514.9	1,514.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	1,300.1	1,300.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	214.8	214.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Gross external debt 31/12/2013	Immediate	Projected future principal payments												
			Q1/2014		Q2/2014	Q3/2014	Q4/2014	2014	2015	2016	2017	2018	2019	2020	Other
			Total[a]	o/w: Accrued interest[a]											
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**16,686.8**	**0.0**	**1,309.9**	**378.1**	**722.8**	**700.7**	**1,508.1**	**4,241.5**	**1,869.8**	**2,138.4**	**2,087.7**	**1,014.2**	**986.1**	**1,603.7**	**2,745.4**
Debt securities	2,290.5	0.0	45.5	42.5	0.6	22.6	0.6	69.4	24.9	493.3	843.3	0.1	262.7	593.8	3.0
Credits	14,306.6	0.0	1,236.6	335.2	710.5	677.3	1,467.5	4,092.0	1,837.4	1,644.5	1,243.8	1,013.4	723.3	1,009.9	2,742.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	89.7	0.0	27.8	0.3	11.6	0.8	39.9	80.1	7.5	0.7	0.7	0.7	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5 Direct investment	7,640.4	369.6	805.6	332.7	717.2	564.6	903.2	2,990.7	955.7	772.9	525.1	429.3	228.9	267.3	1,100.8
Short-term	**567.9**	**369.6**	**70.0**	**3.6**	**21.7**	**72.1**	**34.4**	**198.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	198.3	0.0	70.0	3.6	21.7	72.1	34.4	198.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	369.6	369.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	298.2	298.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	71.4	71.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	**7,072.5**	**0.0**	**735.6**	**329.1**	**695.5**	**492.5**	**868.8**	**2,792.4**	**955.7**	**772.9**	**525.1**	**429.3**	**228.9**	**267.3**	**1,100.8**
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	7,064.2	0.0	735.3	328.9	695.4	492.4	868.0	2,791.1	955.6	772.8	519.2	429.2	228.8	267.2	1,100.4
Trade credits	8.2	0.0	0.3	0.2	0.1	0.1	0.8	1.3	0.1	0.1	5.9	0.1	0.1	0.2	0.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	**45,631.4**	**1,896.1**	**4,676.3**	**921.5**	**3,351.1**	**2,164.9**	**3,258.5**	**13,450.8**	**5,032.6**	**4,016.8**	**4,990.2**	**3,038.2**	**2,431.6**	**2,907.6**	**7,867.4**
Supplement: Projected interest payments			116.1		281.3	268.9	350.4	1,016.6	1,123.4	975.4	794.2	665.5	539.4	477.2	1,369.0

[a] Projected payments of accrued interest, which are an integral part of the gross external debt, increase the projected principal payments in the first quarter period and, consequently, decrease the interest payments estimated for the same period.

Table H14 Gross external debt by domestic sectors and projected future payments • The table shows outstanding gross external debt, projected principal payments and estimated interest payments according to the CNB's midpoint exchange rate at the end of the period. The structure of sectors, original maturity and instruments shown in this table follows the structure presented in Table 12. Future interest payments of credit institutions are estimated on the basis of the available monetary statistics data on the schedule of interest payments. Future interest payments of other sectors are estimated on the basis of the submitted schedule of payments and the benchmark interest rate applicable on the reporting date. Projected payments of accrued interest, which are an integral part of the gross external debt, increase the projected principal payments in the first quarter period and, consequently, decrease the interest payments estimated for the same period.

Table H15 Gross external debt by other sectors

in million EUR

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Other sectors	**19,647.2**	**19,457.3**	**19,618.6**	**19,446.9**	**19,191.0**	**19,219.0**	**19,067.8**	**18,978.6**	**19,129.2**	**19,120.3**	**18,940.7**	**18,906.7**	**18,693.4**
Short-term	1,965.3	1,928.1	1,979.4	2,048.5	2,002.1	1,971.4	2,036.9	1,991.9	1,941.4	1,917.4	1,882.7	1,896.9	2,006.6
Debt securities	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Credits	498.6	520.0	529.5	585.4	519.6	482.7	533.2	534.0	512.1	476.6	461.7	466.4	376.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	178.1	156.6	174.7	162.6	158.7	166.7	136.8	107.1	95.6	95.8	92.8	93.6	115.2
Other debt liabilities	1,288.5	1,251.4	1,275.1	1,300.4	1,323.6	1,321.9	1,366.8	1,350.7	1,333.5	1,345.1	1,328.1	1,336.9	1,514.9
Principal arrears	1,098.4	1,065.7	1,086.7	1,105.6	1,139.0	1,138.0	1,174.3	1,153.6	1,137.0	1,143.6	1,129.1	1,138.6	1,300.1
Interest arrears	190.1	185.8	188.3	194.8	184.6	183.9	192.5	197.2	196.5	201.5	199.0	198.3	214.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	17,681.9	17,529.2	17,639.2	17,398.4	17,188.9	17,247.6	17,030.9	16,986.7	17,187.8	17,202.9	17,058.0	17,009.8	16,686.8
Debt securities	2,299.6	2,286.7	2,320.4	2,334.5	2,321.5	2,336.5	2,304.0	2,233.1	2,411.1	2,332.8	2,325.9	2,324.9	2,290.5
Credits	15,269.4	15,153.0	15,215.5	14,965.3	14,768.8	14,838.2	14,652.6	14,665.6	14,691.8	14,785.3	14,647.3	14,600.1	14,306.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	113.0	89.5	103.3	98.6	98.6	72.9	74.3	88.0	84.8	84.8	84.8	84.8	89.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1 Financial institutions (excl. credit institutions and central banks)	**3,784.6**	**3,683.5**	**3,691.7**	**3,508.7**	**3,452.7**	**3,541.9**	**3,531.7**	**3,497.8**	**3,626.4**	**3,588.2**	**3,542.6**	**3,502.3**	**3,444.1**
Short-term	305.3	290.6	302.6	298.5	329.9	330.0	359.5	349.4	349.7	331.8	310.0	308.4	306.7
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	274.5	259.7	271.6	267.6	292.0	299.3	328.8	318.1	319.6	301.5	279.7	278.1	275.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	30.9	30.9	31.0	30.9	37.9	30.6	30.7	31.2	30.2	30.3	30.3	30.4	31.2
Principal arrears	26.6	26.5	26.6	26.6	33.6	26.5	26.6	26.9	26.1	26.1	26.1	26.1	26.5
Interest arrears	4.3	4.4	4.4	4.3	4.3	4.1	4.2	4.3	4.1	4.2	4.2	4.3	4.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,479.3	3,392.9	3,389.1	3,210.2	3,122.8	3,211.9	3,172.2	3,148.4	3,276.7	3,256.4	3,232.7	3,193.8	3,137.4
Debt securities	321.5	324.1	325.6	323.3	325.0	326.2	316.6	282.6	427.7	356.7	357.5	359.7	360.1
Credits	3,157.7	3,068.8	3,063.5	2,886.9	2,797.8	2,885.8	2,855.5	2,865.8	2,849.0	2,899.7	2,875.2	2,834.2	2,777.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Public non-financial corporations	**4,784.2**	**4,606.4**	**4,701.3**	**4,841.4**	**4,591.8**	**4,487.3**	**4,413.3**	**4,436.0**	**4,422.8**	**4,478.8**	**4,373.7**	**4,355.6**	**4,236.0**
Short-term	40.1	41.7	42.6	92.8	88.0	51.6	11.8	45.7	23.1	0.1	0.1	0.1	0.1
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	52.1	51.0	11.9	11.8	45.6	23.1	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	40.1	41.7	42.6	40.8	37.0	39.7	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Principal arrears	37.6	39.2	40.1	38.2	35.0	37.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	2.5	2.5	2.5	2.5	2.0	2.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	4,744.1	4,564.7	4,658.7	4,748.6	4,503.8	4,435.7	4,401.5	4,390.2	4,399.7	4,478.7	4,373.7	4,355.5	4,235.9
Debt securities	685.0	679.5	698.3	707.1	699.5	699.8	695.4	675.3	680.1	674.3	669.8	651.8	646.7
Credits	3,961.7	3,834.6	3,909.7	3,995.4	3,758.3	3,689.8	3,659.7	3,661.6	3,666.3	3,751.1	3,650.5	3,650.4	3,536.0
Trade credits	97.4	50.6	50.7	46.0	46.0	46.0	46.4	53.3	53.3	53.3	53.3	53.3	53.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3 Private non-financial corporations	**10,862.4**	**10,953.5**	**11,010.1**	**10,882.0**	**10,932.3**	**10,977.5**	**10,912.1**	**10,836.1**	**10,871.5**	**10,844.1**	**10,820.3**	**10,845.4**	**10,819.6**
Short-term	1,614.4	1,590.4	1,628.8	1,651.8	1,578.8	1,584.4	1,660.6	1,592.3	1,564.5	1,581.4	1,568.5	1,584.3	1,695.6
Debt securities	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Credits	218.7	254.9	252.5	260.4	171.2	166.1	187.7	165.7	165.5	170.9	177.9	184.2	96.7
Trade credits	178.1	156.6	174.7	162.6	158.7	166.7	136.8	107.1	95.6	95.8	92.8	93.6	115.2
Other debt liabilities	1,217.5	1,178.8	1,201.5	1,228.8	1,248.7	1,251.6	1,336.0	1,319.4	1,303.2	1,314.7	1,297.7	1,306.5	1,483.7
Principal arrears	1,034.3	1,000.0	1,020.1	1,040.8	1,070.5	1,073.8	1,147.8	1,126.7	1,110.9	1,117.4	1,103.0	1,112.5	1,273.6
Interest arrears	183.3	178.9	181.4	188.0	178.3	177.8	188.2	192.7	192.4	197.3	194.7	194.0	210.1

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	9,247.9	9,363.0	9,381.3	9,230.1	9,353.5	9,393.0	9,251.5	9,243.8	9,307.1	9,262.7	9,251.8	9,261.1	9,124.0
Debt securities	1,293.1	1,283.0	1,296.5	1,304.1	1,297.0	1,310.6	1,291.9	1,275.1	1,303.3	1,301.8	1,298.6	1,313.4	1,283.6
Credits	7,939.3	8,041.0	8,032.2	7,873.5	8,003.9	8,055.6	7,931.6	7,934.0	7,972.2	7,929.4	7,921.7	7,916.2	7,803.9
Trade credits	15.5	39.0	52.5	52.6	52.6	26.8	27.9	34.7	31.5	31.5	31.5	31.5	36.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.4 Non-profit institutions serving households	**9.4**	**9.5**	**10.7**	**10.7**	**11.0**	**11.4**	**11.5**	**12.3**	**12.4**	**12.6**	**12.7**	**12.9**	**5.3**
1.5 Households (employers and self-employed persons)	**10.6**	**10.5**	**10.5**	**10.4**	**10.3**	**10.3**	**9.9**	**9.7**	**9.5**	**9.4**	**9.4**	**9.2**	**9.0**
1.6 Households (other)	**196.0**	**193.9**	**194.3**	**193.8**	**193.0**	**190.7**	**189.2**	**186.8**	**186.5**	**187.3**	**181.9**	**181.4**	**179.4**

Table H15 Gross external debt by other sectors • Gross external debt of other sectors shows the external debt of all financial institutions and intermediaries except credit institutions and the central bank (including the Croatian Bank for Reconstruction and Development), public non-financial corporations (which from January 2008 on include the Croatian Motorways), private non-financial corporations, non-profit institutions serving households and households, including employers and self-employed persons. Each sector data are further shown by contractual (short-term or long-term) maturity and by debt instrument.

Table H16 International investment position – summary[a,b]
in million EUR

	2009	2010	2011	2012	2013[c]	2013			
						Q1	Q2	Q3	Q4[c]
1 International investment position (net)	–39,337.9	–42,028.0	–40,147.7	–38,963.6	–38,007.5	–39,930.0	–40,197.9	–37,713.6	–38,007.5
2 Assets	24,408.1	23,448.8	23,408.1	23,404.6	24,378.7	23,097.9	24,197.4	24,240.8	24,378.7
2.1 Direct investment abroad	4,557.8	3,297.7	3,522.2	3,376.9	3,162.3	3,460.8	3,564.6	3,442.5	3,162.3
2.2 Portfolio investment	3,198.4	3,659.1	2,988.1	3,353.2	3,427.1	3,352.7	3,117.4	3,639.1	3,427.1
2.2.1 Equity securities	784.1	1,351.9	1,307.2	1,489.2	1,673.4	1,615.0	1,518.5	1,568.3	1,673.4
2.2.2 Debt securities	2,414.3	2,307.2	1,680.9	1,864.1	1,753.7	1,737.7	1,598.9	2,070.7	1,753.7
Bonds	1,685.6	1,431.0	1,074.3	1,365.7	1,185.1	1,315.0	1,254.5	1,279.8	1,185.1
Money market instruments	728.7	876.2	606.6	498.3	568.6	422.7	344.4	790.9	568.6
2.3 Financial derivatives	24.1	14.2	204.5	145.7	16.7	248.6	222.8	16.4	16.7
2.4 Other investment	6,252.0	5,817.6	5,498.5	5,292.8	4,865.2	4,759.2	5,049.9	5,423.4	4,865.2
2.4.1 Trade credits	123.6	80.5	85.7	142.0	80.8	131.1	132.7	88.7	80.8
2.4.2 Loans	384.5	430.8	420.8	531.3	626.1	486.2	560.8	605.7	626.1
2.4.3 Currency and deposits	5,742.0	5,304.5	4,989.5	4,616.4	4,126.0	4,138.7	4,353.0	4,723.4	4,126.0
2.4.4 Other assets	1.8	1.8	2.4	3.1	32.2	3.2	3.4	5.6	32.2
2.5 Reserve assets (CNB)	10,375.8	10,660.2	11,194.8	11,235.9	12,907.4	11,276.6	12,242.7	11,719.4	12,907.4
3 Liabilities	63,746.0	65,476.8	63,555.8	62,368.2	62,386.2	63,027.9	64,395.3	61,954.4	62,386.2
3.1 Direct investment in Croatia	25,613.2	26,240.4	23,861.1	24,067.9	23,554.2	24,946.2	24,823.2	23,894.7	23,554.2
3.2 Portfolio investment	6,479.1	7,118.3	7,208.3	9,134.6	10,751.1	9,200.1	10,057.3	9,719.3	10,751.1
3.2.1 Equity securities	657.6	738.0	595.7	461.7	479.2	513.6	483.4	473.5	479.2
3.2.2 Debt securities	5,821.5	6,380.3	6,612.6	8,672.9	10,271.9	8,686.5	9,573.9	9,245.8	10,271.9
Bonds	5,651.2	5,911.9	6,454.5	8,555.6	10,202.3	8,517.5	9,432.3	9,145.9	10,202.3
Money market instruments	170.3	468.3	158.1	117.3	69.6	169.0	141.5	99.9	69.6
3.3 Financial derivatives	52.1	194.6	151.3	228.2	361.8	190.8	169.2	238.7	361.8
3.4 Other investment	31,601.6	31,923.6	32,335.2	28,937.5	27,719.1	28,690.8	29,345.7	28,101.7	27,719.1
3.4.1 Trade credits	344.4	370.2	217.0	314.2	230.1	284.9	238.7	206.2	230.1
3.4.2 Loans	24,929.1	25,093.7	24,757.2	23,222.2	22,119.0	23,029.2	23,110.4	22,479.8	22,119.0
3.4.3 Currency and deposits	6,328.1	6,459.7	7,361.0	5,401.0	5,370.0	5,376.6	5,996.6	5,415.8	5,370.0
3.4.4 Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

[a] The CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from December 1998 onwards). Moreover, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. [b] Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m). Accordingly, they impact the stock of direct investment in Croatia and direct investment abroad from these months onwards. [c] Preliminary data.

Table H16 International investment position • This table is made in accordance with the recommendations of the IMF (Balance of Payments Manual, Fifth Edition, 1993). Data sources include: reports from banks, enterprises, the Croatian National Bank, and the Zagreb Stock Exchange (ZSE).

Data on international investments of the Republic of Croatia and international investments into the Republic of Croatia are recorded in euros (EUR) and US dollars (USD). Depending on the sources of data available, the conversion of values from the original currencies into the reporting currencies is performed:

- by applying the current rate of exchange or the average monthly midpoint exchange rate of the Croatian National Bank to transactions;
- by applying the midpoint exchange rate of the Croatian National Bank on the reporting date to balances.

Data on foreign direct and portfolio equity investment are compiled on the basis of market prices, whenever available. Market prices on the last day of the reporting period taken from the Zagreb Stock Exchange are used in the part related to investment in the Republic of Croatia, while in the part related to investment abroad, the reporting units participating in the research on direct and portfolio equity investments are obliged to state the value at market prices of their equity investment abroad. When this is not possible, the book value of total equity held by direct or portfolio investors is used, regardless of whether investments are made in the Republic of Croatia or abroad (the own funds at book value method).

Portfolio debt investment and other investment are classified according to the following institutional sectors: the Croatian National Bank, government, banks and other sectors. The government sector comprises the central government and funds and local government authorities. The banking sector comprises banks.

Item Portfolio debt investment – Assets and liabilities comprises data on investments of residents into debt securities issued by non-residents (assets) and investments of non-residents into debt securities issued by residents (liabilities). The source of data is the register of foreign credit relations kept by the Croatian National Bank and monetary statistics data.

Data on portfolio equity and debt investment are modified by the data submitted by the Central Depository and Clearing Company and commercial banks providing securities custody services, particularly in the part Assets of other sectors.

From the first quarter of 2010, the balance of payments includes the balance of positions of the concluded contracts which have features of financial derivatives. Reporting institutions are commercial banks and other financial institutions. In addition, the reporting population has been extended as of the fourth quarter of 2012 to include non-financial institutions which enter into these transactions mainly to hedge against changing market conditions.

Item Other investment – Trade credits – Assets and liabilities comprises foreign claims and foreign liabilities of the said sectors arising from trade credits. The source of data is the register of foreign credit relations kept by the Croatian National Bank.

Item Other investment – Loans – Assets and liabilities comprises data on loans granted and received between residents and non-residents classified according to institutional sectors. The source of data is the register of foreign credit relations kept by the Croatian National Bank.

Item Other investment – Currency and deposits – Assets shows the total liquid foreign currency assets of banks authorised to do business abroad reduced by the amount of foreign currency deposited by banks with the CNB in fulfilment of a part of their reserve requirements. In addition to banks' foreign claims, foreign claims of the government sector are also shown. The sources of data are reports from the government and banks. The Bank for International Settlement quarterly data are used for other sectors.

Item Other investment – Currency and deposits – Liabilities shows the total foreign currency and kuna liabilities of the said sectors abroad arising from current accounts, time and notice deposits, sight deposits and demand deposits. The sources of data for this item are reports from banks.

The sector classification of the portfolio and other investment involves the sector classification of residents and is fully harmonised with the sector classification of the gross external debt by domestic sectors and the balance of payments. As a result, the government sector includes the general government, which up to December 2010 comprised the Republic of Croatia, central government funds (including the State Agency for Deposit Insurance and Bank Rehabilitation, the Agency for Management of the Public Property, the Croatian Waters, the Croatian Roads and, up to 31 December 2007, the Croatian Motorways; from this date on, the Croatian Motorways is shown within the subsector public enterprises under item Other sectors), and local government. From December 2010 on, the government sector includes central government, social security funds and local government. The sector of the central bank includes the Croatian National Bank. The sector of credit institutions comprises credit institutions. Other domestic sectors comprise all financial institutions and intermediaries except credit institutions and the central bank (including the Croatian Bank for Reconstruction and Development), private and public corporations, non-profit institutions and households, including craftsmen.

Item International reserves of the CNB is compiled on the basis of the CNB Accounting Department reports which contain data on their balances and changes.

Table H17 International investment position – direct investment[a]

in million EUR

	2009	2010	2011	2012	2013[b]	2013			
						Q1	Q2	Q3	Q4[b]
Direct investment (net)	–21,055.4	–22,942.7	–20,338.9	–20,691.0	–20,391.9	–21,485.5	–21,258.5	–20,452.2	–20,391.9
1 Abroad	**4,557.8**	**3,297.7**	**3,522.2**	**3,376.9**	**3,162.3**	**3,460.8**	**3,564.6**	**3,442.5**	**3,162.3**
1.1 Equity capital and reinvested earnings	4,464.6	3,056.6	3,056.2	2,969.3	2,783.8	3,084.6	3,176.1	3,069.0	2,783.8
1.1.1 Claims	4,464.6	3,056.6	3,056.2	2,969.3	2,783.8	3,084.6	3,176.1	3,069.0	2,783.8
1.1.2 Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Other capital	93.2	241.1	466.0	407.6	378.5	376.2	388.5	373.4	378.5
1.1.1 Claims	217.0	608.7	641.5	572.1	521.8	543.6	561.4	538.6	521.8
1.2.2 Liabilities	123.8	367.6	175.5	164.5	143.4	167.4	172.8	165.2	143.4
1.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 In Croatia	**25,613.2**	**26,240.4**	**23,861.1**	**24,067.9**	**23,554.2**	**24,946.2**	**24,823.2**	**23,894.7**	**23,554.2**
2.1 Equity capital and reinvested earnings	17,943.7	18,453.5	17,134.5	17,037.1	16,126.4	17,586.4	17,168.3	16,505.1	16,126.4
2.1.1 Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Liabilities	17,943.7	18,453.5	17,134.5	17,037.1	16,126.4	17,586.4	17,168.3	16,505.1	16,126.4
2.2 Other capital	7,669.5	7,786.9	6,726.6	7,030.8	7,427.8	7,359.8	7,654.9	7,389.6	7,427.8
2.2.1 Claims	52.9	68.3	50.7	55.0	69.3	50.0	57.8	55.2	69.3
2.2.2 Liabilities	7,722.4	7,855.2	6,777.3	7,085.8	7,497.0	7,409.8	7,712.7	7,444.8	7,497.0
2.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

[a] Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m). Accordingly, they impact the stock of direct investment in Croatia and direct investment abroad from these months onwards. [b] Preliminary data.

Table H18 International investment position – portfolio investment[a]

in million EUR

	2009	2010	2011	2012	2013[b]	2013			
						Q1	Q2	Q3	Q4[b]
Portfolio investment (net)	–3,280.7	–3,459.2	–4,220.1	–5,781.4	–7,324.0	–5,847.3	–6,939.9	–6,080.2	–7,324.0
1 Assets	**3,198.4**	**3,659.1**	**2,988.1**	**3,353.2**	**3,427.1**	**3,352.7**	**3,117.4**	**3,639.1**	**3,427.1**
1.1 Equity securities	784.1	1,351.9	1,307.2	1,489.2	1,673.4	1,615.0	1,518.5	1,568.3	1,673.4
1.1.1 Credit institutions	11.8	9.2	13.7	10.6	19.2	11.8	18.6	17.9	19.2
1.1.2 Other sectors	772.2	1,342.6	1,293.5	1,478.6	1,654.2	1,603.2	1,499.9	1,550.5	1,654.2
1.2 Debt securities	2,414.3	2,307.2	1,680.9	1,864.1	1,753.7	1,737.7	1,598.9	2,070.7	1,753.7
2 Liabilities	**6,479.1**	**7,118.3**	**7,208.3**	**9,134.6**	**10,751.1**	**9,200.1**	**10,057.3**	**9,719.3**	**10,751.1**
2.1 Equity securities	657.6	738.0	595.7	461.7	479.2	513.6	483.4	473.5	479.2
2.1.1 Credit institutions	62.4	56.8	44.6	34.3	26.5	37.9	37.3	29.1	26.5
2.1.2 Other sectors	595.2	681.2	551.0	427.4	452.7	475.7	446.1	444.4	452.7
2.2 Debt securities	5,821.5	6,380.3	6,612.6	8,672.9	10,271.9	8,686.5	9,573.9	9,245.8	10,271.9
2.2.1 Bonds	5,651.2	5,911.9	6,454.5	8,555.6	10,202.3	8,517.5	9,432.3	9,145.9	10,202.3
2.2.1.1 General government	3,976.4	4,321.4	5,069.8	6,247.1	7,908.0	6,180.5	7,079.1	6,808.7	7,908.0
2.2.1.2 Credit institutions	9.0	8.9	1.9	8.9	3.8	2.5	6.6	4.3	3.8
2.2.1.3 Other sectors	1,665.8	1,581.6	1,382.8	2,299.6	2,290.5	2,334.5	2,346.6	2,332.8	2,290.5
2.2.2 Money market instruments	170.3	468.3	158.1	117.3	69.6	169.0	141.5	99.9	69.6
2.2.2.1 General government	170.3	468.3	157.9	117.2	69.6	168.8	141.4	99.9	69.6
2.2.2.2 Other sectors	0.0	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.0

[a] The CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from December 1998 onwards). Moreover, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. [b] Preliminary data.

Table H19 International investment position – other investment[a]

in million EUR

	2009	2010	2011	2012	2013[b]	2013			
						Q1	Q2	Q3	Q4[b]
Other investment (net)	–25,349.6	–26,106.0	–26,836.7	–23,644.6	–22,853.9	–23,931.6	–24,295.8	–22,678.3	–22,853.9
1 Assets	**6,252.0**	**5,817.6**	**5,498.5**	**5,292.8**	**4,865.2**	**4,759.2**	**5,049.9**	**5,423.4**	**4,865.2**
1.1 Trade credits	123.6	80.5	85.7	142.0	80.8	131.1	132.7	88.7	80.8
1.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2 Other sectors	123.6	80.5	85.7	142.0	80.8	131.1	132.7	88.7	80.8
Long-term	96.3	61.4	58.3	57.6	53.2	55.9	55.9	53.9	53.2
Short-term	27.3	19.2	27.4	84.3	27.6	75.2	76.8	34.8	27.6
1.2 Loans	384.5	430.8	420.8	531.3	626.1	486.2	560.8	605.7	626.1
1.2.1 Croatian National Bank	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.3 Credit institutions	270.1	291.8	276.2	355.8	369.0	258.7	315.8	368.1	369.0
Long-term	233.7	257.2	266.6	238.9	299.5	239.8	289.5	310.4	299.5
Short-term	36.5	34.6	9.6	117.0	69.5	19.0	26.3	57.7	69.5
1.2.4 Other sectors	113.8	139.0	144.6	175.5	257.1	227.5	244.9	237.6	257.1
Long-term	113.6	101.3	140.0	154.5	237.9	210.9	225.9	223.6	237.9
Short-term	0.2	37.7	4.6	21.0	19.2	16.6	19.0	14.1	19.2
1.3 Currency and deposits	5,742.0	5,304.5	4,989.5	4,616.4	4,126.0	4,138.7	4,353.0	4,723.4	4,126.0
1.3.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2 Credit institutions	4,442.9	4,058.2	3,559.7	3,108.4	2,888.7	2,652.5	2,990.4	3,461.0	2,888.7
1.3.3 Other sectors	1,299.1	1,246.3	1,429.8	1,508.0	1,237.3	1,486.2	1,362.6	1,262.4	1,237.3
1.4 Other assets	1.8	1.8	2.4	3.1	32.2	3.2	3.4	5.6	32.2
2 Liabilities	**31,601.6**	**31,923.6**	**32,335.2**	**28,937.5**	**27,719.1**	**28,690.8**	**29,345.7**	**28,101.7**	**27,719.1**
2.1 Trade credits	344.4	370.2	217.0	314.2	230.1	284.9	238.7	206.2	230.1
2.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	344.4	370.2	217.0	314.2	230.1	284.9	238.7	206.2	230.1
Long-term	316.2	339.3	182.8	136.1	114.9	122.4	99.4	110.4	114.9
Short-term	28.2	30.9	34.2	178.1	115.2	162.6	139.3	95.8	115.2
2.2 Loans	24,929.1	25,093.7	24,757.2	23,222.2	22,119.0	23,029.2	23,110.4	22,479.8	22,119.0
2.2.1 Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 General government	1,648.5	1,832.1	1,962.2	2,209.2	2,509.8	2,415.8	2,386.0	2,310.1	2,509.8
Long-term	1,648.5	1,832.1	1,962.2	2,208.3	2,309.8	2,414.9	2,384.8	2,310.1	2,309.8
Short-term	0.0	0.0	0.0	0.9	200.0	0.9	1.2	0.0	200.0
2.2.3 Credit institutions	4,352.8	4,300.1	4,264.9	3,979.7	3,436.4	3,786.1	3,889.7	3,588.4	3,436.4
Long-term	3,545.3	3,352.3	3,738.9	3,463.0	2,879.1	3,289.3	3,237.0	3,039.0	2,879.1
Short-term	807.5	947.8	526.0	516.8	557.3	496.8	652.7	549.4	557.3
2.2.4 Other sectors	18,927.8	18,961.5	18,530.0	17,033.3	16,172.8	16,827.3	16,834.7	16,581.3	16,172.8
Long-term	18,189.1	18,352.9	18,015.6	16,421.9	15,699.1	16,146.5	16,194.9	16,010.5	15,699.1
Short-term	738.7	608.6	514.5	611.4	473.7	680.8	639.8	570.8	473.7
2.3 Currency and deposits	6,328.1	6,459.7	7,361.0	5,401.0	5,370.0	5,376.6	5,996.6	5,415.8	5,370.0
2.3.1 Croatian National Bank	1.1	1.2	0.1	0.0	83.5	0.0	0.0	73.6	83.5
2.3.2 Credit institutions	6,327.0	6,458.5	7,361.0	5,401.0	5,286.5	5,376.6	5,996.6	5,342.2	5,286.5
2.3.3 Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4 Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

[a] The CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from December 1998 onwards). Moreover, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. [b] Preliminary data.

I Government finance – selected data

Table I1 Consolidated central government according to the government level[a]

in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 REVENUE (A+B)	9,276.5	8,297.2	8,445.8	8,947.7	9,702.6	8,583.4	9,779.5	9,822.1	8,935.0	9,691.7	10,032.4	9,244.4	10,569.2
A) Budgetary central government	**8,941.4**	**7,991.0**	**8,240.1**	**8,722.6**	**9,365.1**	**8,354.4**	**9,497.7**	**9,459.0**	**8,637.7**	**9,467.9**	**9,624.4**	**8,935.7**	**10,286.0**
B) Extrabudgetary users	**335.1**	**306.2**	**205.7**	**225.1**	**337.6**	**229.0**	**281.8**	**363.1**	**297.2**	**223.8**	**408.0**	**308.7**	**283.2**
1 Croatian Pension Insurance Administration	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Croatian Institute for Health Insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 Croatian Employment Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Croatian Waters	182.8	100.7	105.4	148.2	145.6	128.0	159.7	156.0	150.3	118.9	170.1	148.5	183.7
5 Fund for Environmental Protection and Energy Efficiency	111.7	78.6	88.8	64.6	55.3	83.8	93.2	70.1	128.9	68.5	93.9	138.2	75.1
6 Croatian Motorways Ltd.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 Croatian Roads Ltd.	10.9	3.4	2.6	4.3	4.2	4.6	3.9	3.2	2.4	3.5	3.6	4.3	11.4
8 State Agency for Deposit Insurance and Bank Rehabilitation	22.3	118.0	4.9	2.6	127.9	7.0	18.3	128.1	10.6	26.3	135.3	11.3	6.8
9 Centre for Restructuring and Sale[b]	7.4	5.5	4.0	5.3	4.5	5.5	6.6	5.7	5.1	6.6	5.1	6.4	6.2
2 EXPENSE (A+B)	11,272.0	10,674.9	9,068.1	11,354.3	9,908.4	10,609.6	12,504.5	10,391.7	9,441.0	10,462.5	10,499.0	9,965.9	11,530.2
A) Budgetary central government	**10,796.9**	**10,510.4**	**8,851.6**	**11,099.9**	**9,661.8**	**10,209.8**	**12,098.3**	**9,976.2**	**9,113.0**	**9,769.6**	**9,831.3**	**9,635.6**	**11,064.8**
B) Extrabudgetary users	**475.2**	**164.5**	**216.6**	**254.4**	**246.6**	**399.8**	**406.2**	**415.5**	**327.9**	**693.0**	**667.7**	**330.3**	**465.4**
1 Croatian Pension Insurance Administration	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Croatian Institute for Health Insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 Croatian Employment Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Croatian Waters	211.9	24.6	44.2	85.7	100.6	146.0	246.0	124.2	124.5	150.2	200.9	135.8	130.0
5 Fund for Environmental Protection and Energy Efficiency	133.7	35.7	53.4	61.8	40.6	80.2	73.7	74.0	63.5	107.4	87.3	80.3	124.9
6 Croatian Motorways Ltd.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 Croatian Roads Ltd.	117.5	93.0	107.6	94.6	94.0	161.9	67.3	175.1	128.1	101.6	163.4	97.8	193.7
8 State Agency for Deposit Insurance and Bank Rehabilitation	1.7	0.9	2.6	2.4	1.2	0.6	1.7	0.6	0.7	316.9	209.4	0.6	0.6
9 Centre for Restructuring and Sale[b]	10.4	10.3	8.8	9.9	10.2	11.0	17.5	41.6	11.1	16.8	6.7	15.8	16.2
NET/GROSS OPERATING BALANCE (1–2)	**–1,995.5**	**–2,377.7**	**–622.3**	**–2,406.6**	**–205.8**	**–2,026.2**	**–2,725.0**	**–569.6**	**–506.0**	**–770.8**	**–466.5**	**–721.5**	**–961.0**
3 CHANGE IN NET WORTH: TRANSACTIONS (3.1+3.2-3.3)	–1,995.5	–2,377.7	–622.3	–2,406.6	–205.8	–2,026.2	–2,725.0	–569.6	–506.0	–770.8	–466.5	–721.5	–961.0
3.1 CHANGE IN NET ACQUISITION OF NON-FINANCIAL ASSETS	**928.2**	**317.1**	**160.4**	**303.4**	**240.5**	**201.6**	**408.4**	**247.9**	**229.1**	**253.6**	**517.6**	**291.2**	**482.8**
Acquisition	961.8	340.3	182.8	339.0	262.7	221.6	429.1	280.0	246.8	276.9	537.8	312.6	512.4
A) Budgetary central government	251.5	66.8	66.9	138.8	78.9	104.7	74.4	81.9	64.8	81.5	332.5	140.5	332.3
B) Extrabudgetary users	710.3	273.5	115.9	200.2	183.8	116.8	354.7	198.1	182.0	195.4	205.2	172.1	180.1
Disposals	33.7	23.2	22.4	35.7	22.2	20.0	20.7	32.1	17.6	23.3	20.1	21.4	29.6
A) Budgetary central government	30.8	22.2	21.4	24.7	20.4	19.9	19.4	23.6	17.3	22.1	19.3	20.9	28.2
B) Extrabudgetary users	2.9	0.9	1.0	11.0	1.8	0.1	1.3	8.4	0.4	1.1	0.8	0.5	1.4
NET LENDING/BORROWING (1–2–3.1)	**–2,923.7**	**–2,694.9**	**–782.7**	**–2,710.0**	**–446.3**	**–2,227.8**	**–3,133.4**	**–817.5**	**–735.1**	**–1,024.4**	**–984.2**	**–1,012.7**	**–1,443.8**
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING) (3.3–3.2)	**2,923.7**	**2,694.9**	**782.7**	**2,710.0**	**446.3**	**2,227.8**	**3,133.4**	**817.5**	**735.1**	**1,024.4**	**984.2**	**1,012.7**	**1,443.8**
3.2 CHANGE IN NET ACQUISITION OF FINANCIAL ASSETS	**–2,928.2**	**–194.9**	**432.0**	**–823.0**	**7,750.5**	**–1,904.4**	**–1,399.1**	**2,863.2**	**–1,396.7**	**–1,128.1**	**–29.8**	**9,242.9**	**733.5**
3.2.1 Domestic	–2,933.4	–194.9	432.0	–824.0	7,750.5	–1,904.4	–1,399.1	2,863.2	–1,397.0	–1,128.1	–29.8	9,039.0	733.5
A) Budgetary central government	–3,128.2	–167.1	216.6	–677.9	7,508.8	–1,628.3	–1,256.0	2,522.5	–1,459.6	–647.1	–157.4	9,028.9	509.2
B) Extrabudgetary users	194.8	–27.8	215.4	–146.1	241.7	–276.1	–143.2	340.8	62.6	–481.1	127.6	10.1	224.4
3.2.2 Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	204.0	0.0
A) Budgetary central government	5.2	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	204.0	0.0
B) Extrabudgetary users	5.2	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2.3 Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3 CHANGE IN NET INCURRENCE OF LIABILITIES	**–4.5**	**2,499.9**	**1,214.7**	**1,887.0**	**8,196.8**	**323.4**	**1,734.3**	**3,680.7**	**–661.6**	**–103.7**	**954.4**	**10,255.7**	**2,177.2**
3.3.1 Domestic	224.0	2,514.7	1,197.3	316.3	–517.8	422.3	1,867.5	3,723.0	–715.6	–99.8	1,029.8	241.3	606.8
A) Budgetary central government	–721.0	2,606.7	954.6	406.1	–732.1	540.1	1,674.8	3,303.9	–830.6	55.7	708.0	185.5	32.1

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
B) Extrabudgetary users	945.1	–92.0	242.7	–89.8	214.3	–117.8	192.7	419.1	115.0	–155.5	321.8	55.8	574.6
3.3.2 Foreign	–228.5	–14.8	17.5	1,570.7	8,714.5	–98.9	–133.3	–42.3	54.0	–3.9	–75.4	10,014.4	1,570.5
A) Budgetary central government	–194.4	–12.1	17.8	1,507.3	8,726.9	–95.7	–96.4	–39.7	54.3	9.1	–138.8	10,021.4	1,580.8
B) Extrabudgetary users	–34.1	–2.6	–0.3	63.4	–12.4	–3.2	–36.8	–2.6	–0.3	–13.0	63.4	–7.0	–10.4

[a] CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. [b] The Croatian Privatisation Fund (CPF) ceased to operate on 31 March 2011. The Agency for Management of the Public Property (AUDIO) operated from 1 April 2011 to 30 July 2013 and was composed of the CPF and the Central State Administrative Office for State Property Management (the former budget user). From 30 July 2013 onwards, the State Property Management Administration and the newly established Centre for Restructuring and Sale carry out the operations of the AUDIO.
Note: On a cash basis.
The Notes on Methodology can be found in the Ministry of Finance Monthly Statistical Review.
Source: MoF.

Table I2 Budgetary central government operations[a]

in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 REVENUE	8,941.9	7,991.0	8,240.1	8,722.6	9,365.1	8,354.4	9,497.7	9,459.0	8,637.9	9,467.9	9,624.4	8,935.7	10,289.1
1.1 Taxes	4,928.0	4,620.6	4,718.4	4,877.2	5,898.3	4,832.1	5,696.1	5,267.6	4,951.7	5,776.6	5,766.7	4,897.4	5,742.3
1.2 Social contributions	3,167.2	2,932.8	2,974.8	3,030.7	3,005.3	3,014.3	3,190.5	3,236.0	3,150.0	3,146.7	3,176.5	3,089.0	3,202.6
1.3 Grants	241.9	31.9	23.1	62.4	69.0	106.8	211.8	285.7	126.8	168.0	184.2	235.8	232.5
1.4 Other revenue	604.8	405.7	523.9	752.4	392.6	401.3	399.3	669.6	409.4	376.6	497.1	713.5	1,111.7
2 EXPENSE	10,906.5	10,678.7	8,946.8	11,198.8	9,774.1	10,335.8	12,266.6	10,129.1	9,273.3	9,948.9	10,037.8	9,775.5	11,140.5
2.1 Compensation of employees	2,563.1	2,563.1	2,571.7	2,573.5	2,542.1	2,535.3	2,560.9	2,552.2	2,482.0	2,527.0	2,523.3	2,472.7	2,558.0
2.2 Use of goods and services	1,092.4	464.2	459.8	657.6	642.2	626.1	585.0	774.2	437.6	464.4	560.6	489.1	1,376.6
2.3 Consumption of fixed capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4 Interest	751.7	1,272.0	348.4	1,194.6	699.9	630.6	339.2	1,173.0	723.1	1,272.3	606.1	563.1	436.9
2.5 Subsidies	543.5	446.1	298.1	1,364.6	354.3	1,009.4	279.8	324.6	207.3	245.7	280.0	258.3	469.6
2.6 Grants	507.9	606.8	286.5	387.0	352.6	402.8	409.2	382.4	888.3	674.5	773.1	671.3	677.4
2.7 Social benefits	4,800.1	4,833.4	4,689.2	4,658.9	4,816.7	4,582.3	7,673.7	4,323.1	4,222.5	4,303.2	4,898.4	4,929.6	5,012.2
2.8 Other expense	647.8	493.0	293.1	362.5	366.2	549.3	418.8	599.8	312.5	461.9	396.3	391.3	609.8
3 CHANGE IN NET WORTH: TRANSACTIONS	–1,964.7	–2,687.7	–706.7	–2,476.2	–409.0	–1,981.4	–2,768.9	–670.1	–635.4	–481.0	–413.3	–839.7	–851.4
3.1 Change in net acquisition of non-financial assets	220.7	44.6	45.5	114.1	58.4	84.9	55.0	58.2	47.5	59.4	313.2	119.6	304.1
3.1.1 Fixed assets	205.3	39.6	41.9	116.1	56.1	82.2	49.5	55.2	46.9	52.7	140.8	67.0	288.5
3.1.2 Inventories	10.1	–0.1	0.0	–0.4	0.9	0.0	0.1	0.3	0.0	5.2	168.6	49.4	1.3
3.1.3 Valuables	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.3
3.1.4 Non-produced assets	5.0	5.0	3.6	–1.7	1.3	2.6	5.3	2.7	–0.3	1.5	3.9	3.2	13.9
3.2 Change in net acquisition of financial assets	–3,100.9	–137.6	220.2	–676.9	7,527.4	–1,621.8	–1,245.5	2,535.9	–1,459.3	–475.6	–157.4	9,247.6	457.4
3.2.1 Domestic	–3,106.1	–137.6	220.2	–677.9	7,527.4	–1,621.8	–1,245.5	2,535.9	–1,459.6	–475.6	–157.4	9,043.6	457.5
3.2.2 Foreign	5.2	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	204.0	0.0
3.2.3 Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3 Change in net incurrence of liabilities	–915.5	2,594.6	972.4	1,913.4	7,994.8	444.4	1,578.4	3,264.2	–776.3	64.8	569.2	10,206.9	1,613.0
3.3.1 Domestic	–721.0	2,606.7	954.6	406.1	–732.1	540.1	1,674.8	3,303.9	–830.6	55.7	708.0	185.5	32.1
3.3.2 Foreign	–194.4	–12.1	17.8	1,507.3	8,726.9	–95.7	–96.4	–39.7	54.3	9.1	–138.8	10,021.4	1,580.8

[a] CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards.
Note: On a cash basis.
The Notes on Methodology can be found in the Ministry of Finance Monthly Statistical Review.
Source: MoF.

Table I3 General government debt

end of period, in million HRK

	2012	2013											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Domestic debt of general government	119,967.3	122,835.3	124,317.6	125,600.0	129,338.8	127,362.1	128,541.6	133,360.4	132,793.1	133,911.7	134,943.0	136,475.8	139,810.0
1.1 Domestic debt of central government	116,200.2	119,062.4	120,511.4	121,796.1	125,551.3	123,685.2	124,936.7	129,883.5	129,318.4	130,484.4	131,220.6	132,128.2	135,285.9
Securities other than shares, short-term	18,259.6	20,197.2	21,146.1	21,558.6	23,266.5	22,100.0	21,491.7	20,238.2	19,746.0	20,224.8	20,946.6	21,505.2	22,838.9
Securities other than shares, long-term	63,118.4	63,445.9	63,538.5	64,469.6	66,690.7	66,301.5	66,130.4	71,512.4	70,558.0	70,969.2	71,097.8	71,376.2	71,821.7
Loans	34,822.2	35,419.2	35,826.8	35,767.9	35,594.1	35,283.8	37,314.5	38,132.9	39,014.4	39,290.3	39,176.2	39,246.8	40,625.3
1.2 Domestic debt of social security funds	1.6	1.8	1.6	1.9	1.9	1.8	1.4	1.3	1.4	1.2	1.1	1.1	0.9
Securities other than shares, short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares, long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	1.6	1.8	1.6	1.9	1.9	1.8	1.4	1.3	1.4	1.2	1.1	1.1	0.9
1.3 Domestic debt of local government	3,765.6	3,771.2	3,804.6	3,801.9	3,785.5	3,675.1	3,603.5	3,475.6	3,473.3	3,426.2	3,721.4	4,346.6	4,523.2
Securities other than shares, short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares, long-term	209.1	201.2	201.2	201.3	198.4	197.5	195.6	157.8	158.7	159.5	151.4	151.6	151.7
Loans	3,556.5	3,570.0	3,603.4	3,600.6	3,587.2	3,477.5	3,408.0	3,317.8	3,314.6	3,266.7	3,570.0	4,195.0	4,371.5
2 External debt of general government	63,708.6	63,731.0	64,036.8	64,842.0	71,286.3	70,837.7	69,169.1	68,418.1	69,941.6	69,913.5	69,719.6	79,402.4	80,385.9
2.1 External debt of central government	63,195.9	63,231.7	63,537.6	64,343.4	70,786.9	70,341.5	68,680.5	67,942.5	69,462.1	69,431.0	69,236.6	78,918.7	79,902.5
Securities other than shares, short-term	895.1	1,281.5	1,292.0	1,293.6	1,265.7	1,066.3	1,044.5	1,008.9	909.6	765.6	860.9	575.2	539.8
Securities other than shares, long-term	45,121.8	44,901.8	45,146.5	44,409.8	51,032.4	51,026.0	49,856.6	49,124.8	50,665.4	50,806.8	50,615.0	60,464.2	60,016.0
Loans	17,179.1	17,048.4	17,099.1	18,640.1	18,488.7	18,249.1	17,779.4	17,808.8	17,887.1	17,858.6	17,760.6	17,879.3	19,346.6
2.2 External debt of social security funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares, short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares, long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3 External debt of local government	512.7	499.3	499.1	498.5	499.4	496.1	488.6	475.6	479.5	482.5	483.0	483.7	483.4
Securities other than shares, short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares, long-term	132.5	132.5	132.5	132.5	132.8	132.0	130.2	130.2	131.3	132.3	132.4	132.6	132.7
Loans	380.2	366.8	366.6	366.0	366.7	364.1	358.4	345.4	348.2	350.2	350.6	351.1	350.6
3 Total (1+2)	183,676.0	186,566.3	188,354.3	190,441.9	200,625.1	198,199.7	197,710.7	201,778.6	202,734.7	203,825.2	204,662.6	215,878.2	220,195.9
Supplement: Central government guarantees													
Domestic debt	21,136.7	21,239.1	21,244.8	21,293.5	21,509.9	22,187.8	21,180.6	21,185.3	21,388.5	22,008.1	22,221.1	21,387.4	20,500.5
o/w: Guarantees to CBRD	5,610.6	5,615.6	5,620.3	5,775.8	6,032.8	5,722.3	5,315.1	4,989.8	4,761.7	5,249.5	5,477.3	4,589.6	4,309.7
o/w: Guarantees for CBRD loans	823.6	828.0	839.0	844.7	866.3	852.5	847.6	864.7	870.8	876.8	883.9	877.6	825.1
External debt	33,197.3	33,302.5	33,395.0	33,245.9	32,946.4	33,172.8	32,483.0	32,562.7	33,965.6	34,039.7	33,955.0	33,478.8	33,197.4
o/w: Guarantees to CBRD	10,677.3	10,925.0	10,928.6	10,717.7	10,505.6	11,131.2	10,860.6	10,764.5	11,792.3	11,737.0	11,766.7	11,571.6	11,572.4

Table I3: General government debt • Up to CNB Bulletin No. 195, Table I3 showed central government debt which consisted of central government debt and central government funds debt but starting with Bulletin No. 196, this Table shows general government debt, which consists of central government debt, local government debt and social security funds debt. Starting with Bulletin No. 196, the methodology used was aligned with the European system of national and regional accounts (hereinafter: ESA95) and Eurostat Manual on Government Deficit and Debt.

Table I3 shows general government sector debt stock in kuna. As from 31 December 2010, an official sector classification of institutional units in the Republic of Croatia is used, in accordance with the Decision on the statistical classification of institutional sectors issued by the Central Bureau of Statistics, which is based on ESA95 methodology which divides the general government into the following subsectors: central government, social security funds and local government.[1] Up to November 2010, the sector classification of institutional units was based on the prescribed Decision on the Chart of Accounts for Banks.

The source of primary data for domestic and external debt are general government units (the Ministry of Finance and other units of government authorities system, units of local and regional self-government, enterprises allocated to the statistical definition of general government sector, etc.) in the part that relates to treasury bills, bonds and foreign loans and the Croatian National Bank in the part relating to loans of resident banks, CBRD and the Croatian National Bank. Up to November 2010, data on resident bank loans were based on the reporting system in accordance with the Decision relating to the Bank Statistical Report and from December 2010, the data are based on the reporting system in accordance with the Decision on statistical and prudential reporting.

The structure of data by instrument categories involves their division in accordance with ESA95 to securities other than shares, short-term, securities other than shares, long-term, and loans. Data are also divided by creditor to domestic and external debt.

The stock of the category securities other than shares, short-term, includes short-term securities with original maturity up to and including one year such as treasury bills (issued in kuna, with a currency clause or denominated in foreign currency), eurobills of the Ministry of Finance and other money market instruments.

The stock of the category securities other than shares, long-term, includes long-term debt securities with original maturity of over one year, such as bonds issued on the domestic and foreign markets and long-term T-bills of the Ministry of Finance. Bonds issued abroad in one foreign currency and swapped into another foreign currency are treated as debt denominated in the currency of the swap transaction.

Starting from February 2002, debt securities issued abroad, owned by resident institutional units at the end of the reference period, were reclassified from external into domestic debt. Starting from December 2005, debt securities issued in the domestic market, owned by non-resident institutional units at the end of the reference period, were reclassified from domestic into external debt.

Loans include loans received from resident and non-resident credit institutions and, in accordance with ESA95 methodology, assumed state-guaranteed loans given to institutional units whose guarantees were activated within a period of three years (the so-called third call criterion).

The stock of t-bills regardless of original maturity is shown at nominal value, i.e. with the entire discount included. The stock of bonds and loans include outstanding principal value, excluding accrued interest.

Below shown is data on the total stock of central government guarantees issued, reduced by guarantees given to other central government units, social security funds and the local government. The sources of data are identical to those for loans.

1 The scope of sector classification is shown in “Classification and presentation of data on claims and liabilities”. By way of exception, in this Table, the debt of Croatian Roads, Croatian Motorways and the State Agency for Deposit Insurance and Bank Rehabilitation, in part 2 External debt of general government was reclassified from the subsector central government to the subsector social security funds starting from (and including) December 1998, and in part 1 Domestic debt of general government, it was reclassified from (and including) December 2002. Up to November 2010, data on the old subsector central government funds (CR, CW, CPF/GAMA and CM up to December 2007, when CM was classified into the subsector of public non-financial enterprises) were shown under social security funds subsector. Under ESA95, social security funds include the Croatian Pension Insurance Administration, the Croatian Institute for Health Insurance and the Croatian Employment Service. Also, in accordance with ESA95 methodology, the Croatian Radiotelevision and HŽ Infrastruktura were reclassified from public non-financial enterprises subsector to the central government subsector from the beginning of the series.

J Non-financial statistics – selected data

Table J1 Consumer price and producer price indices

Year	Month	Basic indices, 2010 = 100[a]				Chain indices				Monthly year-on-year indices			
		Consumer price indices			Industrial producer prices[b]	Consumer price indices			Industrial producer prices[b]	Consumer price indices			Industrial producer prices[b]
		Total	Goods	Services		Total	Goods	Services		Total	Goods	Services	
2004	December	84.1	84.4	82.8	82.7	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	December	87.2	87.3	86.2	84.5	100.5	100.5	100.5	99.7	103.6	103.5	104.1	102.7
2006	December	89.0	89.0	89.0	86.1	100.0	100.0	100.2	100.0	102.0	101.4	104.2	101.9
2007	December	94.1	94.9	91.5	91.2	101.2	101.2	101.3	100.4	105.8	106.6	103.4	105.9
2008	December	96.8	97.3	95.3	95.1	99.4	99.1	100.5	98.7	102.9	102.4	104.3	104.3
2009	December	98.7	98.6	99.0	96.6	99.4	99.3	100.2	100.0	101.9	101.3	103.9	101.6
2010	December	100.5	100.8	99.3	102.1	100.0	100.1	99.9	101.0	101.8	102.2	100.3	105.7
2011	December	102.6	103.8	98.3	108.0	99.6	99.6	99.6	99.8	102.1	103.0	98.9	105.8
2012	December	107.4	109.4	100.2	115.4	99.9	99.9	99.7	100.0	104.7	105.5	102.0	106.9
2013	January	107.6	109.4	100.9	114.9	100.1	100.0	100.7	99.6	105.2	106.0	102.7	105.4
	February	107.9	109.8	101.0	115.3	100.3	100.4	100.1	100.4	104.9	105.6	102.7	103.7
	March	108.2	110.3	101.0	115.4	100.3	100.4	100.0	100.0	103.7	104.3	101.5	103.2
	April	108.6	110.8	101.2	115.1	100.4	100.4	100.2	99.8	103.3	103.8	101.5	102.4
	May	108.6	110.9	100.8	114.4	100.0	100.1	99.6	99.3	101.6	101.9	100.5	100.2
	June	108.4	110.6	101.0	114.7	99.8	99.7	100.2	100.3	102.0	102.5	100.1	100.9
	July	107.7	109.5	101.3	114.4	99.4	99.1	100.3	99.7	102.3	103.0	100.1	100.6
	August	107.9	109.8	101.0	114.7	100.1	100.3	99.7	100.2	101.9	102.6	99.7	99.3
	September	108.5	110.7	100.9	114.7	100.6	100.8	99.9	100.1	101.1	101.4	100.2	98.4
	October	108.0	110.1	100.8	113.2	99.6	99.4	99.9	98.7	100.2	100.4	99.8	97.0
	November	107.9	110.0	100.7	112.4	99.9	99.9	99.9	99.3	100.4	100.4	100.1	97.4
	December	107.7	109.7	100.7	112.4	99.8	99.8	100.0	100.0	100.3	100.2	100.4	97.4

[a] In January 2013, the Croatian Bureau of Statistics started publishing consumer price indices on a new base (2010, while the old base was 2005). Therefore, the basic indices for the period from January 1998 to December 2012 have been recalculated to a new base (2010 = 100) from January 2008. [b] On domestic market.
Source: CBS.

Table J1 Consumer price and producer price indices • The Central Bureau of Statistics (CBS) introduced the consumer price index (CPI) in early 2004. This indicator of price movements was compiled in accordance with the methodological principles laid down by the ILO and Eurostat. In its First Release, issued on 17 February 2004, the CBS published the data on movements in the CPI in January 2004 and the time series for the CPI as of January 2001. The CBS subsequently constructed the time series for the consumer price index encompassing the period from January 1998 to December 2000. As expected following the introduction of the new index, the CBS ceased to publish the retail price index (RPI) and the cost of living index, whose calculation methodologies have not been adequately harmonised with internationally accepted standards. The main features of the CPI are described in the CNB Bulletin No. 91 (see Box 1). The data on the average year-on-year consumer price inflation rate are shown in the Bulletin table on Economic indicators.

Table J2 Core consumer price indices • The core consumer price index is calculated by the Central Bureau of Statistics (CBS) in the manner that agricultural products prices and administrative prices (which among others include the prices of electricity and refined petroleum products) are excluded from the basket of goods and services used in the calculation of the total index. These two groups of products account for a total of 35.23% in the basket in 2013 (agricultural products 5.53 percentage points, and administrative products 29.70 percentage points) and are assigned a zero weight.

Table J3 Hedonic real estate price index • The Croatian National Bank started methodological work on developing a hedonic real estate price index (HREPI)[2] in 2008. By using data on realised transactions and estimates of realised transactions from the database of *Burza nekretnina* (Croatian association of real estate agencies) as input data, an econometric model was constructed to create a hedonic real estate price index (HREPI), which is methodologically consistent with the Eurosystem's Handbook on Residential Property Prices Indices[3]. From the first quarter of 1997, the HREPI is reported on a quarterly and annual basis at the level of the Republic of Croatia and two regions: the City of Zagreb and the Adriatic coast. The main idea behind the methodology used to calculate the index is that buyers determine the usefulness of a real estate based on its characteristics and therefore it is necessary to determine the prices of those characteristics (attributes), the so-called implicit prices.

2 The methodology used is described in detail in Kunovac, D. et al. (2008): *Use of the Hedonic Method to Calculate an Index of Real Estate Prices in Croatia*, Working Papers, W-19, CNB.
3 http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/methodology/hps/rppi_handbook

Table J2 Core consumer price indices

Year	Month	Basic indices, 2010 = 100			Chain indices			Year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
2004	December	86.5	87.0	83.6	100.1	100.1	100.4	102.3	102.2	102.9
2005	December	89.1	89.5	86.7	100.1	100.0	100.5	103.0	102.9	103.7
2006	December	91.1	91.5	88.9	99.8	99.7	100.3	102.3	102.2	102.5
2007	December	95.6	96.4	91.9	100.8	100.8	100.4	105.0	105.3	103.5
2008	December	99.6	100.2	96.5	99.4	99.3	100.2	104.2	104.0	105.0
2009	December	99.9	100.1	98.8	98.8	98.6	100.2	100.2	99.8	102.4
2010	December	99.9	100.2	98.6	99.1	99.0	99.7	100.1	100.1	99.8
2011	December	102.8	103.5	99.6	99.5	99.4	100.1	102.9	103.3	101.1
2012	December	104.9	105.4	102.5	99.4	99.2	100.0	102.0	101.9	102.8
2013	January	104.5	104.9	102.6	99.6	99.5	100.2	102.6	102.5	102.9
	February	104.6	104.9	102.8	100.0	100.0	100.2	102.9	102.9	102.9
	March	105.0	105.4	102.8	100.4	100.5	100.1	102.2	102.2	102.2
	April	105.8	106.3	103.2	100.8	100.9	100.3	102.0	101.9	102.2
	May	106.3	106.9	103.4	100.5	100.5	100.2	101.9	102.0	101.6
	June	106.2	106.7	103.7	99.9	99.9	100.3	102.0	102.2	101.1
	July	106.0	106.2	104.4	99.7	99.5	100.7	102.6	102.9	101.2
	August	105.6	105.9	103.9	99.7	99.7	99.5	102.4	102.9	100.4
	September	106.4	107.0	103.6	100.8	101.0	99.7	102.1	102.4	101.0
	October	106.7	107.3	103.6	100.2	100.3	100.0	101.1	101.3	100.3
	November	106.5	107.1	103.3	99.8	99.8	99.8	100.8	100.8	100.9
	December	105.5	105.9	103.3	99.1	98.9	100.0	100.6	100.5	100.9

Source: CBS.

Table J3 Hedonic real estate price index

Year	Quarter	Basic indices, 2010 = 100			Year-on-year rate of change			Rate of change from the previous quarter		
		Croatia	Zagreb	Adriatic coast	Croatia	Zagreb	Adriatic coast	Croatia	Zagreb	Adriatic coast
2004		74.5	78.0	64.0	11.1	10.2	14.5	....	....	....
2005		82.8	85.5	74.8	11.2	9.6	16.9	....	....	....
2006		97.5	101.7	85.1	17.7	18.9	13.7	....	....	....
2007		109.2	112.7	99.1	12.0	10.8	16.5	....	....	....
2008		113.0	115.7	105.2	3.5	2.7	6.2	....	....	....
2009		108.8	109.5	106.8	–3.8	–5.4	1.4	....	....	....
2010		100.0	100.0	100.0	–8.1	–8.7	–6.3	....	....	....
2011		96.3	94.9	99.5	–3.7	–5.1	–0.5	....	....	....
2012		97.3	97.0	97.9	1.0	2.2	–1.6	....	....	....
2013		81.2	82.5	78.3	–16.5	–14.9	–20.0	....	....	....
2011	Q1	96.3	95.5	98.2	–7.4	–9.0	–3.4	–2.4	–2.2	–3.2
	Q2	96.3	93.0	103.8	–4.8	–8.7	4.4	0.0	–2.6	5.7
	Q3	95.7	95.1	97.2	–0.4	–0.5	–0.3	–0.6	2.3	–6.4
	Q4	97.1	96.2	99.0	–1.6	–1.4	–2.3	1.4	1.2	1.9
2012	Q1	101.1	100.7	102.1	5.0	5.4	4.0	4.2	4.7	3.1
	Q2	99.6	97.8	103.4	3.4	5.2	–0.4	–1.6	–2.9	1.2
	Q3	95.6	96.4	93.9	–0.2	1.3	–3.4	–4.0	–1.5	–9.2
	Q4	92.9	93.2	92.3	–4.3	–3.1	–6.8	–2.8	–3.3	–1.7
2013	Q1	85.7	88.3	79.8	–15.3	–12.3	–21.9	–7.8	–5.2	–13.6
	Q2	80.1	81.7	76.6	–19.5	–16.4	–25.9	–6.5	–7.5	–4.0
	Q3	79.6	80.5	77.5	–16.8	–16.5	–17.5	–0.7	–1.6	1.2
	Q4	79.6	79.6	79.5	–14.4	–14.6	–13.8	0.0	–1.1	2.6

However, as there is no market for individual attributes of residential property, their prices are estimated by simple econometric models. After estimating prices of individual attributes, it is possible to determine a *pure price* of each real estate property, i.e. a price adjusted by the impact of individual attributes of a given real estate, such as its location, floor area, the number of rooms, etc. The movements of pure prices are directly used to calculate the HREPI. Under this methodology, such an index, in contrast with indices based on average prices or medians of a square meter of floor space, adjusts price movements for possible biases in the data caused by the fact that, for example, an unusually large number of real estate properties of above- or below-average quality have been sold in a certain period.

Table J4 Average monthly net wages
in current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
2004	December	4,312.0	99.1	106.6	105.9
2005	December	4,473.0	97.3	103.7	104.9
2006	December	4,735.0	97.0	105.9	105.2
2007	December	4,958.0	96.6	104.7	105.2
2008	December	5,410.0	100.3	109.1	107.0
2009	December	5,362.0	99.6	99.1	102.6
2010	December	5,450.0	97.6	101.7	100.6
2011	December	5,493.0	95.9	100.8	101.8
2012	December	5,487.0	96.6	99.9	100.7
2013	January	5,529.0	100.8	101.2	101.2
	February	5,447.0	98.5	101.6	101.4
	March	5,516.0	101.3	100.3	101.0
	April	5,478.0	99.3	101.4	101.1
	May	5,581.0	101.9	100.9	101.1
	June	5,486.0	98.3	99.9	100.9
	July	5,504.0	100.3	101.5	101.0
	August	5,513.0	100.2	99.5	100.8
	September	5,428.0	98.5	101.2	100.8
	October	5,506.0	101.4	100.3	100.8
	November	5,634.0	102.3	99.2	100.6
	December	5,556.0	98.6	101.3	100.7

Source: CBS.

Table J4 Consumer confidence index, consumer expectations index and consumer sentiment index • The Consumer Confidence Survey has been carried out regularly since April 1999 in accordance with the methodology of the European Commission, the Joint Harmonised EU Programme of Business and Consumer Surveys. Until April 2005, the survey was conducted once a quarter (in January, April, July and October). As of May 2005, the survey is carried out in monthly frequency in cooperation with the European Commission, using its technical and financial assistance.

The questionnaire contains 23 questions, examining consumer perception of the changes as regards every-day economic issues. The value of the response index is determined in line with the set methodology, based on the responses to the questions from the Consumer Confidence Survey. The movements of three composite indices, consumer confidence index (CCI), consumer sentiment index (CSI) and consumer expectations index (CEI), are calculated and monitored based on the value of the response indices. Each of the said composite indices is calculated as the arithmetic average of the response indices (I), i.e. as the average of previously quantified responses to individual questions from the survey:

$$I_i = \sum_{z}^{k} r_i \cdot w_i$$

where: r is the value of the response, w is the share of respondents opting for a particular response (weight), i question from the questionnaire, z is the offered/chosen response, k is the number of offered responses to a particular question.

The value of the said indices ranges $-100 < I_i < 100$. Higher index values than those recorded over the previous period point to an increase in expectations (optimism) as regards the specific segment covered by the particular question.

The table shows the values of chosen response indices for the following questions:

I1: How has the financial situation of your household changed over the last 12 months?

I2: How do you expect the financial position of your household to change over the next 12 months?

I3: How do you think the general economic situation in Croatia has changed over the past 12 months?

I4: How do you expect the general economic situation in Croatia to develop over the next 12 months?

I7: How do you expect the number of people unemployed in Croatia to change over the next 12 months?

Table J5 Consumer confidence index, consumer expectations index and consumer sentiment index

index points, original data

Year	Month	Composite indices			Response indices (I)						
		Consumer confidence index	Consumer expectations index	Consumer sentiment index	I1	I2	I3	I4	I7	I8	I11
2004	October	–23.9	–7.9	–22.0	–19.1	–4.1	–30.5	–11.6	22.5	–16.5	–57.3
2005	October	–26.4	–13.7	–25.6	–16.4	–5.9	–34.4	–21.5	27.6	–25.9	–50.6
2006	December	–18.9	–4.7	–15.4	–10.9	1.1	–22.4	–10.5	16.9	–12.9	–49.4
2007	December	–24.7	–15.5	–24.5	–16.8	–9.8	–31.8	–21.2	12.8	–25.0	–54.8
2008	December	–42.0	–33.3	–40.9	–30.7	–25.9	–51.8	–40.6	43.4	–40.3	–57.9
2009	December	–46.8	–32.7	–47.6	–35.7	–22.6	–64.5	–42.8	63.9	–42.5	–58.0
2010	December	–42.9	–30.6	–48.7	–40.7	–21.7	–65.9	–39.4	55.7	–39.4	–54.8
2011	December	–23.6	–8.9	–43.1	–31.6	–5.5	–56.5	–12.3	25.0	–41.2	–51.4
2012	December	–47.1	–33.5	–52.6	–42.1	–23.1	–71.4	–43.9	59.1	–44.2	–62.3
2013	January	–44.2	–31.7	–48.0	–38.4	–22.5	–64.5	–40.9	55.2	–41.1	–58.0
	February	–43.6	–32.0	–51.0	–39.9	–23.9	–68.8	–40.1	52.0	–44.4	–58.5
	March	–41.2	–30.0	–52.0	–42.0	–22.2	–67.2	–37.7	45.8	–46.7	–59.2
	April	–39.0	–27.3	–49.6	–41.7	–17.7	–65.2	–36.8	41.2	–41.9	–60.3
	May	–37.7	–27.4	–48.5	–39.1	–17.1	–65.3	–37.7	37.3	–41.0	–58.8
	June	–34.6	–24.1	–44.7	–34.4	–17.9	–61.6	–30.3	32.9	–38.1	–57.3
	July	–25.4	–13.4	–40.5	–30.6	–10.4	–54.2	–16.4	19.2	–36.6	–55.4
	August	–28.6	–15.3	–38.7	–31.1	–8.6	–52.4	–21.9	34.0	–32.7	–49.7
	September	–33.4	–20.4	–40.9	–33.1	–14.3	–55.4	–26.4	38.3	–34.1	–54.5
	October	–38.2	–26.7	–46.6	–37.2	–18.0	–62.5	–35.3	43.9	–40.1	–55.6
	November	–38.3	–26.2	–44.0	–34.7	–18.5	–59.6	–33.8	42.6	–37.6	–58.1
	December	–40.7	–26.3	–45.9	–34.5	–17.4	–61.9	–35.2	49.9	–41.3	–60.4

Sources: Ipsos Puls and CNB.

I8: In view of the general economic situation, do you think now is the right moment for people to make major purchases such as furniture, electrical/electronic devices, etc.?

I11: Over the next 12 months, how likely is it that you will save any money?

The components of composite indices are as follows:
CCI: I2, I4, I7×(–1), I11
CEI: I2, I4
CSI: I1, I3, I8.

Abbreviations and symbols

Abbrevations

bn – billion
b.p. – basis points
BIS – Bank for International Settlements
c.i.f. – cost, insurance and freight
CBRD – Croatian Bank for Reconstruction and Development
CBA – Croatian Banking Association
CBS – Central Bureau of Statistics
CC – cash centre
CCE – Croatian Chamber of Economy
CEE – Central and Eastern European
CES – Croatian Employment Service
CICR – currency-induced credit risk
CIHI – Croatian Institute for Health Insurance
CLVPS – Croatian Large Value Payment System
CPI – consumer price index
CPIA – Croatian Pension Insurance Administration
CPF – Croatian Privatisation Fund
CM – Croatian Motorways
CNB – Croatian National Bank
CR – Croatian Roads
EBRD – European Bank for Reconstruction and Development
EC – European Commission
ECB – European Central Bank
EFTA – European Free Trade Association
EMU – Economic and Monetary Union
EU – European Union
excl. – excluding
f/c – foreign currency
FDI – foreign direct investment
Fed – Federal Reserve System
FINA – Financial Agency
FISIM – financial intermediation services indirectly measured
f.o.b. – free on board
GDP – gross domestic product
GFS – Government Finance Statistics
GVA – gross value added
HANFA – Croatian Financial Services Supervisory Agency
HICP – harmonised index of consumer prices
IAS – International Accounting Standards
IASB – International Accounting Standards Board
IBRD – International Bank for Reconstruction and Development
IDB – Inter-American Development Bank
IFRS – International Financial Reporting Standards
ILO – International Labour Organization
IPO – initial public offering
IMF – International Monetary Fund
incl. – including
m – million
MIGs – main industrial groupings
MM – monthly maturity
MoF – Ministry of Finance
MRR – marginal reserve requirement
NCA – National Classification of Activities
NCS – National Clearing System
n.e.c. – not elsewhere classified
NPSC – National Payment System Committee
NUIR – net usable international reserves
OG – Official Gazette
OECD – Organisation for Economic Co-Operation and Development
OPEC – Organization of the Petroleum Exporting Countries
o/w – of which
PPI – producer price index
R – Republic
RC – Republic of Croatia
RR – reserve requirement
ROAA – return on average assets
ROAE – return on average equity
Q – quarter
SDR – special drawing rights
SITC – Standard International Trade Classification
VAT – value added tax
ZMM – Zagreb Money Market
ZSE – Zagreb Stock Exchange

Three-letter currency codes

CHF – Swiss franc
EUR – euro
GBP – pound sterling
HRK – Croatian kuna
JPY – Japanese yen
USD – US dollar
XDR – Special drawing rights

Symbols

– – no entry
.... – data not available
0 – value is less than 0.5 of the unit of measure being used
ø – average
a, b, c,... – indicates a note beneath the table and figure
( ) – incomplete or insufficiently verified data

ISSN 1331-6567 (print) • ISSN 1334-0107 (online)