

Annual Report 2000

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SUPERVISORY BOARD

Mag. Reinhard Ortner

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August Jost

Deputy Chairman

Gerhard Fabisch

Member

Mag. Otto Ilchmann

Member

Vladimir Jura ić

Member

Josef Kassler

Member

Ivan Ljubanović

Member

Franz Mally

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Mag. Herbert Martinetz

Member

Reinhold Schuster

Member

Robert Tkalčec

Member



From left to right: Nenad Jedud, Boris Centner, Petar Radaković, Tomislav Vučić, Dragutin Bohuš

THE MANAGEMENT BOARD

Petar Radaković

President, responsible for Risk Management Sector, Processing Sector, IT and Card Operations and Property Management Sector, Participations and Strategic Investments Department

Tomislav Vučić

Deputy President, responsible for Retail Sector, Legal Department, Marketing & PR Department, Human Resources Department

Boris Centner

Member responsible for Corporate Sector

Nenad Jedud

Member, responsible for Accounting and Controlling Sector, Treasury Sector

Dragutin Bohu

Procurator and Advisor to the Management Board

Ivan Vuk

Advisor to the Management Board

MESSAGE OF THE SUPERVISORY BOARD



Mag. Reinhard Ortner

Chairman of the Supervisory Board

The past year should, for many reasons, be considered a milestone in the history of operations of the Erste & Steiermärkische Bank d.d.

The first reason is the fact that this was the first year of operations following the successful merger of three well-known Croatian banks that had previously achieved excellent operating results over a number of years. Another reason is the new company name: Erste & Steiermärkische Bank d.d., headquartered in Zagreb. This fact confirmed the strategic goal of the bank's owners, its Management Board and its Supervisory Board to achieve through the merger a concentration in order to be a strong, new and important player with a considerable share of the Croatian market.

Our increased competitive strength, continued stable growth and development, together with the expansion of our market share, sales network and product range, all coupled with better control over global banking risks and increased HR competencies, higher operational quality, extended geographic presence and diversification of placements, improved market promotion and a strengthened market position in the first year of our operations, show clearly that the goals specified by the management were both well chosen and adequately planned for. Our performance has been per plan and our achievements to date provide a good foundation for our development in the period ahead of us.

The financial results achieved in the year 2000 compare favorably with those of the best-known Croatian banks.

Based on the achievements mentioned earlier, the Supervisory Board has put a special focus on the development of the Bank for the future.

Special efforts have been made in speeding up the bank's restructuring in order to help it meet the market demands via improving its organization, strengthening its internal control and investing in IT, while benchmarking the bank against those principles of efficiency applied by the more developed Western European banking industry and adopted by the Bank owners: Erste Bank der oesterreichischen Sparkassen AG from Vienna and Steiermärkische Bank und Sparkassen AG, from Graz, Austria.

The next two years will see an increase in the Bank's assets from 3% to 5% of total bank assets in Croatia by the end of the year 2002, the ROE at a level of at least 14%, and the ratio of general and administrative costs to operations revenues matching the ratio levels adopted by the business policy of Erste Bank, Vienna and Steiermärkische, Bank Graz.

By the year 2003, we plan to double the number of our corporate clients, increase our credit portfolio by 25% a year, increase the level of deposits held by companies by 15% annually, while the retail banking business should grow by 20% annually over the same period both in terms of deposits and loans, with at least 10 new branch offices opening in the same period.

The key goals of our business strategy can be summarized as follows:

- To be among the 5-8 leading banks in Croatia both in terms of total assets and own capital
- To have a market share (total assets) exceeding 5%
- To be recognized as one of the leading retail banks
- To achieve full client focus
- To remain one of the most profitable banks in the country.

We also plan to expand the use of the Internet platform for business purposes and to offer our clients an increased number of services based on IT. We will also introduce the so-called combined bank information and service, known as "e-commerce" services.

Our performance to date is the result of hard work by the founders of the company, Erste & Steiermärkische Bank d.d, Erste Bank Vienna and Steiermärkische Bank Graz, other Bank shareholders, clients and partners. A contribution was also made by members of the Supervisory Board, the Management Board as well as by all the employees, and I would like to take this opportunity to thank them all for the effort, knowledge and commitment invested in the Bank, as it provides the basis on which we can continue building our future successes and plan achievable goals.



Mag. Reinhard Ortner
Chairman of the Supervisory Board

MESSAGE OF THE MANAGEMENT BOARD



Petar Radaković

President of the Management Board

Ladies and gentlemen, dear shareholders,

On behalf of the Management Board, the employees and the Supervisory Board of Erste and Steiermärkische Bank d.d., I am pleased to say that the business results achieved in the course of the year 2000 make us all very proud.

Our satisfaction is further increased by the fact that the efforts made by the owners and employees of three successful Croatian banks over a number of years: Bjelovarska, Trgovačka and Čakovečka bank, were further concentrated and reorganized into a financial institution able to demonstrate its full strength and potential at the very beginning of its operations.

The completed merger deserves our full attention for a number of reasons: the simultaneous merger of three banks, the short period of time within which the merger was completed, the rapid and considerable yield earned on the capital invested by the owners, the good position of the bank among the top Croatian banks, and a stable foundation that will ensure future growth.

A number of indicators provide evidence for the above statement, and we will list but a few:

Last year's net profit earned by Erste and Steiermärkische Bank amounted to 50,608,000 HRK, the balance sheet total was 3,065,635,000 HRK, equity amounted to 452,345,000 HRK, and this was all coupled with very good operating efficiency ratios.

The net profit earned in the year 2000 was 13.6% higher than the profit earned in 1999. An analysis of the revenue structure shows that interest income still played a major role, representing 76.2% of the total amount.

An analysis of the asset and liability structure indicates certain quality changes over that in 1999.

Loans were the dominant item on the asset side, but a considerable increase in the investments in securities and deposits with the Croatian National Bank was also noticeable.

Tangible assets have also recorded a considerable increase, which is the result of the consolidation of property owned by the three merged banks but also of the investment in expanding operating capacity.

Structural changes in the assets of Erste & Steiermärkische Bank d.d. were mostly the result of the adopted business strategy based on a long-term focus on high levels of liquidity. This should enable the Bank to keep operating risk levels low while also achieving higher income and profitability levels in the future.

Our business policy has set limits on single industry exposure, as well as on client groups and classes. In addition to placement diversification, we have adopted policies aimed at supporting targeted investment and asset streamlining.

Deposits remain the most important item, representing 51% of liabilities, although long-term loans have gained in importance.

Capital and reserves have maintained their high level at 15% of total liabilities.

An analysis of the profitability ratios showed that the Bank is stable and successful, able to develop and increase the volume of all bank businesses, and especially the important segment of new and locally unknown and important new banking products and services, while at the same time successfully managing risks, irrespective of their level, kind or complexity.

Our revenues are adequate for the scope of our operations and the level of own capital.

The above statements are best evidenced by the following list of profitability indicators achieved in the course of the year 2000:

Capital adequacy ratio	23.0%
General and administrative costs over operating revenues	49.2%
Return on assets (profit after tax over assets)	1.7%
Return on average capital	13.5%
Assets per employee	7,607,000 HRK

As some of the profitability indicators show, the Bank is among the top banks in Croatia.

Another factor evidencing the level of our success is our client portfolio and the fact that we have improved our organization and human resources, that our market share is approximately 3% of the domestic market, and that we have been recognized in all our activities both by the choice and range of products and services as by the quality of sales and service provision.

As all these achievements would not have been possible without them, I would like to use this opportunity to thank our clients for their confidence and loyalty, the shareholders and employees of Erste and Steiermärkische Bank for the energy and knowledge invested, and my colleagues from the Management and the Supervisory Board for their contribution to the successful performance in the year 2000.



Petar Radaković, BA (Econ)
President of the Management Board

THE BUSINESS ENVIRONMENT IN THE YEAR 2000

Due to Croatia's recent WTO membership, free trade agreements with some of the neighboring countries, its progress on the Agreement on stabilization and accession to the EU, and a further decrease in the level of import duties, the country has been given a rating of "1" for freedom of trade, which puts the country in the group of economies that are free in terms of their fiscal and monetary policy.

These developments, coupled with the key indicators available for the last business year, show a slight improvement in the economic and business performance of the economy as a whole.

In 2000, real GDP grew by 3.7% compared to the year 1999, when it recorded a fall of 0.4%, and the expected real growth for the year 2001 is 4%, which gives us the right to hope that the economy is on its way out of recession.

The recorded GDP growth was largely the result of the increased import and export, where tourism and related industries played a very important part. Relatively high growth rates were also recorded in transport and manufacturing, while only the construction industry recorded a fall in the level of output. The GDP growth rate was mostly influenced by the increased rate of exports, as the growth rate of exports exceeded that of import growth.

Croatian exports to foreign markets last year exceeded 4.4 billion USD, up 3% on 1999 exports. In the same period, imports were 7.9 billion USD, up over the previous year by 1.6%.

The trade balance last year recorded a deficit amounting to 3,491,000,000 USD, with 55.9% of imports being covered by exports in the same period.

According to preliminary data on Croatia's balance of payments for the last year, the current account deficit amounted to 531,000,000 USD and was reduced to a third of the level recorded in 1999 when the deficit amounted to 1,520,000,000 USD.

The overall improvement in the balance of payments resulted in an increase of 582 million USD (at the transaction exchange rate), or 36%, in foreign currency reserves held by the Croatian National Bank last year.

An analysis of the GDP growth structure shows that personal consumption went up in the year 2000 by 4.1%, while government consumption went down by 0.7% compared to 1999. Investments recorded a negative growth of 3.5% in the year 2000.

In spite of the above, the current economic situation continues to be unfavorable. GDP is just above 4,000 USD per capita. The IMF considers public spending (central government budget) to be too high. Some estimates blame the impact of the so-called gray economy, which is estimated to represent as much as 25% of GDP. At the same time, Croatian foreign debt has reached almost 10 billion USD.

Below are shown some of the key macroeconomic indicators for the year 2000, as well as some projections for year 2001.

Macroeconomic Achievements in Fiscal and Monetary Policy in the Year 2000:

- Relatively low inflation rate
- Stable kuna exchange rate
- Continued growth in foreign currency reserves to cover short-term debt
- Improvements in the structure of public finance
- Reduction of the budget deficit from 7.4% GDP in 1999 to 1.3% GDP in 2000
- Improved transparency and responsibility evidenced by the first-time publication of the three-year government budget forecast.

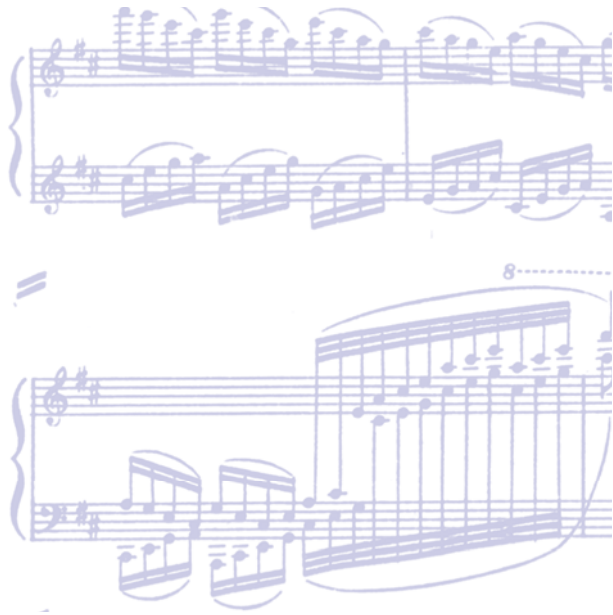
Important Achievements in the Financial Sector in the Year 2000

The banking sector has become stronger. As data on movements in the monetary and real sector of the economy show, the year 2000 was a year of recovery for monetary aggregates and real sector activities, including an important level of consolidation and restructuring in the banking industry.

Capital adequacy was on average at the level of 22%, and provisions made for contingencies were adequate. The number of banks owned by the state was considerably reduced, and their share in total assets held by the industry fell from 40.4% in 1999 to 6.2% at the end of 2000. Foreign ownership in Croatian banks increased from 40% to 76%.

Foreign currency savings held in Croatian banks at the end of last year amounted to 46.9 billion HRK, an increase of 26.9% over 1999 levels. Bank placements at the end of the year 2000 amounted to 60.9 billion HRK, increasing in the course of the same year by 5 billion HRK. Cash levels also increased considerably so that the level at the end of December 2000 was 6.6 billion HRK while the money supply was increased by 4.2 billion HRK compared to 1999 and amounted to 18 billion HRK at the end of December 2000. At the same time, banks increased their investments in shares by 600 million HRK.

ERSTE & STEIERMÄRKISCHE BANK d.d. pays great attention to sponsoring of arts, especially music and visual arts. However, we pay the greatest attention to young artists because we believe it is extremely important to give them a chance to establish themselves. On the other hand future belongs to them, as well as to us.



Score "Ples cvijeća"
composer P. I. Tchaikowsky

High school of music "Ino Mirković" (a branch of Moscow Conservatory "P. I. Tchaikowsky") has issued a compact disc sponsored by Erste & Steiermarkische Bank d.d. All income from sales was allocated to Croatian societies that take care of abandoned children and children without parents.

Second edition of this compact disc came out on High School of Music 10th Anniversary on the occasion of which Erste & Steiermarkische Bank d.d. was awarded by Recognition for its dedication to ideas and aims of democratization of high school education and for its contribution to culture of education through the world of music.

CORPORATE BANKING

The Division consists of three departments:

- Division for small and medium-sized corporate clients (clients whose total annual revenues are between 2 and 85 million HRK)
- Division for large and international corporate clients (clients with annual turnover over 85 million HRK)
- Department for sales support

Department for small and medium-sized companies has been organized to reflect the distribution of our targeted regional markets with commercial centers located in Zagreb, Bjelovar, Čakovec, Rijeka and Zadar, while large and international clients are served from the headquarters in Zagreb.

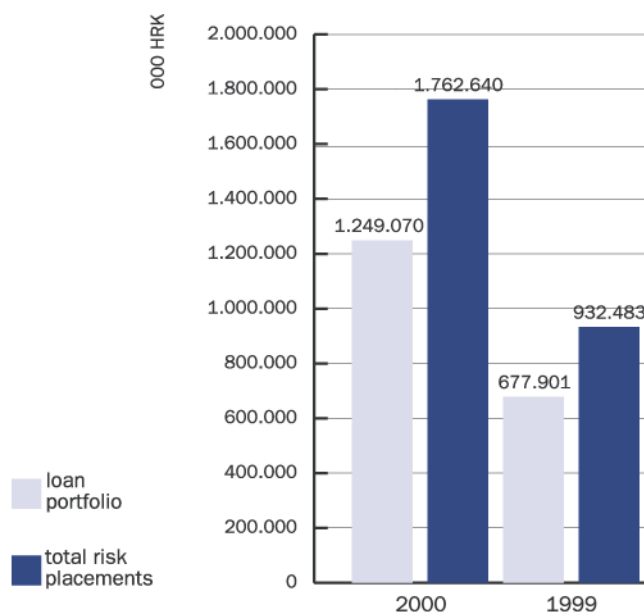
Our target business client groups continue to be small and medium-sized companies, but the Bank has also gained a more important position in the large client arena, so that the Bank's risk position as at 31 December 2000 included 50 of the top 400 Croatian companies by annual revenues.

In spite of the fact that competition became stiffer and favorable movements in the macroeconomic field were only marginal, the year 2000 was a good year for our operations in the corporate sector.

Total risk placements (on-balance and off-balance sheet items) as at 31 December 2000 were up by an impressive 84.26%, while the gross loan portfolio increased by 89.03% compared to 31 December 1999. The corporate division share of the overall risk exposure of the Bank amounted to 49.90% as at 31 December 2000.

Due to a continued consolidation of the banking sector, and more intensive competition in the market, interest rate margins were considerably reduced in the course of the year. As at 31 December 2000, the average weighted interest rate on current loans granted to the business sector was 11.14%.

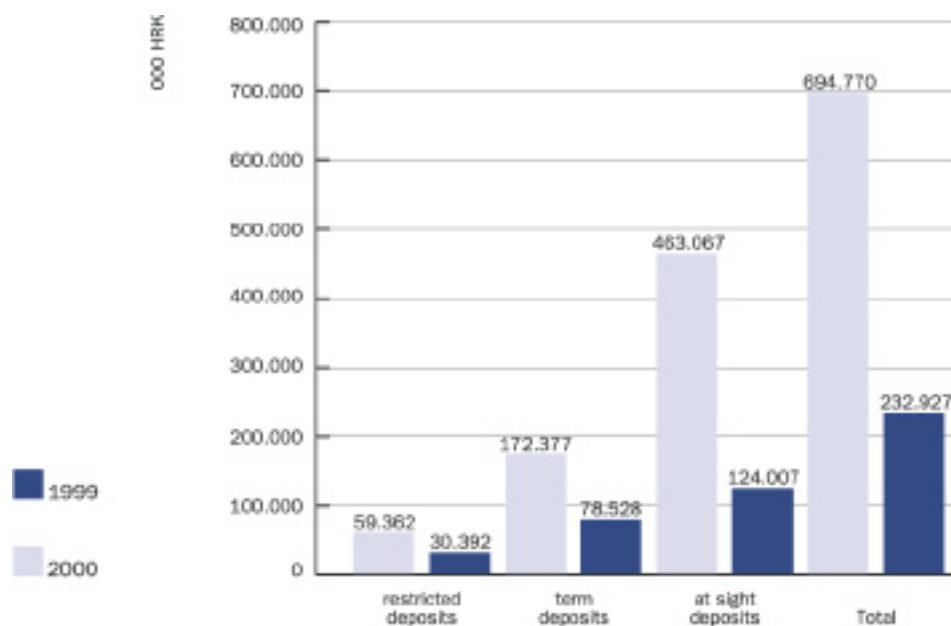
A wide range of products, high quality prompt service and a rational approach to risk exposure and management have remained the hallmarks of the Bank.



Off-Balance Sheet Placements to the Business Sector

000 HRK	31 Dec 2000	31 Dec 1999
GUARANTEES	309,691	201,355
LETTERS OF CREDIT WITHOUT COVER	51,083	16,437
BILLS OF EXCHANGE WITH AVAL	1,643	870
UNUSED OVERDRAFTS	52,170	368
OTHER OFF-BALANCE SHEET RISK ITEMS	41,336	
TOTAL OFF-BALANCE	455,923	219,030

Considerable growth was recorded in deposits made by the business sector, so that the balance as at 31 December 2000 exceeded by 198.28% the balance as at 31 December 1999. The share of foreign currency deposits in the total business sector deposits was 26.82%. The number of legal entities holding accounts at the Bank also doubled so that the number of accounts held at the Bank as at 31 December 2000 was 14,139 while on 31 December 1999 the number was 7,096.



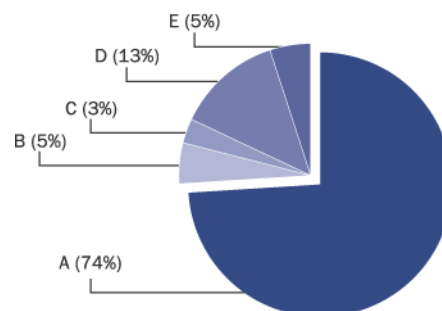
The analysis of the risk exposure by industry shows that the highest risk exists in trade, which corresponds to the number of companies registered for the activity, based on the data provided by the State Bureau of Statistics (41.4%).

Corporate Credit Risk Exposure by Industry as at 31 December 2000

000 HRK

INDUSTRY	Credit risk exposure	%
Food and beverages	93,077	5.28
Chemicals and chemical products	13,938	0.79
Garments, fur finishing and dyeing	37,592	2.13
Transport vehicle manufacturing	522	0.03
Agriculture, hunting, forestry and fisher	79,454	4.51
Hotels and catering	22,131	1.26
Building and construction	143,921	8.17
Retail and wholesale trade, motor vehicle and household appliance repair	753,763	42.76
Public sector	18,547	1.05
Other	597,279	33.89
Other foreign entities	2,416	0.14
TOTAL	1,762,640	100

The ratio of total provisions for identified risks and total risk placements to the business sector amounted to 14.8% as at 31 December 2000, while the figure was 12.27% as at 31 December 1999.



RETAIL BANKING

Changes were introduced in our retail operations in the year 2000. The Sector was subdivided into two regional Divisions, and the Sale support division.

The Regional Division West is headquartered in Zagreb and comprises 10 branch offices.

The Regional Division East is headquartered in Bjelovar and comprises 22 branch offices.

Branch offices are subdivided into advisory centres, branch offices and outlets, depending on the size, the number of employees, and the number of clients they serve.

Advisory approach (personal banker) is one of our focuses because we want to recognize the needs of our clients and offer services and products that meet global quality standards.

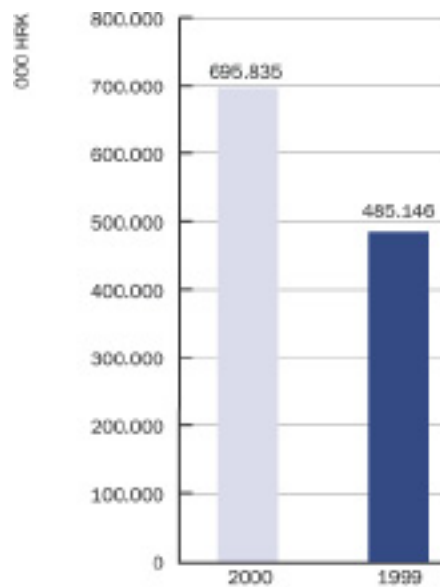
Within the Retail Sector, we serve individual clients, craftsmen and small companies.

In order to expand our offer, we opened three new branch offices in the course of the year 2000 (two in Zagreb, one in Bjelovar). At the end of last year, the Bank was serving private clients through 31 branch offices located throughout the country. In accordance to our strategy we start with the preparations to open two new branch offices in Zagreb and one in Split in 2001. We have also finalized preparations for personal banking services in Osijek.



LOANS

Of the total loan portfolio, 35% are loans to individuals, and this part of the portfolio has grown by 43.43% compared to 1999, and the loans amounted to 695,835,000 HRK at the end of 2000 (the amount in 1999 was 485,146,000 HRK).

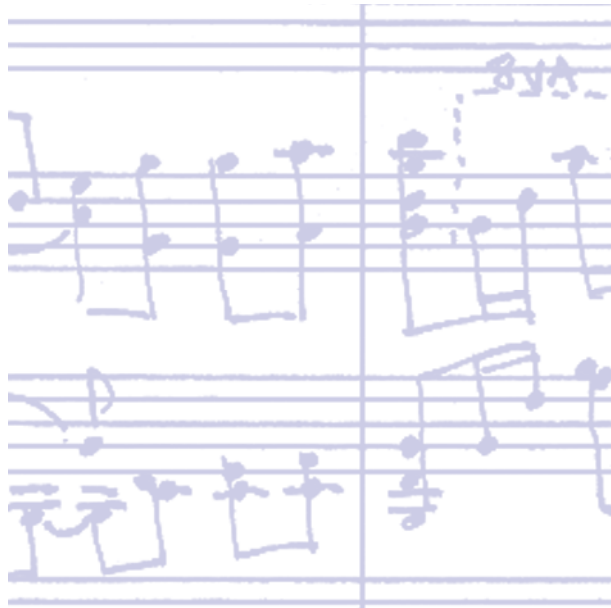


Retail Loan exposure

Interest income on the above mentioned loan amount increased by 58% compared to 1999. The average interest charged on individual client loans in 2000 was 13.30%.

The Bank offers a range of loan products to meet the different needs of its clients.

Decentralized decision making and standardized processes enabled the efficiency of the loan approval process in 2001.



Score of anthem "Sea of Love"
for UNESCO Children's Foundation

Erste & Steiermärkische Bank d.d. has sponsored primary schools of music "Ino Mirković" which operate on Croatian islands. Children from stated schools have achieved remarkable results on domestic as well as foreign competitions thanks to schools' high standards of work.

Special value of this project is that it facilitates education and provides other additional contents to children on the islands where chances for talented ones to gain recognition are so rare.

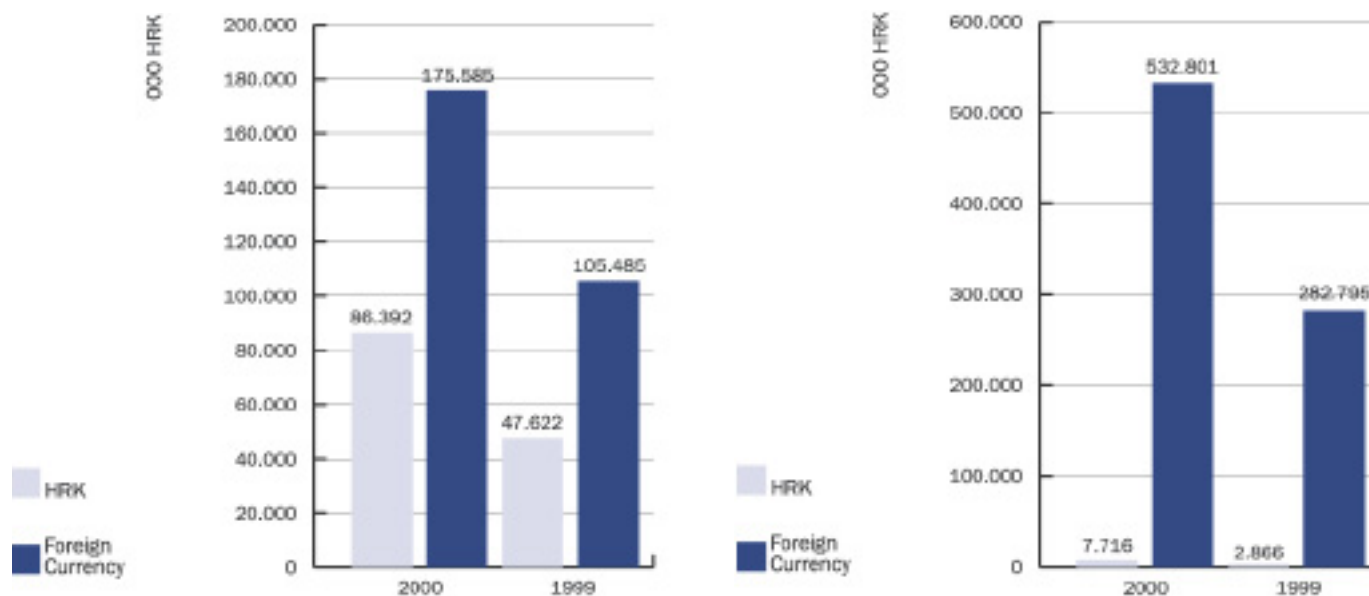
"Sea of Love", the anthem for Children's Foundation performed by children choir of primary schools of music "Ino Mirković" is well known. It was composed by Vladimir Bodegrajac, student of High school of music and performed for the first time in 1998 in Paris.

DEPOSITS

Individual savings increased by 74.97% and at the end of 2000 reached the amount of 832,006,000 HRK. The largest increase was recorded in foreign currency term deposits, where the increase was 88.41%.

The average annual interest rate paid on deposits made by individual clients was 4.46% .

	000 HRK 31 Dec 2000	%	000 HRK 31 Dec 1999	%	index 2000/1999
Kuna deposits					
At sight	86,392	10.38	47,622	10.02	181.41
Term	7,716	0.93	2,866	0.60	269.23
Foreign currency deposits					
At sight	175,585	21.10	105,485	22.18	166.45
Term	532,801	64.04	282,795	59.47	188.41
Frozen deposits	29 512	3.55	36 736	7.73	80.34
Total deposits	832,006	100.00	475,504	100.00	174.97



The considerable increase in the level of savings recorded in the year 2000 is a clear sign that we have gained the confidence of the clients and the stability of our operations has been recognized.

CARD BUSINESS

We have recognized the needs of our clients and have introduced a wide range of products and services to meet these needs of our individual clients.

We have further developed the self-service banking network. In addition to the twenty ATMs already installed, the Bank purchased another 20 machines in the course of the year 2000.

The Bank has its own international debit Cirrus/Maestro card, a debit VISA Electron card and a credit Eurocard/MasterCard card. In the year 2000 efforts were made to meet requirements which will enable us to issue our own VISA Business card in the course of the year 2001.

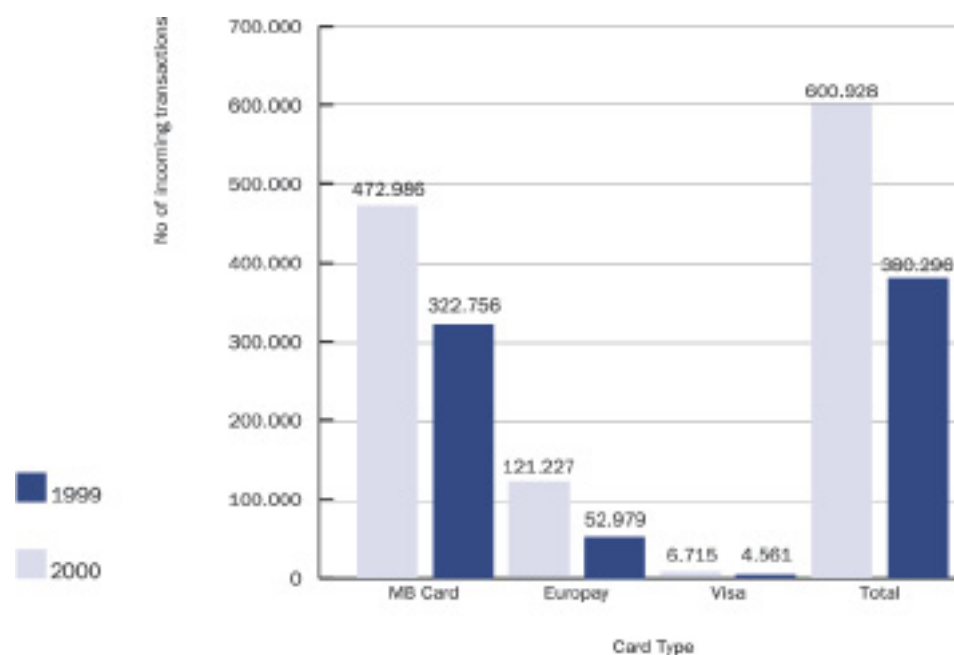
The card business gained momentum in the year 2000 in Croatia, and this has influenced the card operations of Erste & Steiermärkische Bank d.d. We can say that the Bank has, as a principal member of the two leading global card organizations, with its growing volume of transactions processed on behalf of the clients, and especially regarding services offered to its old and new members, witnessed strong growth in the product sales with untapped market potential still available in Croatia.

The Use of Cards on the Erste & Steiermärkische Bank d.d. Terminals

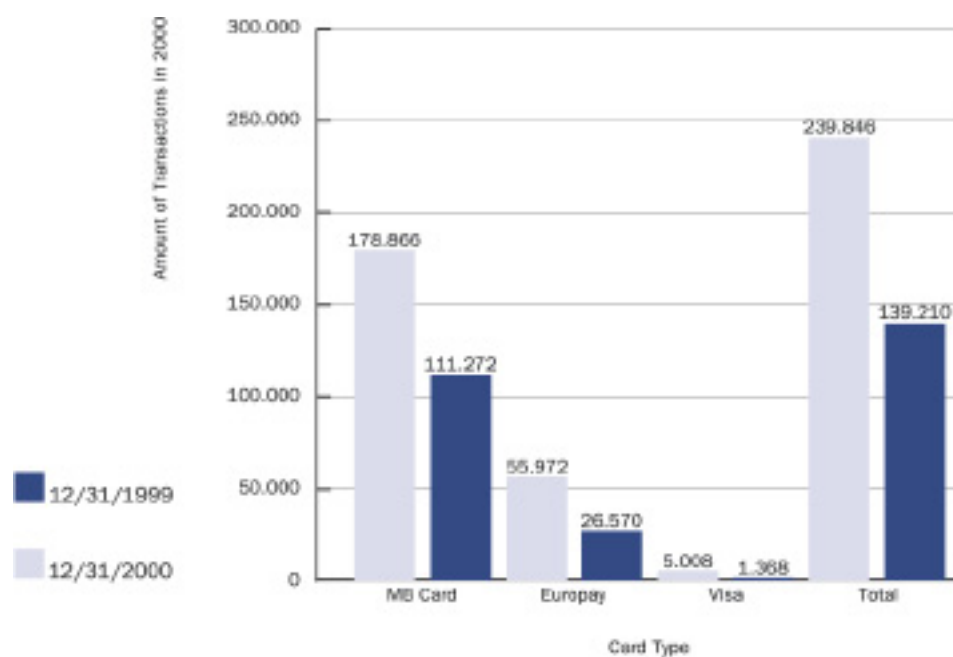
The increase in the volume of transactions effected on the Erste & Steiermärkische Bank d.d. terminal in the course of the year 2000 was mostly due to the MB Card cards, together with Europay cards, as they are the most often used card products in the Republic of Croatia. Visa cards have recorded a considerable increase in the total transaction amounts, mostly due to the use of foreign cards issued by the large global organization which still has to increase its presence in the Croatian market.

Total transactions on the Erste & Steiermärkische Bank d.d. terminals in the course of 2000 stood at 600,928 transactions, amounting to 242,685 000 HRK, an increase of 58% in the number of transactions, and an increase of 72% in the total amount transacted, compared to 1999.

CARD TYPE	TRANSACTION VOLUME	
	1999	2000
MB Card cards	322,756	472,986
Europay cards	52,979	121,227
Visa cards	4,561	6,715
Total	380,296	600,928



CARD KIND	TOTAL TRANSACTION AMOUNT (in 000 HRK)		Index
	1999	2000	
MBCard	111, 272	178 866	161
Europay cards	26, 570	55 972	211
Visa cards	1 368	5 008	366
Total	139 210	239 846	172



Issuing Cards

In the year 2000, the Erste & Steiermärkische Bank d.d. card operations successfully completed the process of changing and issuing new debit cards to the clients of the associate member banks, so that the number of cards issued by the end of the year amounted to 54,055 cards. The most numerous among them are Maestro/MB Card cards issued with current accounts held by individual clients.

The turnover effected with the Erste & Steiermärkische Bank d.d. cards amounted to 164,843,000 HRK with the number of transactions being 465,033, an increase of 42% over 1999.

Transactions on behalf of Associate Members

As a principal member of Europay International, the Bank had 15 associate members in the year 2000, as well as 8 associate members in Visa International.



Score of song "Naranča",
composer Elvis Stanić

ERSTE & STEIERMÄRKISCHE BANK d.d. has been sponsoring "Putokazi" band for few years, it is famous for promoting both Croatian and global ethno music often with a touch of jazz.

Despite the non-commercial nature of their music, they've won three awards for their song "Naranča" on last year's Zadarfest; the award for the best arrangement, best music production and best stage movement.

TREASURY DIVISION

In the course of the year 2000, the division went through important organizational changes which have contributed to its improved operations, improved reporting to management, as well as to the expansion of the product range offered to clients.

In addition to monitoring the local and foreign currency liquidity of the Bank, as well as its maturity and currency asset and liability matching, the Treasury Division has introduced a number of new products and has actively participated in trading in all financial instruments available on the Croatian market.

In July 2000, the Division participated as a senior lead manager in the primary issue of HZZO bonds amounting to 8 million EUR.

In December 2000, the Treasury Division again took an active role as the arranger in the primary issue of DAB bonds with a total amount of 25 million EUR.

In addition to participation in primary auctions, the Treasury Division was especially entrepreneurial in secondary bond trading both as a supplier and as a buyer, thus enlarging the offer to our clients and making a handsome profit in the process.

The Custody Department was established for securities so that the Bank now offers custodian services to its clients for all kinds of securities traded on the Croatian market.

The Treasury Division has finished its necessary preparations for the provision of quality depository bank services for the Erste open investment fund - the first investment fund that will enable Croatian citizens to invest in foreign securities. The planned start of operations is in mid January 2001.

The entry of foreign banks into the Croatian market resulted in the introduction of a number of new instruments that have been traded in increasing volumes on the market. The Treasury Division was very actively participating in the spot market for foreign exchange, a number of foreign currency swaps were concluded, and a certain number of foreign currency forward deals were also made.

The further liberalization of the foreign exchange law is expected in the year 2001. It will contribute to the development of a range of financial instruments that are normally found in more developed markets and will further enrich the service range offered by the Bank to its clients.

The Treasury Division actively participated on the domestic money market and in trading in CNG bills and MOF treasury bills, with the total value of transactions completed in the year 2000 amounting to over 3 billion HRK.

RISK MANAGEMENT

We have reorganized the business of risk management in terms of its concept, organization and goals. The Division currently comprises three departments:

- the Department of corporate and other legal entity credit risk
- the Department of private client and small company credit risk, and
- the Monitoring and reporting department.

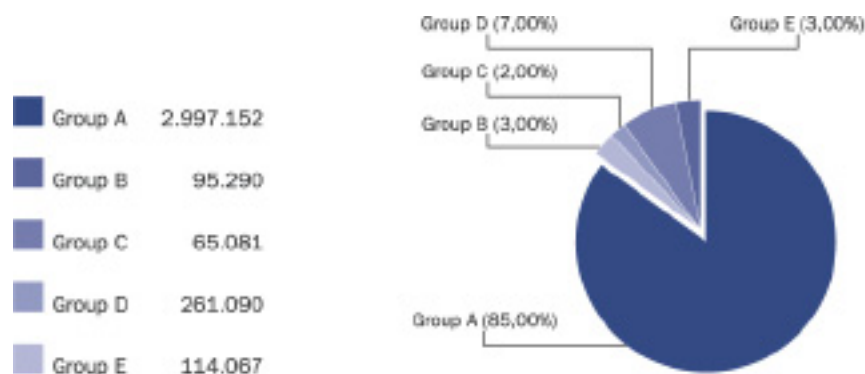
The credit risk departments manage risks divided by client between corporate sales and retail sales divisions. The operators in the departments encompass the work on credit applications, risk assessment, bad loans and other risk aspects. The Divisions monitor the appliance of legal and internal regulations and procedures, analyses the risks and prepares reports. The market risk department monitors non-credit risks.

The organization thus covers all the risk aspects of the Bank's operations, either through operating procedures or through monitoring and reporting. The reports prepared for the Management and Supervisory Boards provide those bodies with information required in the process of strategic decision making.

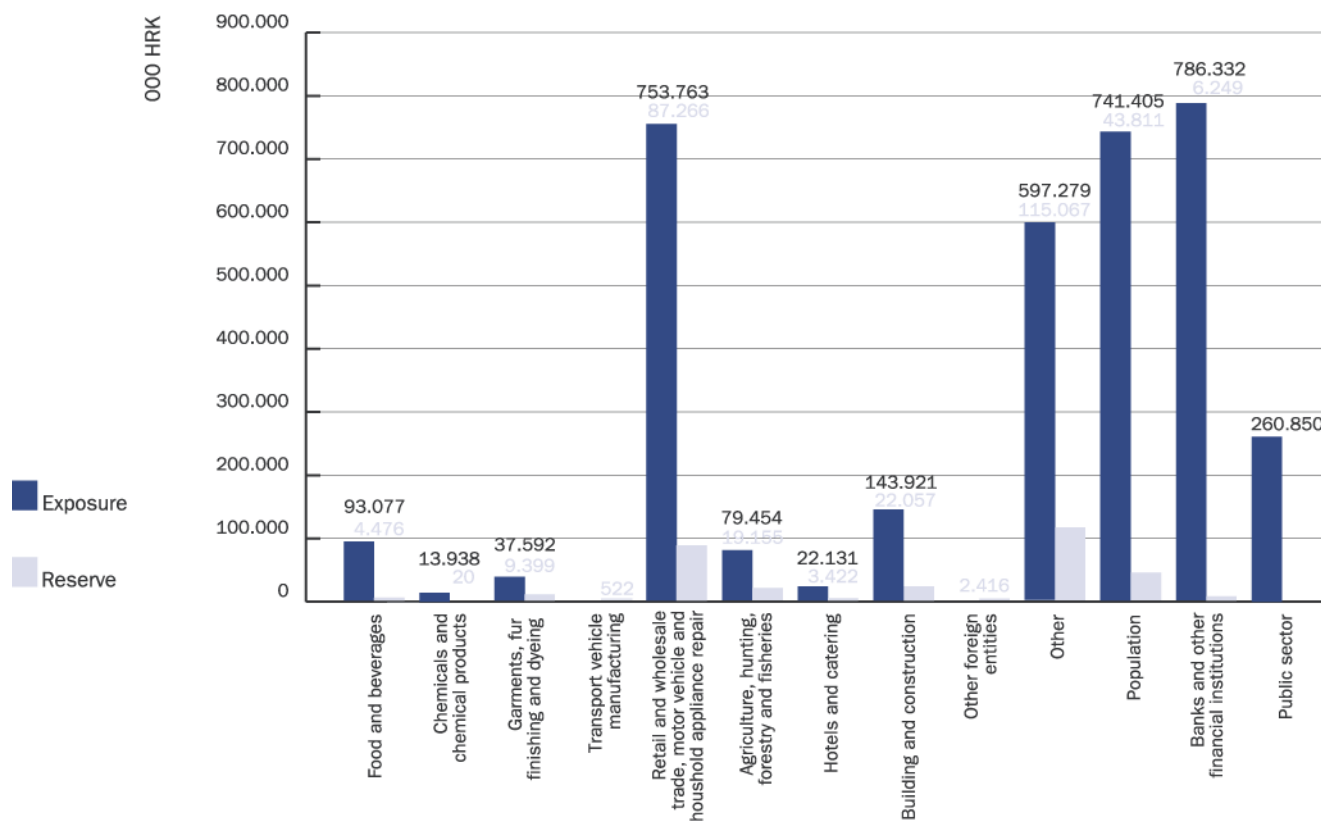
Placement classification is completed based on the law, decisions and provisions of the CNB and the internal system of placement and off-balance sheet item classification adopted by the Bank's Management and Supervisory Boards. The classification reflects the quality of placements and the potential of its full collection and is based on the Bank's standards, which are used as signals indicating the quality of a single placement, i.e. client, as well as of the entire portfolio. Risk assessment is used to measure and classify credit risk levels. It is the policy of the Bank to check the credit portfolio at least every three months, as well as whenever a new loan application is submitted.

Our main focus in the last quarter last year was the introduction of new procedures in the process of granting loans, as well as in the analysis and monitoring of the credit portfolio in order to have in place the prerequisites for the new rating system to be implemented in the year 2001. Hence, we have increased the level of bad loan provisions considerably, which was necessary as the three banks merged had different criteria in that respect, as well as because of the worsening economic situation faced by some of our clients. We believe that the bad loan provisioning set-up in the year 2000 has provided adequate reserve levels to ensure our stable operations in the period ahead of us.

Credit Risk Exposure according to Risk Group as at 31 Dec. 2000



Credit Risk Exposure according to Activity as at 31 Dec. 2000



IT SUPPORT

Due to the efforts of all its employees, the IT Department was, in the course of 2000, able to complete the merging of different concepts in the understanding of the IT role in the Bank as well as the integration of data coming from three different environments with different communication networks into a coherent whole. In addition to this, numerous changes were made required both by the internal and the external environment of the Bank without major disruptions in the flows within the Bank.

The IT concept applied by the largest of the three banks merged was maintained throughout the process of integration. The technical aspect of migration and the collating of data was completed by the transfer and adaptation of data from the systems of the other merged banks, so that processing could be continued in real time and in the on-line operating mode.

Due to increased requirements on the communication platform, during the year 2000, the communication infrastructure was transferred from the Croline public Frame Relay infrastructure to the new experimental public HT ATM network.

PROCESSING

The Processing Division has been established in line with the current trend in global banking applied to banking operations, i.e. transactional banking, which functions as the back office for the three front-end divisions of the Bank: Retail Division, Corporate Division and Treasury Divisions.

International Payment Operations

Payment operations are conducted for both domestic and foreign individual and corporate clients, with checks and remittances being the main instruments. The majority of payment transactions were effected in EUR's and in IN currencies and in USD.

Of the total amount of foreign payments made for domestic companies in the course of 2000, 70%, or approximately 2.26 billion HRK, represent the remittances sent, and 30%, or approximately 1 billion HRK, the payment orders received. Compared to 1999, nostro remittances grew 2.5 times and loro remittances 1.6 times.

The year 2000 saw a higher amount of foreign checks being cashed than in 1999, with the total amounting to approximately 8.5 million HRK, 1.3 times more in terms of amounts or 80% more according to the number of checks. Loro checks were cashed mostly in currencies such as the USD, EUR, CAD and DEM, and we have seen an increased number of clients interested in using the nostro check as an instrument of paying abroad, mostly in USD, GBP and EUR.

Documentary Transactions

The number of letters of credit opened in the course of the year 2000 stood at 859. Most of the L/Cs were opened in favor of our traditional partners, Italy and Germany, but also for the markets of the Far East (Taiwan, Korea and China) as well as neighboring countries (Slovenia, Hungary, Czech Republic).

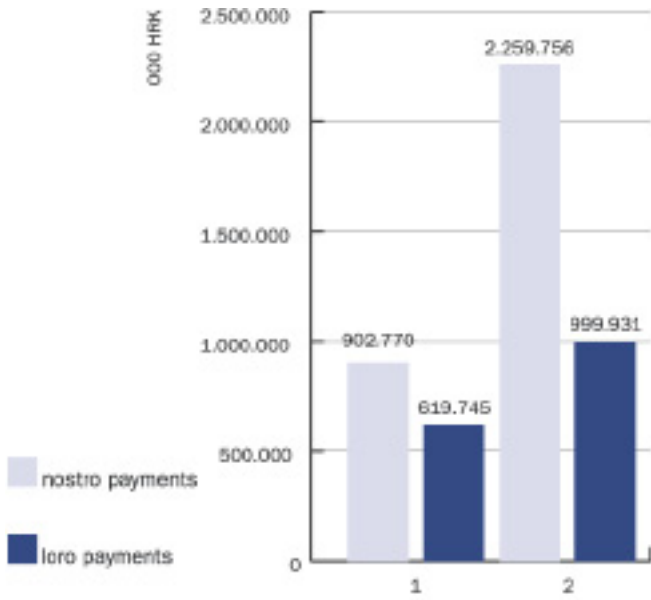
We received 57 loro L/Cs in the course of 2000, and they were part of export deals made by our clients, mostly with neighboring countries.

The trust we enjoy with our foreign partners was reflected in the increased number of nostro documentary collections.

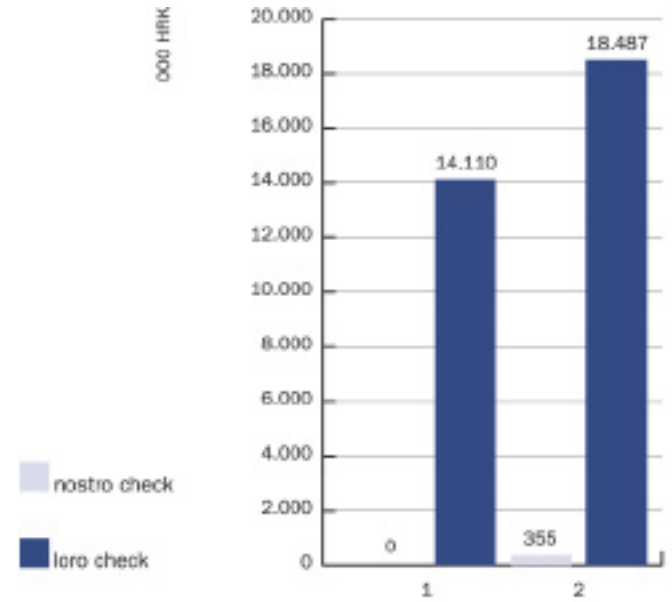
We have issued and received 250 nostro and loro guarantees in the course of the year 2000.

The Bank has established and maintains correspondent relationships with 400 domestic and foreign banks.

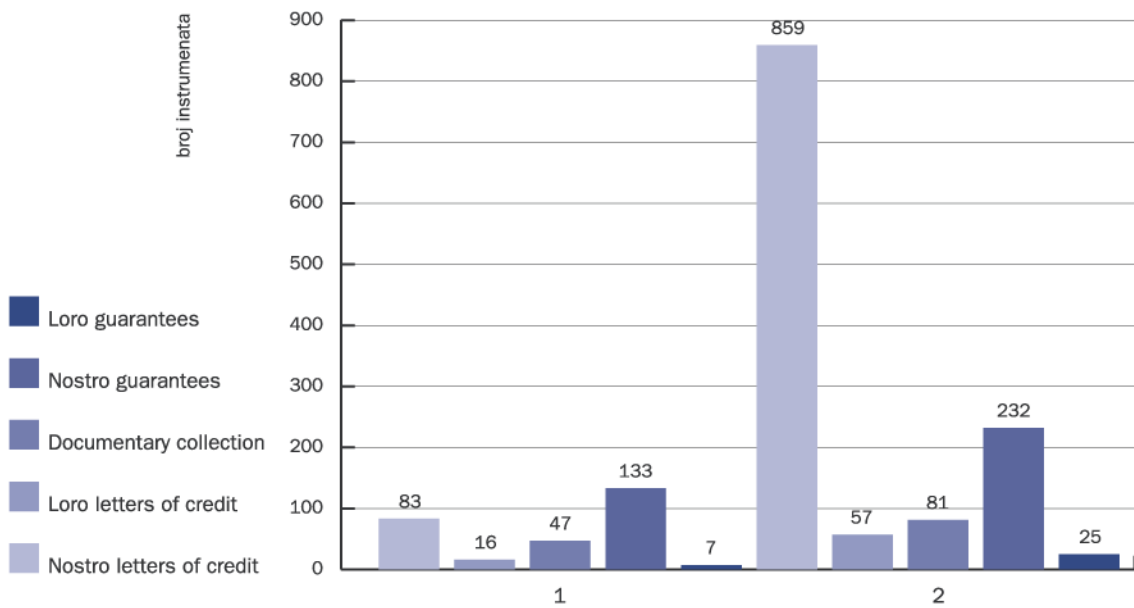
The experience gained by the three merged banks that the Bank is a successor to, especially in international transactions, has only been further strengthened by the reputation and the size of the two bank shareholders and enables us to offer quality products and services at competitive prices to all the Bank's clients and in cooperation with correspondent banks all over the world.



International Payment Operations 1999/2000



International Payment Operations (Foreign Checks) 1999/2000



Number of instruments realized in the Documentary transactions division in 1999/2000

HUMAN RESOURCES

The Bank's Management has established its basic priorities in its operations: clients are the most important external priority and human resources and technology are the most important internal priority.

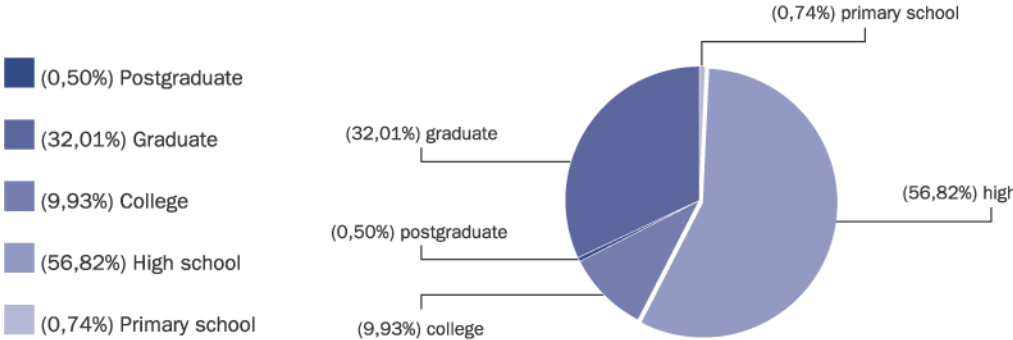
The HR Department has been organized as a modern organizational unit, and its goals are to develop and educate the Bank employees and establish systems supporting the permanent development of human resources with the support and knowledge of our majority shareholders.

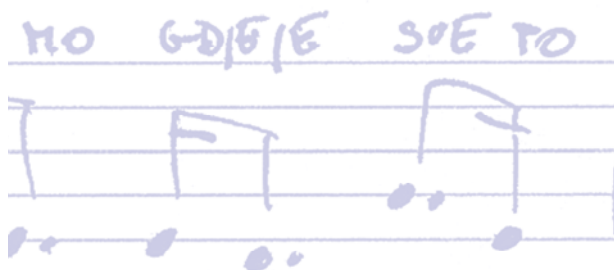
The establishment of the new organization has been a challenge, as it was necessary to train the employees coming from three banks to function in the new system and to contribute to a common set of goals. In order to avoid the negative effects of the merger. We have redistributed and trained our existing employees for new areas of operations.

We are satisfied with the results achieved to date, and we will continue to organize both internal and external seminars and workshops, to develop the remuneration policy and to enable open and frank communication and team work as we are aware of the need to have well educated and motivated employees if we want to see our goals achieved.

On 31 December 2000, the Bank had 403 employees.

Employee Education Structure:





Score of song "Tamo gdje je sve po mom",
composer Coco Mosquito

"Jinx" is a young group whose compact disc "Pompeji" has been on top of Croatian charts for months. Erste & Steiermärkische Bank d.d. and "Jinx" together promote introduction of student bank accounts and Cirrus Maestro cards.

INDEPENDENT AUDITORS' REPORT

To the shareholders of

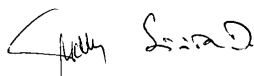
Erste & Steiermärkische bank d.d., Zagreb

We have audited the accompanying balance sheet of Erste & Steiermärkische Bank d.d. Zagreb (the Bank) as of 31 December 2000 and the related profit and loss account, statement of changes in shareholders' equity and cash flow statement as well as the notes thereto for the year then ended. These financial statements set out on pages 2 to 31 are the responsibility of the Bank's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements present fairly in all material respects the financial position of the Bank as of 31 December 2000, the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Zagreb, 28 March 2001



 **ERNST & YOUNG**

Ernst & Young Croatia

PROFIT AND LOSS ACCOUNT

For the year ended 31. December 2000 (all amounts expressed in thousand of HRK)

	Notes	2000	1999
Interest and similar income	3	298.018	180.129
Interest and similar expense	3	(102.455)	(51.465)
Net interest income before provisions		195.563	128.664
Provisions for identified and unidentified loan losses, net of recoveries	11,12,13, 15,25	(83.335)	(75.631)
Net interest income after provisions		112.228	53.033
Fee and commission income	4	53.501	24.020
Fee and commission expense	4	(18.269)	(7.697)
Net fee and commission income		35.232	16.323
Net foreign exchange gains	5	30.265	22.876
Other operating income	6	9.550	7.171
Total income		187.275	99.403
Depreciation		(11.802)	(4.271)
Operating expenses	7	(115.552)	(39.620)
Other expenses		(4.701)	(1.714)
Provisions against assets held for sale	14	(967)	(833)
Total expenses		(133.022)	(46.438)
Profit before tax for the year		54.253	52.965
Income taxes	8	(3.645)	(8.396)
Net profit for the year		50.608	44.569

BALANCE SHEET

At 31. December 2000 (all amounts expressed i thousand of HRK)

	Notes	2000	1999
ASSETS			
Cash and current accounts with banks	9	133.196	93.034
Balances with Croatian National Bank	10	215.979	96.844
Securities	11	446.066	108.071
Due from other banks	12	320.655	167.372
Loans to customers	13	1.690.758	1.034.502
Assets held for sale	14	36.018	6.863
Accrued interest and other assets	15	64.371	36.877
Amounts due from the Republic of Croatia	16	32.002	39.447
Equity investments	17	12.171	7.350
Property and equipment	18	114.419	53.630
Total assets		3.065.635	1.643.990
LIABILITIES			
Due to other banks	19	76.132	24.112
Due to customers	20	1.499.831	674.594
Frozen savings	21	30.246	37.655
Other borrowed funds	22	918.519	571.453
Accrued interest	23	22.243	13.752
Other liabilities	24	35.730	6.904
Provisions for contingencies	25	20.335	16.640
Total liabilities		2.603.036	1.345.110
Subordinated instruments	26	10.254	-
SHAREHOLDERS' EQUITY			
Share capital	1,27	271.924	193.824
Share premium		44.628	180
Reserves		85.185	60.307
Profit for the year		50.608	44.569
Total shareholders' equity		452.345	298.880
Total equity and liabilities		3.065.635	1.643.990
Commitments and contingencies	28	526.590	246.933

Financial statements were approved on 28 March 2001 by:

Member of the Management Board



Nenad Jedud

President of the Management Board



Petar Radakovic

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

	Share capital	Share premium	Legal reserves	Other reserves	Revaluation reserves	Total reserves	Retained profits	Total shareholders equity
Balance at 1 January 1999	176.204	-	8.810	42.640	-	51.450	50.003	277.657
Payment of dividend for the year 1998	-	-	-	-	-	-	(23.526)	(23.526)
Increase in the par value of capital	17.620	-	-	-	-	-	(17.620)	-
Share premium	-	180	-	-	-	-	-	180
Transfer to reserves	-	-	881	7.976	-	8.857	(8.857)	-
Profit for the year	-	-	-	-	-	-	44.569	44.569
Balance at 31 December 1999	193.824	180	9.691	50.616	0	60.307	44.569	298.880
Payment of dividend for the year 1999	-	-	-	-	-	-	(19.821)	(19.821)
Transfer to reserves	-	-	-	24.748	-	24.748	(24.748)	-
Shares issued on merger with merged banks	78.100	44.448	-	-	-	-	-	122.548
Revaluation of additional capital	-	-	-	-	130	130	-	130
Profit for the year	-	-	-	-	-	-	50.608	50.608
Balance at 31 December 2000	271.924	44.628	9.691	75.364	130	85.185	50.608	452.345

CASH FLOW STATEMENT

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

Operating activities	2000	1999
Net profit for the year	50.608	44.569
Provisions for identified and unidentified loan losses, net of recoveries	83.335	75.631
Provisions against assets held for sale	967	833
Depreciation	11.802	4.271
Net cash flow from direct operating activities	146.712	125.304
Changes in assets		
Increase in balances with Croatian National Bank	(119.135)	(40.516)
Increase in securities	(110.711)	(27.209)
Decrease in due from other banks	57.920	118.208
Increase in loans to customers	(729.550)	(175.659)
Increase in accrued interest and other assets	(43.857)	(23.303)
Decrease in amounts due from the Republic of Croatia	7.445	4.386
Increase in assets held for sale	(29.155)	(2.854)
Changes in liabilities		
Increase/(decrease) in due to other banks	52.020	(1.857)
Increase in due to customers	825.237	136.426
Decrease in frozen savings	(7.409)	(4.816)
Increase in other borrowed funds	347.066	104.950
Increase/(decrease) in accrued interest	8.491	(1.346)
Increase/(decrease) in other liabilities	28.826	(3.970)
Increase/(decrease) in provisions for contingencies	9.856	(3.906)
Net cash flow from operating activities	443.756	203.838
Investing Activities		
Increase in equity investments	(5.788)	(5.163)
Increase in investments in property and equipment	(72.591)	(19.773)
Net cash flow from investing activities	(78.379)	(24.936)
Financing Activities		
Increase in subordinated instruments	10.384	-
Increase in share capital	122.548	-
Premium from purchase and sale of treasury shares	-	180
Distribution of dividend to shareholders	(19.821)	(23.526)
Net cash flow from financing activities	113.111	(23.346)
Net increase in cash and cash equivalents	478.488	155.556
Cash and cash equivalents at the beginning of the year	253.359	97.803
Cash and cash equivalents at the end of the year (Note 29)	731.847	253.359

The following notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

1. General Information

Erste & Steiermärkische Bank d.d. is a new name of former Bjelovarska banka d.d., Bjelovar. As at 1 September 2000., the Bank has moved its head office from Bjelovar to Zagreb and merged with Trgovačka banka d.d., Zagreb and Čakovečka banka d.d., Čakovec.

As at 31 December 2000, Erste & Steiermärkische Bank d.d. is under control of Erste Bank der oesterreichischen Sparkassen AG, Wien and Steiermärkische Bank und Sparkassen AG, Graz, which together hold over 80% of shareholdings.

Former Bjelovarska banka was owned by Erste Bank der oesterreichischen Sparkassen AG, Wien and Steiermärkische Bank und Sparkassen AG, Graz, which held together over 75% of shareholdings.

In the moment of the merger act, Trgovačka banka was approximately 49% owned by Erste Bank der oesterreichischen Sparkassen AG, Wien, and approximately 49% by Steiermärkische Bank und Sparkassen AG, Graz.

Furthermore, in the moment of the merger act, Čakovečka banka was 60% owned by Bjelovarska banka (31 December 1999: 11%).

All three former banks (Bjelovarska, Trgovačka and Čakovečka) were under common control, during business year 2000, until the date of merger.

The Bank is licensed to conduct commercial Banking activities in the Republic of Croatia. The main activities of the Bank are offering of various types of deposit and credit services to legal entities and individuals, domestic and international payment operations, issuing of guarantees, sureties and other types of guarantees, buying and selling of securities and other banking services.

The persons responsible for the Bank's business are: Mr. Petar Radaković, President of the Management Board; Mr. Tomislav Vuić, Deputy President of the Management Board, and Mr. Nenad Jeđud and Mr. Borislav Centner, Members of the Management Board.

As at 31 December 2000, the Bank had 403 employees (as at 31 December 1999, the number of employees was 182).

As a result of the merger of three banks, Erste & Steiermärkische Bank d.d. Zagreb took over approximately 200 employees.

Note 36 shows a combined Balance Sheet of Bjelovarska banka, Trgovačka banka and Čakovečka banka as at 31 December 1999, and note 37 a combined Profit and Loss Account for the year 1999.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

2. Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of presentation

These financial statements have been prepared in all material respects in accordance with the International Accounting Standards (IAS) and applicable requirements of the Croatian Law. Certain accounts which the bank is required to maintain under Croatian accounting regulations, have also been prepared in accordance with the IAS. Where these regulations differ from IAS, adjustments have been made in order to bring them more closely into line with the requirements of IAS. The functional currency of the Bank is the Croatian Kuna (HRK).

(b) Interest income and expenses

Interest income and expenses are stated in the Profit and Loss Account on the basis of interest accrued. Interest is calculated in accordance with legal regulations or contracts entered into by the creditors and the debtors. In cases when it was established that the collection of income from interest was not certain, the interest was suspended and the interest income recognised after collection.

(c) Income from fees and commissions

Fees and commissions relate mainly to payment commissions, guarantees, letters of credit and similar instruments, as well as funds managed on behalf of third parties.

Commissions from transactions in foreign currencies are recorded as income upon realisation.

(d) Foreign currency

Income and expenses in foreign currencies are converted into HRK at the rate quoted on the day of transaction. Assets and liabilities stated in foreign currencies are converted into HRK at the official mid rate quoted on the last day of accounting period. Gains and losses arising from recalculation of foreign currencies and buying and selling of foreign currencies are stated in the Profit and Loss Account for the relevant year.

(e) Securities

Bills of exchange are purchased for the purpose of earning income and are intended to be held to maturity. They are stated at cost and adjusted for the amortisation of premiums or discount on purchases over the period to maturity.

Bonds of the Republic of Croatia were bought for the purpose of active trade and are stated at their fair value. The premium on bonds is included in interest income.

Treasury bills of the Croatian National Bank as well as those of the Ministry of Finance are stated at the cost of investment adjusted by depreciation of the discount using straight-line method of depreciation until the maturity. The depreciated amount of the discount is stated in interest income.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31. December 2000 (all amounts expressed i thousand of HRK)

(f) Loans to clients

Loans are stated in the Balance Sheet in the amount of principal outstanding, net of allowances for identified and unidentified losses. Receivables from loans and calculated interest are written off upon the termination of the liquidation procedures or after they have been legally considered not collectible. Subsequent repayments are recorded as income in the profit and loss account after the collection.

(g) Provisions for identified and unidentified loan losses

Values of loans and advances were adjusted for identified and unidentified losses. A special value adjustment for deteriorated loans is made to provide for estimated loan losses as soon as the management estimates that the repayment of the loan is doubtful or unlikely. In determining a special value adjustment of a deteriorated loan, that is the debtors' capability to repay debt, the management considers a number of factors: local economic conditions, prior settlement of due obligations, total financial condition and available funds, ability of servicing debt, value of business operations, net value and future prospects, possibility of support from financially good guarantors and collaterals.

Loans and advances stated as not collectible are written off from the amount of the adjustment of those loans. Subsequent collection is stated in the profit and loss account if previously written off.

In addition, banks are required to charge the profit and loss account by general provision. The provision is calculated as 1% of all placements and off balance sheet items allocated to the risk group A, reduced by the receivables from the Croatian National Bank, the Republic of Croatia and government agencies (covered by the state budget) as well as debt securities issued or guaranteed by the government.

The general provision on the balance sheet items is reported as deduction from loans in the accompanying balance sheets, while the general provision on off balance sheet items is reported on the liability side of the accompanying balance sheet.

(h) Investments

a) Assets held for sale

Assets held for sale are stated at the lower of cost of investment or market value. Gains and losses arising from disposal of these assets are included in the profit and loss account for the year in which they occur.

b) Investments in affiliated companies and subsidiaries

Investments in affiliated companies are stated at the cost of investment less diminution in value. Affiliated companies are companies where the Bank has between 20% and 50% of the voting rights or those in which it has a significant influence but does not control them.

By its merger with Trgovačka banka d.d. and Čakovečka banka d.d., the Bank acquired a 100% ownership over the companies "Simba d.o.o. in liquidation" and "Bank ing" d.o.o. These subsidiaries were not consolidated as the effect of the consolidation was not material to these financial statements.

c) Other investments

Other investments are stated at the investment cost, less diminution in value.

(i) Property and equipment

All property and equipment are stated at the historical cost less depreciation.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed i thousand of HRK)

(i) Property and equipment (continued)

Depreciation is calculated at the straight-line basis to write off the purchase value of each asset item during its estimated useful life, as follows.

Buildings	40 - 33 years
Computers	4 years
Furniture and equipment	15 - 5 years
Motor vehicles	4 years
Other	8 years

Gains and losses incurred from selling the property and equipment are stated on the basis of their book value in the Profit and Loss Account. Repairs and maintenance are stated in the Profit and Loss Account when the expenditure occurs.

(j) Taxes

Income tax is calculated on the basis of taxable profit, which is calculated by adjusting the financial result for certain income and expense items (such as costs of representation, donation, etc) in accordance with Croatian regulations.

Under IAS No. 12, "Accounting for Taxes on Income", deferred income taxes are accounted for under the liability method and reflect the tax effect of all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. No deferred tax provisions are required to be made in the financial statement records.

Income taxes are calculated in accordance with the law, at the rate of 35%.

(k) Cash and cash equivalents

In the Cash Flow Statement, cash and cash equivalents items are stated with the maturity period shorter than 90 days from the date of acquisition, including: cash and current accounts with banks and receivables from other banks with the maturity period up to 90 days, highly liquid Government securities and securities of the Croatian National Bank with maturity periods of up to 90 day. (Note 29)

(l) Funds managed on behalf of third parties

The Bank manages funds on behalf of legal entities and charges fees for its services. These funds are not stated in the Bank's Balance Sheet.

(m) Fair values

In accordance with the IAS, financial statements have been prepared on a historical cost basis, including adjustments and provisions that reduce assets to estimated recoverable amounts. The bank also discloses information about the fair value of its financial instruments. Fair value for this purpose is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an "arm's length transaction".

It is a policy of the bank to disclose fair value information on those assets or liabilities for which the published market information is available, and where the fair value is materially different from recorded amounts. In the opinion of bank's management, reported amounts are the most valid and useful values which can be reported under these circumstances, and represent their approximate fair value.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

(n) Financial instruments with off-balance sheet risk

Financial instruments include commitments to extend credit, financial guarantees, commercial letters of credit and forward foreign exchange contracts. These instruments involve, to varying degrees, elements of credit and market risks in excess of the amounts recognized in the Balance Sheet.

Credit risk of off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument might fail to perform in accordance with the terms of the contract. The bank uses same credit policies for commitments and conditional obligations as it does for balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Market risk represents possibility that the value of financial instruments will change, either positively or negatively, with changes in market prices, such as interest in foreign currencies.

The bank requires collateral to support off-balance sheet financial instruments when it is deemed necessary. Collateral held varies, but may include deposits with financial institutions, government securities, other marketable securities, inventory or property plant and equipment.

Commitments are contractual agreements to extend credit, which generally have fixed expiration dates or other termination requirements and may require payment of a fee. Substantially all of the bank's commitments to extend credit are contingent upon the customers maintaining specific credit standards at the time of loan funding. Since many of the commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements.

Financial guarantees are conditional commitments issued by the bank to guarantee the performance of a customer to a third party. Credit risk involved in issuing guarantees is practically the same as in extending facilities to other customers.

A commercial letter of credit represents an extension of credit by the bank to its customer, where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited because the merchandise shipped serves as collateral for the transaction.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

3. Interest Income and Expenses

	2000	1999
Interest and similar income		
Loans to companies	154.667	98.089
Loans to citizens	85.665	54.192
Croatian National Bank	18.423	8.981
Placements with other banks	17.707	11.029
Interest from the Republic of Croatia	15.867	4.664
Loans to other clients	5.689	3.174
	298.018	180.129
Interest and similar expense		
Deposits from other banks	887	770
Companies		
- demand deposits	6.405	2.954
- time deposit	5.459	1.022
Citizens		
- demand deposits	6.338	5.086
- time deposits	24.628	10.566
Frozen foreign currency savings	1.690	2.062
Financial organisations		
- demand deposits	82	-
- time deposits	82	-
Public sector and other institutions		
- demand deposits	1.047	714
- time deposits	1.929	628
Deposits of non-residents		
- demand deposits	40	-
- time deposits	1	-
Debt securities	1.696	-
Other borrowed funds	52.119	27.663
Interest expenses from previous years	52	-
	102.455	51.465

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

4. Net Fee and Commission Income

	2000	1999
Fee and commission income		
Guarantees and letters of credit	14.622	8.827
Payment orders	25.270	8.133
Other fees and commissions	13.609	7.060
	53.501	24.020
Fee and commission expense		
Bank fees	11.992	4.094
ZAP charges for domestic payment transactions	4.219	2.591
Commission for postal services for citizens' current account	1.219	974
Other fees and commissions	839	38
	18.269	7.697

5. Net Foreign Exchange Gains

	2000	1999
Dealing profits	26.884	7.955
Translation gains	3.381	14.921
	30.265	22.876

6. Other Operating Income

	2000	1999
Purchase of public debt	66	63
Refund of legal costs, postal, SWIFT and similar charges	1.913	2.657
Income from sale of non-banking assets	48	62
Dividend income	261	-
Income from selling tangibles	518	30
Collected principal previously written-off	3.507	4.089
Income from securities trading	1.958	-
Other income	1.279	270
	9.550	7.171

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

7. Operating Expenses

	2000	1999
Employee related costs		
- Salary expenses and compensation - net	32.091	11.123
- Costs of contribution, taxes and surtaxes	31.393	10.314
- Compensation to employees	1.913	564
Materials and services	30.486	10.716
Administration and marketing costs	13.125	2.498
Insurance premiums	6.544	4.405
	115.552	39.620

8. Income Taxes

Reconciliation of the income tax charge is as follows:

	2000	1999
Profit before tax	54.253	52.965
Non-taxable income	(831)	(974)
Tax disallowable expenses	4.512	2.015
Notional interest on equity	(43.321)	(26.781)
Taxable base	14.613	27.225
Income tax	5.115	9.529
Amount of notional interest on advances of income tax	(1.470)	(1.133)
Income tax	3.645	8.396

9. Cash and Current Accounts with Banks

	2000		1999	
	HRK	Foreign currency	HRK	Foreign currency
Cash in hand	12.040	15.675	6.142	3.566
Items in the course of collection	199	111	197	109
Current accounts and amounts on call				
with domestic banks	-	20.104	-	4.029
Current accounts and amounts on call				
with foreign banks	-	50.612	-	61.615
Current account	34.455	-	17.376	-
	46.694	86.502	23.715	69.319
	133.196		93.034	

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

10. Balances with Croatian National Bank

	2000	1999
Obligatory reserve in HRK	111.388	47.818
Obligatory reserve in foreign currency	104.591	46.082
HRK deposits in respect of time deposits from foreign banks	-	2.944
	215.979	96.844

The Bank is required to hold an obligatory reserve in HRK with the Croatian National Bank. As at 31 December 2000, this reserve accounted for 23,5% (30,5% in 1999) of demand and time deposits. The same rate of the obligatory reserve was applied in 2000 to all other foreign currency deposits, while in 1999, the Bank has set aside the amount of obligatory reserve in the amount of 55% on time foreign currency deposits of citizens with the remaining maturity period up to 3 months. These funds are not available for financing of the Bank's everyday operations.

11. Securities

	2000	1999
Treasury Bills issued by Croatian National Bank	143.528	80.758
Bonds of the Republic of Croatia	127.820	5
Treasury Bills of the Ministry of Finance	164.528	-
Bills of the Ministry of Finance	536	22.422
Bonds of the Croatian Health Insurance Institute	1.734	-
Bills of companies	7.777	5.281
Bills of public sector	1.072	-
	446.995	108.466
Provisions - specific	(929)	(395)
	446.066	108.071

Bonds of the State Agency for the Insurance of Savings Deposits and the Rehabilitation of Banks are stated in item Bonds of the Republic of Croatia. The Bonds are financial instruments with maturity from 3 to 5 years, bearing interest rate of 8% or 8,375% annually. They are issued with the foreign currency clause linked to EUR.

The Bonds of the Croatian Health Insurance Institute are issued with the maturity period of 4 years and the interest rate of 8,5% annually. They have the guarantee of the Government of the Republic of Croatia and a foreign currency clause linked to EUR.

Treasury bills of the Croatian National Bank and bills of the Ministry of Finance are issued for the period of up to 90 days, at the interest annual rate from 3,91% to 6,7% (in 1999, the interest rate was from 10,5% to 12,5%). Treasury bills denominated in foreign currency are also issued for the period of up to 90 days at the annual interest rate from 4,71% to 6,59% (3,5% in 1999).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

11. Securities (continued)

Changes in provisions

	2000	1999
Balance as at 1 January	395	395
New provisions	1.454	-
Acquired by the merger of banks	520	-
Collected	(1.440)	-
Foreign exchange revaluation		
Balance as at 31 December	929	395

12. Due from other Banks

	2000	1999
HRK denominated	39.332	10.996
Foreign currency denominated	287.220	162.265
	326.552	173.261
Provisions - specific	(5.897)	(5.889)
	320.655	167.372

Interest rates on HRK placements ranged from 0,5% to 14% (in 1999 from 8% to 15%), and from 1,75% to 6,63% on foreign currencies (in 1999 from 3% to 7%).

Geographical analysis

	2000	1999
Croatia	49.045	20.811
Austria	42.541	61.746
Germany	114.841	77.657
Italy	78.050	12.439
Other European countries	42.075	608
	326.552	173.261
Provisions - specific	(5.897)	(5.889)
	320.655	167.372

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

12. Due from other Banks (continued)

Changes in provisions	2000	1999
Balance as at 1 January	5.889	2.337
New provisions	70	3.489
Acquired by the merger of banks	245	-
Collected	(245)	-
Foreign exchange revaluation	(62)	63
Balance as at 31 December	5.897	5.889

13. Loans to Customers

	2000	1999
Companies		
- in HRK	1.246.615	685.604
- in foreign currency	32.812	15.178
Public sector and other organisations	16.312	16.746
Citizens	695.835	485.146
	1.991.574	1.202.674
Provisions - specific	(281.291)	(156.605)
Provisions - general	(19.525)	(11.567)
	1.690.758	1.034.502

Interest rates on HRK placements ranged from 4% to 19% (in 1999 from 7% to 25%) and from 5% to 18% on foreign currency placements (in 1999 from 12% to 15%).

Changes in provisions:	Specific	General
Balance as at 1 January 1999	116.671	6.400
New provisions	117.878	5.236
Collected	(56.763)	(69)
Written off	(22.874)	-
Foreign exchange revaluation	1.693	-
Balance as at 31 December 1999	156.605	11.567

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

13. Loans to Customers (continued)

Changes in provisions:	Specific	General
New provisions	219.257	4.273
Collected	(148.450)	(1.786)
Acquired by the merger of banks	44.069	5.471
Provisions for principal reinstated in the Balance sheet	28.063	-
Written off	(16.791)	-
Foreign exchange revaluation	(1.462)	-
Balance as at 31 December 2000	281.291	19.525

Non-performing loans

As at 31 December 2000, the amount of the principal of non-performing loans on which the Bank suspended the interest income was HRK 398.491 thousands (in 1999 HRK 318.396 thousands).

The concentration of the risk by industries within the customers loan portfolio was as follows (in HRK thousands and percentage):

	2000		1999	
		%		%
Agriculture and forestry	71.101	3%	48.726	4%
Manufacturing	397.071	20%	274.742	23%
Transport, storage and communications	30.241	2%	39.169	3%
Construction	96.341	5%	49.107	5%
Trade	531.288	26%	231.903	19%
Tourism and other services	19.965	1%	14.470	1%
Citizens	695.835	35%	485.146	40%
Public sector and other organisations	16.312	1%	16.746	1%
Other	133.420	7%	42.665	4%
	1.991.574	100%	1.202.674	100%
Provisions	(300.816)		(168.172)	
	1.690.758		1.034.502	

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

14. Assets Held for Sale

	2000	1999
Balance as at 1 January	6.863	4.009
Acquired by the merger of banks	8.181	-
Assets acquired for receivables	23.034	5.112
Disposed assets	(1.093)	(1.425)
Provisions against assets held for sale	(967)	(833)
Balance as at 31 December 2000	36.018	6.863

As at 31 December 2000, out of total assets held for sale, HRK 29.141 thousands relate to land and buildings and HRK 6.877 thousands relate to other assets. Total assets were acquired in exchange for receivables.

Assets held for sale are recorded in the Balance Sheet in the amount of remaining debt at the moment of repossession.

Management Board considers that the real market value of these assets is not lower than the book value.

15. Accrued Interest and other Assets

	2000	1999
Accrued interest	16.114	19.493
Outstanding interest	1.913	674
Receivables from fees and commission	2.453	3.327
Tax advance	17.936	10.873
Receivables from trading with foreign currencies	16.055	-
Other assets	16.951	7.675
Costs paid in advance	1.881	1.857
	73.303	43.899
Provisions - interests	(179)	(1.111)
Provisions - other assets	(8.753)	(5.911)
	64.371	36.877

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

15. Accrued Interest and other Assets (continued)

Changes in provisions	Interest	Other assets
Balance at 1 January 1999	10.369	6.680
New provisions made	6.870	3.658
Amounts collected	(2.102)	(1.563)
Amounts written off	-	(2.993)
Interest suspended	(14.029)	-
Foreign exchange revaluation	3	129
Balance at 31 December 1999	1.111	5.911
New provisions made	18.611	4.615
Amounts collected	(3.115)	(3.748)
Interest suspended	(16.482)	-
Amounts written off	-	(444)
Acquired by the merger of banks	54	2.053
Foreign exchange revaluation	-	366
Balance as at 31 December 2000	179	8.753

16. Amounts Due from the Republic of Croatia

	2000	1999
Public debt of the Republic of Croatia	30.445	37.705
Bonds of the Republic of Croatia for payment in foreign currency for purchase of flats	290	291
Accrued interest	1.267	1.451
	32.002	39.447

Amounts due from the Republic of Croatia refer to foreign currency savings deposits of citizens, which had been deposited with the former National Bank of Yugoslavia. The National Bank of Yugoslavia froze these deposits on 27 April 1991. Upon the disintegration of the former Yugoslavia, the Croatian National Bank accepted the liability for these deposits and on 23 December 1991 deposits were converted to the national debt of the Republic of Croatia. The amount due includes foreign exchange gains arising from restatement of amounts deposited and converted at the year-end rate rulings.

The amount due from the Republic of Croatia carries an annual interest rate of 5% and is redeemable in twenty semi-annual instalments starting with 30 June 1995.

Receivables from the Republic of Croatia can be swapped for shares of companies in the state ownership, upon approval of the Croatian Privatisation Fund.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31. December 2000 (all amounts expressed in thousand of HRK)

17. Equity Investments

	Stakes in affiliated comp. and subsidiaries	Other investments (less than 20%)	Total
Balance at 1 January 1999	951	2.083	3.034
New investments	-	4.324	4.324
Decrease in the stake	(800)	800	-
Write offs	-	(8)	(8)
Balance as at 31 December 1999	151	7.199	7.350
Acquired by the merger of banks	7.564	1.512	9.076
Eliminated in the merger	-	(4.255)	(4.255)
Balance as at 31 December 2000	7.715	4.456	12.171

Affiliated companies and subsidiaries are as follows:

Company	Nature of business	Country of incorporation	Value of investment		Stake	
			2000	1999	2000	1999
Affiliated companies						
Karpos d.o.o.	Data processing	Croatia	141	141	40%	40%
Europay Croatia d.o.o.	Business consulting	Croatia	10	10	25%	25%
Subsidiaries						
Simba d.o.o. in liquidation	Lease of real estate	Croatia	7.564	-	100%	-
Banking d.o.o.	Construction	Croatia	19	-	100%	-
			7.734	151		
Value adjustment			(19)	-	-	-
			7.715	151		

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

18. Property and Equipment

	Land and buildings	Computers & software	Furniture & fittings	Motor vehicles	Assets in	Other course of construction	Total
Historical and revalued cost							
Balance as at 1 January 2000	23.060	18.506	8.306	1.397	24.282	746	76.297
Acquired in the merger	30.968	16.213	8.528	2.160	553	4.031	62.453
Transfer to the current investments	26.659	20.348	6.394	-	(55.815)	2.414	-
Increase	-	-	-	-	32.590	-	32.590
Disposals	-	(824)	(736)	-	(551)	(28)	(2.139)
Balance as at 31 December 2000	80.687	54.243	22.492	3.557	1.059	7.163	169.201
Depreciation							
Balance as at 1 January 2000	4.685	12.255	4.685	882	-	160	22.667
Acquired in the merger	4.266	10.006	4.730	645	-	2.169	21.816
Eliminated on disposals	-	(857)	(618)	-	-	(28)	(1.503)
Depreciation in 2000	1.892	6.590	1.688	717	-	915	11.802
Balance as at 31 December 2000	10.843	27.994	10.485	2.244	-	3.216	54.782
Net Book Value							
Balance as at 31 December 2000	69.844	26.249	12.007	1.313	1.059	3.947	114.419
Net Book Value							
Balance as at 31 December 1999	18.375	6.251	3.621	515	24.282	586	53.630

Capital commitments

As at 31 December 2000, the Bank had no contracted capital commitments. As at 31 December 1999, the Bank's capital liabilities from the construction of the Bank's premises in Bjelovar and Zagreb were HRK 2.507 thousands. Their construction was completed during the reporting year.

19. Due to other Banks

	2000	1999
Demand deposits		
- in HRK	3.094	15
- in foreign currency	10.668	2.738
Term deposits		
- in HRK	-	-
- in foreign currency	62.370	21.359
	76.132	24.112

As at 31 December 2000 the Bank had a deposit from Erste Bank, Wien amounting to HRK 53.188 thousands.

Interest rates charged on demand deposits in HRK ranged from 1,5% to 3% (1999.: from 1% to 3%). Interest rates on foreign currency demand deposits ranged from 0,3% to 1% (1999.: from 3,5% to 5%).

Interest rates charged on term deposits in foreign currency ranged from 2,5% to 6% (1999.: from 4% to 7,8%).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31. December 2000 (all amounts expressed i thousand of HRK)

20. Due to Customers

	2000	1999
Demand deposits		
Companies		
- in HRK	325.034	83.738
- in foreign currency	75.832	16.678
Public sector and other institutions		
- in HRK	54.131	16.684
- in foreign currency	8.070	6.907
Citizens		
- in HRK	86.392	47.622
- in foreign currency	175.585	105.485
Restricted deposits		
- in HRK	11.346	13.356
- in foreign currency	47.980	17.036
Total demand deposits	784.370	307.506
Term deposits		
Enterprises		
- in HRK	86.844	37.338
- in foreign currency	54.443	26.261
Public sector and other institutions		
- in HRK	31.090	14.929
- in foreign currency	-	-
Citizens		
- in HRK	7.716	2.866
- in foreign currency	532.801	282.795
Other		
- in HRK	-	-
- in foreign currency	2.567	2.899
Total term deposits	715.461	367.088
Total due to customers	1.499.831	674.594

Interest rates on HRK demand deposits ranged from 1,5% to 3% (in 1999 from 1% to 3%). Interest rates on foreign currency demand deposits in 2000 ranged from 0,5% to 2% (in 1999 from 3,5% to 5%).

Interest rate on HRK time deposits ranged from 0% to 8% (in 1999 from 4% to 8%), and on foreign currency time deposits from 1,5% to 7,5% (in 1999 from 4% to 7,8%).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

21. Frozen Savings

	2000	1999
Foreign currency deposits of citizens transferred to national debt	29.512	36.736
Accrued interest	734	919
Total liabilities from frozen savings	30.246	37.655

Foreign currency deposits of citizens deposited before 27 April 1991 were frozen in accordance with the decision of the Government of Croatia. Upon the maturity the instalment of the national debt, a relevant part of the deposit is transferred to demand deposits. The interest rate on frozen savings is 5% annually.

22. Other Borrowed Funds

	2000	1999
Loans from the Croatian National Bank	59.770	-
Domestic borrowings	53.467	17.419
Foreign borrowings		
- European Bank for Reconstruction and Development	68.553	52.796
- International Finance Corporation	70.057	-
- commercial banks	666.530	501.094
- other foreign borrowings	142	144
Total	918.519	571.453

Loans from the Croatian National Bank represent a REPO loan amounting to HRK 60,000 thousand, at the interest rate of 6%.

Loans from the Croatian Bank for Reconstruction and Development amounting to HRK 53.467 thousands (in 1999 HRK 17.419 thousands) are payables within the period of 14 years, at the interest rate from 0% to 11% (in 1999 from 0% to 10%), depending on the purpose.

Interest rates on foreign borrowings ranged from 5,875% to 8,5% (in 1999 from 6,5% to 7,5%).

23. Accrued Interest

	2000	1999
Interest payable	1.739	927
Accrued interest and deferred income	20.504	12.825
Total	22.243	13.752

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

24. Other Liabilities

	2000	1999
Taxes and contributions	814	401
Dividends from previous years	1.021	1.686
Suppliers	3.854	796
Salaries	4.067	1.431
Liabilities from the employment contracts	3.428	-
Liabilities for credit card operations	3.373	1.585
Liabilities from trading with foreign currencies	16.124	-
Other liabilities	3.049	1.005
	35.730	6.904

25. Provisions for Contingencies

	Specific	General
Balance as at 1 January 1999	16.382	1.158
New provisions	-	879
Collected	(1.882)	-
Foreign exchange revaluation	103	-
Balance as at 31 December 1999	14.603	2.037
New provisions	20.136	64
Collected	(26.361)	-
Acquired by the merger of banks	7.810	2.292
Foreign exchange revaluation	(246)	-
Balance as at 31 December 2000	15.942	4.393
Total		20.335

26. Subordinated Instruments

Through the merger with Trgovačka banka d.d. Zagreb, the Bank assumed the liabilities for bonds issued in 1998 with the status of additional capital. The bonds were issued for the period of 8 years. They are not insured with the State Agency for the Insurance of Savings Deposits and can be used for the coverage of losses. Bonds are revalued at the DEM exchange rate and have a variable interest rate (linked with the tariff of the Bank), which was 6,5% annually as at 31 December 2000. The Bank has issued 8.626 bonds, each carrying a value of DEM 305,98 at the middle exchange rate of the Croatian National Bank.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

27. Share Capital

Approved, registered and paid shareholders capital as at 31 December 2000 consists of 61.801 regular registered shares (in 1999: 44.051 shares), each with the nominal value of HRK 4.400.

The Bank issued 17.750 new shares at 1 September for existing shareholders of Trgovačka banka d.d. and Čakovečka banka d.d.

All the new shares were exchanged in the merger for shares of Trgovačka banka d.d. and Čakovečka banka d.d. at share substitution ratios of 4,2012 between Bjelovarska banka d.d. and Trgovačka banka d.d., and 1,6565 between Bjelovarska banka d.d. and Čakovečka banka d.d. Nominal value of shares of Trgovačka banka d.d. and Čakovečka banka prior to substitution were HRK 1.100 and HRK 3.600 respectively.

Shareholders structure as at 31 December is as follows:

	SHARE			
	2000		1999	
	Share	No. of shares	Share	Number of shares
Erste Bank der oesterreichischen				
Sparkassen AG, Wien	40,20%	24.843	37,64%	16.579
Steiermärkische Bank und Sparkassen AG, Graz	39,95%	24.688	37,48%	16.509
Other shareholders	19,85%	12.270	24,88%	10.963
Total	100,00%	61.801	100,00%	44.051

28. Commitments and Contingencies

The aggregate amounts of outstanding guarantees, letters of credit and other commitments at the end of the year were:

	2000	1999
HRK guarantees		
- short-term	76.028	3.315
- long-term	43.074	19.290
Foreign guarantees	163.241	161.458
Performance guarantees	39.262	22.697
Foreign currency letters of credit		
- short-term	43.457	15.592
- long-term	6.328	2.748
Guaranteed and accepted bills of exchange	1.643	870
Commitments to lend	85.846	20.963
Other contingencies	67.711	-
	526.590	246.933

NOTES TO FINANCIAL STATEMENTS

For the year ended 31. December 2000 (all amounts expressed i thousand of HRK)

29. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	2000	1999
Cash and current accounts with other banks	28.025	10.014
Current accounts in Croatia and abroad	105.171	83.020
Placements to banks with the remaining maturity of up to 3 months	290.595	79.567
Treasury bills with the remaining period of up to 3 months	308.056	80.758
	731.847	253.359

30. Funds Managed on behalf of third Parties

The Bank manages funds on behalf of third parties

	2000	1999
Companies	25.738	5.995
Other legal entities	1.680	13.705
Citizens	71.041	-
Less: assets	(95.088)	(19.254)
Funds in course of transfer	3.371	446

The Bank manages funds on behalf of legal entities that were placed as loans to companies and citizens. These funds are accounted for separately from the Bank's assets. Income and expense arising from these funds are credited to corresponding sources. The Bank has no risk arising from these transactions. The Bank is compensated for its services through service fees. Funds in course of transfer arise on timing differences in receipt and placement of the funds.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

31. Related Party Transactions

From the parties related to the Bank, the most significant transactions in the course of everyday operations are performed with the Bank's biggest shareholders Erste Bank, Wien (shareholder with the share of 40,20%) and Steiermärkische Bank, Graz (shareholder with the share of 39,95%) as follows:

Transaction	2000	1999
Balance of deposits given as at 31 December	20.778	24.445
Balance of taken deposits and loans as at 31 December	577.928	439.769
Expenses from interests for the year	32.276	13.191
Expenses from interests for the year	1.654	9.031

The interest rate on borrowings and deposits from Erste Bank, Wien and Steiermärkische Bank, Graz do not materially differ from applicable market rates.

Besides the transactions stated above, the Bank had transactions with related parties in form of loans to its employees. As at 31 December 2000, these loans amounted to HRK 2.516 thousands. The interest rate on loans to employees is in accordance with the market conditions.

32. Fair Values of Financial Assets and Liabilities

Fair value represents an amount where the funds can be exchanged or liabilities settled in the best interest of all parties. As market prices for the major part of financial assets and liabilities of the Bank are not available, the fair value of these items is based on the estimation of the Management Board according to the type of assets and liabilities. According to the estimation of the Management Board, the market values are not materially different than the book value of all categories of assets and liabilities.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

33. Interest Rate Risk

Interest sensitivity of assets, liabilities and off balance sheet items

The Bank is exposed to various risks associated with the effects of fluctuations in prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by earlier of contractual repricing or maturity dates.

Balance as at 31 December 2000

	Up to 1 month	From 1 m to 3m	From 3 m. m to 12m	From 1 to 3 years	Over 3 years	Without interest	Total
Assets							
Cash and current accounts with banks	66.003	-	-	-	-	67.193	133.196
Balances with Croatian National Bank	215.979	-	-	-	-	-	215.979
Securities	216.960	93.315	5.735	513	129.543	-	446.066
Due from other banks	284.013	15.821	11.576	3.522	5.723	-	320.655
Loans to customers	1.495.893	47.812	82.866	42.412	21.775	-	1.690.758
Assets held for sale	-	-	-	-	-	36.018	36.018
Accrued interest and other assets	-	-	-	-	-	64.371	64.371
Amounts due from the Republic of Croatia	3.469	-	3.402	13.636	10.228	1.267	32.002
Equity investments	-	-	-	-	-	12.171	12.171
Property and equipment	-	-	-	-	-	114.419	114.419
Total assets	2.282.317	156.948	103.579	60.083	167.269	295.439	3.065.635
Liabilities							
Due to other banks	65.239	783	3.274	777	100	5.959	76.132
Due to customers							
- Demand deposits	784.370	-	-	-	-	-	784.370
- Time deposits	536.488	62.769	64.862	3.422	14.708	33.212	715.461
Frozen savings	4.007	-	6.555	13.107	6.577	-	30.246
Other borrowed funds	110.664	78.554	672.263	11.124	45.914	-	918.519
Accrued interest	-	-	-	-	-	22.243	22.243
Other liabilities	-	-	-	-	-	35.730	35.730
Provisions for contingencies	-	-	-	-	-	20.335	20.335
Total liabilities	1.500.768	142.106	746.954	28.430	67.299	117.479	2.603.036
Subordinated instruments	10.254	-	-	-	-	-	10.254
Balance mismatch at the interest rate	771.295	14.842	(643.375)	31.653	99.970	177.960	452.345

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

34. Currency Risk

Concentration of assets, liabilities and off-balance items

Significant foreign currency assets, liabilities and off balance items of the Bank are analysed in the table below. The items in HRK with foreign currency clause are stated under the foreign currency for which they are bound.

Balance as at 31 December 2000

	EUR linked currencies	USD	Other foreign currency	Total foreign currency	HRK	Total
Assets						
Cash and current accounts with banks	64.418	7.542	14.541	86.501	46.695	133.196
Balances with Croatian National Bank	64.606	-	-	64.606	151.373	215.979
Securities	252.794	20.283	-	273.077	172.989	446.066
Due from other banks	217.304	54.616	22.454	294.374	26.281	320.655
Loans to customers	1.251.770	-	627	1.252.397	438.361	1.690.758
Assets held for sale	-	-	-	-	36.018	36.018
Accrued interest and other assets	13.906	81	20	14.007	50.364	64.371
Amounts due from the Republic of Croatia	32.002	-	-	32.002	-	32.002
Equity investments	111	-	-	111	12.060	12.171
Property and equipment	-	-	-	-	114.419	114.419
Total assets	1.896.911	82.522	37.642	2.017.075	1.048.560	3.065.635
Liabilities						
Due to other banks	71.488	1.188	362	73.038	3.094	76.132
Due to customers						
- Demand deposits	263.324	39.635	15.650	318.609	465.761	784.370
- Time deposits	624.347	41.945	15.592	681.884	33.577	715.461
Frozen savings	25.126	2.335	2.785	30.246	-	30.246
Other borrowed funds	823.825	-	-	823.825	94.694	918.519
Accrued interest	18.702	654	420	19.776	2.467	22.243
Other liabilities	13.995	2.515	19	16.529	19.201	35.730
Provisions for contingencies	-	-	-	-	20.335	20.335
Total liabilities	1.840.807	88.272	34.828	1.963.907	639.129	2.603.036
Subordinated instruments	10.254	-	-	10.254	-	10.254
Net balance sheet position	45.850	(5.750)	2.814	42.914	409.431	452.345
Commitments and contingencies	268.276	13.634	9.742	291.652	234.938	526.590

NOTES TO FINANCIAL STATEMENTS

For the year ended 31. December 2000 (all amounts expressed i thousand of HRK)

35. Liquidity Risk

Balance as at 31 December 2000

	Up to 1 month	From 1 m to 3 m	From 3 m. m to 12 m	From 1 to 3 years	Over 3 years	Total
Assets						
Cash and current accounts with banks	133.196	-	-	-	-	133.196
Balances with Croatian National Bank	215.979	-	-	-	-	215.979
Securities	216.960	93.315	5.735	513	129.543	446.066
Due from other banks	282.239	16.604	12.567	3.522	5.723	320.655
Loans to customers	338.892	124.263	403.271	489.121	335.211	1.690.758
Assets held for sale	-	-	-	-	36.018	36.018
Accrued interest and other assets	64.371	-	-	-	-	64.371
Amounts due from the Republic of Croatia	4.736	-	3.402	13.636	10.228	32.002
Equity investments	-	-	-	-	12.171	12.171
Property and equipment	-	-	-	-	114.419	114.419
Total assets	1.256.373	234.182	424.975	506.792	643.313	3.065.635
Liabilities						
Due to other banks	71.198	783	3.274	777	100	76.132
Due to customers						
- Demand deposits	784.370	-	-	-	-	784.370
- Time deposits	132.392	170.971	267.187	54.510	90.401	715.461
Frozen savings	4.006	-	6.555	13.108	6.577	30.246
Other borrowed funds	60.530	21.250	215.424	367.174	254.141	918.519
Accrued interest	22.243	-	-	-	-	22.243
Other liabilities	35.730	-	-	-	-	35.730
Provisions for contingencies	-	-	-	-	20.335	20.335
Total liabilities	1.110.469	193.004	492.440	435.569	371.554	2.603.036
Subordinated instruments	-	-	-	-	10.254	10.254
Net mismatch	145.904	41.178	(67.465)	71.223	261.505	452.345

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

36. Combined Balance Sheet of Bjelovarska banka, Trgovačka banka and Čakovečka banka as at 31 December 1999

	Bjelovarska banka	Trgovačka banka	Čakovečka banka	Total	Elimi- nation	Consoli- dated balance sheet
Assets						
Cash and current accounts with banks	93.034	22.987	37.543	153.564	-	153.564
Balances with Croatian National Bank	96.844	35.845	30.187	162.876	-	162.876
Securities	108.071	35.707	-	143.778	-	143.778
Due from other banks	167.372	124.090	44.756	336.218	-	336.218
Loans to customers	1.034.502	203.969	160.963	1.399.434	-	1.399.434
Assets held for sale	6.863	3	8.682	15.548	-	15.548
Accrued interest and other assets	36.877	14.191	7.533	58.601	-	58.601
Amounts due from the Republic of Croatia	39.447	-	-	39.447	-	39.447
Equity investments	7.350	8.819	276	16.445	4.269	12.176
Property and equipment	53.630	24.184	16.034	93.848	-	93.848
Total assets	1.643.990	469.795	305.974	2.419.759	4.269	2.415.490
Liabilities						
Due to other banks	24.112	8.579	8.262	40.953	-	40.953
Due to customers	674.594	244.896	172.793	1.092.283	-	1.092.283
Frozen savings	37.655	-	-	37.655	-	37.655
Other borrowed funds	571.453	86.689	25.723	683.865	-	683.865
Accrued interest	13.752	2.124	3.191	19.067	-	19.067
Other liabilities	6.904	7.039	1.970	15.913	-	15.913
Provisions for contingencies	16.640	6.847	3.255	26.742	-	26.742
Total liabilities	1.345.110	356.174	215.194	1.916.478	-	1.916.478
Subordinated instruments	-	10.384	17.668	28.052	-	28.052
Share capital and premium	194.004	71.612	56.921	322.537	4.269	318.268
Reserves	60.307	18.407	8.652	87.366	-	87.366
Profit for the year	44.569	13.218	7.539	65.326	-	65.326
Total shareholders' equity	298.880	103.237	73.112	475.229	4.269	470.960
Total equity and liabilities	1.643.990	469.795	305.974	2.419.759	4.269	2.415.490

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2000 (all amounts expressed in thousand of HRK)

37. Combined Profit and Loss Account of Bjelovarska banka, Trgovačka banka and Čakovečka banka for Year ended 31 December 1999

	Bjelovarska banka	Trgovačka banka	Čakovečka banka	Consoli- dated profit account
Interest and similar income	180.129	44.074	32.361	256.564
Interest and similar expenses	(51.465)	(10.258)	(13.065)	(74.788)
Net interest income before provisions	128.664	33.816	19.296	181.776
Provisions for identified and unidentified loan losses, net of recoveries	(75.631)	986	(7.913)	(82.558)
Net interest income after provisions	53.033	34.802	11.383	99.218
Fee and commission income	24.020	15.199	8.883	48.102
Fee and commission expenses	(7.697)	(3.728)	(1.581)	(13.006)
Net fee and commission income	16.323	11.471	7.302	35.096
Net foreign exchange gains	22.876	20.293	8.518	51.687
Other operating income	7.171	622	110	7.903
Total income	99.403	67.188	27.313	193.904
Depreciation	(4.271)	(4.999)	(2.234)	(11.504)
Operating expenses	(39.620)	(43.859)	(16.635)	(100.114)
Other expenses	(1.714)	(2.069)	(83)	(3.866)
Provisions against assets held for sale	(833)	(317)	-	(1.150)
Total expenses	(46.438)	(51.244)	(18.952)	(116.634)
Profit before tax for the year	52.965	15.944	8.361	77.270
Income taxes	(8.396)	(2.726)	(822)	(11.944)
Net profit for the year	44.569	13.218	7.539	65.326

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