

The Supervisory Board of Erste & Steiermärkische Bank d.d.

Mag. Reinhard Ortner
President of the Supervisory Board

August Jost
Deputy President of the Supervisory Board

Dr. Gerhard Fabisch
Member of the Supervisory Board

Mag. Otto Ilchmann
Member of the Supervisory Board

Vladimir Jurašić
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Josef Kassler
Member of the Supervisory Board

Ivan Ljubanović
Member of the Supervisory Board

Franz Mally
Member of the Supervisory Board

Mag. Herbert Martinetz
Member of the Supervisory Board

Reinhold Schuster
Member of the Supervisory Board

Robert Tkalčec
Member of the Supervisory Board

Report of the President of the Supervisory Board

I have the great pleasure of presenting the successful business results of Erste & Steiermärkische Bank d.d. in 2001 to all our shareholders, clients and business partners.

Last year was an extremely important one for the Bank since it was the first business year after the merger process of the three banks was successfully brought to an end. In the course of the last year, the Bank strengthened its position on the market and became an important entity in all financial events in the Republic of Croatia.

The Croatian banking system in 2001 was considerably more stable and recorded significant progress. This was primarily visible in the high level of monetary stability and the decrease in the price of capital. On the other hand, this has resulted in growing demands for the increased efficiency of banking entities on the market.

We tried to meet our clients' needs in the best possible way by providing new products and being technologically innovative. Naturally, high standards in the quality of provided services remained our number one priority in operations.

We are pleased that we managed to achieve substantially better results than originally planned in this big "competitive struggle", which proves that we are on the right track and ready to accept new challenges and realize the set goals.

Out of the total realized net profit amounting to HRK 74 million, we accepted the proposal of the Management Board to pay out a dividend per share of HRK 600.00, while the remaining part will be ploughed back into the Bank's capital, thus enabling the further stable growth of the Bank.

I would like to thank all the members of the Supervisory Board and the Management Board of the Bank for these excellent results. I would also like to express my gratitude to all the employees for all the effort and hard work they had put in, hoping that results will be even better in the years to come.



Reinhard Ortner, Mr.Sc.
President of the Supervisory Board

The Management Board of Erste & Steiermärkische Bank d.d.

Petar Radaković
President of the Management Board

Tomislav Vuić
Deputy President of the Management Board

Borislav Centner
Member of the Management Board

Sava Dalbokov
Member of the Management Board

Dragutin Bohuš
Procurator and Advisor to the Management Board

Ivan Vuk
Advisor to the Management Board

Report of the President of the Management Board

It is my great pleasure to present the financial reports of Erste & Steiermärkische Bank d.d for 2001 to our shareholders and business partners on behalf of the Management Board.

In a very successful business year, the Bank achieved exceptional business results in all segments of operations. The biggest rising trends were achieved in retail banking and operations with small and medium entrepreneurs, who at the same time represent our strategically defined targeted clients.

The main characteristics of last year are above all the end of the first stage of globalisation and bank expansion on the Croatian market, which created conditions for the development of the new market competition. This was largely supported by relatively stable macro-economic and monetary conditions. All these factors led to a significant fall in capital prices, and Croatian banks had to prove whether they were capable of responding to new conditions on the market. Erste & Steiermärkische Bank d.d. was ready for this change, and its results put it in a high and important place in the Croatian banking.

Total assets reached HRK 4,910 million, which is an increase of 60% over the last year's levels, while the after-tax profit amounted to HRK 74,6 million, up 47.4% compared to 2000 results.

Total loan portfolio amounted to over HRK 3 billion. Retail loans grew by 98.5% over the previous year, and corporate loans grew by 58.9%. It is important to mention that the share of reserves decreased from 9.5% to 7.1% with an exceptionally conservative methodology of loan risk assessment.

Last year was also marked by the introduction of the euro as the official currency of 12 European countries, which generally resulted in a big increase of the stock of deposits in banks. The total amount of client deposits grew by 84.9% last year, with term deposits increasing 116%. It is extremely important to note that according to the data of the Croatian National Bank, we recorded a growth rate twice that of the Croatian banking system in this segment of operations.

Net interest revenues grew by 12.5% in realized revenues, while net non-interest revenues grew by 29.3% compared to that in the year 2000.

The Bank made considerable progress in the introduction of new products and services with the aim of providing our clients with the best possible service in Croatia. We completely fulfilled all the requirements for performing domestic payment operations and made a step forwards in this segment as well. At the beginning of next year, in addition to foreign payment operations, our clients will be able to carry out domestic payment operations via the Internet.

In order to provide a wide variety of loan products to our clients, we co-operated with the relevant ministries and were active participants in stimulating the development of crafts, small and medium sized enterprises and tourist activities.

We continue to develop and widen the network of sub-branch offices in Croatia; last year, we opened

three new sub-branch offices for retail operations and a large centre in Split for retail and corporate operations. We have made ambitious plans for the next year and we want to open at least 10 new business units of the Bank, in Osijek, Karlovac, Sisak, Pula and Dubrovnik among others.

We are also continuing to develop out network of self-service devices so our clients have access to banking services 24 hours a day. That is the reason why we purchased 47 new ATMs that are currently in the last stage of installation throughout Croatia.

We have set big goals for next year and we know we are able to and want to achieve them. Some of the following indicators achieved in 2001 only confirm our efforts:

RoE - Return on Average Equity	15,73%
RoA - Return on Average Assets	1,87%
Cost Income Ratio	49,90%
Assets per employee	HRK 11,861 thousand

All our results and the implementation of future plans would not be possible without the employees of the Bank, and I would like to express my deep gratitude for their dedicated work and displayed expertise. I hope that we will all prove together that we are an inexplicably good bank



Petar Radaković

President of the Management Board

Corporate Banking

Organisational Structure of the Corporate Division

As at 31 December 2001, 51 persons were employed in the Corporate Division.

The Corporate Division		
Department of Small and Medium-Sized Companies	Department for Large Domestic and International Companies and Project Financing	Sales Support Department
Commercial Center Zagreb	International Companies	Product Management
Commercial Center Bjelovar	Large Domestic Companies	Sales Support
Commercial Center Čakovec	Project Financing and Municipal Financing	Target Groups Management
Commercial Center Zadar		
Commercial Center Rijeka		
Commercial Center Split		

In 2001, very good results were achieved in corporate banking, and the Bank's market share increased in all segments of corporate banking.

The targeted clients are small and medium sized companies that are served regionally through the Bank's Commercial Centres, while large and international clients are served in the Head Offices in Zagreb. In 2001, the Bank's sixth Commercial Centre began operations in Split.

In order to strengthen its market share and provide quality products to its clients, the Bank established very good co-operation with the Ministry of Crafts, Small and Medium-Sized Enterprises. It must be stressed that Erste & Steiermärkische Bank was the most active bank in financing tourism. Thus, in co-operation with the Ministry, the Bank entered into contracts with 13 local government units to finance entrepreneurs in these targeted areas.

Total balance sheet and off-balance sheet corporate risk placements as at 31 December 2001 grew by 51%, while the gross loan portfolio increased by 55% compared to that at 31 December 2000.

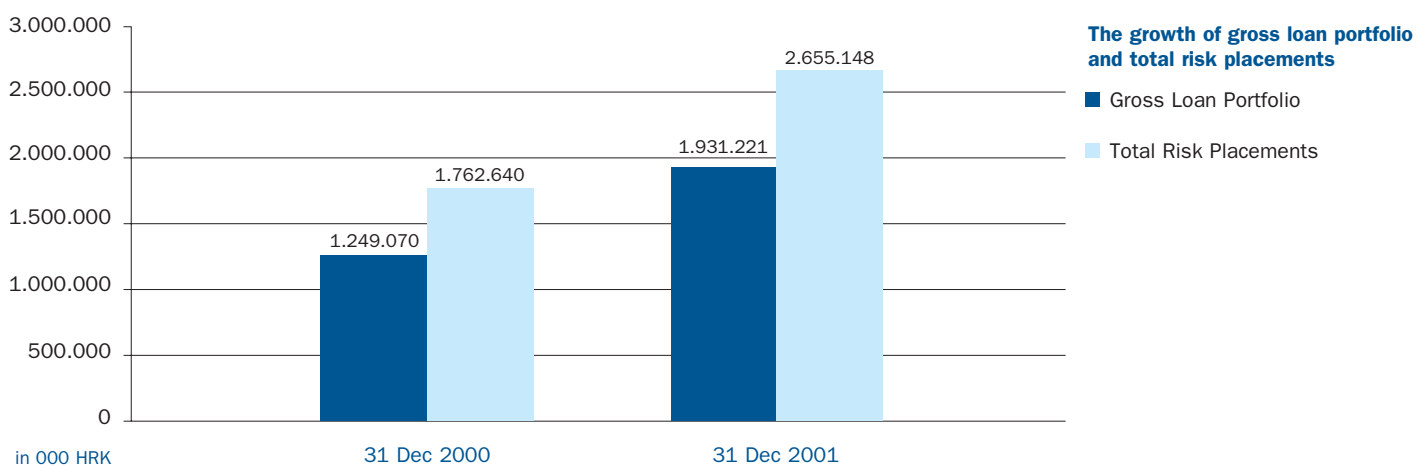
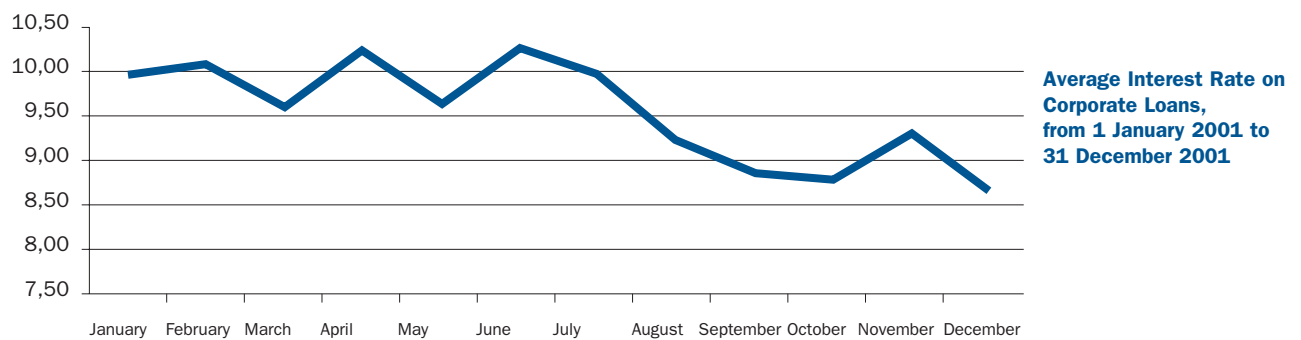
The share of the Corporate Division in the total loan risk exposure of the Bank as at 31 December 2001 stood at 51%.

Total corporate deposits as at 31 December 2001 went up 64% compared to 31 December 2000 levels.

The number of active clients (clients with the Bank's risk exposure) grew from 1,245 to 1,462.

Throughout 2001, strong competition continued in the banking sector, causing a substantial fall in the interest margin. As at 31 December 2001, the average weighted interest for corporate loans in use was 9.77% compared to the 11.14% on 31 December 2000.

The average weighted interest for corporate loans made available in 2001 was 9.48%.

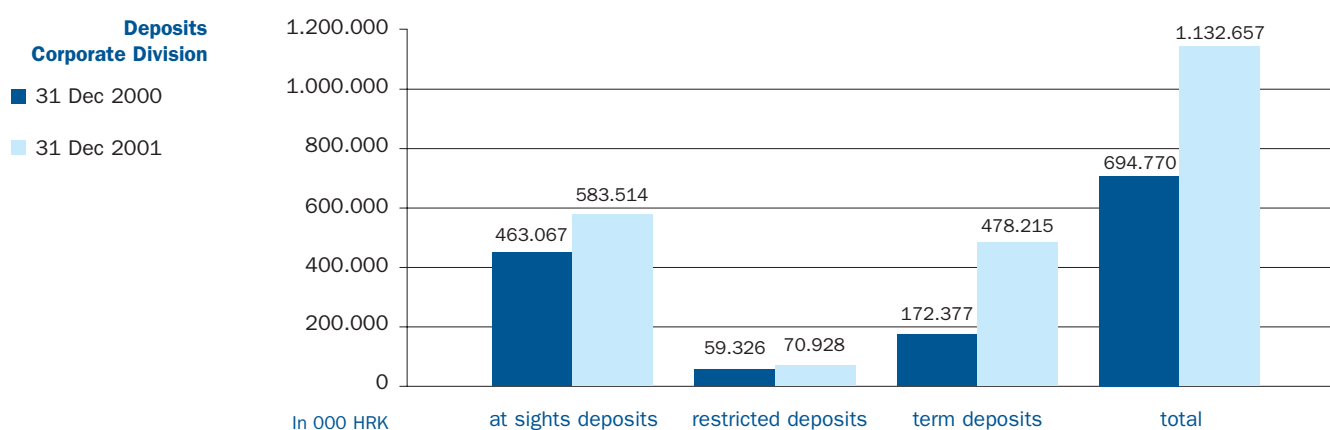


The market share of the corporate net loan portfolio grew from 3.6% as at 31 December 2000 to 4.8% as at 31 December 2001.

Off-balance Sheet Placements to the Corporate Division

In 000 HRK	31 Dec 2000	31 Dec 2001
Guarantees	309.691	304.534
Letters of credit	51.083	40.846
Bills of exchange	1.643	1.388
Unused overdraft loans	52.170	127.766
Other risk off-balance sheet items	41.336	12.783
Total off-balance sheet	455.923	487.317

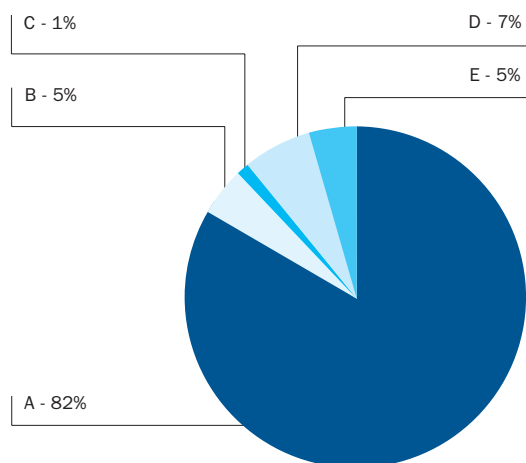
Corporate deposits also recorded very high growth rates, with term deposits recording the highest growth, 178%. The market share of corporate banking in total deposits grew from 3.8% as at 31 December 2000 to 4.5% as at 31 December 2001. Also, in the course of 2001 all preparations were made relating to the implementation of the new Domestic Payment Operations Act and the opening of corporate business accounts with Erste & Steiermärkische Bank d.d.



Structure of Corporate Loan Risk Exposure by Sectors as at 31 December 2001:

Sectors	Exposure	%
Agriculture, hunting, forestry and fishing	107.432	4%
Production	661.771	25%
Construction industry	187.042	7%
Trade	1.120.458	42%
Transport, storage and communication	84.317	3%
Real estate business, renting and business services	117.397	4%
Public Sector	230.196	9%
Other	146.535	6%
Total exposure	2.655.148	100%

Total reserves for identified corporate risk as at 31 December 2001 amounted to HRK 282,504,000 and covered the total balance sheet and off-balance sheet corporate risk portfolio by 10.64%.



**Total Risk Placements
Corporate Division
as at 31 Dec. 2001**

Hana Cygonková - After her schooldays in Zlin in the Czech Republic, Hana Cygonková moved to Vienna. Here she studied commerce at the University of Economics and Business Administration while also working as a project assistant in the healthcare sector and in corporate controlling of participations. Since the end of 2000 she has been working at the Erste Bank Group's public relations office in Vienna, where she specialises in Central Europe.



Retail Banking

The year 2001 for the banking market can be characterized as a turning point for the retail banking segment. The successful conversion to the euro undoubtedly contributed to this.

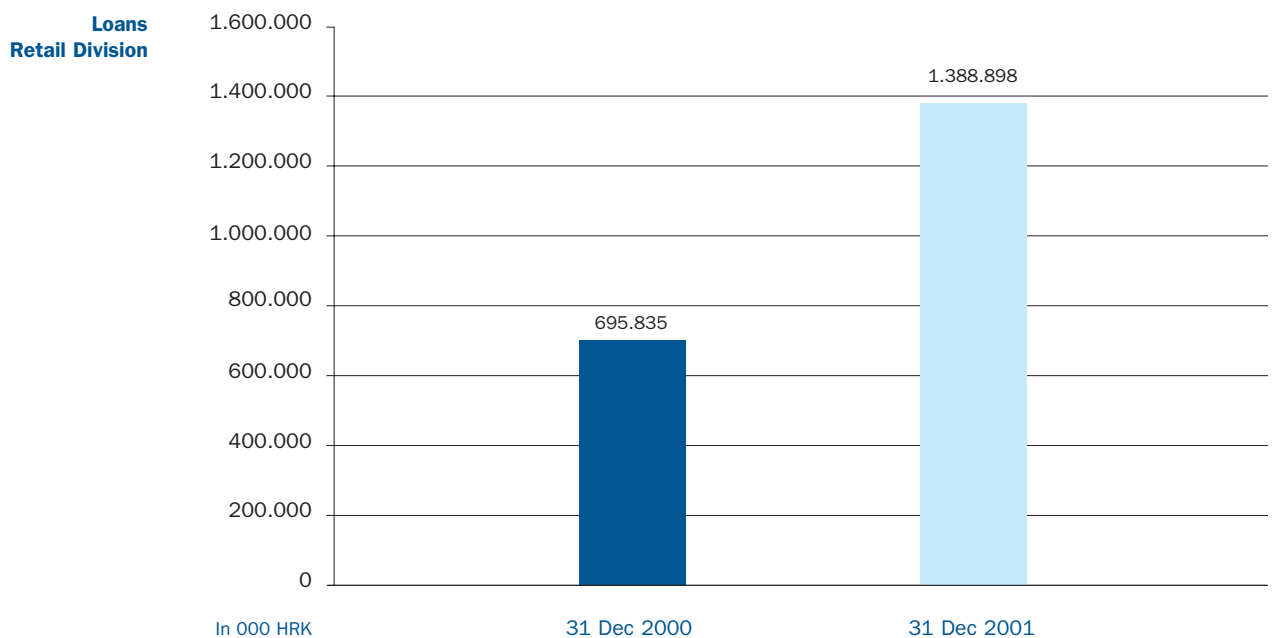
In the operations of the Retail Banking Division of Erste & Steiermärkische Bank d.d., emphasis was placed on the increased quality of providing services and the training of employees in order to create a client-oriented environment in which client financial needs will be met in a quality manner.

The strategic guideline to expand the business network continued in 2001 with the opening of new business units: the Consulting Centres in Split and Zagreb, new Branch Offices in Velika Gorica and Sesvete, while retail banking was made possible in the sub-branch office in Osijek.

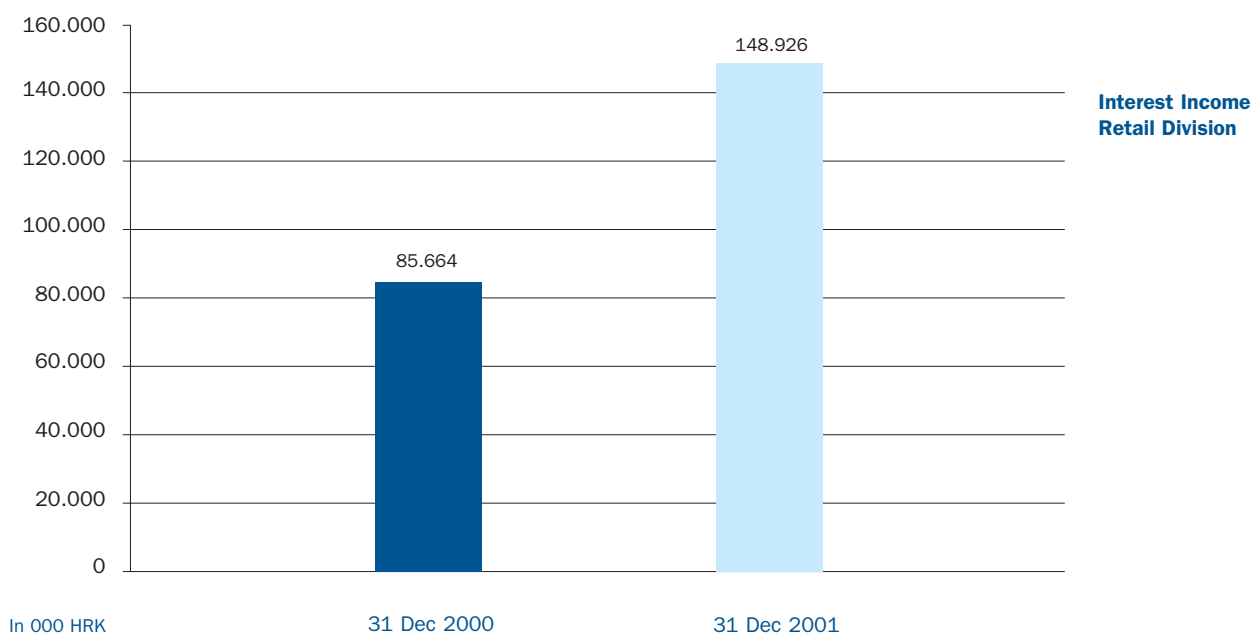
Being up-to-date with technological trends is an essential prerequisite for long-term successful operations; in line with this, the Bank began developing its own Internet banking service Erste NetBanking, which offers clients more flexibility, better information and more comfort in dealings with the Bank.

Loans

The share of retail loans in total loan exposure increased, amounting to 41.37% in 2001, while retail loans in 2000 accounted for 35%. The retail loan portfolio grew by 92.42% with respect to year 2000 levels, amounting to HRK 1,388,898,000 as at 31 December 2001.



Interest revenues from retail loans at the end of 2001 amounted to HRK 148,926,000, growing 73.85% compared to that in the previous year.



The average annual interest rate for retail loans in 2001 was 13.4%.

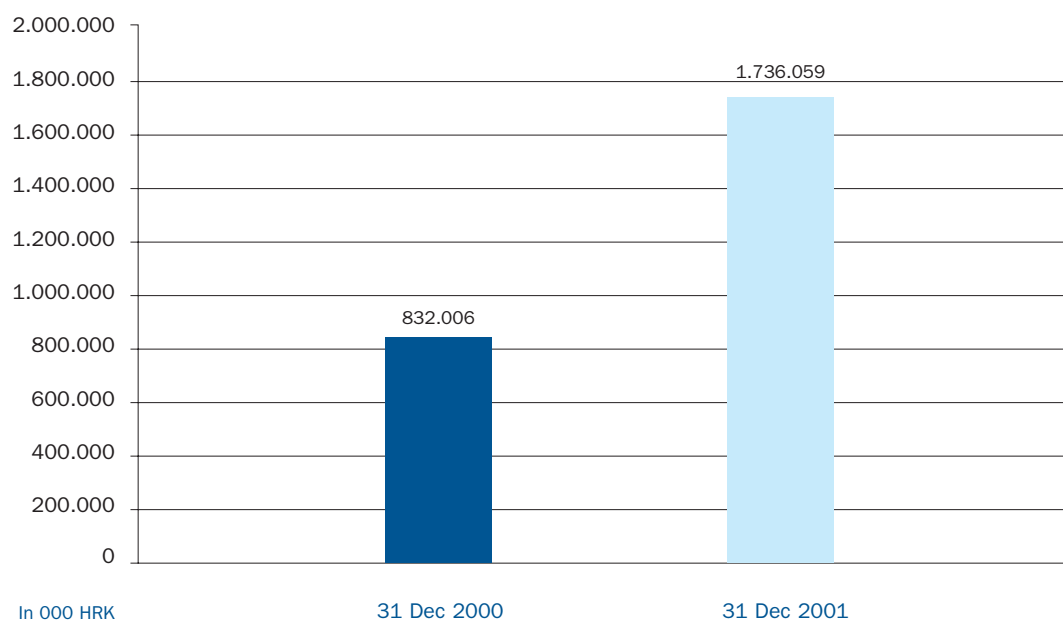
Deposits

Last year was remembered as the last year of the existence of the German mark and the year when the euro was put into circulation.

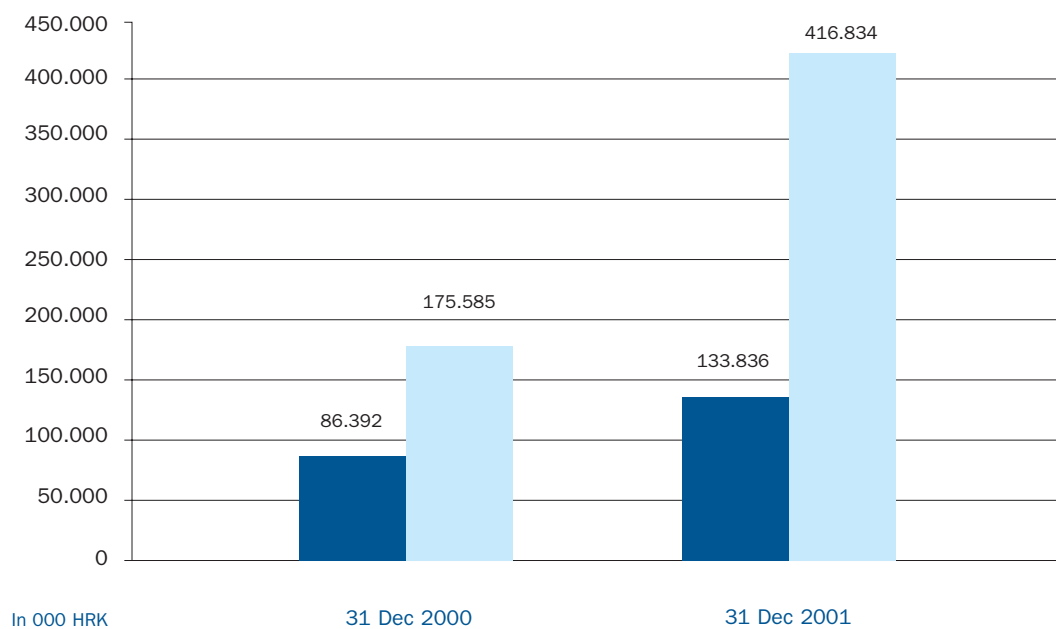
Erste & Steiermärkische Bank d.d. was ready for the conversion of the 12 currencies of the European Monetary Union to the euro, and the result could be seen in client trust resulting in the increase in retail savings in the course of the whole of the last business year.

Retail savings as at 31 December 2001 amounted to HRK 1,736,059,000, which represented a substantial increase of 108.66% compared to that at the end of 2000.

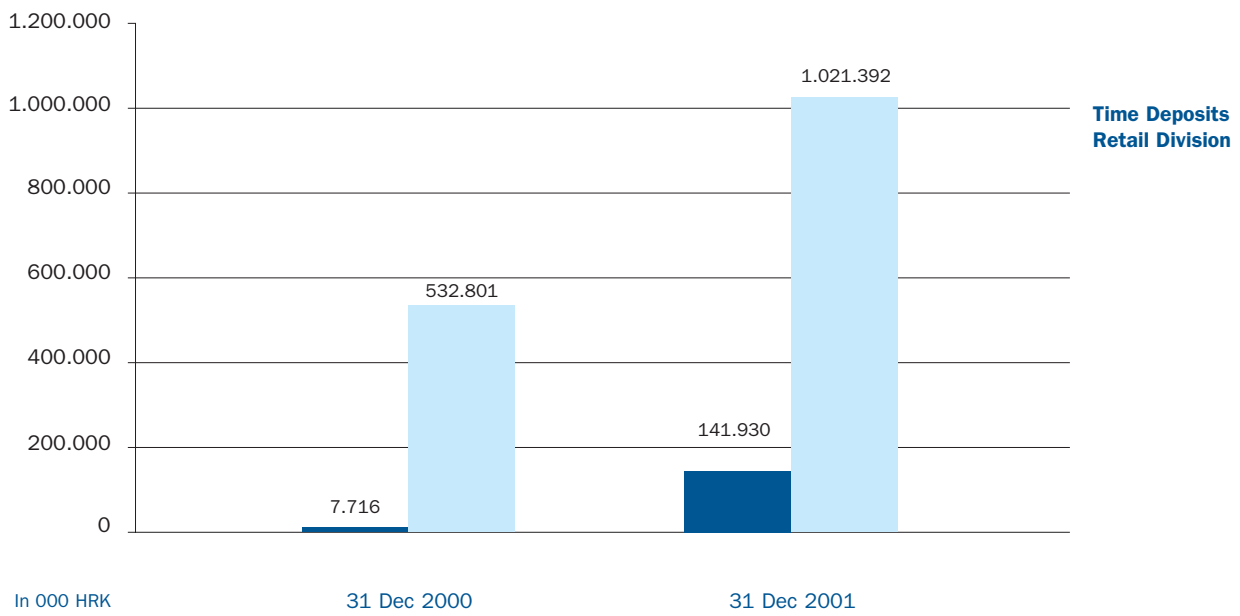
**Total deposits
Retail Division**



**Demand deposits
Retail Division**



In the structure of retail savings, foreign currency time deposits account for the largest portion - 58.83%. Last year, they grew by 91.70%.



The average annual interest rate for retail deposits in the course of 2001 was 3.8%.

Treasury Division

In 2001, the Treasury Division successfully maintained daily kuna and foreign currency liquidity and managed balance sheet maturity and the currency structure of the Bank.

The extremely good relations that the Treasury Division maintains with international financial institutions resulted in a long-term syndicated loan for the Bank amounting to EUR 50 million in October 2001.

The following banks participated in the syndicate which placed its long-term confidence in Erste & Steiermärkische Bank: Commerzbank, Erste Bank, Bayerische Landesbank, Bank Austria, Zürcher Kantonalbank and nine well-known European financial institutions.

In December 2001, negotiations with the European Bank for Reconstruction and Development and the World Bank started. They should result in a long-term and favourable source of funds in 2002 which the Bank will use to enrich its offer to clients in the Republic of Croatia.

The Treasury Division in 2001 participated in the primary issue of bonds by the Government of the Republic of Croatia, and it actively participated in the development of the secondary debt securities market.

The increased offer of securities and quality custody service that the Treasury Division provides to its clients resulted in a trebling of the number of clients using custody service in 2001.

In 2001, the Treasury Division successfully performed depositary bank services for the Erste Investment Fund - the first investment fund that enabled Croatian citizens to invest in foreign securities.

István Balogh - Born in Kaposvár, Hungary, István Balogh studied electrical engineering at Budapest University of Technology and Economics. In April 1983 he moved to Vienna, where he has been working for companies of the Erste Bank Group, first as an application programmer and, since 1990, as a project manager.



Risk Management Division

In 2001, the basic goal of the Risk Management Division was to control loan and market risks as the basic risks that appeared in the Bank's operations in the course of the previous year.

Special emphasis was placed on loan risk control.

The basic trend resulting from the mentioned activity of the Risk Management Division was a substantial increase in the Bank's assets and the growth of total reserves, although at a lower growth rate than was the case with assets.

Total assets thus grew by 47.93 % with respect to that in the year 2000, while the total amount of reserves increased by 13.1%.

The lower growth of reserves resulted from the decreased loan risk and quality control over it, and good collection of doubtful receivables (work out clients).

Since the Bank's policy is not to free special reserves in case of collected doubtful receivables and clients, but to allocate them to new cases, the result is the continuous strengthening of special reserves levels.

The shown structure of gross risk assets shows the aforementioned decrease in loan risk and the improvement in quality of the bank portfolio structure.

The share of placements in risk group A in total Bank's exposure accounted for 89% in 2001, compared to what it was in the year 2000 when it accounted for 84%, while the share of placements in risk groups D and E recorded the biggest fall.

These are the basic criteria for defining risk groups:

- the number of days overdue,
- SABINE indicator - an estimate of a client's quality based on cash flows, which enables a prompt reaction when loan risks, risk exposure and the level of reserves connected to it have to be determined in a fast and efficient way,
- quality of the registered collateral.

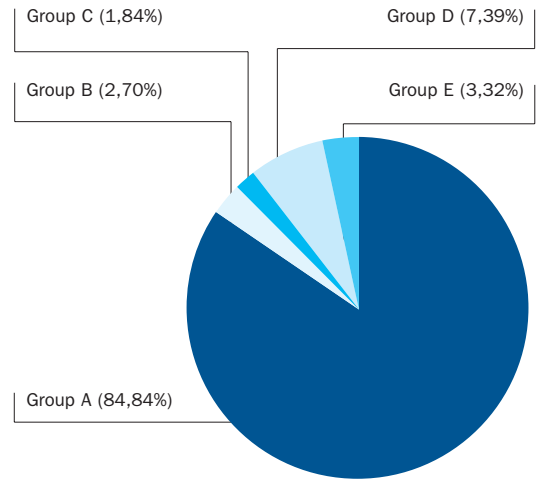
The basic trend that was noted on the market the last year was the concentration of the market with respect to the size of clients (the gradual disappearance of small companies or their expansion), especially the increase of concentration in the trade segment, which was reflected on the division's exposure of the Bank's portfolio. These trends were accompanied by the growth of the aforementioned reserves (which grew by HRK 29,661,000.00 or 10,81 % in the Corporate Division).

The Risk Management Division also executes market risk control, which means that currency and interest adjustments are strictly applied.

We think that this conservative and restrictive reserves policy protects the interests of our depositors, clients and owners in the best possible way, while at the same time ensuring the undisturbed and stable growth of the bank as a whole.

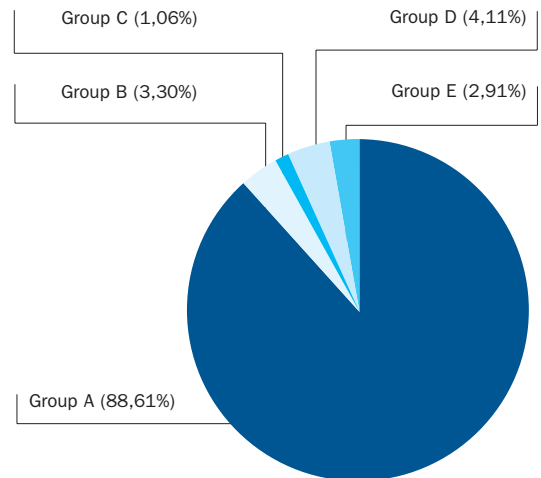
**Share of Risks Groups
in Gross Risk Assets
as at 31 December 2000**

Group A	2.997.152
Group B	95.290
Group C	65.081
Group D	261.090
Group E	114.067
Total	3.532.680



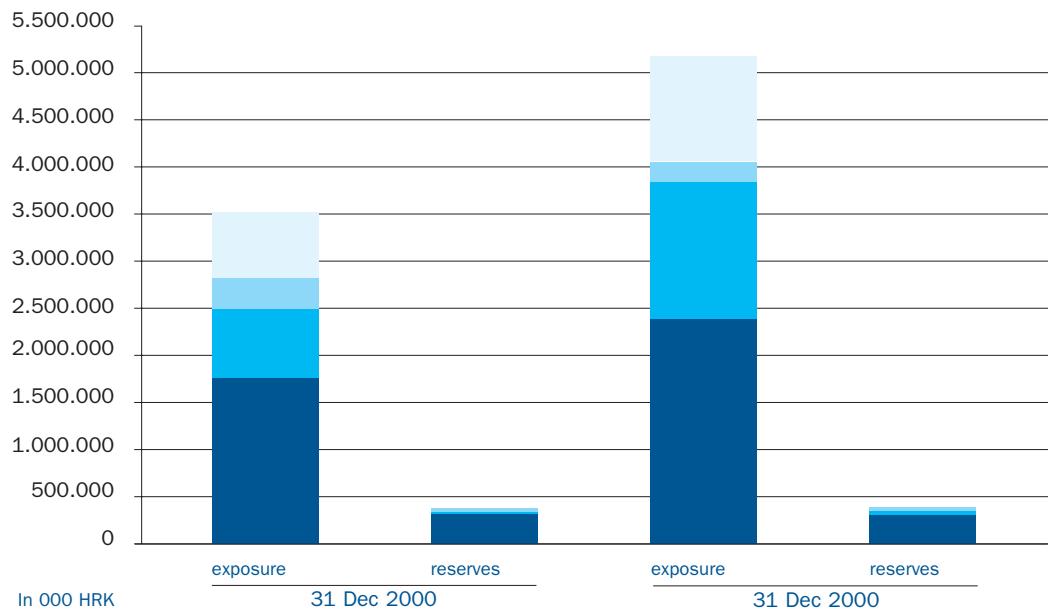
**Share of Risks Groups
in Gross Risk Assets
as at 31 December 2001**

Group A	4.630.809
Group B	172.547
Group C	55.483
Group D	214.942
Group E	151.985
Total	5.225.766



**Segmentation
of Gross Risk Assets**

- banks
- public administration
- retail
- corporate



Andrea Koleková was born in Zlín in the Czech Republic. In 1996 she moved to Slovakia and joined Slovenská sporiteľna, a.s., where she has since been serving customers as a teller.



Human Resources

In contrast to 2000, when arrangements were made for the merger and its effects, in 2001, after the three banks had successfully merged, we could breathe more easily and continue to work on the improvement of the quality of operations.

Although operations in 2001 increased substantially, they were not accompanied by a big increase in the number of employees, mostly due to the redistribution that was effectuated in 2000. The process continued in 2001, although with fewer effects, and a number of employees had an opportunity to change their position within the Bank, to improve and develop according to their own abilities and affinities through the internal employment office.

Within the framework of its strategy, the Bank places emphasis on the professionalism of qualified and motivated employees, a system of rewards based on work results as an important means of motivation, and on continuous education.

It is constant education that is one of the most important ways of maintaining and improving the quality of operations. In 2001, the Bank continued with its education programme, stressing in-house workshops and training, and thus ensuring not only further skill development and competence, but also communication among all the employees and the spreading of our corporate culture.

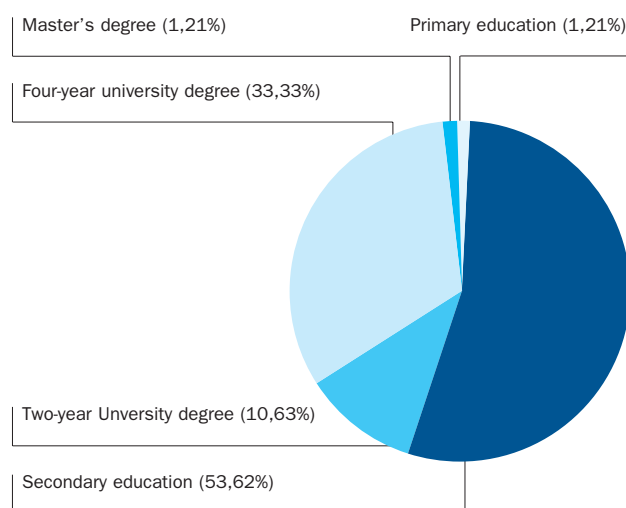
As part of the Erste Group, which is present in Central and Eastern Europe, the Bank has placed emphasis on foreign language learning and the development of intercultural characteristics.

We are guided by the following values: openness to new ideas, rewarding the best, free fluctuation within the Bank and further commitment to success and quality.

At the end of 2001, the Bank had 414 employees, compared to 390 at year-end 2000.

Structure of employees

Structure	Number of employees
Primary education	5
Secondary education	222
Two-year University degree	44
Four-year University degree	138
Master's degree	5
Total	414



Leila Dalbokov attended the American school in Vienna and studied economic theory at Haverford College in Pennsylvania. She earned her MBA in South Carolina and Vienna. At Erste Bank she was responsible for international clients from South-Eastern Europe and for speciality products such as Asset Swaps from 1997. Recently Leila Dalbokov became head of the department for international customers in Croatia.

Sava Dalbokov - Born in Sofia, Bulgaria, Sava Dalbokov enjoyed an international education. He attended the English high school in Sofia, then Russian middle school. To study finance and economics, he moved to Boston. Dalbokov received his MBA in South Carolina and Vienna. Since 1997 he has been working for Erste Bank in Vienna. Dalbokov recently became an executive director of Erste & Steiermärkische Bank d.d. in Croatia.



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 2001 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 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 2001, the results of its operations and its cash flows for the year that ended in accordance with International Accounting Standards.

Zagreb, 15th March 2002




Ernst & Young Croatia

Profit and Loss Account

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

	Note	2001	2000
Interest and similar income	3	354.130	298.018
Interest and similar expense	3	(133.090)	(102.455)
Net interest income before provisions		221.040	195.563
Provisions for identified and unidentified loan losses, net of recoveries	12, 13, 14, 16, 18, 26	(58.781)	(83.335)
Net interest income after provisions		162.259	112.228
Fee and commission income	4	55.983	53.501
Fee and commission expense	4	(22.727)	(18.269)
Net fee and commission income		33.256	35.232
Net foreign exchange gains	5	46.718	30.265
Other operating income	6	10.948	9.550
Total income		253.181	187.275
Depreciation		(15.915)	(11.802)
General administrative expenses	7	(126.706)	(115.552)
Other operating expenses	8	(16.823)	(5.668)
Total expenses		(159.444)	(133.022)
Profit before tax for the year		93.737	54.253
Income taxes	9	(19.152)	(3.645)
Net profit for the year		74.585	50.608
Earnings per share in HRK		1.207	819

Balance Sheet

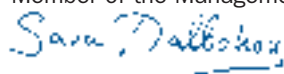
at 31 December 2001

(all amounts expressed in HRK thousand)

	Note	2001	2000
ASSETS			
Cash and current accounts with banks	10	443.769	133.196
Balances with Croatian National Bank	11	276.937	215.979
Securities	12	570.064	446.066
Due for other banks	13	374.289	321.127
Loans to customers	14	2.897.666	1.690.286
Assets held for sale	15	22.645	36.018
Accrued interest and other assets	16	158.836	64.371
Amounts due from the Republic of Croatia	17	23.821	32.002
Investment securities	18	11.815	12.171
Property and equipment	19	130.733	114.419
Total assets		4.910.575	3.065.635
LIABILITIES			
Due to other banks	20	167.078	127.879
Due to customers	21	2.746.324	1.448.084
Frozen savings	22	22.619	30.246
Other borrowed funds	23	1.263.344	918.519
Accrued interest	24	36.735	21.886
Other liabilities	25	153.683	36.087
Provisions for contingencies	26	14.817	20.335
Total liabilities		4.404.600	2.603.036
Subordinated instruments	27	9.946	10.254
SHAREHOLDERS' EQUITY			
Share capital	28	271.924	271.924
Share premium		44.628	44.628
Reserves		104.892	85.185
Profit for the year		74.585	50.608
Total shareholders' equity		496.029	452.345
Total equity and liabilities		4.910.575	3.065.635
Commitments and contingencies	29	555.090	526.590

Financial statements were approved on 14 March 2002 by:

Member of the Management Board



Sava Dalbokov

President of the Management Board



Petar Radaković

Statement of Changes in Shareholders' Equity

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

	Share capital	Share premium	Legal reserves	Other reserves	Revaluation reserves	Total reserves	Retained profits	Total shareholders' equity
Balance at 1 January 2000	193.824	180	9.691	50.616	-	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
Payment of dividend for the year 2000	-	-	-	-	-	-	(30.901)	(30.901)
Transfer to reserves	-	-	-	19.707	-	19.707	(19.707)	-
Profit for the year	-	-	-	-	-	-	74.585	74.585
Balance at 31 December 2001	271.924	44.628	9.691	95.071	130	104.892	74.585	496.029

Cash Flow Statement

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

	2001	2000
Operating activities		
Net profit for the year	74.585	50.608
Provisions for identified and unidentified loan losses, net of recoveries	58.781	83.335
Depreciation	15.915	11.802
	149.281	145.745
Changes in assets		
(Increase) in balances with Croatian National Bank	(60.958)	(119.135)
(Increase) in securities	(157.230)	(110.711)
Decrease in amounts due from other banks	6.109	57.920
(Increase) in loans to customers	(1.267.633)	(729.550)
(Increase) in accrued interest and other assets	(101.271)	(43.857)
Decrease in amounts due from the Republic of Croatia	8.181	7.445
(Increase)/decrease in assets held for sale	13.373	(28.188)
Changes in liabilities		
Increase in due to other banks	39.199	52.020
Increase in due to customers	1.298.240	825.237
(Decrease) in frozen savings	(7.627)	(7.409)
Increase in other borrowed funds	344.825	347.066
Increase in accrued interest	14.849	8.491
Increase in other liabilities	117.596	28.826
Increase in provisions for contingencies	-	9.856
Net cash flow from operating activities	396.934	443.756
Investing Activities		
Increase in equity investments	(292)	(5.788)
Increase in investments in property and equipment	(32.229)	(72.591)
Net cash flow from investing activities	(32.521)	(78.379)
Financing Activities		
Increase/(decrease) in subordinated instruments	(308)	10.384
Increase in share capital	-	122.548
Distribution of dividend to shareholders	(30.901)	(19.821)
Net cash flow from financing activities	(31.209)	113.111
Net increase in cash and cash equivalents	333.204	478.488
Cash and cash equivalents at the beginning of the year	731.847	253.359
Cash and cash equivalents at the end of the year (Note 30)	1.065.051	731.847

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

Notes to Financial Statements

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

1. General Information

Erste & Steiermärkische Bank d.d. Zagreb (the "Bank") is a joint stock company registered under Croatian Law since 1989 (initially under the name Bjelovarska Banka). The Bank's registered headquarters is in Varšavska 3-5, Zagreb, Croatia.

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 operations are: Mr. Petar Radaković, President of the Management Board; Mr. Tomislav Vuić, Deputy President of the Management Board, Mr. Borislav Centner and Mr. Sava Dalbokov, Members of the Management Board.

As at 31 December 2001, the Bank had 432 employees (as at 31 December 2000, the number of employees was 403).

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 in 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 the year 2000, 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. In the year 2001, following the adoption of IAS 39, interest income is recognised as accrued, based on the recoverable amount.

Notes to Financial Statements

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

(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 Croatian National Bank 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

Held to maturity financial assets are stated at cost adjusted for losses incurred due to the decrease of their fair values. Discounts made on the financial assets held to maturity are amortised over the period and recognised as interest income.

Financial assets held for trading are shown at their fair values. The premiums on bonds are included in interest income.

Financial assets available for sale represent shares and similar financial instruments. These financial assets are stated at their fair value. Investments that are not quoted on financial markets are reviewed for impairment.

(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.

As at 31 December 2001, the aggregate amount of loans that were not fully recoverable amounted to 395 million HRK (31 December 2000; 398 million HRK).

Notes to Financial Statements

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

(g) Value adjustments to the loans and advances

At 1 January the Bank adopted IAS 39 and began to establish loan impairment provision as difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The Bank establishes general provisions for unidentified loan risks that can generally be expected in the banking sector.

The general provisions for unidentified losses related to the balance sheet items are shown as an item deductible from the loans while the provisions for the off - balance sheet items are shown as a liability.

(h) 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 in the year in which they occur.

(i) Property and equipment

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

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 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.

Notes to Financial Statements

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

(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.

In the previous year the tax rate was 35% and imputed interest in equity (11%) was tax deductible. As of 1 January 2001 the tax rate was reduced to 20% and tax imputed interest on equity was no longer deductible.

(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 days. (Note 30)

(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 2001

(all amounts expressed in HRK thousand)

(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.

(o) Reclassification

Due to the adoption of the IAS 39 and in order to make entire comparability of figures, certain reclassifications of the financial data for the year 2000 have been made.

Notes to Financial Statements

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

3. Interest Income and Expenses

	2001	2000
Interest Income		
Loans to corporate clients	173.498	158.703
Loans to citizens	134.138	85.665
Croatian National Bank	20.340	18.423
Banks and other financial institutions	13.486	18.372
State and other public sector	12.403	16.140
Other organizations	265	715
	354.130	298.018
Interest expenses		
Deposits from banks and other financial institutions		
- demand depositis	1.271	1.223
- time deposits	4.585	2.104
Deposits from corporate clients		
- demand depositis	5.608	6.497
- time deposits	8.879	5.460
Deposits from individuals		
- demand depositis	5.108	6.338
- time deposits	36.435	24.628
Frozen savings from the citizens	1.260	1.690
Deposits from other financial institutions		
- demand depositis	380	423
- time deposits	488	43
Deposits from the public sector		
- demand depositis	157	120
- time deposits	115	114
Debt securities	1.015	1.696
Other borrowed funds	67.789	52.119
	133.090	102.455

Notes to Financial Statements

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

4. Net fee and commission income

	2001	2000
Fee and commission income		
Payment orders	35.693	25.270
Guarantees and letters of credit	10.568	14.622
Other fees and commissions	9.722	13.609
	55.983	53.501
Fee and commission expense		
Fees paid to financial institutions	16.233	11.992
Fees paid for domestic payment transactions	5.322	4.219
Commission for postal services for private current account	1.117	1.219
Other fees and commissions	55	839
	22.727	18.269

5. Net foreign exchange gains

	2001	2000
Dealing profits	40.544	26.884
Translation gains	6.174	3.381
	46.718	30.265

6. Other operating gains

	2001	2000
Expenses reimbursement	2.929	1.913
Net income from securities trading	3.028	1.958
Income from leases	1.449	208
Income from the sales of assets held for sale	914	-
Dividend income	684	606
Income from sale of non-banking assets	146	48
Purchase of public debt	69	66
Collected principal previously written-off	-	3.507
Other income	1.729	1.244
	10.948	9.550

Notes to Financial Statements

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

7. General administrative expenses

	2001	2000
Employee related costs		
- Salary expenses and compensation - net	35.335	32.091
- Costs of contribution, taxes and surtaxes	31.564	31.393
- Compensation to employees	2.180	1.913
Materials and services	37.772	30.486
Administration and marketing costs	12.842	13.125
Insurance premiums	7.013	6.544
	126.706	115.552

8. Other operating expenses

	2001	2000
Taxes and contributions	544	1.270
Cash receipts and distribution expenses	2.498	548
Supervisory board remuneration	844	1.186
Value adjustment for the assets held for sale	8.219	967
Provisions for pending legal disputes	428	-
Provisions for other liabilities	2.081	-
Other	2.209	1.697
	16.823	5.668

9. Income taxes

Reconciliation of the income tax charge is as follows:

	2001	2000
Profit before tax	93.737	54.253
Non-taxable income	(984)	(831)
Non deductible expenses	3.006	4.512
Notional interest on equity	-	(43.321)
Taxable base	95.759	14.613
Income tax	19.152	5.115
Amount of notional interest on advances of income tax	-	(1.470)
Income tax	19.152	3.645

Notes to Financial Statements

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

10. Cash and current accounts with banks

	2001		2000	
	HRK	Foreign currency	HRK	Foreign currency
Cash in hand	16.759	152.837	12.040	15.675
Items in the course of collection	90	507	199	111
Current accounts and amounts on demand with domestic banks	-	107.665	-	20.104
Current accounts and amounts on demand with foreign banks	-	19.165	-	50.612
Current account	146.746	-	34.455	-
	163.595	280.174	46.694	86.502
	443.769		133.196	

11. Balances with Croatian National Bank

	2001	2000
Obligatory reserve in HRK	120.692	111.388
Obligatory reserve in foreign currency	156.245	104.591
	276.937	215.979

The Bank is required to maintain the obligatory reserves in HRK and foreign currencies which as at 31 December 2001 represents 19% (year 2000 23,5%) of the average balance of all deposits, loans received, issued subordinated and hybrid instrument apart from the liabilities to domestic banks, Croatian Bank for Reconstruction and Development and Croatian National Bank. 40% of the calculated reserves is required to be held at Croatian National Bank accounts while the remainder is required to be held with non-resident banks or invested in treasury bills. During the year 2000 the bank formed the obligatory reserve only on the deposits and loans denominated in HRK and on deposits in foreign currencies.

As at 31 December 2001 the interest rate on the obligatory reserve denominated in HRK was 2% (as at 31 December 2000 4,5%) while the interest rate on the obligatory reserve in foreign currency was 3,29% (as at 31 December 2000 4,85%).

Notes to Financial Statements

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

12. Securities

The held to maturity financial assets and financial assets held for trading are shown in the following table:

	2001	2000
Assets held for trading purposes		
Bonds of the State agency for insurance of saving deposits and rehabilitation of the banks (DAB)	54.499	127.815
Bonds of the Croatian Health Insurance Institute (HZZO)	4.225	-
Bonds of the Republic of Croatia	41.853	-
	<i>100.577</i>	<i>127.815</i>
Assets held to maturity		
Treasury bills issued by Croatian National Bank	256.493	143.528
Treasury bills of the Ministry of Finance	93.632	164.528
Bonds of the Republic of Croatia	44.225	5
Bills of exchange issued by the Ministry of Finance	6.076	536
Bonds of the Croatian Health Insurance Institute	25.795	1.734
Bills of exchange issued by companies	43.766	7.777
Bills of exchange issued by public sector entities	-	1.072
	<i>469.987</i>	<i>319.180</i>
Provision - specific	<i>(500)</i>	<i>(929)</i>
	<i>469.487</i>	<i>318.251</i>
	570.064	446.066

The HZZO bonds have been issued by Croatian Health Insurance Institute and the DAB bonds have been issued by the State agency for the insurance of saving deposits and rehabilitation of the banks. The Republic of Croatia guarantees the repayment of these bonds.

Changes in provisions

	2001	2000
Balance as at 1 January	929	395
New provisions	122	1.454
Acquired by the merger of banks	-	520
Collected	(551)	(1.440)
Balance as at 31 December	500	929

Notes to Financial Statements

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

13. Due from other banks

	2001	2000
HRK denominated	68.456	40.031
Foreign currency denominated	308.804	287.220
	377.260	327.251
Provision - specific	(2.971)	(6.124)
	374.289	321.127

Geographical analysis

	2001	2000
Croatia	81.139	49.744
Austria	155.883	42.541
Germany	100.137	114.841
Italy	2.783	78.050
Other countries	37.318	42.075
	377.260	327.251
Provisions - specific	(2.971)	(6.124)
	374.289	321.127

Changes in provisions

	2001	2000
Balance as at 1 January	6.124	5.889
New provisions	37.169	70
Acquired by the merger of banks	-	472
Collected	(40.148)	(245)
Foreign exchange revaluation	(174)	(62)
Balance as at 31 December	2.971	6.124

Notes to Financial Statements

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

14. Loans to customers

	2001	2000
Companies		
- in HRK	1.429.403	1.240.979
- in foreign currency	421.398	32.812
Public sector	15.197	16.312
Other organizations	3.219	4.937
Citizens	1.377.047	695.835
	3.246.264	1.990.875
Provision - specific	(294.358)	(281.064)
Provision - general	(54.240)	(19.525)
	2.897.666	1.690.286

Changes in provisions:

	Specific	General
Balance as at 1 January 2000	156.605	11.567
New provisions	219.257	4.273
Collected	(148.450)	(1.786)
Additions due to the merger of banks	43.842	5.471
Provisions for recognised off balance sheet loans	28.063	-
Written off	(16.791)	-
Foreign exchange revaluation	(1.462)	-
Balance as at 31 December 2000	281.064	19.525
New provisions	157.985	34.715
Collected	(132.447)	-
Written off	(6.106)	-
Foreign exchange revaluation	(6.138)	-
Balance as at 31 December 2001	294.358	54.240

Notes to Financial Statements

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

14. Loans to customers (continued)

The concentration of the risk by industries within the customer's loan portfolio was as follows (in HRK thousand and percentage):

	2001		2000	
		%		%
Agriculture, hunting, forestry and fishery	101.090	3%	71.101	4%
Mining industry and working of a mine	5.671	0%	5.674	0%
Manufacture of food products and beverages	92.851	3%	77.818	4%
Manufacture of wearing appliances	34.564	1%	32.959	2%
Publishing and printing industry	55.925	2%	38.554	2%
Manufacture of chemicals and chemical products	14.433	1%	7.430	0%
Manufacture of other non-metallic and mineral products	44.980	1%	29.367	2%
Manufacture of fabricated metal products, except of machinery and equipment	38.876	1%	27.407	1%
Manufacture of other transport equipment	599	0%	396	0%
Other manufacturing industry	288.622	9%	234.956	12%
Electricity, gas and water supply	4.821	0%	5.828	0%
Construction industry	132.306	4%	96.341	5%
Retail and wholesale trade, repair of motor vehicles and home appliances	821.234	25%	531.288	27%
Hotels and restaurants	36.039	1%	19.965	1%
Transport, storage and connections	57.234	2%	46.445	2%
Real estate business operations, leases and business services	93.147	3%	39.807	2%
Public administration and defence	17.427	1%	16.312	1%
Education	15.302	1%	0	0%
Health and social services	5.829	0%	5.065	0%
Personnel services and other service business	8.043	0%	8.327	0%
Private customers	1.377.271	42%	695.835	35%
	3.246.264	100%	1.990.875	100%
Provision	(348.598)		(300.589)	
	2.897.666		1.690.286	

Notes to Financial Statements

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

15. Assets held for sale

	2001	2000
Balance as at 1 January	36.018	6.863
Acquired by the merger of banks	-	8.181
Assets acquired for receivables	26.649	23.034
Disposed assets	(31.803)	(1.093)
Provisions against assets held for sale	(8.219)	(967)
Balance as at 31 December	22.645	36.018

As at 31 December 2001, out of total assets held for sale, HRK 19.720 thousand relate to land and buildings and HRK 2.925 thousand relate to other assets. Total assets were acquired in exchange for receivables.

16. Accrued interest and other assets

	2001	2000
Accrued interest receivable	16.587	16.114
Interest receivable	21.943	1.913
Receivables from trading with foreign currencies	75.988	16.055
Receivables from overpaid income tax	17.936	17.936
Trade receivables	13.172	1.412
Receivables from fees and commission	2.470	2.453
Costs paid in advance	2.380	1.881
Other assets	17.136	15.539
	167.612	73.303
Provision - specific	(8.776)	(8.932)
	158.836	64.371

Notes to Financial Statements

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

16. Accrued interest and other assets (continued)

Changes in provisions

	2001	2000
Balance at 1 January 1999	8.932	7.022
New provisions made	14.415	23.226
Amounts collected	(7.609)	(6.863)
Interest suspended	-	(16.482)
Amounts written off	(6.964)	(444)
Acquired by the merger of banks	-	2.107
Foreign exchange revaluation	2	366
Balance as at 31 December	8.776	8.932

17. Amounts due from the Republic of Croatia

	2001	2000
Public debt of the Republic of Croatia	23.000	30.474
Bonds of the Republic of Croatia for payment in foreign currency for purchase of flats	242	261
Accrued interest	579	1.267
	23.821	32.002

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.

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.

Notes to Financial Statements

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

18. Investment securities

Investments in shares and participations are financial assets available for sale and are analysed in the following table:

	2001	2000
Investments in subsidiaries and related companies	19	7.734
Investments in companies	800	800
Investments in financial institutions	12.143	4.136
	12.962	12.670
Provision - specific	(1.147)	(499)
	11.815	12.171

The changes of the investments in shares and participations are analysed in the table below:

	Stakes in affiliated comp. and subsidiaries	Other investments (less than 20%)	Total
Balance at 1 January 2000	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
New investments	-	7.352	7.352
Liquidation of Simba d.o.o. (note 19)	(7.564)	-	(7.564)
Sale	-	(141)	(141)
Foreign exchange revaluation	-	(3)	(3)
Balance as at 31 December 2001	151	11.664	11.815

Notes to Financial Statements

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

18. Investment securities (continued)

Changes in provision

	2001	2000
Balance at 1 January	499	316
New provisions made	648	-
Acquired by the merger of banks	-	183
Balance as at 31 December	1.147	499

19. Property and equipment

	Land and buildings	Computers & software	Furniture & fittings	Motor vehicles	Assets in course of construction	Other	Total
<i>Historical and revalued cost</i>							
Balance as at 1 January 2001 .	80.687	54.243	22.492	3.557	1.059	7.163	169.201
Transfer to the current investments	9.550	5.659	5.075	565	(24.036)	3.187	-
Liquidation of Simba d.o.o.*	6.320	-	-	-	-	-	6.320
Increase	-	-	-	-	36.675	-	36.675
Disposals	(7.583)	(10.940)	(1.425)	(603)	(3.364)	(86)	(24.001)
Balance as at 31 December 2001	88.974	48.962	26.142	3.519	10.334	10.264	188.195

Depreciation

Balance as at 1 January 2001	10.843	27.994	10.485	2.244	-	3.216	54.782
Eliminated on disposals	(1.457)	(10.343)	(1.127)	(233)	-	(75)	(13.235)
Depreciation in 2000	2.440	9.490	2.159	558	-	1.268	15.915
Balance as at 31 December 2001	11.826	27.141	11.517	2.569	-	4.409	57.462

Net Book Value

Balance as at 31 December 2001	77.148	21.821	14.625	950	10.334	5.855	130.733
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Net Book Value

Balance as at 31 December 2000	69.844	26.249	12.007	1.313	1.059	3.947	114.419
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*The bank was the sole owner of the company Simba d.o.o. that has been liquidated during the year 2001. The assets were transferred to the Bank.

Notes to Financial Statements

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

19. Property and equipment (continued)

Capital commitments

As at 31 December 2001 the Bank had 180 HRK thousand of the contracted capital commitments, the payment of which has been made in the year 2002.

20. Due to other banks

	2001	2000
Demand deposits - in HRK	25.790	28.213
- in foreign currency	11.360	12.992
Term deposits - in HRK	93.026	21.149
- in foreign currency	36.902	65.525
	167.078	127.879

Notes to Financial Statements

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

21. Due to customers

	2001	2000
Demand deposits		
Corporate clients		
- in HRK	422.986	334.982
- in foreign currency	152.248	119.523
Public sector		
- in HRK	17.379	4.395
- in foreign currency	63	65
Citizens		
- in HRK	111.614	86.392
- in foreign currency	425.002	179.221
Other organisations		
- in HRK	17.339	26.015
- in foreign currency	8.933	5.746
Total demand deposits	1.155.564	756.339
Term deposits		
Corporate clients		
- in HRK	306.998	86.845
- in foreign currency	80.187	54.443
Public sector		
- in HRK	9.982	9.287
- in foreign currency	-	-
Citizens		
- in HRK	141.930	7.716
- in foreign currency	1.036.488	532.801
Other organisations		
- in HRK	15.175	653
- in foreign currency	-	-
Total term deposits	1.590.760	691.745
Total due to customers	2.746.324	1.448.084

Notes to Financial Statements

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

22. Frozen savings

	2001	2000
Foreign currency deposits of citizens transferred to national debt	22.068	29.512
Accrued interest	551	734
Total liabilities from frozen savings	22.619	30.246

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% per annum.

23. Other borrowed funds

	2001	2000
Loans from the Croatian National Bank	-	59.770
Domestic borrowings	58.101	53.467
Foreign borrowings		
- European Bank for Reconstruction and Development	107.956	68.553
- International Finance Corporation	107.200	70.057
- commercial banks	989.949	666.530
- other foreign borrowings	138	142
Total	1.263.344	918.519

24. Accrued interest

	2001	2000
Interest payable	1.663	1.739
Accrued interest and deferred income	35.072	20.147
Total	36.735	21.886

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for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

25. Other liabilities

	2001	2000
Liabilities for foreign currencies purchases	78.203	16.124
Prepayments received from borrowers	39.613	0
Suppliers	10.232	3.854
Income taxes	10.162	0
Salaries	6.219	4.728
Liabilities from the employment contracts	2.303	3.428
Liabilities for credit card operations	1.346	3.373
Other taxes and contributions	543	153
Dividends from previous years	373	1.021
Other liabilities	4.689	3.406
	153.683	36.087

26. Provisions for contingencies

	Specific	General
Balance as at 1 January 2000	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
New provisions	13.255	3.190
Collected	(21.670)	(293)
Balance as at 31 December 2001	7.527	7.290
Total	14.817	

Notes to Financial Statements

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

27. Subordinated instruments

During the year 1998 the bank issued bonds with the status of Tier 2 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 EUR exchange rate and have a variable interest rate (linked with the tariff of the Bank), which was 6,5% per annum as at 31 December 2000. The Bank has issued 8.626 bonds, each carrying a value of EUR 156,45 at the middle exchange rate of the Croatian National Bank.

28. Share capital

The Bank's share capital comprises 61.801 ordinary shares with the nominal value of 4.400 HRK each.

Shareholders of the bank as at 31 December are as follows:

	SHARE			
	2001		2000	
	Shareholding	No. of shares	Shareholding	No. of shares
Erste Bank der Oesterreichischen				
Sparkassen AG, Wien	41,44%	25.609	40,20%	24.843
Steiermärkische Bank und Sparkassen AG, Graz	41,07%	25.380	39,95%	24.688
Other shareholders	17,49%	10.812	19,85%	12.270
Total	100,00%	61.801	100,00%	61.801

Notes to Financial Statements

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

29. Commitments and contingencies

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

	2001	2000
HRK guarantees		
- short-term	110.906	76.028
- long-term	22.475	43.074
Foreign guarantees	109.655	163.241
Performance guarantees	61.497	39.262
Foreign currency letters of credit		
- short-term	40.432	43.457
- long-term	414	6.328
Guaranteed and accepted bills of exchange	1.388	1.643
Commitments to lend	160.100	85.846
Other contingencies	48.223	67.711
	555.090	526.590

30. Cash and cash equivalents

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

	2001	2000
Cash and current accounts with other banks	170.193	28.025
Current accounts in Croatia and abroad	273.576	105.171
Placements to banks with the remaining maturity of up to 3 months	346.887	290.595
Treasury bills with the remaining period of up to 3 months	274.395	308.056
	1.065.051	731.847

Notes to Financial Statements

for the year ended 31 December 2001
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31. Funds managed on behalf of third parties

The Bank manages funds on behalf of third parties

	2001	2000
Companies	17.245	25.738
Other legal entities	204	1.680
Citizens	8.086	71.041
Less: assets	(24.436)	(95.088)
Funds in transit	1.099	3.371

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.

32. 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 41,44%) and Steiermärkische Bank, Graz (shareholder with the share of 41,07%) as follows:

Transaction

	2001	2000
Balance of deposits given as at 31 December	152.908	20.778
Balance of taken deposits and loans as at 31 December	564.384	577.928

As at 31 December 2001 the Bank placed a deposit with Erste Bank, Wien as a collateral for EUR bills received in the year 2001.

Interest rates on loans and deposits received from Erste Bank, Wien and Steiermärkische Bank, Graz are in accordance to the prevailing market rates.

Notes to Financial Statements

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

32. Related party transactions (continued)

Apart from the transactions stated above, the Bank had transactions with related parties in the form of loans to its employees. As at 31 December 2001, these loans amounted to HRK 1.022 thousand (in 2000 HRK 2.516 thousand). The interest rate on loans to employees is in accordance with the market conditions.

33. 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 2001
(all amounts expressed in HRK thousand)

34. Interest rate risk

Interest sensitivity of assets and liabilities

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 2001

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Without interest	Total
ASSETS							
Cash and current accounts with banks	22.370	-	-	-	-	421.399	443.769
Balances with Croatian National Bank	276.937	-	-	-	-	-	276.937
Securities	124.615	197.315	77.539	29.212	141.383	-	570.064
Due from other banks	355.632	9.106	1.720	3.479	4.332	20	374.289
Loans to customers	2.786.350	10.803	36.999	31.965	31.549	-	2.897.666
Assets held for sale	-	-	-	-	-	22.645	22.645
Accrued interest and other assets	-	-	-	-	-	158.836	158.836
Amounts due from the Republic of Croatia	3.997	-	3.304	13.216	3.304	-	23.821
Equity investments	-	-	-	-	-	11.815	11.815
Property and equipment	-	-	-	-	-	130.733	130.733
Total assets	3.569.901	217.224	119.562	77.872	180.568	745.448	4.910.575
LIABILITIES							
Due to other banks	87.835	28.442	23.735	769	17.296	9.001	167.078
Due to customers							
- Demand deposits	1.155.564	-	-	-	-	-	1.155.564
- Time deposits	1.172.554	70.876	151.021	17.912	48.103	130.294	1.590.760
Frozen savings	3.698	-	6.300	12.601	20	-	22.619
Other borrowed funds	7.665	36.643	221.871	595.039	402.126	-	1.263.344
Accrued interest	-	-	-	-	-	36.735	36.735
Other liabilities	-	-	-	-	-	153.683	153.683
Provisions for contingencies	-	-	-	-	-	14.817	14.817
Total liabilities	2.427.316	135.961	402.927	626.321	467.545	344.530	4.404.600
Subordinated instruments	9.946	-	-	-	-	-	9.946
Shareholders' equity	-	-	-	-	-	496.029	496.029
Total equity and liabilities	2.437.262	135.961	402.927	626.321	467.545	840.559	4.910.575
Interest rate risk	1.132.639	81.263	(283.365)	(548.449)	(286.977)	(95.111)	-

Notes to Financial Statements

for the year ended 31 December 2001

(all amounts expressed in HRK thousand)

34. Interest rate risk (continued)

The average balance of the interest bearing assets and liabilities of the Bank is shown in the table below. The calculation of the average has been based on the several balances during the year. The average interest rates represent the effective average yield on the financial instruments for the reporting period.

	Average balance	Average interest rate
Cash and current accounts with banks	73.197	2,7%
Balances with Croatian National Bank	240.115	3,8%
Securities	360.917	6,2%
Due from other banks	324.795	4,2%
Loans to customers	2.310.194	13,3%
Amounts due from the Republic of Croatia	25.257	5,0%
	3.334.475	10,6%
Due to other banks	126.995	4,6%
Due to customers	1.778.848	3,2%
Frozen savings	25.196	5,0%
Other borrowed funds	1.028.933	6,6%
Subordinated instruments	9.846	6,5%
	2.969.818	4,5%

Notes to Financial Statements

for the year ended 31 December 2001
(all amounts expressed in HRK thousand)

35. Currency risk

Concentration of assets and liabilities

Significant foreign currency assets and liabilities 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 2001

	EUR & linked currencies	USD	Other foreign currency	Total foreign currency	HRK	Total
Assets						
Cash and current accounts with banks	259.646	5.185	15.342	280.173	163.596	443.769
Balances with Croatian National Bank	156.245	-	-	156.245	120.692	276.937
Securities	277.312	50.086	-	327.398	242.666	570.064
Due from other banks	210.974	77.296	38.824	327.094	47.195	374.289
Loans to customers	2.213.226	7.076	652	2.220.954	676.712	2.897.666
Assets held for sale	-	-	-	-	22.645	22.645
Accrued interest and other assets	58.472	10.381	5.492	74.345	84.491	158.836
Amounts due from the Republic of Croatia	23.821	-	-	23.821	-	23.821
Equity investments	-	-	-	-	11.815	11.815
Property and equipment	-	-	-	-	130.733	130.733
Total assets	3.199.696	150.024	60.310	3.410.030	1.500.545	4.910.575
Liabilities						
Due to other banks	130.373	504	7.778	138.655	28.423	167.078
Due to customers						
- Demand deposits	575.263	45.676	22.721	643.660	511.904	1.155.564
- Time deposits	1.166.896	83.196	24.954	1.275.046	315.714	1.590.760
Frozen savings	19.430	1.443	1.746	22.619	-	22.619
Other borrowed funds	1.195.453	-	-	1.195.453	67.891	1.263.344
Accrued interest	21.958	2.086	361	24.405	12.330	36.735
Other liabilities	86.702	28.892	3.640	119.234	34.449	153.683
Provisions for contingencies	-	-	-	-	14.817	14.817
Total liabilities	3.196.075	161.797	61.200	3.419.072	985.528	4.404.600
Subordinated instruments	9.946	-	-	9.946	-	9.946
Shareholders' equity	-	-	-	-	496.029	496.029
Total equity and liabilities	3.206.021	161.797	61.200	3.429.018	1.481.557	4.910.575
Net foreign exchange position	(6.325)	(11.773)	(890)	(18.988)	18.988	-

Notes to Financial Statements

for the year ended 31 December 2001

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36. Liquidity risk

Balance as at 31 December 2001

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Total
Assets						
Cash and current accounts with banks	443.769	-	-	-	-	443.769
Balances with Croatian National Bank	276.937	-	-	-	-	276.937
Securities	124.615	197.315	77.539	29.212	141.383	570.064
Due from other banks	337.876	4.361	15.926	7.345	8.781	374.289
Loans to customers	524.370	165.699	601.922	815.107	790.568	2.897.666
Assets held for sale	-	-	-	-	22.645	22.645
Accrued interest and other assets	158.836	-	-	-	-	158.836
Amounts due from the Republic of Croatia	3.997	-	3.304	13.216	3.304	23.821
Equity investments	-	-	-	-	11.815	11.815
Property and equipment	-	-	-	-	130.733	130.733
Total assets	1.870.400	367.375	698.691	864.880	1.109.229	4.910.575
Liabilities						
Due to other banks	96.105	28.559	24.250	769	17.395	167.078
Due to customers						
- Demand deposits	1.155.564	-	-	-	-	1.155.564
- Time deposits	333.762	331.085	652.054	69.506	204.353	1.590.760
Frozen savings	3.698	-	6.300	12.601	20	22.619
Other borrowed funds	7.665	36.643	222.789	599.080	397.167	1.263.344
Accrued interest	36.735	-	-	-	-	36.735
Other liabilities	153.683	-	-	-	-	153.683
Provisions for contingencies	-	-	-	-	14.817	14.817
Total liabilities	1.787.212	396.287	905.393	681.956	633.752	4.404.600
Subordinated instruments	-	-	-	-	9.946	9.946
Shareholders' equity	-	-	-	-	496.029	496.029
Total equity and liabilities	1.787.212	396.287	905.393	681.956	1.139.727	4.910.575
Net assets/liabilities	83.188	(28.912)	(206.702)	182.924	(30.498)	-

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