

AUDITED ANNUAL FINANCIAL STATEMENTS FOR 2014

IMEX BANKA d.d.

Split

ID number (OIB): 99326633206

Split, March 2015

UHY HB ekonom d.o.o. - Audit, Accounting and Consulting Ltd., Hrvatske mornarice 1H, 21000 SPLIT, VAT ID (OIB): 96143203825

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RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management Board is obligated to prepare the financial statements for each business year, which provide a fair and true presentation of the financial position of the Bank, its operating results and cash flow, in compliance with the applicable accounting standards. The Management Board is responsible for keeping of appropriate accounting records, which will at any moment make possible the preparation of the financial statements.

The Management Board is generally responsible for undertaking reasonably available steps for the protection of the Bank's assets and the prevention and disclosure of any frauds or other illegal proceedings.

The Management Board is responsible for:

- selection of appropriate accounting policies and their consistent application,
- application of applicable accounting standards,
- adoption of reasonable and cautious assessments and evaluations,
- preparation of financial statements based on going concern principle, unless it is inappropriate to assume that the Bank will continue as a going concern.

The Management Board shall submit the annual report of the Bank including the annual financial statements to the Supervisory Board for approval. Where the Supervisory Board agrees with the financial statements, they shall be deemed adopted by the Management Board as well as by the Supervisory Board of the Bank.

The Financial Statements for 2014, presented on pages 6 to 46, as well as Forms prepared in compliance with the Croatian National Bank's Decision on structure and contents of annual financial statements of banks dated 30 May 2008 (Official Journal NN 62/08), were approved by the Management Board on 10 March 2015 and submitted to the Supervisory Board for approval. In witness of their confirmation, the Financial Statements have been signed by the authorized representatives as follows.

For and on behalf of Imex banka d.d.


Branko Buljan
President of the Management Board


Ružica Šarić
Member of the Management Board

Split, 16 March 2015



INDEPENDENT AUDITOR'S REPORT

To the shareholders of Imex banka d.d. Split

Report on the financial statements

We have audited the accompanying financial statements of **IMEX BANKA d.d.** which comprise the Statement of financial position as at 31 December 2014, Profit and loss statement, Statement of other comprehensive income, Statement of changes in equity and Cash flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Board's responsibility for the financial statements

The Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with statutory accounting requirements for banks in Croatia and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, its financial performance and cash flows for the year then ended in accordance with the legal requirements for bank accounting in Croatia.

Report on other legal and regulatory requirements

Based on Decision on form and contents of annual financial statements of banks (Official Gazette no. 62/08, hereinafter: "Decision"), the Bank has prepared the forms presented on pages 47 to 59, under the headings: Balance Sheet as at 31 December 2014, Profit and Loss Statement, Cash Flow Statement and Statement on Changes in Equity for the year then ended, as well as explanatory notes on adjustments with the audited financial statements of the Bank presented on pages 6 to 46. The Management Board is responsible for the preparation of these forms and notes. They do not represent an integral part of the financial statements, but are prescribed by the Decision. In our opinion, financial information in the forms has been properly derived from the audited financial statements of the Bank which have been prepared in accordance with statutory accounting requirements for banks in Croatia.

Based on the Croatian Accounting Act (Official Gazette no. 109/07, 54/13 and 121/14), the Bank prepared the financial statements presented on pages 6 to 59 as well as the Annual report which is not an integral part of the financial statements. The Annual report is responsibility of the Management Board while our responsibility refers to the implementation of procedures that we find necessary for the conclusion on whether the information presented in the Annual Report are in the compliance with the audited financial statements. In our opinion, the financial information presented in the annual statement are in all material respects in compliance with the audited financial statements as at 31 December 2014.

Split, 16 March 2015

UHY HB EKONOM d.o.o.

Hrvatske mornarice 1H

21000 SPLIT

Croatia

For and on behalf of UHY HB EKONOM d.o.o. :



Helena Budiša, certified auditor

UHY HB EKONOM
d.o.o. Split



Helena Budiša, CEO



Darka Cecić, certified auditor

PROFIT AND LOSS STATEMENT

		In HRK '000	
	NOTES	31/12/2014	31/12/2013
Interest income		143,306	144,006
Interest expenses		(78,790)	(86,087)
Net interest income	3	64,516	57,919
Income from fees and commissions		19,822	16,890
Expenses from fees and commissions		(1,950)	(1,883)
Net income from fees and commissions	4	17,872	15,007
Net profit from financial operations	5	1,643	3,065
Other operating income	6	458	872
Operating income		84,489	76,863
Personnel expenses	7	(18,417)	(19,054)
Depreciation expenses	8	(3,186)	(3,440)
Other operating expenses	9	(18,330)	(17,922)
Loans and reservations depreciation cost	10	(24,472)	(24,332)
Profit before taxation		20,084	12,115
Corporate income tax	11	(4,051)	(2,627)
Profit after taxation		16,033	9,488
Earnings per share (HRK)	12	12.30	10.19

STATEMENT OF OTHER COMPREHENSIVE INCOME

		In HRK '000	
	NOTES	31/12/2014	31/12/2013
Profit for the period		16,033	9,488
Other comprehensive income:			
Non-realised income (loss) of assets available for sale		44	37
Corporate income tax transferred into profit or loss	11	(9)	(7)
Financial assets available for sale		35	30
Other comprehensive income (loss) of the current year		35	30
TOTAL COMPREHENSIVE INCOME		16,068w	9,518

Accounting policies and Notes on pages 10-46 form an integral part of these Financial Statements.



STATEMENT OF FINANCIAL POSITION

In HRK '000

	NOTES	31/12/2014	31/12/2013
ASSETS			
Cash and cash equivalents	13	385,738	403,276
Required reserves with the Croatian National Bank	14	162,444	159,164
Deposits with other banks	15	820	472
Financial assets according to fair value in Profit and Loss Statement	16	17,237	17,904
Loans and advances to clients	17	1,302,882	1,304,165
Investments available for sale		0	0
Investments held until maturity	18	346,113	261,449
Tangible assets	19	37,778	39,440
Intangible assets	20	3,539	3,959
Assumed assets	21	17,639	16,995
Deferred tax assets	22	114	123
Other assets	23	34,439	41,882
TOTAL ASSETS		2,308,743	2,248,829
LIABILITIES			
Deposits of financial institutions	24	106,668	155,337
Deposits of other clients	25	1,793,498	1,700,364
Liabilities based on received loans	26	84,561	116,583
Other liabilities	27	38,483	38,184
Reservations for liabilities and costs	28	1,146	721
Hybrid instrument	29	105,690	98,009
TOTAL LIABILITIES		2,130,046	2,109,198
EQUITY			
Share capital		130,335	93,127
Capital gain		0	13,175
Retained profit		27,668	18,180
Other reserves		4,661	5,661
Current year profit		16,033	9,488
TOTAL EQUITY	30	178,697	139,631
TOTAL EQUITY AND LIABILITIES		2,308,743	2,248,829
OUT-OF-BALANCE ITEMS	31	105,615	75,810

Accounting policies and Notes on pages 10-46 form an integral part of these Financial Statements.



STATEMENT OF CHANGES IN EQUITY

In HRK '000

Description	Share capital	Legal, statutory and other reserves	Retained profit/ transferred loss	Profit/loss of the current year	Total comprehensive income of the period after taxation
1	2	4	5	6	9 = 7 + 8
Balance as at 1 January 2014	106,301,700	5,661,093	18,179,904	9,487,934	139,630,631
Effects of corrections in errors of preceding periods					0
Effects of changes in accounting policies					0
Adjusted balance as at 1 January 2014	106,301,700	5,661,093	18,179,904	9,487,934	139,630,631
Sale of financial assets available for sale					0
Change in fair value of portfolio of financial assets available for sale					0
Tax on items directly acknowledged or transferred from equity and reserves					0
Other gains and losses directly acknowledged in equity and reserves					0
Net gains/losses acknowledged directly in equity and reserves	0	0	0	0	0
Profit/loss of the current year				16,032,922	16,032,922
Total acknowledged income and expenses of the current year	0	0	0	16,032,922	16,032,922
Increase/reduction in share capital	24,033,500	(1,000,000)			23,033,500
Purchase/sale of treasury shares					0
Other changes					0
Transfer into reserves			9,487,934	(9,487,934)	0
Dividend pay-out				0	0
Profit allocation	0	0	9,487,934	(9,487,934)	0
Balance as at 31 December 2014	130,335,200	4,661,093	27,667,838	16,032,922	178,697,053

In HRK '000

Description	Share capital	Legal, statutory and other reserves	Retained profit/ transferred loss	Profit/loss of the current year	Total comprehensive income of the period after taxation
1	2	4	5	6	9 = 7 + 8
Balance as at 1 January 2013	106,301,700	5,661,093	7,917,229	10,262,675	130,142,697
Effects of corrections in errors of preceding periods					0
Effects of changes in accounting policies					0
Adjusted balance as at 1 January 2013	106,301,700	5,661,093	7,917,229	10,262,675	130,142,697
Sale of financial assets available for sale					0
Change in fair value of portfolio of financial assets available for sale					0
Tax on items directly acknowledged or transferred from equity and reserves					0
Other gains and losses directly acknowledged in equity and reserves					0
Net gains/losses acknowledged directly in equity and reserves	0	0	0	0	0
Profit/loss of the current year				9,487,934	9,487,934
Total acknowledged income and expenses of the current year	0	0	0	9,487,934	9,487,934
Increase/reduction in share capital					0
Purchase/sale of treasury shares					0
Other changes					0
Transfer into reserves			10,262,675	(10,262,675)	0
Dividend pay-out				0	0
Profit allocation	0	0	10,262,675	(10,262,675)	0
Balance as at 31 December 2013	106,301,700	5,661,093	18,179,904	9,487,934	139,630,631

Accounting policies and Notes on pages 10-46 form an integral part of these Financial Statements.



CASH FLOW STATEMENT

In HRK '000

	NOTES	31/12/2014	31/12/2013
OPERATING ACTIVITIES			
1. Net cash flow from operating activities		41,373	(80,759)
Interest gains and related receipts		123,685	113,511
Gains from fees and commissions		18,702	15,923
Interests paid and similar expenses		(21,075)	(71,474)
Paid fees and commissions		(110)	(107)
Paid operating expenses		0	0
Net receipts from derivatives and purchase and sale of currencies		0	0
Realised gains from financial assets available for sale		0	0
Other receipts		5,263	2,023
Other expenses		(85,092)	(140,635)
2. Net increase/reduction in operating assets		25,144	43,079
Required reserve with Croatian National Bank	14	3,280	(1,620)
Loans and receivables from banks	15	15,255	(65,100)
Loans and receivables from clients	17	7,277	101,123
Securities at fair value through profit or loss	16	(668)	1,391
Financial assets available for sale		0	0
Other assets		0	7,285
3. Net increase/reduction in operating liabilities		44,465	141,599
Deposits on demand		34,962	14,247
Savings and fixed term deposits		9,503	127,352
Other liabilities		0	0
4. Net inflow/outflow of cash from operating activities before payment of corporate income tax		110,982	103,919
5. Corporate income tax paid		(1,915)	(1,818)
6. Net inflow/outflow of cash from operating activities		109,067	102,101
INVESTMENT ACTIVITIES			
7. Net inflow/outflow of cash from investment activities		(102,039)	(15,433)
Receipts from sale/purchase of tangible and intangible assets	20	(2,197)	(3,117)
Receipts from sale/investment into subsidiaries		0	0
Receipts from collection/purchase of securities held until maturity	18	(99,895)	(12,426)
Dividends received	6	53	110
FINANCIAL ACTIVITIES			
8. Net inflow/outflow of cash from financial activities		(24,342)	(2,982)
Net increase/reduction of received loans	26	(32,022)	(1,379)
Net increase/reduction of hybrid instruments	29	7,680	(1,603)
Dividends paid		0	0
9. Net inflow/outflow of cash		(17,314)	83,686
10. Effects of exchange rate changes on cash and cash equivalents		0	0
11. Net increase/reduction in cash and cash equivalents		(17,314)	83,686
12. Cash and cash equivalents at the start of the year		405,169	321,483
13. Cash and cash equivalents at the end of the year		387,855	405,169

Accounting policies and Notes on pages 10-46 form an integral part of these Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT THE COMPANY

Imex banka d.d. Split ("Bank") was established in the Republic of Croatia and registered into the Register of Companies of the Commercial Court of Split under the number MBS 060001876. Bank's corporate seat is in Split, Tolstojeva 6. The registered capital stock of HRK 130,335,200.00 consists of six (6) shares.

The Bank is registered for the following activities:

- Transactions with foreign exchange in Croatia (foreign exchange transactions);
- Financial agency services;
- Receipt of all types of deposits;
- Granting all types of loans, opening of documentary letters of credit, issue of sureties and bank guarantees and receipt of other financial liabilities;
- Transactions with bills of exchange, cheques and deposit certificates on its own behalf or on behalf of its customers;
- Lending, sale and purchase of financial derivatives (forwards, options, etc.) on its own behalf or on behalf of its customers;
- Transactions with securities on its own behalf or on behalf of third parties;
- Issue and management of securities (including cards, travellers' cheques and bank orders)
- Financial leasing and factoring transactions;
- Information on customers' solvency at their request;
- Credit transactions abroad and payment transactions abroad;
- Payment transactions in Croatia;
- Providing other financial services as set out by the Croatian National Bank;
- Insurance agent services, in compliance with the laws governing insurance, in the part governing the insurance agent services for banks.

According to the Articles of Association and the Statute of the Bank, the corporate bodies include: Management Board, Supervisory Board and Assembly.

Management Board members are:

- Branko Buljan, President, representing the Bank solely and independently,
- Ružica Šarić, Member, representing the Bank jointly with another Management Board member or procurator

Procurator:

- Ivka Mijić, representing the Bank jointly with a Management Board member.



Supervisory Board:

- Darko Medak, President
- Ante Jurić, Deputy President
- Dušan Tomašević, Member

Tax code (OIB) of the Company is 99326633206, and the activity code for the statistics is 6419.

According to the Croatian Accounting Act, the Company is deemed a large entrepreneur.

As at 31 December 2014, the Company had 151 employees (31 December 2013: 143).



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The Financial Statements of Imex banka d.d. Split have been prepared in compliance with the legal requirements of the framework of financial reporting applicable in the Republic of Croatia for large entrepreneurs and entrepreneurs whose stocks or debt securities are listed or about to be listed at the regulated stock market, based on the International Accounting Standards, their supplements and related interpretations, and the International Financial Reporting Standards ("IFRS"), their supplements and related interpretations, established by the European Commission and published in the Official Journal of the European Union, which were in application on 31 December 2014.

Banking operations in Croatia have been governed by the Act on Credit Institutions (Official Journal NN 117/08, 74/09, 153/09, 108/12, 54/13 and 159/13), according to which financial reporting requirements are set out by the Croatian National Bank („CNB“).

Accounting regulations of the Croatian National Bank are based on the International Financial Reporting Standards. The fundamental differences between the accounting regulations and the requirements for recognition and evaluation according to IFRS are in the fact that the CNB regulations set out limits and other restrictions related to minimum capital adequacy ratio, classification of loans and out-of-balance assumed liabilities, interest and currency risk, liquidity risk and currency position and reservations for credit risk. At the year's end, the Bank fulfilled in significant scope all regulatory requirements.

Please note the following differences between the requirements for recognition and evaluation according to IFRS and the CNB accounting regulations:

- CNB requires from banks to recognize losses from depreciation, in Profit and Loss Statement, for exposures recorded at depreciated cost and in respect of which depreciation is not recognized (including central government risk) at stipulated rates. Reservations on group base are recognized in the Statement of Financial Position of the Group according to the CNB requirements. Based on the CNB regulations, the Bank recognized the cancellation of reservations within the losses from depreciation and reservations. Although according to the IFRS requirements, it would be more appropriate to present these reservations as allocation within equity and reserves, the Bank continues to present them, in compliance with the CNB rules, as a substitute for incurred non-identified losses from depreciation calculated in accordance with the IFRS requirements.
- The Bank calculates losses from depreciation for individually significant items through evaluation of future cash flows and discounting them by use of the original effective interest rate of the instrument. Depreciation of such incurred discount is recognized by the Bank as interest income. In specific cases, collected sums are recognized as interest income only when reservations for depreciation are released in full sum.
- CNB sets the minimum amounts of reservations for losses from depreciation for the specific exposures in respect of which depreciation is specifically recognized and which in specific cases may be different from losses from depreciation calculated in accordance with the IFRS.



Basis for the preparation of the Financial Statements

The Financial Statements have been prepared at historical cost basis, except for financial assets and financial liabilities presented at fair value in compliance with IAS-39 and IFRS 7.

The Financial Statements have been prepared on going concern basis. Their preparation requires from the Management Board use of their own judgments, evaluations and assumptions affecting the application of policies and presented amounts of assets, liabilities, income and expenses, and presentation of contingent and assumed liabilities on the Balance Sheet date. Evaluations and assumptions are based on prior experience and on other facts and information available on the Financial Statements preparation date. Actual results may differ from these evaluations. Evaluations and related assumptions are re-examined on continuous basis and changed where required. Any changes in accounting evaluations are recognized in the period in which the evaluation is changed.

Functional currency and currency of presentation

The Financial Statements of the Bank have been prepared and presented in Croatian currency Kuna, being also the functional currency. The amounts are rounded to thousands Kuna (unless specified otherwise).

Foreign currencies

Transactions in foreign currencies are converted into the functional currency according to the exchange rate applicable on the transaction date. Monetary assets and liabilities are converted into the functional currency according to the mean exchange rate of the Croatian National Bank applicable on the Balance Sheet date. Non-monetary items in foreign currency presented at fair value are calculated by application of the exchange rate applicable on the fair value evaluation date. Non-monetary items in foreign currency presented at historical cost are not recalculated on the Balance Sheet date. Gains or losses from payments and collections in such transactions and from conversion of monetary assets and liabilities into the functional currency are included in the Profit and Loss Statement.

Kuna exchange rate on 31 December 2014 in relation to:

- EUR: HRK 7.661471 (31 December 2013: HRK 7,637643)
- USD: HRK 6.302107 (31 December 2013: HRK 5. 549000)
- CHF: HRK 6.368108 (31 December 2013: HRK 6. 231758)
- GBP: HRK 9.784765 (31 December 2013: HRK 9. 143593)

Fundamental accounting policies applied in the preparation of the Financial Statements are presented below.



Interest income and expenses

Interest income and expenses are recognized in Profit and Loss Statement at occurrence, for all interest-bearing financial instruments, including those measured at depreciated cost, at fair value through P&L Statement, and those available for sale, by application of effective interest rate method.

Such income and expenses are presented in Profit and Loss Statement as income from interest and similar income or expenses from interest and similar expenses. Interest income and expenses also include fees on granted loans and receivables from clients or loans received from other banks.

Non-matured interest is calculated at the end of the accounting period and recorded in the Profit and Loss Statement on time basis, in compliance with the general accounting policies of the Bank for calculation and recognition of interests.

Interest on placement estimated as risk-bearing is fully excluded and recognized in income only when collected.

Income and expenses from fees and commissions

Income and expenses from fees and commissions consist of the fees and commissions for services of domestic and international payment transactions, issue of guarantees and letters of credit etc. and are recognized in the Profit and Loss Statement upon provision of a service.

Fees and commission are presented at calculation basis.

Fees for extending of loans are deferred and recognized as adjustment of the effective yield on loans and thus interest income is harmonized.

Financial assets

Financial assets are classified by the Bank into the following categories: loans and receivables, assets at fair value through the Profit and Loss Statement, assets available for sale and investments held until maturity. The classification depends on the intended purpose for which the financial assets were originally acquired. The classification of financial assets is determined by the Management Board at the first recognition and revised by it on every Balance Sheet date.

All financial assets are recognized on the settlement date, being the date when the financial assets are delivered to the Bank.

Financial assets at fair value through Profit and Loss Statement

Financial instruments are classified into this category if they are acquired or created mostly for sale or repurchase in a short period of time, for short-term profit.

These assets are presented at fair value. Fair value is the amount at which the assets may be exchanged among willing parties and represents the approximate price quoted on active market.

The Bank recognizes non-realized profit or non-realised losses due to subsequent measurements of such assets at fair value within the net profit/loss from reducing the financial assets to fair value.



Financial assets available for sale

Financial assets available for sale are non-derivative financial assets intended to be held for an indefinite period of time, but may be traded where required by liquidity requirements or changes in interest rates, exchange rate or prices of securities.

Financial assets available for sale are initially recognized at fair value plus acquisition cost and subsequently recorded at fair value, except for investments into equity instruments in non-affiliates classified into this group in respect of which fair value may not be reliably established, which are in that case evaluated at investment cost minus depreciation if any. Change in fair value of financial assets available for sale is presented in equity as revaluation reserve.

Investments held until maturity

Investments held until maturity are non-derivative financial assets with fixed or fixable payments and fixed maturity date, in respect of which the Bank has positive intention and capacity to hold them until maturity, except for loans. Investments held until maturity are initially recognized at fair value plus transaction costs and subsequently recorded at depreciated cost.

Depreciation of financial assets recorded at depreciated cost is discussed where there is objective evidence that one or several events had adverse impact on estimated future cash flows from such assets. A financial asset is depreciated where its book value exceeds the estimated reimbursable amount equal to the current value of the expected future cash flows discounted by application of the original effective interest rate for that instrument. Depreciation is recognized by the Bank in the Profit and Loss Statement within the value adjustment by losses based on securities.

In the subsequent periods, these losses from depreciation are annulled up to the amount of the depreciated cost that would be presented had the depreciation not occurred.

Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or fixable payments and not listed on active market. Loans and receivables occur when the Bank has approved funds to its clients without intention to trade in such receivables and they include loans and receivables from banks, loans and receivables from clients, etc. Premiums and discounts, including initial transaction costs, are included into the book value of appropriate assets and depreciated by use of effective interest rate.

Loans and receivables are initially measured at fair value and subsequently at depreciated cost by application of effective interest rate method minus value adjustment due to depreciation. Depreciation is determined where there is objective evidence the Bank will be unable to collect the full sum receivable as due. The depreciation sum is determined as the difference between the book amount and the reimbursable amount, being the current value of the expected future flows discounted by application of effective interest rate on the loan determined at the initial recognition.

Value adjustment by losses from depreciation on loans of individual significant value is estimated based on creditworthiness, due fulfilment of liabilities and value of loan collaterals. Loans included into the portfolio of small loans are evaluated according to the criterion of the debtor's due fulfilment of their liabilities toward the Bank.



Fixed tangible and intangible assets

Tangible and intangible assets are initially recognized at the acquisition cost. The acquisition cost includes all direct costs attributable to bringing the assets to the location and into the operational condition for the intended use.

After the initial recognition, fixed tangible assets are measured on cost model basis, including measurement of assets at acquisition cost minus value adjustment and accumulated loss from depreciation.

Fixed tangible assets regular maintenance costs are recognized in the Profit and Loss Statement upon occurrence. Costs of substitution of a specific item of fixed assets are capitalized where they extend the usable life cycle, increase the capacity or significantly improve the quality of assets and may be reliably measured.

Depreciation is calculated by line method. Depreciation cost for each period is recognized in the Profit and Loss Statement. The evaluated usable life cycle for the specific assets is as follows:

	2013	2014
Buildings	2.5%	2.5%
Computers and software	10-25%	10-25%
Furniture and equipment	20-25%	20-25%
Means of transport	20%	20%
Other	10%	10%

Land, assets in preparation and advances for fixed tangible assets are not depreciated.

Fixed assets are tested on depreciation on annual basis. Where there are indicators showing the value of assets has been reduced, the Company must evaluate the reimbursable amount of the assets.

Recognition of fixed tangible assets stops when they are alienated or where no further benefits are expected from their use. Income or expense due to withdrawal or alienation of tangible assets is determined by deduction of their book value from the net calculated sum. The resulting income or expense is recognized on net base within other income or expenses.

Tangible assets with the lifecycle exceeding one year and with purchase value less than HRK 3,500.00 or another sum defined by the legislator, are recorded as small inventories and classified as stocks in the Financial Statements.

Assumed tangible assets

Assets accepted in substitution for non-collected receivables based on placements are recorded at net book value or net realisable value based on evaluation, depending which is lower.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash with the Croatian National Bank, placements with other banks with original maturity term up to three months and instruments in the process of collection.



Deposits

Deposits are presented in the deposited sums plus calculated interests. Foreign currency deposits as well as Kuna deposits with currency clause are calculated at the exchange rate on the transaction date and at the end of the accounting period.

Corporate income tax

Corporate income tax is presented in Profit and Loss Statement with the exception of corporate income tax related to items recognized directly in equity and reserves, when corporate income tax is recognized in equity and reserves. Corporate income tax is based on taxable profits for the year and consists of current and deferred tax.

Current tax is the expected tax liability calculated on taxable profits for the year, by use of tax rates applicable on the Balance Sheet date and all adjustments of tax base determined by adjustment of the accounting profit by items of expenses not recognized as expenses in terms of taxation.

Deferred tax assets are the sum of corporate income tax for refund in future periods, due to deductible provisional differences, transferred used tax losses or transferred unused tax exemptions. Deferred tax liabilities are the amounts of corporate income tax payable in future periods and related to non-taxable provisional differences.

Deferred tax liabilities are recognized for all taxable provisional differences and deferred tax assets are recognized to the probable extent in which taxable profit will be available based on which deductible provisional differences may be used.

Share capital

Share capital is unallocated capital of the Bank. Dividends are paid to the founders i.e. shareholders of the Bank, based on the Assembly decision, after allocation of 5% of actual profits into legal reserves. The amount of allocation into legal reserves is fully realised according to the provisions of the Act on Companies. The recognition of capital stops once the recognition of assets and liabilities stops.

In purchase of equity instruments (stocks or shares), reserves must be formed out of profit for the value of such instruments. Gains or losses from equity instruments are recognized within capital reserves.

Reservations

The Bank recognizes a reservation where there is a current liability incurred on the basis of past events with a probability that outflow of resources will be required for the settlement of the liability. The Management Board determines the amount of reservations based on the best possible evaluation of the expenses that will be incurred by the settlement.



Liabilities assumed in out-of-balance records

Contingent liabilities are incurred in the Bank's regular operations by issue of guarantees, letters of credit, granted unused loans and unused credit facilities. These liabilities are presented in out-of-balance records of the Bank and once the Bank's liability assumed on their basis is settled they are presented in the Balance Sheet.

The amount of contingent liabilities does not stand also as requirement for involvement of cash funds in full amount. Contingent liabilities are not recognized in the Financial Statements, except where the possibility of outflow of the resources forming economic benefits is not distant.

The Management Board maintains reservations for contingent losses based on assumed and contingent liabilities on the level deemed adequate to neutralize probable future losses. The amount of reservations depends on the value of an item, experience with the mentioned type of losses in the preceding periods, characteristics of the transaction risk and other relevant factors.

Accounting evaluations and judgments

The Bank forms evaluations and judgments concerning uncertain events including evaluations and assumptions related to future events. Such evaluations and assumptions are formed on regular basis and based on the historical experience and other factors but despite that fact they represent sources of uncertainty.

Evaluation of loss from depreciation in portfolio exposed to credit risk is the most significant source of uncertainty and thus the risk of possible significant adjustments in future fiscal years.

Evaluations and assumptions with significant risk and possibly causing material changes in the amounts of assets and liabilities in the subsequent financial year are presented below:

Losses from loans and receivables

According to the Croatian National Bank regulations and the Bank's internal regulations, the need for determination of losses from depreciation of balance and out-of-balance assets of the Bank exposed to credit risk is estimated on quarterly basis.

The Bank evaluates whether there is objective evidence on depreciation separately for assets of individual significance and jointly for assets without individual significance. In the evaluation, the Bank uses its own regulations harmonized with the solvency regulations of the Croatian National Bank. With regard to loans of high individual values, the basic evaluation factors include creditworthiness measured by the client's operating results, due fulfilment of the debtor's liabilities and the value and quality of collaterals. The loans in the portfolio of small loans are evaluated according to the criterion of the debtor's due settlement of their liabilities to the Bank and quality of the collaterals for the Bank's receivables.

Losses from depreciation are recorded as value adjustment of loans and receivables presented in balance records and as reservations for liabilities and expenses arising from out-of-balance assumed and contingent liabilities to clients.

The Bank also recognizes losses from depreciation of placements of risk group A on group basis in the amount of latent losses where rates are taken into account within the range from 0.85% to 1.15 % as applicable to all credit risk exposures.



Litigation

In compliance with the Decision on obligation to reserve the provisions for litigation against the Bank, the latter keeps a record of litigation, classifying each procedure into the risk group based on evaluation of outflow of funds, and making a reservation. The Bank classifies the risk taking into account the legal grounds of the claim, opinion of external lawyers for the part of the litigation entrusted to them, case law considering the type of litigation, opinion by relevant internal departments as well as opinions of other relevant experts, and its own experience in similar litigation cases.

Corporate income tax

Corporate income tax is calculated according to tax regulations. The calculations related to corporate income tax are subject to review and change by the Tax Administration.

Events after the Balance Sheet date

Events after the Balance Sheet date are the events with favourable or unfavourable consequences, occurring between the Balance Sheet date and the date of approval of the Financial Statements publication. Events after the Balance Sheet date differ by whether they require adjustment or not.

The Financial Statements need adjustment in the following cases: court judgment made after the Balance Sheet date confirms that a current liability existed on the Balance Sheet date; receipt of new information after the Balance Sheet date, showing that the value of certain assets was reduced on the Balance Sheet date; disclosed fraud or errors that make the Financial Statements incorrect.

The events not leading to adjustment are published in the Notes to the Financial Statements provided they are of material significance.

Comparative data

Certain positions in the comparative Financial Statements for 2013 have been reclassified so that their presentation is in harmony with the presentation of the Financial Statements for 2014.

The foregoing reclassifications had no impact either on the profit for the year 2013 or retained profit of the Bank on 31 December 2013.



3. NET INTEREST INCOME

a) INTEREST INCOME

	In HRK '000	
Per recipients	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Companies	117,703	119,603
Population	15,378	14,618
Banks and other financial institutions	4,712	4,828
Government and public sector	5,430	4,662
Net currency gains based on interest income	58	291
Other organisations	25	4
TOTAL	143,306	144,006

	In HRK '000	
Per products	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Loans and receivables from clients	117,154	122,273
Debt securities	21,441	16,976
Loans and receivables from banks	4,711	4,045
Deposits	0	712
TOTAL	143,306	144,006

b) INTEREST EXPENSES

	In HRK '000	
Per recipients	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Population	53,957	61,903
Banks and other financial institutions	9,616	11,275
Companies	10,021	8,135
Premiums for savings deposits insurance	4,449	4,093
Other organisations	517	321
Government and public sector	27	85
Net currency losses based on interest expenses	203	275
TOTAL	78,790	86,087



Per products	In HRK '000	
	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Deposits	62,571	68,811
Hybrid instruments	6,216	7,125
Premiums for savings deposits insurance	4,449	4,093
Loans received	4,250	4,806
Giro and current account	1,304	1,252
TOTAL	78,790	86,087

4. NET INCOME FROM FEES AND COMMISSIONS

a) INCOME FROM FEES AND COMMISSIONS

	In HRK '000	
	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Operations with bills of exchange	13,965	11,165
Domestic payment transactions	2,913	2,598
Operations with guarantees	1,692	1,652
Payment transactions abroad	831	1,075
Other banking services	421	400
TOTAL	19,822	16,890

b) EXPENSES FROM FEES AND COMMISSIONS

	In HRK '000	
	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Domestic payment transactions	1,386	1,388
Card operations	251	217
Payment transactions abroad	194	168
Other banking services	119	110
TOTAL	1,950	1,883



5. NET PROFIT FROM FINANCIAL OPERATIONS

	In HRK '000	
	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Profit (loss) from trade in foreign exchange	1,829	2,195
Profit (loss) from trade in currency items	76	7
Currency gains/losses from reduction of items with currency clause to the agreed exchange rate	8,088	12,991
Currency gains/losses from reduction of currency items to mean exchange rate	(8,350)	(12,128)
TOTAL	1,643	3,065

6. OTHER OPERATING INCOME

	In HRK '000	
	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Profit from sale of real property and equipment, assumed assets	306	632
Income from dividends	53	110
Income from refund of litigation expenses from clients	25	74
Other income	74	56
TOTAL	458	872

7. PERSONNEL EXPENSES

	In HRK '000	
	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Net salaries	9,992	10,402
Contributions out of salaries	2,935	3,158
Contributions on top of salaries	2,391	2,310
Tax and surtax out of salaries	1,782	1,871
Other personnel expenses	1,317	1,313
TOTAL	18,417	19,054



8. DEPRECIATION COSTS

	In HRK '000	
	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Depreciation costs	3,186	3,440
TOTAL	3,186	3,440

9. OTHER OPERATING EXPENSES

	In HRK '000	
	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Costs of services	11,315	10,948
Costs of administration and marketing	4,987	4,593
Material costs	1,370	1,711
Other	658	670
TOTAL	18,330	17,922

10. COST OF DEPRECIATION IN LOANS AND RESERVATIONS

	In HRK '000	
	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Value adjustment of loans	18,979	22,688
Value adjustment of interests	5,014	1,280
Value adjustment of financial assets held until maturity	55	185
Reservations on group basis	110	151
Value adjustment in respect of non-interest-bearing income	58	95
Reservations for identified contingent liabilities	256	(67)
TOTAL	24,472	24,332



Summary of trends in depreciation of loans and reservations in 2014

In HRK '000

	Costs of reservations	Income from cancelled reservations	01/01/2014-31/12/2014
Value adjustment of loans	(40,575)	21,597	(18,978)
Value adjustment of interests	(7,753)	2,739	(5,014)
Value adjustment of financial assets held until maturity	(280)	225	(55)
Reservations on group basis	(31,133)	31,023	(110)
Value adjustment in respect of non-interest bearing income	(135)	76	(59)
Reservations for identified contingent liabilities	(1,682)	1,426	(256)
TOTAL	(81,558)	57,086	(24,472)

11. CORPORATE INCOME TAX

In HRK '000

	01/01/2014-31/12/2014	01/01/2013-31/12/2013
Profit (loss) before taxation	20,084	12,115
Profit increases by non-recognized expenses	6,087	7,320
Tax reliefs and reductions	5,959	6,337
Corporate income tax base	20,212	13,098
Corporate income tax (20% rate)	4,042	2,620
Share of tax from deferred tax assets	9	7
Corporate income tax of current operating year	4,051	2,627

According to tax regulations, the Tax Administration may at any moment examine the Bank's corporate records in the period of three years after the expiration of the year in which the tax liability was presented and may introduce additional tax liabilities and impose penalties. The Management Board is not aware of any circumstances that could lead to significant contingent liabilities in that respect.

12. EARNINGS PER SHARE

The Bank presents the earnings per share in respect of its ordinary shares. Earnings per share are calculated by division of the appertaining net profit to ordinary shareholders of the Bank by total number of ordinary shares at the end of the period.

The number of shares used for calculation of earnings per share in 2014 amounted to 1,303,352 shares.



13. CASH AND CASH EQUIVALENTS

In HRK '000

	2014 HRK	2014 Foreign currency	2014 Total	2013 HRK	2013 Foreign currency	2013 Total
Cash	13,038	9,975	23,013	11,629	9,208	20,837
Accounts with CNB	150,897	0	150,897	173,825	0	173,825
Accounts with other banks	0	211,828	211,828	0	208,614	208,614
TOTAL	163,935	221,803	385,738	185,454	217,822	403,276

14. COMPULSORY RESERVE WITH CNB

In HRK '000

	31/12/2014	31/12/2013
Compulsory reserve in HRK	137,291	134,177
Compulsory reserve in foreign currency	25,153	24,987
TOTAL	162,444	159,164

The Bank is under obligation to deposit with the Croatian National Bank the compulsory reserve of 12% of short-term and long-term deposits on which the compulsory reserve is calculated. The Bank may not dispose of the funds allocated into the compulsory reserve for the requirements of daily operations.

The Kuna share in the compulsory reserve calculated as above is increased by 75% of calculated compulsory reserve on foreign currency deposits and loans. The percentage of allocation of the Kuna share in the compulsory reserve amounts to 70%. The Kuna share in the compulsory reserve is allocated with CNB by transfer of the calculated funds to the allocated compulsory reserve account kept by CNB. The foreign currency share in the compulsory reserve is allocated to the CNB foreign currency accounts. The allocation of the foreign currency share in the compulsory reserve is done in Euro. The obligation of allocation in foreign currency is calculated by application of the Croatian National Bank mean exchange rate on the calculation date. The percentage of allocation of the foreign currency share in the compulsory reserve is 60%.

15. DEPOSITS IN OTHER BANKS

In HRK '000

	31/12/2014	31/12/2013
Foreign currency letters of credit	193	0
Fixed-term foreign currency deposits	627	472
TOTAL	820	472



Summary of deposits by maturity

	In HRK '000	
	31/12/2014	31/12/2013
Deposits with maturity up to 1 month	0	0
Deposits with maturity from 1 to 3 months	0	0
Deposits with maturity from 3 to 12 months	627	472
TOTAL	627	472

16. FINANCIAL ASSETS BY FAIR VALUE THROUGH PROFIT AND LOSS STATEMENT

	In HRK '000	
	31/12/2014	31/12/2013
Debt securities of foreign countries – money market instruments	15,324	15,275
Legal entities in which the credit institution has a participating share	160	1,170
Equity securities of companies	753	1,459
TOTAL	17,237	17,904

The portfolio for trade includes EUR 2,000,000 bonds of the Republic of Germany and 5,000 shares of Croatian Telecom, Inc.

The Bank has a 49.96% share in company Kamini Hoyan d.o.o.

17. LOANS AND ADVANCES TO CLIENTS

	In HRK '000	
	31/12/2014	31/12/2013
Gross loans to companies	1,123,824	1,149,479
Gross loans to government units	2,452	23
Gross loans to financial institutions	78,561	63,461
Gross loans to non-profit institutions	919	463
Gross loans to population	200,228	176,643
Gross loans to foreign citizens	3	3
Gross loans	1,405,987	1,390,072
Collected interest income (calculated fees)	(5,455)	(6,460)
Reservation for depreciation	(97,650)	(79,445)
Net loans	1,302,882	1,304,165

Fees for loan application processing are deemed interest income where directly related to an extended loan or another placement, whether on one-time basis or on time period basis. Until 30 September 2013, according to the CNB Guidance on application of chart of accounts for banks (Official Journal *NN* 115/03, 39/04 and 29/06), they are presented in account 290 – Deferred income, while on the Balance Sheet date, they are recorded as a reduction in the account of loans extended.



18. INVESTMENTS HELD UNTIL MATURITY

In HRK '000

	31/12/2014	31/12/2013
Debt securities of companies	254,725	162,323
Debt securities of the Republic of Croatia	14,865	22,057
Debt securities of the Croatian National Bank	86,208	85,906
Reservation for value reduction	(8,685)	(8,837)
TOTAL	346,113	261,449

In the portfolio held until maturity, there are CNB treasury notes, Republic of Croatia bonds and bills of exchange of clients in total amount of HRK 247,267 thousand out of which: Fairtrade d.o.o.: HRK 44,203 thousand; Granolio d.o.o.: HRK 34,280 thousand; Unex media d.o.o.: HRK 44,099 thousand; Franck d.d.: HRK 19,528 thousand; Konzum d.d.: HRK 42,511 thousand; Zvečevo d.d.: HRK 49,080 thousand and others.

19. TANGIBLE ASSETS

In HRK '000

	31/12/2014	31/12/2013
Land	7,488	7,488
Buildings	26,595	27,571
Plants and equipment	2,140	1,973
Furniture, means of transport and similar assets	967	1,252
Other tangible assets	368	333
Tangible assets in preparation	220	0
Advances for fixed assets	0	823
TOTAL	37,778	39,439

Investments into real property and equipment amount to 22.98 % of the Bank's regulatory capital.

20. INTANGIBLE ASSETS

In HRK '000

	31/12/2014	31/12/2013
Application software	2,246	2,431
Investment in third parties' assets	1,293	1,528
TOTAL	3,539	3,959

Investments into third parties' assets amount to 0.52% of the Bank's guarantee capital.



Summary of trends in tangible and intangible assets in 2014

	Land	Buildings	Plants and equipment	Furniture, means of transport and similar assets	Other tangible assets	Advances in fixed assets	Tangible assets in preparation	Intangible assets	Total
Acquisition cost									
As at 31/12/2013	7,488	39,375	15,706	8,767	672	823	0	10,094	82,925
Increases	0	9	1,263	138	48	0	220	268	1,919
Adjusting entries	0	0	0	0	0	0	0	0	0
Reductions	0	0	(291)	0	0	(823)	0	0	(1,114)
As at 31/12/2014	7,488	39,384	16,651	8,905	720	0	220	10,371	83,739
Accumulated depreciation									
As at 31/12/2013	0	(11,804)	(13,733)	(7,515)	(339)	0	0	(6,135)	(39,527)
Depreciation of the period	0	(985)	(1,069)	(423)	(12)	0	0	(698)	(3,187)
Reduction	0	0	291	0	0	0	0	0	291
As at 31/12/2014	0	(12,789)	(14,511)	(7,938)	(351)	0	0	(6,833)	(42,423)
Net book value									
As at 31/12/2013	7,488	27,571	1,973	1,252	332	823	0	3,959	43,398
As at 31/12/2014	7,488	26,595	2,140	967	368	0	220	3,538	41,316



21. ASSUMED ASSETS

	In HRK '000	
	31/12/2014	31/12/2014
Land	10,868	10,868
Buildings	5,555	4,524
Residential buildings and apartments	950	1,401
Plants and equipment	202	202
Other assumed assets	64	0
TOTAL	17,639	16,995

Assumed assets include assets acquired in the process of collection of debt and as at 31 December 2014 amount to HRK 17,639 thousand and refer to:

- Lands – Stagra d.o.o. in bankruptcy, Hiron d.o.o. in bankruptcy, Antunović-bobcat d.o.o., Breza-promet d.o.o.
- Buildings – GP Vrhovec d.o.o., Grafex d.o.o., Senka Bedalov, Gramat d.d.
- Apartments – Mramor Ivan Biliškov d.o.o., Hiron d.o.o. in bankruptcy
- Plants and equipment - Grafex d.o.o.

22. DEFERRED TAX ASSETS

	In HRK '000	
	31/12/2014	31/12/2013
Deferred tax assets	114	123
TOTAL	114	123

23. OTHER ASSETS

	In HRK '000	
	31/12/2014	31/12/2013
Interests due for payment	16,530	17,570
Interests undue for payment	25,698	25,411
Due commissions and fees	1,215	1,143
Commissions and fees not due	2	0
Receivables from customers	2	3
Receivables from government and government institutions	19	529
Receivables from clients based on credit cards	569	638
Other receivables	12,821	14,055
Prepayments	272	250
Reservation for depreciation	(22,689)	(17,717)
TOTAL	34,439	41,882



24. DEPOSITS OF FINANCIAL INSTITUTIONS

	In HRK '000	
	31/12/2014	31/12/2013
Deposits on demand	4,392	9,137
- in HRK	4,383	9,129
- in foreign currency	8	8
Fixed-term deposits	102,276	146,200
- in HRK	82,636	112,624
- in foreign currency	19,640	33,576
TOTAL	106,668	155,337

25. DEPOSITS OF OTHER CLIENTS

	In HRK '000	
	31/12/2014	31/12/2013
a) Deposits on demand	154,910	114,768
Population	49,039	37,669
- in HRK	31,324	21,552
- in foreign currency	17,715	16,117
Public sector enterprises and institutions	105,871	77,098
- in HRK	101,558	71,012
- in foreign currency	4,313	6,086
b) Fixed-term deposits	1,638,588	1,585,596
Population	1,504,074	1,456,900
- in HRK	210,342	192,385
- in foreign currency	1,293,732	1,264,515
Public sector enterprises and institutions	134,514	128,696
- in HRK	104,900	98,247
- in foreign currency	29,614	30,449
TOTAL	1,793,498	1,700,364

26. LIABILITIES BASED ON RECEIVED LOANS

	In HRK '000	
	31/12/2014	31/12/2013
Long-term loan from a financial institution	0	15,000
Long-term loan of the Croatian Bank for Reconstruction and Development	84,561	101,583
TOTAL	84,561	116,583



27. OTHER LIABILITIES

	In HRK '000	
	31/12/2014	31/12/2013
Interests and fees undue for payment	26,592	29,063
Interests and fees due for payment	160	126
Liabilities in the process of settlement	5,225	4,677
Liabilities to suppliers	2,069	1,861
Liabilities to employees	854	855
Liabilities to government	2,190	641
Other liabilities	1,393	962
TOTAL	38,483	38,185

28. RESERVATIONS FOR LIABILITIES AND COSTS

	In HRK '000	
	31/12/2014	31/12/2013
Reservations for out-of-balance exposure	942	687
Reservations for litigations	204	34
TOTAL	1,146	721

Changes in reservations for liabilities and costs

	In HRK '000	
	31/12/2014	31/12/2013
a) Changes in reservations for out-of-balance exposure		
Balance as at 1 January	687	754
Debit entry through Profit and Loss Statement	1,681	966
Reservations used throughout the year	(1,426)	(1,033)
Balance as at 31 December	942	687
b) Changes in reservations for litigations		
Balance as at 1 January	34	21
Debit entry through Profit and Loss Statement	175	13
Reservations used throughout the year	(5)	(0)
Balance as at 31 December	204	34

Reservations for out-of-balance exposure to credit risk and litigations are recognized through other losses from depreciation and reservations in the Profit and Loss Statement.

As at 31 December 2014, four litigations were reserved (City of Split, Petro-Kamen d.o.o., Government Budget of the Ministry of Finance, State Inspectorate) in which the Bank is Defendant. Based on the opinions of the Legal Department and an external law office, the Management Board has evaluated the contingent losses for claims which will probably be lost and reserved the amount of HRK 204 thousand (in 2013: HRK 34 thousand).



29. HYBRID INSTRUMENTS

	In HRK '000	
	31/12/2014	31/12/2013
Hybrid instruments	105,690	98,009
TOTAL	105,690	98,009

Hybrid and subordinated instruments represent unsecured long-term fixed-term funds of clients under variable conditions and without termination option until the agreed term expiration. According to CNB regulations, these instruments affect the increase in the Bank's guarantee capital in the calculation of the capital adequacy ratio.

Balance of hybrid instruments on 31 December 2013 amounts to HRK 105,690 thousand. The regulatory capital according to Regulation (EU) no. 575/2013 includes the depreciated sum of hybrid instruments. On 31 December 2014, the depreciated sum of hybrid instruments included in the regulatory capital amounted to HRK 85,383 thousand. The payers agree that the invested funds form supplemental capital and are available where required for coverage of operating loss or in bankruptcy or liquidation.

30. EQUITY AND RESERVES

	In HRK '000	
	31/12/2014	31/12/2013
Share capital	130,335	93,127
Capital gain	0	13,175
Other reserves	4,661	5,661
Retained profit (transferred loss)	27,668	18,180
Profit (loss) of the year	16,033	9,488
TOTAL	178,697	139,631

Nominal sum of an ordinary share is HRK 100.00 and the share capital in 2014 amounted to HRK 130,335 thousand. In 2014, the share capital was increased by conversion of hybrid instruments in the amount of 23,034 thousand and from the capital reserves of the Company of 14,175 thousand. In 2014, there was no voting or payment of dividends.

The shareholders' structure of the Bank as at 31 December is as follows:

	31/12/2014	31/12/2013
Branko Buljan	58.71%	77.98%
Ivka Mijić	20.19%	22.02%
Imex trgovina d.o.o.	8.70%	-
Trajektna luka Split d.d.	4.42%	-
Duškanka Mišković	3.99%	-
Ivana Matic	3.99%	-
TOTAL	100.00%	100.00%



31. CONTINGENT AND ASSUMED LIABILITIES

	In HRK '000	
	31/12/2014	31/12/2013
Guarantees (in Kuna and foreign currency)	82,892	56,961
Other (credit facilities unused, etc.)	22,110	17,415
Currency L/Cs and loro documentary L/Cs	613	1,434
TOTAL	105,615	75,810
Value adjustment	0	0
a) Balance as at 31 December	105,615	75,810
b) Other out-of-balance items	0	0
TOTAL (a+b):	105,615	75,810

32. LITIGATIONS

On 31 December 2014, there were 24 open procedures in which the Bank was Defendant, with the total value of all procedures of HRK 8,013,077.95.

According to expectations of the hired legal counsellors concerning the outcome of the pending litigations and claims against the Bank, the Management Board has concluded that any liability finally determined under such litigation procedures and claims will have no significant adverse impact on the financial position and operating results of the Bank in the future and the reservation was made for the claims that will probably be lost in the amount of HRK 204 thousand (2013: HRK 34 thousand), as presented in Note 28. Expression of the value of a case in dispute does not include potential default interests and costs of procedures that could be at the Bank's expense.

33. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are the events with favourable or unfavourable consequences, occurring between the Balance Sheet date and the date of approval of the Financial Statements publication. Such events provide evidence of the balances that existed on the Balance Sheet date or point out to the balances occurring after the Balance Sheet date that are not harmonized with the Balance Sheet.

In February 2015, MTP – Fortis market of the Zagreb Stock Exchange received 1,303,352 ordinary stocks of the Bank, marked IMBA-R-A, in nominal sum of HRK 100 each. The stocks have not been traded until now.

According to the Management opinion, in the period 1 January– 10 March 2015, there have been no other significant events in the Bank's operations that would require harmonization of the balance for 2014.



34. TRANSACTIONS WITH PERSONS IN SPECIAL RELATION WITH THE BANK AND THEIR AFFILIATES

Persons in special relations with a credit institution are:

- 1) shareholders in the credit institution with 5% or more shares in the credit institution with the voting right in the assembly of the credit institution;
- 2) members of the Management Board and the Supervisory Board and procurators of the credit institution;
- 3) persons in an employment contract with the credit institution, where provisions of their contract implicate a significant influence of such persons on the credit institution operations or where their contract contains provisions determining the remuneration for the services of such persons according to special criteria different from the criteria for persons under standard employment contracts, provided that the persons are not classified under 1 and 2;
- 4) legal entities in which the credit institution has a participating interest.

Persons in special relation with the credit institution shall be deemed to include their affiliates defined as follows: Affiliates are two or more legal entities or natural persons and their narrow family members who present, unless proven otherwise, single risk for the credit institution because:

- 1) one of them has, directly or indirectly, control over other(s), or
- 2) they are mutually related in such a way that there is a great probability that any worsening or improvement in the economic and financial condition of one person may lead to worsening or improvement of the economic and financial condition of other person(s), specially where between them there is possibility of the transfer of loss, profit, creditworthiness or where any difficulties in the funding sources, or settlement of liabilities of one person may cause difficulties in the founding sources or settlement of liabilities of other person(s).

Narrow family members of an affiliate are:

- 1) spouse or a person living in a common household who, according to a special law, has the position equal to that in a marital community;
- 2) children or adopted children of the person or children or adopted children of the persons from item 1 of this paragraph without full legal capacity;
- 3) other persons without full legal capacity and placed under custody of the person.

A transaction that would increase the Bank's exposure to a person in special relation with the Bank and its affiliates or a change of conditions for the conclusion of the transaction is subject to the Supervisory Board approval. By way of exception, a transaction creating or increasing the Bank's exposure to natural persons in special relation with the Bank does not require prior approval by the Supervisory Board of the Bank where the transaction is contracted under the conditions set out in the Bank's General Terms and Conditions.

At the end of 2014, the Bank's total exposure to persons in special relation with the Bank was HRK 46,488 thousand or 18.84% of the guarantee capital (in 2013: HRK 64,400 thousand or 28.42% of the guarantee capital) which represents approximately 4.74% of total loans to clients (in 2013: 4.89%).



Salaries and remunerations paid to the Management Board and other key management throughout the year:

	In HRK '000	
	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
<i>Management Board</i>		
-salaries paid throughout the current year	934	889
-other payments throughout the current year based on preceding years	0	0
<i>Other key management</i>		
-salaries paid throughout the current year for the current year	372	354
-other payments throughout the current year based on preceding years	0	0
TOTAL	1,306	1,243

35. RISK MANAGEMENT

This Note presents the details about the Bank's exposure to risks arising from the unpredictability of the financial market and a summary of methods used by the Management Board for recognition, measurement and management of risks. The Bank makes efforts to control and minimize the risks. The risk management system is continuously improved on the Bank's level by introduction of policies and procedures for risk assessment, measurement, control and management and determination of risk exposure limits harmonized with the legal framework and risk profile of the Bank.

Risk control function in the Bank as one of the three control functions is conducted within the Risk Management Sector. The Management Board bears final responsibility for acceptance and management of financial risks.

35.1 CREDIT RISK

The Bank is exposed to credit risk through the activities of extending of loans and other placements, trading activities, investments and investing activities.

The credit risk exposure is presented through the book value of the assets presented in the Balance Sheet and based on exposure per out-of-balance items based on the extended guarantees and approved unused credit facilities as presented in Note 31 – Contingent and assumed liabilities.

The Bank manages the credit risk by regular analyses of the borrowers' and prospective borrowers' capacity to fulfil their liabilities. In the risk management of extended loans and advances and other receivables from clients, the Bank uses three components: the applicant's creditworthiness, due performance of liabilities and quality of collaterals.



a) Net exposure to credit risk related to balance and out-of-balance items

	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
Cash and cash equivalents	173,910	194,662
Compulsory reserves with the Croatian National Bank	162,444	159,164
Deposits with other banks	212,648	209,086
Financial assets by fair value through Profit and Loss Statement	17,236	17,904
Loans and advances to clients	1,302,882	1,304,165
Investments available for sale	0	0
Investments held until maturity	346,113	261,449
Tangible assets	37,778	39,439
Intangible assets	3,538	3,959
Assumed assets	17,639	16,995
Deferred tax assets	114	123
Other assets	34,439	41,882
Total exposure to credit risk of balance items	2,308,743	2,248,829
Guarantees	82,892	56,961
Letters of credit	613	1,434
Unused credit facilities, limits on credit cards, and other	22,110	17,415
Total exposure to credit risk of out-of-balance items	105,615	75,810
TOTAL EXPOSURE TO CREDIT RISK	2,414,358	2,324,639

The Balance Sheet items presented in the table above are expressed at net book value minus reservations for value adjustment, as presented in the Balance Sheet.

Out-of-balance items are based on approved amounts, except for extended credit facilities and limits on credit cards, which are based on unused approved amounts.

b) Depreciation of loans and receivables from clients

	2014 Loans and receivables from clients	2014 Reservations for depreciation	2013 Loans and receivables from clients	2013 Reservations for depreciation
A	2,051,959	16,441	1,743,178	14,545
B1	162,229	19,619	142,862	16,359
B2	59,637	28,538	24,816	9,428
B3	14,542	12,073	11,568	8,997
C	55,265	55,277	42,968	42,377
TOTAL	2,343,632	131,948	1,964,792	91,706



Loans extended to clients late in payment of their due amounts, i.e. total due receivables uncollected for longer than 90 days, as at 31 December 2014, amounted to HRK 97,712 thousand (31 December 2013: HRK 144,916 thousand).

c) Summary of net exposure of loans by type of loan and type of borrowers

	01/01/2014- 31/12/2014	01/01/2013- 31/12/2013
<i>Loans to population</i>		
Cash and consumer loans	132,092	119,303
Credit cards and overdrafts on current accounts	4,752	4,162
Housing loans	28,018	20,898
Loans to small traders	19,456	21,021
Other loans	19,651	15,354
Total gross loans to population	203,969	180,738
<i>Loans to corporate entities</i>		
Construction industry	107,821	152,571
Agriculture	7,740	7,056
Tourism	14,441	14,376
Working assets	443,951	377,638
Investments	80,102	81,651
Other loans	542,508	569,580
Total gross loans to corporate entities	1,196,563	1,202,873
Value adjustment of loans	97,650	79,445
TOTAL NET EXPOSURE	1,302,882	1,304,165

Out of total gross loans of HRK 1,400,532 thousand, there are HRK 1,196,563 thousand i.e. 85.44% of loans to corporate entities and HRK 184,513 thousand or 13.17% are loans to population and 19,456 thousand i.e. 1.39% are loans to small traders.



d) Term structure of loans by sectors according to original maturity

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 3 years	Exceeding 3 years	Total
As at 31 December 2014						
HRK loans total						
Loans to population	5,099	185	3,634	2,230	66,798	77,946
Loans to companies	94,901	7,920	42,304	18,281	77,535	240,941
Loans with currency clause						
Loans to population	0	306	4,064	5,169	116,485	126,024
Loans to companies	160	10,864	336,127	212,434	394,133	953,718
Foreign currency loans						
Loans to population	0	0	0	0	0	0
Loans to companies	334	132	1,437	0	0	1,903
TOTAL	100,494	19,407	387,566	238,114	654,951	1,400,532

e) Exclusion interest income

Exclusion interest income on extended loans and other placements of group B and C in 2014 amount to HRK 50,492 thousand (in 2013: HRK 34,070 thousand).

f) Interest flexibility

Weighted average nominal interest rates for interest-bearing financial assets and financial liabilities subject to interest payment throughout the year are calculated as average of quarterly balances as follows:

	2014	2013
Extended fixed-term deposits	0.10%	0.01%
Extended loans	8.57%	9.13%
Received overnight deposits	0.64%	0.74%
Received fixed-term deposits	3.39%	3.85%
Received loans	4.25%	3.85%



35.2 INTEREST RISK

Interest risk is the sensitivity of the Bank's financial position to trends in interest rates.

Incompliances or gaps in the amounts of assets, liabilities and out-of-balance instruments, which mature or change the price (interest rate) in a specific period, generate the interest risk. The Bank may reduce this risk by adjusting the possibility of change in interest rates on assets and liabilities. The Bank makes efforts to achieve a balance between the reduced risk of earnings and unfavourable changes in interest rates by increasing the net interest income through accurate anticipation of trends and amounts of interest rates.

Tables below provide balance sensitivity to interest risk as at 31 December 2014 and 31 December 2013 based on the known dates when interest rates on assets and liabilities with invariable and variable rate may be changed and the assumed dates of change in prices (interest rates).

Interest risk and term structure as at 31 December 2014

	Up to 1 month	1 - 3 months	3 - 12 months	Exceeding 1 year	Interest insensitive	Total
Assets						
Cash and cash equivalents	173,910	0	0	0	0	173,910
Compulsory reserve with CNB	25,153	0	137,291	0	0	162,444
Treasury notes with CNB	14,865	0	0	0	0	14,865
Deposits with other banks	212,648	0	0	0	0	212,648
Financial assets at fair value through P&L Statement	0	0	0	0	17,236	17,236
Loans and advances to clients	331,194	86,026	757,605	78,003	61,790	1,314,618
Investments held until maturity	11,585	170,058	58,720	86,208	7,181	333,752
Tangible assets	0	0	0	0	37,778	37,778
Intangible assets	0	0	0	0	3,538	3,538
Assumed assets	0	0	0	0	17,639	17,639
Deferred tax assets	0	0	0	0	114	114
Other assets	0	0	0	0	36,642	36,642
Special reserves for identified losses on group basis	0	0	0	0	(16,441)	(16,441)
Total assets	769,355	256,084	953,616	164,211	165,477	2,308,743
Liabilities						
Deposits on demand	159,301	0	0	0	0	159,301
Fixed-term deposits	164,557	297,061	1,109,168	170,079	0	1,740,865
Liabilities based on received loans	47	2,258	82,256	0	0	84,561
Other liabilities	0	0	0	0	38,484	38,484
Reserves for liabilities and costs	0	0	0	0	1,147	1,147
Hybrid instrument	0	0	0	105,690	0	105,690
Total liabilities	323,905	299,319	1,191,424	275,769	39,631	2,130,046
Non-compliance of assets and liabilities	445,450	(43,235)	(237,808)	(111,558)	125,846	178,697



Interest risk and term structure as at 31 December 2013

	Up to 1 month	1 -3 months	3 – 12 months	Exceeding 1 year	Interest insensitive	Total
Assets						
Cash and cash equivalents	194,662	0	0	0	0	194,662
Compulsory reserve with CNB	24,987	0	134,177	0	0	159,164
Deposits with other banks	210,979	0	0	0	0	210,979
Financial assets at fair value through P&L Statement	0	0	0	0	17,904	17,904
Loans and advances to clients	336,641	138,165	711,568	40,663	89,453	1,316,490
Investments held until maturity	60,610	95,969	370	0	106,155	263,104
Tangible assets	0	0	0	0	39,439	39,439
Intangible assets	0	0	0	0	3,959	3,959
Assumed assets	0	0	0	0	16,995	16,995
Deferred tax assets	0	0	0	0	123	123
Other assets	0	0	0	0	42,232	42,232
Special reserves for identified losses on group basis	0	0	0	0	(16,222)	(16,222)
Total assets	827,879	234,134	846,115	40,663	300,038	2,248,829
Liabilities						
Deposits on demand	123,963	0	0	0	0	123,963
Fixed-term deposits	149,174	291,207	1,158,323	133,034	0	1,731,738
Liabilities based on received loans	17,106	2,439	95,538	1,500	0	116,583
Other liabilities	0	0	0	0	38,185	38,185
Reserves for liabilities and costs	0	0	0	0	721	721
Hybrid instrument	0	0	0	98,009	0	98,009
Total liabilities	290,243	293,646	1,253,861	232,543	38,906	2,109,199
Non-compliance of assets and liabilities	537,636	(59,512)	(407,746)	(191,880)	261,132	139,630

The table below is a summary of the ratio in the change of economic value in the Bank's records and the guarantee capital by currencies as at 31 December 2014:

Item	Currency code	Amount
Net weighted item per currency – Change in economic value in the records (Fixed+Variable+Adm. interest rate)	HRK	2,436
Net weighted item per currency - Change in economic value in the records (Fixed+Variable+Adm. interest rate)	EUR	(1,021)
Net weighted item per currency - Change in economic value in the records (Fixed+Variable+Adm. interest rate)	OST	(767)
CHANGE IN ECONOMIC VALUE		648



GUARANTEE CAPITAL

246,755

CHANGE IN ECONOMIC VALUE / REGULATORY CAPITAL * 100**0.26****35.3 LIQUIDITY RISK**

The liquidity risk arises from regular financing of the Bank's operations and management of items. It includes the risk of impossibility for financing of the assets in adequate terms and at adequate interest rates, as well as risk of impossibility of liquidation of assets at reasonable price in an adequate time period.

The Bank has access to various financing sources. The funds are collected through a great number of instruments including deposits, received loans and equity. The Bank continuously evaluates the liquidity risk through identification and observing of any changes in the financing required for reaching of the operating and strategic aims of the Bank. The Bank also keeps the portfolio of liquid assets as a part of its strategy for liquidity risk management. Liquidity risk management is conducted in compliance with the legal provisions and regulatory guidelines and is defined in the Liquidity Risk Management Policy regularly updated by the Risk Management Sector according to the changes in the economic environment. The Risk Management Sector prepares a quarterly report for the Management Board about the Bank's exposure to liquidity risk and a monthly report for CNB according to the Decision on Liquidity Risk Management.

Amounts of total assets and liabilities are analysed through the remaining period from the Balance Sheet date until the agreed maturity date and are presented in the tables below.

Liquidity risk and term structure as at 31 December 2014

	Up to 1 month	1 -3 months	3 - 12 months	1-3 years	Exceeding 3 years	Total
Assets						
Cash and cash equivalents	173,910	0	0	0	0	173,910
Compulsory reserve with CNB	25,153	0	137,291	0	0	162,444
Treasury notes with CNB	14,865	0	0	0	0	14,865
Deposits with other banks	212,648	0	0	0	0	212,648
Financial assets at fair value through P&L Statement	15,324	0	0	0	1,913	17,236
Loans and advances to clients	435,950	81,592	278,347	165,585	341,408	1,302,882
Investments held until maturity	108,438	134,691	1,911	0	86,208	331,248
Tangible assets	0	0	0	0	37,778	37,778
Intangible assets	0	0	0	0	3,538	3,538
Assumed assets	0	0	0	0	17,639	17,639
Deferred tax assets	114	0	0	0	0	114
Other assets	34,441	0	0	0	0	34,441
Total assets	1,020,843	216,283	417,549	165,585	488,484	2,308,743
Liabilities						
Deposits on demand	159,301	0	0	0	0	159,301
Fixed-term deposits	168,622	302,902	1,121,594	150,955	22,245	1,766,318
Liabilities based on received loans	39	328	2,341	6,348	75,765	84,821
Other liabilities	11,730	0	0	0	0	11,730
Reserves for liabilities and costs	581	63	193	214	96	1,147
Hybrid instrument	0	0	0	30,236	76,493	106,729



Total liabilities	340,273	303,293	1,124,128	187,753	174,599	2,130,046
Net liquidity incompliance	680,570	(87,010)	(706,579)	(22,168)	312,885	178,697

Liquidity risk and term structure as at 31 December 2013

	Up to 1 month	1 -3 months	3 – 12 months	1-3 years	Exceeding 3 years	Total
Assets						
Cash and cash equivalents	194,662	0	0	0	0	194,662
Compulsory reserve with CNB	24,987	0	134,177	0	0	159,164
Deposits with other banks	209,086	0	0	0	0	209,086
Financial assets at fair value through P&L Statement	15,275	0	0	0	2,639	17,904
Loans and advances to clients	490,985	134,255	267,102	193,368	237,923	1,323,633
Investments held until maturity	64,540	92,951	360	0	85,906	243,757
Tangible assets	0	0	0	0	39,439	39,439
Intangible assets	0	0	0	0	3,959	3,959
Assumed assets	0	0	0	0	16,995	16,995
Deferred tax assets	123	0	0	0	0	123
Other assets	40,107	0	0	0	0	40,107
Total assets	1,039,765	227,206	401,639	193,368	386,851	2,248,829
Liabilities						
Deposits on demand	30,990	30,990	30,990	24,793	6,199	123,962
Fixed-term deposits	160,825	297,118	1,119,916	160,824	20,882	1,759,565
Liabilities based on received loans	2,106	2,439	10,283	16,718	85,330	116,876
Other liabilities	8,998	0	0	0	0	8,998
Reserves for liabilities and costs	480	94	116	22	9	721
Hybrid instrument	0	0	0	0	99,077	99,077
Total liabilities	402,233	272,896	1,020,588	201,922	211,560	2,109,199
Net liquidity incompliance	508,134	(77,219)	(493,341)	19,431	182,625	139,630

The assets available for settlement of the presented liabilities include cash and funds at the banks' accounts, treasury notes, placements to banks and loans and advances to clients. The Bank is also able to settle unforeseen liabilities by sale of securities and obtaining of additional funding sources.

Based on the former experience, the Bank estimates that the payment of the full sum of liabilities to clients based on deposits on demand and short-term deposits on the agreed maturity dates will not be possible and the same is valid regarding full sum of liabilities based on credit facilities.



35.4 CURRENCY RISK

The Bank is exposed to exchange rate change risk through transactions in foreign currencies, mostly in EUR and to a smaller extent in other currencies. The exposure to currency risk is based on credit, deposit, investment and trading activities. The exposure is monitored on daily basis according to legal and internal limits defined per specific currencies and in overall sum for assets and liabilities in foreign currencies or with a currency clause.

The Bank directs its operations by making efforts to minimize the incompliance between assets and liabilities in foreign currency. The Bank manages the currency risk by defining the principles and limits for exposure in foreign currencies and by observing the exposure with regard to the limits.

The amounts of total assets and liabilities as at 31 December 2014 and 31 December 2013 in HRK and foreign currencies are analysed in the tables below.

Currency exposure as at 31 December 2014

	EUR and currency clause	USD	Other	Total currency	HRK	Total
Assets						
Cash and cash equivalents	8,825	759	392	9,976	163,934	173,910
Compulsory reserve with CNB	25,153	0	0	25,153	137,291	162,444
Treasury notes with CNB	0	0	0	0	14,865	14,865
Deposits with other banks	159,487	49,296	5,789	214,572	0	214,572
Financial assets at fair value through P&L Statement	15,323	0	0	15,323	1,913	17,236
Loans and advances to clients	1,027,140	0	0	1,027,140	287,478	1,314,618
Investments held until maturity	226,917	0	0	226,917	106,835	333,752
Tangible assets	0	0	0	0	37,778	37,778
Intangible assets	0	0	0	0	3,538	3,538
Assumed assets	0	0	0	0	17,639	17,639
Deferred tax assets	0	0	0	0	114	114
Other assets	25,952	0	0	25,952	8,766	34,718
Special reserves for identified losses on group basis	(12,555)	(444)	(52)	(13,051)	(3,390)	(16,441)
Total assets	1,476,242	49,661	6,129	1,531,982	776,761	2,308,743
Liabilities						
Deposits on demand	18,811	2,842	383	22,036	137,265	159,301
Fixed-term deposits	1,300,402	76,853	6,565	1,383,820	357,044	1,740,864
Liabilities based on received loans	45,128	0	0	45,128	39,433	84,561
Other liabilities	21,834	1,187	25	23,046	15,438	38,484
Reserves for liabilities and costs	73	0	0	73	1,073	1,146
Hybrid instrument	83,690	0	0	83,690	22,000	105,690
Total liabilities	1,469,938	80,882	6,973	1,557,793	572,253	2,130,046
Net currency position	6,304	(31,271)	(844)	(25,811)	204,508	178,697



Currency exposure as at 31 December 2013

	EUR and currency clause	USD	Other	Total currency	HRK	Total
Assets						
Cash and cash equivalents	7,399	1,372	437	9,208	185,454	194,662
Compulsory reserve with CNB	0	24,987	0	24,987	134,177	159,164
Deposits with other banks	197,949	7,128	5,901	210,979	0	210,979
Financial assets at fair value through P&L Statement	15,275	0	0	15,275	2,629	17,904
Loans and advances to clients	1,045,740	0	0	1,045,740	302,866	1,348,606
Investments held until maturity	228,933	0	0	228,933	38,557	267,490
Tangible assets	0	0	0	0	39,439	39,439
Intangible assets	0	0	0	0	3,959	3,959
Assumed assets	0	0	0	0	16,995	16,995
Deferred tax assets	0	0	0	0	123	123
Other assets	52	0	0	52	5,678	5,730
Special reserves for identified losses on group basis	(13,661)	(64)	(53)	(13,778)	(2,444)	(16,222)
Total assets	1,481,687	33,423	6,285	1,521,396	727,433	2,248,829
Liabilities						
Deposits on demand	19,336	2,299	634	22,269	101,693	123,962
Fixed-term deposits	1,325,635	64,927	6,234	1,396,796	362,769	1,759,565
Liabilities based on received loans	53,693	0	0	53,693	63,184	116,877
Other liabilities	234	0	0	234	8,763	8,997
Reserves for liabilities and costs	0	0	0	0	721	721
Hybrid instrument	69,060	0	0	69,060	30,017	99,077
Total liabilities	1,467,958	67,226	6,868	1,542,052	567,147	2,109,199
Net currency position	13,729	(33,803)	(583)	(20,656)	160,286	139,630



Summary of open currency position

	Long currency position	Short currency position	Total open currency position
31 December 2014			
EUR	0	(3,673)	
USD	0	(131)	
GBP	0	(406)	
Other currencies	16	(401)	
Total	16	(4,611)	4,611
31 December 2012			
EUR	3,978	0	
USD	2,038	0	
GBP	0	(346)	
Other currencies	184	(369)	
Total	6,200	(715)	6,200

35.5 MARKET RISK

In the area of exposure to market risks (currency risk, position risk and commodity risk), the Bank is primarily exposed to currency risk (Note 35.4).

The trading record includes the positions in the financial instruments held for trade provided these positions have no restrictions considering their marketability. The Bank's investments into securities held for trade (Note 16) expose the Bank to position risk (risk of loss arising from change in prices of a financial instrument).

Considering the small value of the foregoing securities included in the trading record (total HRK 17,237 thousand as at 31 December 2014) which does not exceed the limits defined in the regulations of the Croatian National Bank, they are not subject to calculation of capital requirements for market risks but instead they are included in the capital requirement for credit risk.

35.6 OPERATING RISK

The Bank is exposed to operating risks in all its operations. Operating risk is the risk of loss due to inadequate or unsuccessful internal processes, people and systems, or external events, including legal risk.

The Bank makes efforts to manage the operating risks according to the defined principles and policies for mitigation and avoidance of operating risks.

The operating risk management system is subject to efficient and comprehensive internal audit and it refers to procedures inside the Bank's units and sectors and the quality of reporting ensuring efficient management of the operating risk.



SUPPLEMENTAL FINANCIAL REPORTS TO CROATIAN NATIONAL BANK

Annual Financial Statements (GFI Form) prepared according to
Decision on structure and contents of financial statements of banks (Official Journal *NN* 62/2008)

The financial information presented in the following financial statements is derived from the Financial Statements prepared according to IFRS and presented on pages 30 to 70 of the Annual Report.

The accounting policies applied in the preparation of these financial statements are identical as in the preparation of the fundamental financial statements according to IFRS with regard to evaluation of specific analytical items of the Profit and Loss Statement, Balance Sheet, Cash Flow Statement and Statement of Changes in Equity, but the grouping and presentation of specific items has been done according to the Decision on the structure and contents of the annual financial statements of banks.

The Bank's Financial Statements for 2014 and the enclosed accounting policies and notes as their integral parts have been signed and approved for issue on 10 March 2015 by Branko Buljan, Management Board President and Ružica Šarić, Management Board Member.



PROFIT AND LOSS STATEMENT

For the Period from 1 January 2014 until 31 December 2014

Form
**BAN-
RDG**

Taxpayer: 99326633206; Imex banka d.d.				
Description	AOP code	Note no.	Preceding year	Current year
1	2	3	4	5
1. Interest income	048		144,005,850	143,305,932
2. Interest expenses	049		86,087,404	78,790,397
3. Net interest income (048-049)	050		57,918,446	64,515,535
4. Income from commissions and fees	051		16,890,000	19,822,035
5. Expenses of commissions and fees	052		1,882,903	1,949,920
6. Net income from commissions and fees (051-052)	053		15,007,097	17,872,115
7. Profit/loss from investments into subsidiaries, affiliates and joint Ventures	054			
8. Profit/loss from trading activities	055		2,201,596	1,905,467
9. Profit/loss from embedded derivatives	056			
10. Profit/loss from assets actively traded, valued at fair value through P&L Statement	057			
11. Profit/loss from activities in category of assets available for trade	058			
12. Profit/loss from activities in category of assets held until Maturity	059			
13. Profit/loss arising from security transactions	060			
14. Income from investments in securities, affiliates and joint Ventures	061			
15. Income from other equity investments	062		109,768	53,421
16. Profit/loss from calculated currency gains	063		863,533	-262,248
17. Other income	064		762,460	404,794
18. Other expenses	065		3,610,989	4,319,268
19. General administrative costs and depreciation	066		36,805,059	35,613,338
20. Net income from operations before value adjustments and reservations for losses (050+053 to 064-065-066)	067		36,446,852	44,556,478
21. Costs of value adjustments and reservations for losses	068		24,331,867	24,472,444
22. PROFIT / LOSS BEFORE TAXATION (067-068)	069		12,114,985	20,084,034
23. CORPORATE INCOME TAX	070		2,627,051	4,051,112
24. PROFIT / LOSS OF THE CURRENT YEAR (069-070)	071		9,487,934	16,032,922
25. Earnings per share	072			
APPENDIX TO PROFIT AND LOSS STATEMENT (filled in by banks preparing consolidating financial statements)				
1. PROFIT / LOSS OF THE CURRENT YEAR	073		0	0
2. Attributed to shareholders in mother company	074			
3. Minority share (073-074)	075		0	0



BALANCE SHEET
As at 31 December 2014

Form
**BAN-
BIL**

Taxpayer: 99326633206; Imex banka d.d.				
Description	AOP code	Note no.	Preceding year	Current year
1	2	3	4	5
ASSETS				
1. CASH AND DEPOSITS WITH CNB (002+003)	001		353,825,941	336,353,872
1.1. Cash	002		20,836,901	23,013,188
1.2. Deposits with CNB	003		332,989,040	313,340,684
2. DEPOSITS WITH BANKING INSTITUTIONS	004		209,086,180	212,648,196
3. MINISTRY OF FINANCE AND CNB TREASURY NOTES	005		22,057,424	14,865,373
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADE	006		17,904,071	17,236,155
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007			
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD UNTIL MATURITY	008		239,371,435	331,218,044
7. SECURITIES AND OTHER FINANCIAL INSTRUMENTS NOT ACTIVELY TRADED AND VALUED AT FAIR VALUE THROUGH P&L STATEMENT	009			
8. DERIVATIVE FINANCIAL ASSETS	010			
9. LOANS TO FINANCIAL INSTITUTIONS	011		63,460,657	76,645,968
10. LOANS TO OTHER CLIENTS	012		1,240,377,083	1,225,991,766
11. INVESTMENTS INTO SUBSIDIARIES, AFFILIATES AND JOINT VENTURES	013			
12. ASSUMED ASSETS	014		16,995,173	17,639,268
13. TANGIBLE ASSETS (MINUS DEPRECIATION)	015		39,439,419	37,777,884
14. INTERESTS, FEES AND OTHER ASSETS	016		46,311,774	38,366,114
A) TOTAL ASSETS (001+004 to 016)	017		2,248,829,157	2,308,742,640
LIABILITIES				
1. LOANS FROM FINANCIAL INSTITUTIONS (019+020)	018		116,583,194	84,560,644
1.1. Short-term loans	019		15,000,000	
1.2. Long-term loans	020		101,583,194	84,560,644
2. DEPOSITS (AOP 022 to 024)	021		1,855,700,843	1,900,165,565
2.1. Deposits on giro accounts and current accounts	022		99,074,408	134,036,569
2.2. Savings deposits	023		24,888,576	25,264,764
2.3. Fixed-term deposits	024		1,731,737,859	1,740,864,232
3. OTHER LOANS (026+027)	025		0	0
3.1. Short-term loans	026			
3.2. Long-term loans	027			
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES IN TRADE	028			
5. ISSUED DEBT SECURITIES (030+031)	029		0	0
5.1. Short-term issued debt securities	030			
5.2. Long-term issued debt securities	031			
6. ISSUED SUBORDINATE INSTRUMENTS	032			
7. ISSUED HYBRID INSTRUMENTS	033		98,009,004	105,689,676



8. INTERESTS, FEES AND OTHER LIABILITIES	034		38,905,485	39,629,702
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035		2,109,198,526	2,130,045,587
EQUITY				
1. SHARE CAPITAL	036		93,126,900	130,335,200
2. PROFIT (LOSS) OF THE CURRENT YEAR	037		9,487,934	16,032,922
3. RETAINED PROFIT (TRANSFERRED LOSS)	038		18,179,904	37,667,838
4. LEGAL RESERVES	039		2,661,093	4,661,093
5. STATUTORY AND OTHER CAPITAL RESERVES	040		16,174,800	
6. NON-REALIZED PROFIT (LOSS) BASED ON VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041			
7. RESERVES ARISING FROM SECURITY TRANSACTIONS	042			
C) TOTAL EQUITY (036 to 042)	043		139,630,631	178,697,053
D) TOTAL LIABILITIES AND EQUITY (035+043)	044		2,248,829,157	2,308,742,640
APPENDIX TO BALANCE SHEET (filled in by banks preparing consolidated financial statements)				
1. TOTAL EQUITY	045		0	0
2. Equity available to shareholders in mother company	046			
3. Minority share (045-046)	047		0	0



STATEMENT OF CHANGES IN EQUITY
From 1 January 2014 until 31 December 2014

Form
**BAN-
PK**

Taxpayer: 99326633206; Imex banka d.d.										
Description	AOP code	Note no.	Available to shareholders of mother-company						Minority share	Total equity and reserves
			Share capital	Treasury shares	Legal, statutory and other reserves	Retained profit/ transferred loss	Profit/loss of the current year	Non-realised profit/loss based on value adjustment of financial assets available for sale		
1	2	3	4	5	6	7	8	9	10	11
As at 1 January current year	001		106,301,700	0	5,661,093	18,179,904	9,487,934	0	0	139,630,631
Changes in accounting policies and error corrections	002									
Amended balance as at 1 January current year (001+002)	003		106,301,700	0	5,661,093	18,179,904	9,487,934	0	0	139,630,631
Sale of financial assets available for sale	004									
Change in fair value of portfolio of financial assets available for sale	005									
Tax on items directly recognized or transferred from equity and reserves	006									
Other gains and losses directly recognized in equity and reserves	007									
Net gains / losses recognized directly in equity and reserves (004+005+006+007)	008		0	0	0	0	0	0	0	0
Profit / loss of the current year	009						16,032,922			16,032,922
Total recognized income and expenses for current year (008+009)	010		0	0	0	0	16,032,922	0	0	16,032,922
Increase / reduction in equity	011		24,033,500		(1,000,000)					23,033,500
Purchase / sale of treasury shares	012									
Other changes	013									
Transfer into reserves	014					9,487,934	(9,487,934)			0
Payment of dividends	015									
Profit allocation (014+015)	016		0	0	0	9,487,934	(9,487,934)	0	0	0
Balance as at 31 December current year (003+010+011+012+013+016)	017		130,335,200	0	4,661,093	27,667,838	16,032,922	0	0	178,697,053



CASH FLOW STATEMENT – Direct method
In the Period 1 January 2014 – 31 December 2014

Form
**BAN-
NTD**

Taxpayer: 99326633206; Imex banka d.d.				
Description	AOP code	Note no.	Preceding year	Current year
1	2	3	4	5
OPERATING ACTIVITIES				
1. Net cash flow from operating activities (002 to 009)	001		-80,759,299	41,373,437
1.1. Interest gains and similar receipts	002		113,511,086	123,684,963
1.2. Collected fees and commissions	003		15,923,031	18,702,129
1.3. Interests paid and similar expenses	004		-71,474,255	-21,074,686
1.4. Paid fees and commissions	005		-106,776	-109,992
1.5. Paid operating expenses	006			
1.6. Net gains/losses from financial assets at fair value in P&L Statement	007			
1.7. Other receipts	008		2,022,561	5,263,431
1.8. Other expenses	009		-140,634,946	-85,092,408
2. Net increase / reduction in operating assets (011 to 018)	010		49,695,735	17,951,640
2.1. Deposits with CNB	011		-1,620,305	3,279,741
2.2. Ministry of Finance and CNB treasury notes	012		6,617,227	-7,192,051
2.3. Deposits with banking institutions and loans to credit institutions	013		-65,099,793	15,254,779
2.4. Loans to other clients	014		101,122,530	7,277,087
2.5. Securities and other financial instruments held for trade	015		1,391,055	-667,916
2.6. Securities and other financial instruments available for sale	016			
2.7. Securities and other financial instruments not actively traded and evaluated at fair value in P&L Statement	017			
2.8. Other assets	018		7,285,021	
3. Net increase/reduction in operating liabilities (020 to 023)	019		141,599,413	44,464,722
3.1. Deposits on demand	020		14,247,282	34,962,161
3.2. Savings and fixed term deposits	021		127,352,131	9,502,561
3.3. Derivative financial liabilities and other liabilities in trade	022			
3.4. Other liabilities	023			
4. Net cash inflow / outflow from operating activities before payment of corporate income tax (001+010+019)	024		110,535,849	103,789,799
5. Paid corporate income tax	025		-1,817,657	-1,914,712
6. Net cash inflow / outflow from operating activities (024+025)	026		108,718,192	101,875,087
INVESTMENT ACTIVITIES				
7. Net cash inflow / outflow from investment activities (028 to 032)	027		-22,050,471	-94,846,471
7.1. Receipts from sale / payments for purchase of tangible and intangible assets	028		-3,117,073	-2,196,626
7.2. Receipts from sale / payments for purchase of investments in subsidiaries, affiliates and joint ventures	029			
7.3. Receipts from collection / payments for purchase of securities and other financial instruments held until maturity	030		-19,043,166	-92,703,266
7.4. Received dividends	031		109,768	53,421
7.5. Other receipts / payments from investment activities	032			



FINANCIAL ACTIVITIES				
8. Net inflow / outflow of cash from financial activities (034 to 039)	033		-2,982,047	-24,341,879
8.1. Net increase / reduction in received loans	034		-1,379,226	-32,022,551
8.2. Net increase / reduction in issued debt securities	035			
8.3. Net increase / reduction in subordinate and hybrid instruments	036		-1,602,821	7,680,672
8.4. Receipts from share capital issues	037			
8.5. Paid dividends	038			
8.6. Other receipts / payments from financial activities	039			
9. Net cash inflow / outflow (026+027+033)	040		83,685,674	-17,313,263
10. Effects of change in exchange rate on cash and cash equivalents	041			
11. Net increase / reduction in cash and cash equivalents (040+041)	042		83,685,674	-17,313,263
12. Cash and cash equivalents at the start of the year	043		321,482,896	405,168,570
13. Cash and cash equivalents at the end of the year (042+043)	044		405,168,570	387,855,307



NOTES ON ADJUSTMENTS WITH FINANCIAL STATEMENTS BASED ON IFRS

1) ADJUSTMENT OF PROFIT AND LOSS STATEMENT FOR 2014

In HRK '000

	CNB REPORTS	FINANCIAL STATEMENTS	DIFFERENCE
Interest income	143,306	143,306	-
Interest expenses	(78,790)	(78,790)	-
Net interest income	64,516	64,516	-
Income from fees and commissions	19,822	19,822	-
Expenses from fees and commissions	(1,950)	(1,950)	-
Net income from fees and commissions	17,872	17,872	-
Profit/loss from investments into subsidiaries, affiliates and joint ventures	-	-	-
Profit/loss from trading activities	1,905	-	1,905
Net profit from financial operations	-	1,643	(1,643)
Profit/loss from imbedded derivatives	-	-	-
Profit/loss from assets not actively traded, evaluated at fair value through Profit and Loss Statement	-	-	-
Profit/loss from activities in the category of assets available for sale	-	-	-
Profit/loss from activities in the category of assets held until maturity	-	-	-
Profit/loss arising from security transactions	-	-	-
Income from investments into subsidiaries, affiliates and joint ventures	-	-	-
Income from other equity investments	53	-	53
Profit/loss from calculated exchange gains/losses	(262)	-	(262)
Other income	404	458	(54)
Other expenses	4,319	-	4,319
General administrative costs and depreciation	35,613	-	35,613
Personnel costs	-	18,417	(18,417)
Depreciation costs	-	3,186	(3,186)
Other operating expenses	-	18,330	(18,330)
Net income from operations before value adjustments and reservations for losses	44,556	44,556	-
Cost of value adjustments and reservations for losses	(24,472)	(24,472)	-
Profit before taxation	20,084	20,084	-
Corporate income tax	4,051	4,051	-
Profit after taxation	16,033	16,033	-

Earnings per share (in HRK)	12.30	12.30	-
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Profit of the period	16,033	16,033	-
Other comprehensive income:			
Non-realized profit (loss) of assets available for sale	0	44	(44)
Corporate income tax transferred into profit or loss	0	(9)	9
Financial assets available for sale	-	35	(35)
Other comprehensive income (loss) of the current year	-	35	(35)
TOTAL COMPREHENSIVE INCOME	16,033	16,068	(35)



Differences between the Balance Sheet items presented in the Financial Statements compared to the supplemental reports defined by CNB Decision refer to the following categories:

Assets

Cash and deposits with CNB, Deposits with banking institutions and Loans to credit institutions are separately presented in the supplemental reports to CNB while in the Financial Statements, they are included in Cash reserves, Compulsory reserve with CNB and Loans and advances to clients.

Ministry of Finance treasury notes and CNB treasury notes are separately presented in the CNB reports while in the Financial Statements, they are included in Securities and other financial instruments held until maturity.

Securities and other financial statements held for trade, Securities and other financial instruments not actively traded, valued at fair value through P&L Statement and Derivative financial assets are expressed separately in CNB reports while in the Financial Statements, they are included in Financial assets at fair value through P&L Statement.

Securities and other financial instruments held for trade, Loans to financial institutions and Loans to other clients are expressed in CNB reports without group value adjustment and are presented within Interests, fees and other assets while in the Financial Statements, they are included in the foregoing items.

Tangible assets (minus depreciation) in CNB reports, in addition to Real property and equipment, also include Intangible assets, while Intangible assets are presented in the Financial Statements as a separate item. Interests, fees and other assets in the CNB reports include the item Deferred tax assets while this item is separately expressed in the Financial Statements.

Liabilities

Short-term and long-term loans are presented separately in CNB reports while in the Financial Statements, they are included in Other borrowings.

Deposits on giro accounts and current accounts, savings and fixed-term deposits are presented separately in the CNB reports while in the Financial Statements, they are included in Deposits of financial institutions and deposits of other clients.

Interests, fees and other liabilities in CNB reports include Reservations for liabilities and costs, which are presented separately in the Financial Statements.

Statutory and other capital reserves in CNB reports include capital gain and reserves defined by the Bank's statute. In the Financial Statements, capital gain is presented separately while statutory reserves are presented within Other reserves, jointly with legal reserves.



3) ADJUSTMENT OF CASH FLOW STATEMENT FOR 2014

In HRK '000

	CNB REPORTS	FINANCIAL STATEMENTS	DIFFERENCE
OPERATING ACTIVITIES			
1. Net cash flow from operating activities	41,373	41,373	-
Interest gains and related receipts	123,685	123,685	-
Gains from fees and commissions	18,702	18,702	-
Interests paid and similar expenses	(21,075)	(21,075)	-
Paid fees and commissions	(110)	(110)	-
Paid operating expenses	-	-	-
Net gains/losses from financial instruments at fair value in P&L Statement	-	-	-
Realised gains from financial assets available for sale	-	-	-
Other receipts	5,263	5,263	-
Other expenses	(85,092)	(85,092)	-
2. Net increase/reduction in operating assets	17,952	25,144	(7,192)
Required reserve with Croatian National Bank	3,280	3,280	-
Ministry of Finance and CNB treasury notes	(7,192)	-	(7,192)
Loans and receivables from banks	15,255	15,255	-
Loans and receivables from clients	7,277	7,277	-
Securities held for trade	(668)	(668)	-
Financial assets available for sale	-	-	-
Securities not actively traded and evaluated at fair value through profit or loss	-	-	-
Other assets	-	-	-
3. Net increase/reduction in operating liabilities	44,465	44,465	-
Deposits on demand	34,962	34,962	-
Savings and fixed term deposits	9,503	9,503	-
Derivative financial liabilities and other liabilities for trade	-	-	-
Other liabilities	-	-	-
4. Net cash inflow/outflow from operating activities before payment of corporate income tax	103,790	110,982	(7,192)
5. Paid corporate income tax	(1,915)	(1,915)	-
6. Net inflow/outflow from operating activities	101,875	109,067	(7,192)
INVESTMENT ACTIVITIES			
7. Net cash inflow/outflow from investment activities	(94,847)	(102,039)	7,192
Receipt from sale/purchase of tangible and intangible assets	(2,197)	(2,197)	-
Receipts from sale/investments into subsidiaries	-	-	-
Receipts from collection/purchase of securities held until maturity	(92,703)	(99,895)	7,192
Dividends received	53	53	-
Other receipts/payments from investment activities	-	-	-
FINANCIAL ACTIVITIES			
8. Net cash inflow/outflow from financial activities	(24,342)	(24,342)	-
Net increase/reduction in loans received	(32,022)	(32,022)	-
Net increase/reduction in issued debt securities	-	-	-
Net increase/reduction in hybrid instruments	7,680	7,680	-
Receipts from issues of share capital	-	-	-
Dividends paid	-	-	-
Other receipts/payments from financial activities	-	-	-
9. Net cash inflow/outflow	(17,314)	(17,314)	-
10. Effects of exchange rate change on cash and equivalents	-	-	-
11. Net increase/reduction in cash and equivalents	(17,314)	(17,314)	-
12. Cash and cash equivalents at the start of the year	405,169	405,169	-
13. Cash and cash equivalents at the end of the year	387,855	387,855	-



Differences between the items in Cash Flow Statement presented in the Financial Statements and those in the supplemental reports set out in CNB Decision refer to the following categories:

Ministry of Finance treasury notes and CNB treasury notes are presented separately in the CNB reports while in the Financial Statements, they are included in Financial assets held until maturity.

4) ADJUSTMENT OF STATEMENT OF CHANGES IN EQUITY FOR 2014

There are no differences in Statement on Changes in Equity included in the reports based on CNB Decision and the Annual Financial Statements.

I, **ANA MIKAČIĆ, M.A.** duly authorised and sworn court translator-interpreter of English language, reappointed by the Decree of the President of the County Court of Split, No. Su-4-144/15 of March 8, 2015 do hereby certify that the above translation corresponds to its original in the Croatian language. In faith and testimony whereof I have hereunto subscribed my name and affixed my seal at Split this 22th day of May 2015. No. 16/15

