

UHY HB EKONOM

**AUDITED ANNUAL FINANCIAL
STATEMENTS FOR 2013**

IMEX BANKA d.d.

Split

ID number (OIB): 99326633206

Split, March 2014

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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 2013, presented on pages 10 to 45, 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 28 March 2014 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, 31 March 2014

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Imex banka d.d. Split

We have audited the enclosed Financial Statements of IMEX BANKA d.d. including the Statement of Financial Position as at 31 December 2013, Profit and Loss Statement, Statement of Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, as well as Summary of Significant Accounting Policies and other explaining information.

Management Board responsibility for financial statements

The Management Board is responsible for the preparation and fair presentation of financial statements in compliance with legal requirements for the accounting of banks in Croatia and for internal controls defined by the Management Board as necessary to make possible the preparation of financial statements free of any misstatements caused by fraud or error.

Auditor's responsibility

It is our responsibility to express our opinion on the Financial Statements based on our audit. We have conducted our audit in compliance with the International Audit Standards. These Standards require auditor's compliance with ethical rules, as well as planning and conducting of an audit in such a way as to ascertain with a reasonable certainty that the financial statements are free of substantial misstatements.

The audit includes procedures for obtaining of audit evidence on sums and disclosures presented in the financial statements. Selection of procedures depends on the auditor's judgment, including an assessment of risk of substantial misstatements in the financial statements caused by fraud or error. In assessment of such risks, the auditor considers the internal controls relevant for the preparation and objective presentation of financial statements by the entity in order to form the appropriate further audit procedures in given circumstances but not for expression of the auditor's opinion on the effectiveness of the entity's internal controls. An audit also includes evaluation of adequacy of the applied accounting policies and reasonableness of the accounting judgments published by the Management Board, as well as evaluation of the entire presentation of the Financial Statements.

We believe that evidence obtained in our audit forms sufficient and reasonable basis for the expression of our opinion.

Opinion

In our opinion, the Financial Statement present fairly, in all significant aspects, the financial position of the Bank on 31 December 2013, its operating results and cash flows for the year ended on that day, in compliance 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 Journal *Narodne novine* no. 62/08, hereinafter: "Decision"), the Bank has prepared the forms presented on pages 45 to 57, under the headings: Balance Sheet as at 31 December 2013, Profit and Loss Statement, Cash Flow Statement and Statement on Changes of Equity for the year ended on that date, as well as Notes on adjustments with the audited financial statements of the Bank, presented on pages 6 to 44. Preparation of such forms and information on adjustments is responsibility of the Management Board and they are not an integral part of these Financial Statements, but instead they are set out by the Decision. In our opinion, the financial information in the forms are accurately derived from the audited financial statements of the Bank, prepared in compliance with legal requirements for bank accounting in Croatia.

Based on the Croatian Accounting Act (Official Journal *Narodne novine* no. 109/07 and 54/13), the Bank prepared the Financial Statements presented on pages 6 to 57 as well as the Annual Report which is not 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 deem necessary for the conclusion on whether the information presented in the Annual Report are harmonized with the Audited Financial Statements. In our opinion, the financial information presented in the Annual Statement are in all significant aspects harmonized with the audited Financial Statements as at 31 December 2013.

Other issues

The Financial Statements of the Bank as at 31 December 2012 were audited by another auditor. On 25 March 2013, they expressed their positive opinion on those Financial Statements.

Split, 31 March 2014

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, Licensed Auditor

Helena Budiša, CEO

Darka Cecić, Licensed Auditor

PROFIT AND LOSS STATEMENT

In HRK '000			
	NOTES	31/12/2013	31/12/2012
Interest income		144,006	133,211
Interest expenses		(86,087)	(81,956)
Net interest income	3	57,919	51,255
Income from fees and commissions		16,890	9,966
Expenses from fees and commissions		(1,883)	(2,481)
Net income from fees and commissions	4	15,007	7,485
Net profit from financial operations	5	3,065	2,161
Other operating income	6	872	570
Operating income		76,863	61,471
Personnel expenses	7	(19,054)	(17,883)
Depreciation expenses	8	(3,440)	(3,743)
Other operating expenses	9	(17,922)	(15,483)
Loans and reservations depreciation cost	10	(24,332)	(11,401)
Profit before taxation		12,115	12,961
Corporate income tax	11	(2,627)	(2,698)
Profit after taxation		9,488	10,263
Earnings per share (HRK)	12	10.19	11.02

STATEMENT OF OTHER COMPREHENSIVE INCOME

In HRK '000			
	NOTES	31/12/2013	31/12/2012
Profit for the period		9,488	10,263
Other comprehensive income:			
Non-realised income (loss) of assets available for sale		37	(186)
Corporate income tax transferred into profit or loss	11	(7)	37
Financial assets available for sale		30	(149)
Other comprehensive income (loss) of the current year		30	(149)
TOTAL COMPREHENSIVE INCOME		9,518	10,114

Accounting policies and Notes on pages 10-45 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

In HRK '000

	NOTES	31/12/2013	31/12/2012
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ASSETS

Cash and cash equivalents	13	403,276	321,483
Required reserves with the Croatian National Bank	14	159,164	160,785
Deposits with other banks	15	472	52,974
Financial assets according to fair value in Profit and Loss Statement	16	17,904	16,513
Loans and advances to clients	17	1,304,165	1,226,105
Investments available for sale		0	0
Investments held until maturity	18	261,449	241,963
Tangible assets	19	39,440	39,838
Intangible assets	20	3,959	3,985
Assumed assets	21	16,995	9,710
Deferred tax assets	22	123	130
Other assets	23	41,882	26,824
TOTAL ASSETS		2,248,829	2,100,310

LIABILITIES

Deposits of financial institutions	24	155,337	161,480
Deposits of other clients	25	1,700,364	1,552,621
Liabilities based on received loans	26	116,583	117,962
Other liabilities	27	38,184	37,717
Reservations for liabilities and costs	28	721	775
Hybrid instrument	29	98,009	99,612
TOTAL LIABILITIES		2,109,198	1,970,167

EQUITY

Share capital		93,127	93,127
Capital gain		13,175	13,175
Retained profit		18,180	7,917
Other reserves		5,661	5,661
Current year profit		9,488	10,263
TOTAL EQUITY	30	139,631	130,143

TOTAL EQUITY AND LIABILITIES		2,248,829	2,100,310
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OUT-OF-BALANCE ITEMS	31	75,810	84,457
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Accounting policies and Notes on pages 10-45 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 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

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 2012	106,301,700	5,661,093	7,917,229	20,146,245	140,026,267
Effects of corrections in errors of preceding periods					0
Effects of changes in accounting policies					0
Adjusted balance as at 1 January 2012	106,301,700	5,661,093	7,917,229	20,146,245	140,026,267
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				10,262,675	10,262,675
Total acknowledged income and expenses of the current year	0	0	0	10,262,675	10,262,675
Increase/reduction in share capital					0
Purchase/sale of treasury shares					0
Other changes					0
Transfer into reserves				0	0
Dividend pay-out				(20,146,245)	(20,146,245)
Profit allocation	0	0	0	(20,146,245)	(20,146,245)
Balance as at 31 December 2012	106,301,700	5,661,093	7,917,229	10,262,675	130,142,697

Accounting policies and Notes on pages 10-45 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

In HRK '000

	NOTES	31/12/2013	31/12/2012
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OPERATING ACTIVITIES

1. Net cash flow from operating activities		(80,759)	91,490
Interest gains and related receipts		113,511	131,532
Gains from fees and commissions		15,923	9,328
Interests paid and similar expenses		(71,474)	(17,688)
Paid fees and commissions		(107)	(298)
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		2,023	4,764
Other expenses		(140,635)	(36,148)
2. Net increase/reduction in operating assets		43,079	(31,468)
Required reserve with Croatian National Bank	14	(1,620)	(1,522)
Loans and receivables from banks	15	(65,100)	45,219
Loans and receivables from clients	17	101,123	(93,573)
Securities at fair value through profit or loss	16	1,391	14,904
Financial assets available for sale		0	0
Other assets		7,285	3,504
3. Net increase/reduction in operating liabilities		141,599	165,048
Deposits on demand		14,247	(9,408)
Savings and fixed term deposits		127,352	174,456
Other liabilities		0	0
4. Net inflow/outflow of cash from operating activities before payment of corporate income tax		103,919	225,070
5. Corporate income tax paid		(1,818)	(7,806)
6. Net inflow/outflow of cash from operating activities		102,101	217,264

INVESTMENT ACTIVITIES

7. Net inflow/outflow of cash from investment activities		(15,433)	-182,364
Receipts from sale/purchase of tangible and intangible assets	20	(3,117)	(3,430)
Receipts from sale/investment into subsidiaries		0	0
Receipts from collection/purchase of securities held until maturity	18	(12,426)	(179,044)
Dividends received	6	110	110

FINANCIAL ACTIVITIES

8. Net inflow/outflow of cash from financial activities		(2,982)	26,589
Net increase/reduction of received loans	26	(1,379)	31,539
Net increase/reduction of hybrid instruments	29	(1,603)	15,196
Dividends paid		0	(20,146)
9. Net inflow/outflow of cash		83,686	61,489
10. Effects of exchange rate changes on cash and cash equivalents		0	0
11. Net increase/reduction in cash and cash equivalents		83,686	61,489
12. Cash and cash equivalents at the start of the year		321,483	259,994
13. Cash and cash equivalents at the end of the year		405,169	321,483

Accounting policies and Notes on pages 10-45 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 Company is 100% owned by individuals - natural persons. The registered capital stock of HRK 93,126,900.00 consists of two (2) 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 and 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, 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
- Dubravka Ostojić, Deputy President
- Petar Kavelj, 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 2013, the Company had 143 employees (31 December 2012: 139).

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 International Financial Reporting Standards („IFRS“) published in the Official Journal of the Republic of Croatia (“*Narodne novine*“) and specific legal requirements for the accounting of banks in the Republic of Croatia.

Banking operations in Croatia have been governed by the Act on Credit Institutions (Official Journal *NN* 117/08, 74/09, 153/09, 108/12 and 54/13), 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.

The Financial Statements of the Bank have been prepared in compliance with the legal requirements of the financial reporting framework applicable in the Republic of Croatia to large entrepreneurs and the entrepreneurs whose stocks or debt securities are listed or about to be listed at the organized market of securities, which is until the date of acceptance of Croatia into the membership in the European Union based on the International Financial Reporting Standards, their amendments and related interpretations, and the International Accounting Standards, their amendments and related interpretations, as set out by the Board for Financial Reporting Standards, applicable on 31 December 2013.

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 CNB 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 2013 in relation to:

- EUR: HRK 7.637643 (31 December 2012: HRK 7,545624)
- USD: HRK 5.549000 (31 December 2012: HRK 5.726794)
- CHF: HRK 6.231758 (31 December 2012: HRK 6.245343)
- GBP: HRK 9.143593 (31 December 2012: HRK 9.219917)

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:

	2012	2013
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

The Bank applied amendments to IAS 1 – Presentation of financial statements for the first time in the current year. Amendments to IAS 1 introduce new names for the Profit and Loss Statement and the Balance Sheet as well as changes in the presentation of the Profit and Loss Statement. The Profit and Loss Statement is now presented in two statements: “Profit and Loss Statement” and “Statement of Other Comprehensive Income” while Balance Sheet has been renamed to “Statement on Financial Position”. Changes have been applied retroactively including presentation of items. In addition to the presentation changes, application of IAS 1 amendments has no consequential impact on profit or loss or other comprehensive income.

Certain positions in the comparative Financial Statements for 2012 have been reclassified so that their presentation is in harmony with the presentation of the Financial Statements for 2013.

Reclassifications caused by regulatory changes and harmonization with the accounting requirements in 2013 have not affected the items of Profit and Loss Statement for 2012 or the profit of the period either.

The table below presents adjustments in the Statement of Financial Position of the Bank on 31 December 2012 as a result of reclassifications.

	In HRK '000		
	PREVIOUSLY PUBLISHED	RECLASSIFICATION	RECLASSIFIED 2012 STATEMENT
Cash and cash equivalents	321,482	1	321,483
Required reserves with the Croatian National Bank	160,785	-	160,785
Deposits with other banks	52,974	-	52,974
Financial assets according to fair value in Profit and Loss Statement	-	16,513	16,513
Loans and advances to clients	1,241,534	(15,429)	1,226,105
Calculated interests and other funds	31,601	(31,601)	-
Investments and securities	260,574	(260,574)	-
Investments held until maturity	-	241,963	241,963
Tangible and intangible assets with advances	43,822	(43,822)	-
Tangible assets	-	39,838	39,838
Intangible assets	-	3,985	3,985
Assumed assets	9,710	-	9,710
Deferred tax assets	-	130	130
Other assets	-	26,824	26,824
Special reserves for identified losses on group basis	(16,036)	16,036	-
TOTAL ASSETS	2,106,446	(6,136)	2,100,310
Deposits of financial institutions		161,480	161,480
Deposits of other clients		1,552,621	1,552,621
Other deposits – on demand	84,827	(84,827)	-
Other deposits – savings and fixed term deposits	1,629,274	(1,629,274)	-
Other borrowings	117,962	-	117,962
Hybrid instruments	99,612	-	99,612
Calculated interests and other liabilities	43,853	(43,853)	-
Other liabilities	-	37,717	37,717
Reservations for liabilities and costs	775	-	775
Equity and reserves	130,143	0	130,143
TOTAL EQUITY AND RESERVES	2,106,446	(6,136)	2,100,310

Presentation reclassifications are mostly related to:

- presentation of deferred interest income, which are presented in 2013 within Net loans to clients and deposits to banks while in 2012 (HRK -6,136 thousand) they were presented as Calculated interests and other liabilities;
- presentation of special reserves for identified losses on group basis, which are presented in 2013 on individual items of interest-bearing financial instruments in respect of which they are calculated while in 2012 (HRK -16,036 thousand) they were presented as a special item. This reclassification has resulted in reduced Loans and advances to clients and Investments held to maturity.

The foregoing reclassifications have not had any impact on the profit for the year 2012 or retained profits of the Bank on 31 December 2012.

3. NET INTEREST INCOME

a) INTEREST INCOME

	In HRK '000	
Per recipients	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Companies	119,603	112,834
Population	14,618	13,634
Banks and other financial institutions	4,828	2,210
Government and public sector	4,662	4,340
Net currency gains based on interest income	291	(33)
Other organisations	4	227
TOTAL	144,006	133,211

	In HRK '000	
Per products	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Loans and receivables from clients	122,273	124,809
Debt securities	16,976	6,702
Loans and receivables from banks	4,045	1,695
Deposits	712	5
TOTAL	144,006	133,211

b) INTEREST EXPENSES

	In HRK '000	
Per recipients	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Population	58,805	59,972
Banks and other financial institutions	11,275	11,324
Companies	9,645	4,550
Premiums for savings deposits insurance	4,093	3,359
Other organisations	1,909	2,010
Government and public sector	85	759
Net currency losses based on interest expenses	275	(18)
TOTAL	86,087	81,956

	In HRK '000	
Per products	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Deposits	69,116	65,989
Hybrid instruments	7,125	6,976
Premiums for savings deposits insurance	4,093	3,359
Loans received	4,805	4,185
Giro and current account	948	1,447
TOTAL	86,087	81,956

4. NET INCOME FROM FEES AND COMMISSIONS

a) INCOME FROM FEES AND COMMISSIONS

	In HRK '000	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Operations with bills of exchange	11,165	4,310
Domestic payment transactions	2,598	2,689
Operations with guarantees	1,652	1,477
Payment transactions abroad	1,075	1,041
Other banking services	400	450
TOTAL	16,890	9,966

b) EXPENSES FROM FEES AND COMMISSIONS

	In HRK '000	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Domestic payment transactions	1,388	1,804
Card operations	217	194
Payment transactions abroad	168	165
Other banking services	110	318
TOTAL	1,883	2,481

5. NET PROFIT FROM FINANCIAL OPERATIONS

	In HRK '000	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Profit (loss) from trade in foreign exchange	2,195	1,978
Profit (loss) from trade in currency items	7	(203)
Currency gains/losses from reduction of items with currency clause to the agreed exchange rate	12,991	1,829
Currency gains/losses from reduction of currency items to mean exchange rate	(12,128)	(1,443)
TOTAL	3,065	2,161

6. OTHER OPERATING INCOME

	In HRK '000	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Profit from sale of real property and equipment, assumed assets	632	359
Income from dividends	110	111
Income from refund of litigation expenses from clients	75	26
Other income	55	74
TOTAL	872	570

7. PERSONNEL EXPENSES

	In HRK '000	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Net salaries	10,402	9,756
Contributions out of salaries	3,158	2,887
Contributions on top of salaries	2,310	2,259
Tax and surtax out of salaries	1,871	1,818
Other personnel expenses	1,313	1,163
TOTAL	19,054	17,883

8. DEPRECIATION COSTS

	In HRK '000	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Depreciation costs	3,440	3,743
TOTAL	3,440	3,743

9. OTHER OPERATING EXPENSES

	In HRK '000	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Costs of services	10,948	9,835
Costs of administration and marketing	4,594	3,858
Material costs	1,711	1,468
Other	670	322
TOTAL	17,922	15,483

10. COST OF DEPRECIATION IN LOANS AND RESERVATIONS

	In HRK '000	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Value adjustment of loans	22,688	12,212
Value adjustment of interests	1,280	(1,414)
Value adjustment of financial assets held until maturity	185	7
Reservations on group basis	151	568
Value adjustment in respect of non-interest-bearing income	95	103
Reservations for identified contingent liabilities	(67)	(75)
TOTAL	24,332	11,401

Summary of trends in depreciation of loans and reservations in 2013

	In HRK '000		
	Costs of reservations	Income from cancelled reservations	01/01/2013- 31/12/2013
Value adjustment of loans	(37,012)	14,324	(22,688)
Value adjustment of interests	(3,879)	2,598	(1,280)
Value adjustment of financial assets held until maturity	(185)	0	(185)
Reservations on group basis	(5,794)	5,643	(151)
Value adjustment in respect of non-interest bearing income	(155)	60	(95)
Reservations for identified contingent liabilities	(966)	1,033	67
TOTAL	(47,991)	23,659	(24,332)

11. CORPORATE INCOME TAX

	In HRK '000	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Profit (loss) before taxation	12,115	12,961
Profit increases by non-recognized expenses	7,320	919
Tax reliefs and reductions	6,337	204
Corporate income tax base	13,098	13,676
Corporate income tax (20% rate)	2,620	2,735
Share of tax from deferred tax assets	7	(37)
Corporate income tax of current operating year	2,627	2,698

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 2013 amounted to 931,269 shares.

13. CASH AND CASH EQUIVALENTS

In HRK '000

	2013 HRK	2013 Foreign currency	2013 Total	2012 HRK	2012 Foreign currency	2012 Total
Cash	11,629	9,208	20,837	12,025	9,364	21,389
Accounts with CNB	173,825	0	173,825	126,047	0	126,047
Accounts with other banks	0	208,614	208,614	0	174,046	174,046
TOTAL	185,453	217,823	403,276	138,073	183,410	321,483

14. COMPULSORY RESERVE WITH CNB

In HRK '000

	31,12,2013	31/12/2012
Compulsory reserve in HRK	134,177	135,627
Compulsory reserve in foreign currency	24,987	25,158
TOTAL	159,164	160,785

The Bank is under obligation to deposit with the Croatian National Bank the compulsory reserve which accounted for respectively 13.5% (until 31 October 2013) and 12% (since 1 November 2013) 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 American dollars. 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

	31/12/2013	31/12/2012
Foreign currency letters of credit	0	1,784
Fixed-term foreign currency deposits	472	51,190
TOTAL	472	52,974

Summary of deposits by maturity

	In HRK '000	
	31/12/2013	31/12/2012
Deposits with maturity up to 1 month	0	0
Deposits with maturity from 1 to 3 months	0	50,556
Deposits with maturity from 3 to 12 months	472	634
TOTAL	472	51,190

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

	In HRK '000	
	31/12/2013	31/12/2012
Debt securities of foreign countries – money market instruments	15,275	15,090
Legal entities in which the credit institution has a participating share	1,170	0
Equity securities of companies	1,459	1,423
TOTAL	17,904	16,513

The portfolio for trade includes EUR 2,000,000 bonds of the Republic of Germany, 5,000 shares of the Croatian Telecom and 802 shares in Atlantic grupa d.d.. The Bank has a 100% share in company Lov farme d.o.o. and 49.96% share in Kamini Hoyan d.o.o.

17. LOANS AND ADVANCES TO CLIENTS

	In HRK '000	
	31/12/2013	31/12/2012
Gross loans to companies	1,149,479	1,061,387
Gross loans to government units	23	0
Gross loans to financial institutions	63,461	77,842
Gross loans to non-profit institutions	463	864
Gross loans to population	176,643	156,773
Gross loans to foreign citizens	3	3
Gross loans	1,389,415	1,296,870
Collected interest income (calculated fees)	(6,461)	(6,136)
Reservation for depreciation	(79,445)	(64,628)
Net loans	1,304,165	1,226,105

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

	31/12/2013	31/12/2012
Debt securities of companies	162,323	186,741
Debt securities of the Republic of Croatia	85,906	62,220
Debt securities of the Croatian National Bank	22,057	0
Reservation for value reduction	(8,838)	(6,998)
TOTAL	261,449	241,963

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 162,323 thousand out of which: Konzum d.d.: HRK 42,079 thousand; Unex media d.o.o.: HRK 44,222 thousand; Zvečevo d.d.: HRK 49,368 thousand; Tehnika d.d.: HRK 9,825 thousand; AWT International d.o.o.: HRK 7,922 thousand and others.

19. TANGIBLE ASSETS

In HRK '000

	31/12/2013	31/12/2012
Land	7,488	7,488
Buildings	27,571	28,508
Plants and equipment	1,973	2,177
Furniture, means of transport and similar assets	1,252	1,369
Other tangible assets	333	296
Advances for fixed assets	823	0
TOTAL	39,440	39,838

Investments into real property and equipment amount to 17.40 % of the Bank's guarantee capital.

20. INTANGIBLE ASSETS

In HRK '000

	31/12/2013	31/12/2012
Application software	2,431	2,419
Investment in third parties' assets	1,528	1,566
TOTAL	3,959	3,985

Investments into third parties' assets amount to 0.67% of the Bank's guarantee capital.

Summary of trends in tangible and intangible assets in 2013

	Land	Buildings	Plants and equipment	Furniture, means of transport and similar assets	Other tangible assets	Advances in fixed assets	Intangible assets	Total
Acquisition cost								
As at 31/12/2012	7,488	39,329	15,193	8,133	624	0	9,413	80,180
Increases	0	46	783	634	48	823	681	3,015
Adjusting entries	0	0	0	0	0	0	0	0
Reductions	0	0	(270)	0	0	0	0	(270)
As at 31/12/2013	7,488	39,375	15,706	8,767	672	823	10,094	82,925
Accumulated depreciation								
As at 31/12/2012	0	(10,821)	(13,016)	(6,765)	(327)	0	(5,429)	(36,358)
Depreciation of the period	0	(983)	(983)	(751)	(12)	0	(707)	(3,436)
Reduction	0	0	266	0	0	0	0	266
As at 31/12/2013	0	(11,804)	(13,733)	(7,515)	(339)	0	(6,136)	(39,528)
Net book value								
As at 31/12/2012	7,488	28,508	2,177	1,369	296	0	3,985	43,823
As at 31/12/2013	7,488	27,571	1,973	1,252	332	823	3,959	43,398

21. ASSUMED ASSETS

	In HRK '000	
	31/12/2013	31/12/2012
Land	10,868	6,787
Buildings	4,524	900
Residential buildings and apartments	1,401	2,023
Plants and equipment	202	0
TOTAL	16,995	9,710

Assumed assets include assets acquired in the process of collection of debt and as at 31 December 2013 amount to HRK 16,995 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
- Apartments – Tehno grupa d.o.o., 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	
	31/12/2013	31/12/2012
Deferred tax assets	123	130
TOTAL	123	130

23. OTHER ASSETS

	In HRK '000	
	31/12/2013	31/12/2012
Interests due for payment	17,570	14,778
Interests undue for payment	25,411	15,031
Due commissions and fees	1,143	1,137
Receivables from customers	3	17
Receivables from government and government institutions	529	1,326
Receivables from clients based on credit cards	638	461
Other receivables	14,055	4,351
Prepayments	250	217
Reservation for depreciation	(17,717)	(10,493)
TOTAL	41,882	26,824

24. DEPOSITS OF FINANCIAL INSTITUTIONS

	In HRK '000	
	31/12/2013	31/12/2012
Deposits on demand	9,137	5,766
- in HRK	9,129	5,758
- in foreign currency	8	8
Fixed-term deposits	146,200	155,714
- in HRK	112,624	100,043
- in foreign currency	33,576	55,670
TOTAL	155,337	161,480

25. DEPOSITS OF OTHER CLIENTS

	In HRK '000	
	31/12/2013	31/12/2012
a) Deposits on demand	89,937	79,060
Population	18,925	15,933
- in HRK	18,916	15,926
- in foreign currency	9	7
Public sector enterprises and institutions	71,012	63,127
- in HRK	71,012	63,127
- in foreign currency	0	0
b) Fixed-term deposits	1,610,427	1,473,561
Population	1,475,614	1,343,019
- in HRK	194,981	179,861
- in foreign currency	1,280,633	1,163,158
Public sector enterprises and institutions	134,813	130,542
- in HRK	98,288	110,585
- in foreign currency	36,525	19,957
TOTAL	1,700,364	1,552,621

26. LIABILITIES BASED ON RECEIVED LOANS

	In HRK '000	
	31/12/2013	31/12/2012
Long-term loan from a financial institution	15,000	0
Long-term loan of the Croatian Bank for Reconstruction and Development	101,583	117,962
TOTAL	116,583	117,962

27. OTHER LIABILITIES

	In HRK '000	
	31/12/2013	31/12/2012
Interests and fees undue for payment	29,063	27,326
Interests and fees due for payment	126	1,287
Deferred interest income	2,993	2,192
Liabilities in the process of settlement	1,683	2,102
Liabilities to suppliers	1,861	2,152
Liabilities to employees	855	853
Liabilities to government	641	663
Other liabilities	962	1,140
TOTAL	38,184	37,717

28. RESERVATIONS FOR LIABILITIES AND COSTS

	In HRK '000	
	31/12/2013	31/12/2012
Reservations for out-of-balance exposure	687	754
Reservations for litigations	34	21
TOTAL	721	775

Changes in reservations for liabilities and costs

	In HRK '000	
	31/12/2013	31/12/2012
a) Changes in reservations for out-of-balance exposure		
Balance as at 1 January	754	829
Debit entry through Profit and Loss Statement	966	96
Reservations used throughout the year	(1,033)	(170)
Balance as at 31 December	687	754
b) Changes in reservations for litigations		
Balance as at 1 January	21	25
Debit entry through Profit and Loss Statement	13	0
Reservations used throughout the year	(0)	(4)
Balance as at 31 December	34	21

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 2013, two litigations were reserved (City of Split, Petro-Kamen d.o.o.) 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 34 thousand (in 2012: HRK 21 thousand).

29. HYBRID INSTRUMENTS

	In HRK '000	
	31/12/2013	31/12/2012
Hybrid instruments	98,009	99,612
TOTAL	98,009	99,612

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 98,009 thousand and they are used in full sum for the calculation of guarantee capital. 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	
	31/12/2013	31/12/2012
Share capital	93,127	93,127
Capital gain	13,175	13,175
Other reserves	5,661	5,661
Retained profit (transferred loss)	18,180	7,917
Profit (loss) of the year	9,488	10,263
TOTAL	139,631	130,143

Nominal sum of an ordinary share is HRK 100.00 and the share capital in 2012 and in 2013 amounted to HRK 93,126,900.00.

In 2013, there was no voting or payment of dividends.

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

	31/12/2013	31/12/2012
Branko Buljan	77.98%	77.98%
Ivka Mijić	22.02%	22.02%
TOTAL	100.00%	100.00%

Guarantee capital

The guarantee capital of the Bank and the capital adequacy rate have been calculated according to the CNB requirements from the Bank are as follows:

	In HRK '000	
	31/12/2013	31/12/2012
<i>Basic capital</i>		
Share capital paid in	93,127	93,127
Reserves	5,661	5,661
Capital gain	13,175	13,175
Retained profit	18,180	7,917
Deductions in accordance with CNB regulation	(1,528)	(1,566)
Total basic capital	128,615	118,314
<i>Supplemental capital</i>		
Hybrid instruments	98,009	97,190
Total guarantee capital	226,624	215,504
Capital adequacy ratio according to CNB requirements		
Credit risk of balance items	168,364	153,385
Credit risk of out-of-balance items	4,889	5,983
Exposure to currency risk	744	813
Exposure to operating risk	16,680	15,938
Exposure amount weighted by credit risk	1,443,777	1,328,067
Capital adequacy rate	14.26%	14.68%

The Bank is obligated to ensure at all times the capital amount adequate for the services provided by the Bank and risks to which the Bank is exposed or may be exposed in the provision of such services. In order to ensure safe and stable operations and fulfilment of its liabilities to its creditors, the Bank is bound to maintain the adequate amount of guarantee capital consisting of the basic and supplemental capital and other forms of capital defined by CNB. Internal capital is deemed to be capital estimated by the Bank as adequate with regard to the type and level of risks which the Bank is or may be exposed to in its operations. The guarantee capital adequacy ratio on 31 December 2013 amounts to 14.26% (31 December 2012: 14.68%).

31. CONTINGENT AND ASSUMED LIABILITIES

	In HRK '000	
	31/12/2013	31/12/2012
Guarantees	56,961	61,329
Credit facilities unused	17,415	16,998
Letters of credit	1,434	6,131
TOTAL	75,810	84,457
Value adjustment	0	0
Balance as at 31 December	75,756	84,442

32. LITIGATIONS

On 31 December 2013, there were 23 open procedures in which the Bank was Defendant, with the total value of all procedures of HRK 5,838,740.31.

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 34 thousand (2012: HRK 21 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.

On 5 February 2014, the Bank received Tax Decision concerning the inspection of the value added tax and corporate income tax for 2012. According to the Decision, the Bank was found liable for payment of HRK 1,316 thousand tax. Within the required term, the Bank made an appeal at a second-instance procedure and did not conduct the harmonization of the Balance Sheet for 2013 as the Bank expects the case to be resolved in favour of the Bank.

According to the Management opinion, there have been no other significant business events in the Bank operations in the period from 1 January 2014 until 31 March 2014 that would require harmonization of the Balance Sheet for 2013.

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 2013, the Bank's total exposure to persons in special relation with the Bank was HRK 64,400 thousand or 28.42% of the guarantee capital (in 2012: HRK 5,176 thousand or 2.38% of the guarantee capital) which represents approximately 4.89% of total loans to clients (in 2012: 0.42%).

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

	In HRK '000	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
<i>Management Board</i>		
-salaries paid throughout the current year	889	895
-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	354	340
-other payments throughout the current year based on preceding years	0	0
TOTAL	1,243	1,235

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

	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Cash and cash equivalents	194,662	147,437
Compulsory reserves with the Croatian National Bank	159,164	160,785
Deposits with other banks	210,979	227,020
Financial assets by fair value through Profit and Loss Statement	17,904	16,513
Loans and advances to clients	1,316,491	1,241,533
Investments available for sale	0	0
Investments held until maturity	263,104	244,061
Tangible assets	39,439	39,838
Intangible assets	3,959	3,985
Assumed assets	16,995	9,710
Deferred tax assets	123	130
Other assets	42,232	31,471
Total exposure to credit risk of balance items	2,265,052	2,122,483
Guarantees	56,961	61,329
Letters of credit	1,434	6,131
Unused credit facilities, limits on credit cards, and other	17,360	16,982
Total exposure to credit risk of out-of-balance items	75,755	84,442
TOTAL EXPOSURE TO CREDIT RISK	2,340,807	2,206,925

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

	2013 Loans and receivables from clients	2013 Reservations for depreciation	2012 Loans and receivables from clients	2012 Reservations for depreciation
A	1,743,178	14,545	1,617,763	
B1	142,862	16,359	150,258	13,672
B2	24,816	9,428	10,252	4,242
B3	11,568	8,997	15,103	11,429
C	42,968	42,377	25,993	25,993
TOTAL	1,964,792	91,706	1,819,369	55,336

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 2013, amounted to HRK 144,916 thousand (31 December 2012: HRK 92,178 thousand).

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

	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
<i>Loans to population</i>		
Cash and consumer loans	119,303	112,604
Credit cards and overdrafts on current accounts	4,162	4,293
Housing loans	20,898	15,696
Loans to small traders	21,021	20,719
Other loans	15,354	3,519
Total gross loans to population	180,738	156,831
<i>Loans to corporate entities</i>		
Construction industry	152,571	95,396
Agriculture	7,056	22,484
Tourism	14,376	15,974
Working assets	377,638	403,937
Investments	81,651	78,256
Other loans	569,580	523,991
Total gross loans to corporate entities	1,202,873	1,140,038
Value adjustment of loans	67,120	55,336
TOTAL NET EXPOSURE	1,316,491	1,241,533

Out of total gross loans of HRK 1,383,611 thousand, there are HRK 1,202,873 thousand i.e. 86.94% of loans to corporate entities and HRK 159,717 thousand or 11.54% are loans to population and 21,021 thousand i.e. 1.52% 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 2013						
HRK loans total						
Loans to population	4,665	117	4,117	1,977	50,561	61,437
Loans to companies	86,704	4,535	57,808	59,007	51,086	259,140
Loans with currency clause						
Loans to population	0	0	7,649	3,411	108,241	119,301
Loans to companies	0	47,461	242,160	259,673	391,479	940,773
TOTAL	91,369	52,113	311,734	324,068	601,367	1,380,651

e) Exclusion interest income

Exclusion interest income on extended loans and other placements of group B and C in 2013 amount to HRK 34,070 thousand (in 2012: HRK 26,447 26,495 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:

	2013	2012
Extended fixed-term deposits	0.01%	0.21%
Extended loans	9.13%	8.95%
Received overnight deposits	0.74%	0.73%
Received fixed-term deposits	3.85%	4.83%
Received loans	3.85%	3.80%

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 2013 and 31 December 2012 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 2013

	Up to 1 month	1 -3 months	3 – 12 months	Exceeding 1 year	Interest insensitive	Total
Assets						
Cash and cash equivalents	194,662					194,662
Compulsory reserve with CNB	24,987		134,177			159,164
Deposits with other banks	210,979					210,979
Financial assets at fair value through P&L Statement					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		106,155	263,104
Tangible assets					39,439	39,439
Intangible assets					3,959	3,959
Assumed assets					16,995	16,995
Deferred tax assets					123	123
Other assets					42,232	42,232
Special reserves for identified losses on group basis					(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					123,963
Fixed-term deposits	149,174	291,207	1,158,323	133,034		1,731,738
Liabilities based on received loans	17,106	2,439	95,538	1,500		116,583
Other liabilities					38,185	38,185
Reserves for liabilities and costs					721	721
Hybrid instrument				98,009		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

Interest risk and term structure as at 31 December 2012

	Up to 1 month	1 -3 months	3 – 12 months	Exceeding 1 year	Interest insensitive	Total
Assets						
Cash and cash equivalents	147,437					147,437
Compulsory reserve with CNB	25,158		135,627			160,785
Deposits with other banks	227,020					227,020
Financial assets at fair value through P&L Statement					16,513	16,513
Loans and advances to clients	269,719	153,737	728,067	5,061	84,950	1,241,534
Investments held until maturity	59,067	120,709	4,823		59,462	244,061
Tangible assets					39,838	39,838
Intangible assets					3,985	3,985
Assumed assets					9,710	9,710
Deferred tax assets					130	130
Other assets					31,469	31,469
Special reserves for identified losses on group basis					(16,036)	(16,036)
Total assets	728,401	274,446	868,517	5,061	230,021	2,106,446
Liabilities						
Deposits on demand	104,385					104,385
Fixed-term deposits	154,164	297,764	1,033,136	124,652		1,609,716
Liabilities based on received loans	2,826	4,829	108,058	2,250		117,963
Other liabilities					46,276	46,276
Reserves for liabilities and costs					775	775
Hybrid instrument				97,189		97,189
Total liabilities	261,375	302,593	1,141,194	224,091	47,051	1,976,304
Non-compliance of assets and liabilities	467,026	(28,147)	(272,677)	(219,030)	182,970	130,142

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 2013:

Item	Currency code	Amount
Net weighted item per currency – Change in economic value in the records (Fixed+Variable+Adm. interest rate)	HRK	189
Net weighted item per currency - Change in economic value in the records (Fixed+Variable+Adm. interest rate)	EUR	283
Net weighted item per currency - Change in economic value in the records (Fixed+Variable+Adm. interest rate)	OST	(582)
CHANGE IN ECONOMIC VALUE		(110)
GUARANTEE CAPITAL		226,624
CHANGE IN ECONOMIC VALUE / GUARANTEE CAPITAL * 100		-0.05

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 2013

	Up to 1 month	1 -3 months	3 – 12 months	Exceeding 1 year	Interest insensitive	Total
Assets						
Cash and cash equivalents	194,662					194,662
Compulsory reserve with CNB	24,987		134,177			159,164
Deposits with other banks	209,086					209,086
Financial assets at fair value through P&L Statement	15,275				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		85,906	243,757
Tangible assets					39,439	39,439
Intangible assets					3,959	3,959
Assumed assets					16,995	16,995
Deferred tax assets	123					123
Other assets	40,107					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					8,998
Reserves for liabilities and costs	480	94	116	22	9	721
Hybrid instrument					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

Liquidity risk and term structure as at 31 December 2012

	Up to 1 month	1 -3 months	3 – 12 months	Exceeding 1 year	Interest insensitive	Total
Assets						
Cash and cash equivalents	147,437					147,437
Compulsory reserve with CNB	25,158		135,627			160,785
Deposits with other banks	176,464	50,556				227,020
Financial assets at fair value through P&L Statement	16,513					16,513
Loans and advances to clients	47,578	138,961	456,378	347,759	250,857	1,241,533
Investments held until maturity	6,217	171,027	4,597		62,221	244,061
Tangible assets					39,838	39,838
Intangible assets					3,985	3,985
Assumed assets					9,710	9,710
Deferred tax assets	130					130
Other assets	31,470					31,470
Special reserves for identified losses on group basis	(2,405)	(2,726)	(4,169)	(3,849)	(2,887)	(16,036)
Total assets	448,562	357,818	592,433	343,910	363,724	2,106,446
Liabilities						
Deposits on demand	26,096	26,096	26,096	20,877	5,220	104,385
Fixed-term deposits	158,502	303,787	998,655	153,054	22,710	1,636,708
Liabilities based on received loans	198		12,333	15,699	90,158	118,388
Other liabilities	15,239					15,239
Reserves for liabilities and costs	775					775
Hybrid instrument	802		2,568	8,003	89,436	100,809
Total liabilities	201,612	329,883	1,039,652	197,633	207,524	1,976,304
Net liquidity incompliance	246,950	27,935	(447,219)	146,277	156,200	130,142

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 capital requirement for currency risk is calculated by standard method according to the Croatian National Bank Decision on banks' guarantee capital adequacy.

The amounts of total assets and liabilities as at 31 December 2013 and 31 December 2012 in HRK and foreign currencies are analysed in the tables below.

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		24,987		24,987	134,177	159,164
Deposits with other banks	197,949	7,128	5,901	210,979		210,979
Financial assets at fair value through P&L Statement	15,275			15,275	2,629	17,904
Loans and advances to clients	1,045,740			1,045,740	302,866	1,348,606
Investments held until maturity	228,933			228,933	38,557	267,490
Tangible assets					39,439	39,439
Intangible assets					3,959	3,959
Assumed assets					16,995	16,995
Deferred tax assets					123	123
Other assets	52			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			53,693	63,184	116,877
Other liabilities	234			234	8,763	8,997
Reserves for liabilities and costs					721	721
Hybrid instrument	69,060			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

Currency exposure as at 31 December 2012

	EUR and currency clause	USD	Other	Total currency	HRK	Total
Assets						
Cash and cash equivalents	8,705	435	225	9,365	138,072	147,437
Compulsory reserve with CNB		25,158		25,158	135,627	160,785
Deposits with other banks	221,269	375	5,385	227,029		227,029
Financial assets at fair value through P&L Statement	15,090			15,090	1,423	16,513
Loans and advances to clients	942,594			942,594	320,697	1,263,291
Investments held until maturity	226,098			226,098	20,941	247,039
Tangible assets					39,838	39,838
Intangible assets					3,985	3,985
Assumed assets					9,710	9,710
Deferred tax assets					130	130
Other assets	69			69	6,656	6,725
Special reserves for identified losses on group basis					(16,036)	(16,036)
Total assets	1,413,825	25,968	5,610	1,445,403	661,043	2,106,446
Liabilities						
Deposits on demand	14,407	2,464	463	17,334	87,051	104,385
Fixed-term deposits	1,233,071	60,761	5,081	1,298,913	337,794	1,636,707
Liabilities based on received loans	59,589			59,589	58,799	118,388
Other liabilities	242			242	15,013	15,255
Reserves for liabilities and costs					760	760
Hybrid instrument	68,223			68,223	32,586	100,809
Total liabilities	1,375,532	63,225	5,544	1,444,301	532,003	1,976,304
Net currency position	38,293	(37,257)	66	1,102	129,040	130,142

Summary of open currency position

	Long currency position	Short currency position	Total open currency position
31 December 2013			
EUR	3,978		
USD	2,038		
GBP		(346)	
Other currencies	184	(369)	
Total	6,200	(715)	6,200
31 December 2012			
EUR	3,641		
USD		(5,905)	
GBP		(299)	
Other currencies	932	(567)	
Total	4,573	(6,771)	6,771

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 (Croatian Telecom and Atlantic grupa shares, which are of high liquidity, and their issuers have excellent solvency) 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 17,904 thousand as at 31 December 2013) 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.

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 33 to 73 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 2013 and the enclosed accounting policies and notes as their integral parts have been signed and approved for issue on 28 March 2014 by Branko Buljan, Management Board President and Ružica Šarić, Management Board Member.

PROFIT AND LOSS STATEMENT
For the Period from 1 January 2013 until 31 December 2013

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		133,210,923	144,005,850
2. Interest expenses	049		81,955,546	86,087,404
3. Net interest income (048-049)	050		51,255,377	57,918,446
4. Income from commissions and fees	051		9,965,986	16,890,000
5. Expenses of commissions and fees	052		2,480,936	1,882,903
6. Net income from commissions and fees (051-052)	053		7,485,050	15,007,097
7. Profit/loss from investments into subsidiaries, affiliates and joint ventures	054			
8. Profit/loss from trading activities	055		1,774,762	2,201,596
9. Profit/loss from imbedded 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		110,700	109,768
16. Profit/loss from calculated currency gains	063		385,894	863,533
17. Other income	064		459,222	762,460
18. Other expenses	065		2,667,112	3,610,989
19. General administrative costs and depreciation	066		34,442,088	36,805,059
20. Net income from operations before value adjustments and reservations for losses (050+053 to 064-065-066)	067		24,361,805	36,446,852
21. Costs of value adjustments and reservations for losses	068		11,401,373	24,331,867
22. PROFIT / LOSS BEFORE TAXATION (067-068)	069		12,960,432	12,114,985
23. CORPORATE INCOME TAX	070		2,697,758	2,627,051
24. PROFIT / LOSS OF THE CURRENT YEAR (069-070)	071		10,262,674	9,487,934
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 2013

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		308,221,212	353,825,941
1.1.Cash	002		21,389,058	20,836,901
1.2.Deposits with CNB	003		286,832,154	332,989,040
2. DEPOSITS WITH BANKING INSTITUTIONS	004		227,020,158	209,086,180
3. MINISTRY OF FINANCE AND CNB TREASURY NOTES	005			22,057,424
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADE	006		16,513,015	17,904,071
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007			
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD UNTIL MATURITY	008		241,963,537	239,371,435
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		77,842,252	63,460,657
10. LOANS TO OTHER CLIENTS	012		1,154,399,017	1,240,377,083
11. INVESTMENTS INTO SUBSIDIARIES, AFFILIATES AND JOINT VENTURES	013			
12. ASSUMED ASSETS	014		9,710,152	16,995,173
13. TANGIBLE ASSETS (MINUS DEPRECIATION)	015		39,837,757	39,439,419
14. INTERESTS, FEES AND OTHER ASSETS	016		30,939,102	46,311,774
A) TOTAL ASSETS (001+004 to 016)	017		2,100,310,212	2,248,829,157
LIABILITIES				
1. LOANS FROM FINANCIAL INSTITUTIONS (019+020)	018		117,962,420	116,583,194
1.1. Short-term loans	019			15,000,000
1.2. Long-term loans	020		117,962,420	101,583,194
2. DEPOSITS (AOP 022 to 024)	021		1,714,101,430	1,855,700,843
2.1. Deposits on giro accounts and current accounts	022		84,827,127	99,074,408
2.2. Savings deposits	023		19,557,588	24,888,576
2.3. Fixed-term deposits	024		1,609,716,715	1,731,737,859
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		99,611,825	98,009,004
8. INTERESTS, FEES AND OTHER LIABILITIES	034		38,491,840	38,905,485
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035		1,970,167,515	2,109,198,526

EQUITY				
1. SHARE CAPITAL	036		93,126,900	93,126,900
2. PROFIT (LOSS) OF THE CURRENT YEAR	037		10,262,675	9,487,934
3. RETAINED PROFIT (TRANSFERRED LOSS)	038		7,917,229	18,179,904
4. LEGAL RESERVES	039		2,661,093	2,661,093
5. STATUTORY AND OTHER CAPITAL RESERVES	040		16,174,800	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		130,142,697	139,630,631
D) TOTAL LIABILITIES AND EQUITY (035+043)	044		2,100,310,212	2,248,829,157
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 2013 until 31 December 2013

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		5,661,093	7,917,229	10,262,675			130,142,697
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	7,917,229	10,262,675	0	0	130,142,697
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						9,487,934			9,487,934
Total recognized income and expenses for current year (008+009)	010		0	0	0	0	9,487,934	0	0	9,487,934
Increase / reduction in equity	011									
Purchase / sale of treasury shares	012									
Other changes	013									
Transfer into reserves	014					10,262,675	-10,262,675			0
Payment of dividends	015									
Profit allocation (014+015)	016		0	0	0	0	0	0	0	0
Balance as at 31 December current year (003+010+011+012+013+016)	017		106,301,700	0	5,661,093	18,179,904	9,487,934	0	0	139,630,631

CASH FLOW STATEMENT – Direct method
In the Period 1 January 2013 – 31 December 2013

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		91,490,197	-80,759,299
1.1. Interest gains and similar receipts	002		131,532,639	113,511,086
1.2. Collected fees and commissions	003		9,328,441	15,923,031
1.3. Interests paid and similar expenses	004		-17,688,060	-71,474,255
1.4. Paid fees and commissions	005		-298,239	-106,776
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		4,763,666	2,022,561
1.8. Other expenses	009		-36,148,250	-140,634,946
2. Net increase / reduction in operating assets (011 to 018)	010		-31,468,188	49,695,735
2.1. Deposits with CNB	011		-1,522,240	-1,620,305
2.2. Ministry of Finance and CNB treasury notes	012			6,617,227
2.3. Deposits with banking institutions and loans to credit institutions	013		45,218,832	-65,099,793
2.4. Loans to other clients	014		-93,573,195	101,122,530
2.5. Securities and other financial instruments held for trade	015		14,904,207	1,391,055
2.6. Securities and other financial instruments available for sale	016			
2.7. Securities and other financial instruments held until maturity	017			
2.8. Other assets	018		3,504,208	7,285,021
3. Net increase/reduction in operating liabilities (020 to 023)	019		165,048,036	141,599,413
3.1. Deposits on demand	020		-9,408,371	14,247,282
3.2. Savings and fixed term deposits	021		174,456,407	127,352,131
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		225,070,045	110,535,849
5. Paid corporate income tax	025		-7,806,504	-1,817,657
6. Net cash inflow / outflow from operating activities (024+025)	026		217,263,541	108,718,192
INVESTMENT ACTIVITIES				
7. Net cash inflow / outflow from investment activities (028 to 032)	027		-182,363,855	-22,050,471
7.1. Receipts from sale / payments for purchase of tangible and intangible assets	028		-3,430,422	-3,117,073
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		-179,044,133	-19,043,166
7.4. Received dividends	031		110,700	109,768
7.5. Other receipts / payments from investment activities	032			

FINANCIAL ACTIVITIES				
8. Net inflow / outflow of cash from financial activities (034 to 039)	033		26,589,279	-2,982,047
8.1. Net increase / reduction in received loans	034		31,539,301	-1,379,226
8.2. Net increase / reduction in issued debt securities	035			
8.3. Net increase / reduction in subordinate and hybrid instruments	036		15,196,223	-1,602,821
8.4. Receipts from share capital issues	037			
8.5. Paid dividends	038		-20,146,245	0
8.6. Other receipts / payments from financial activities	039			
9. Net cash inflow / outflow (026+027+033)	040		61,488,965	83,685,674
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		61,488,965	83,685,674
12. Cash and cash equivalents at the start of the year	043		259,993,931	321,482,896
13. Cash and cash equivalents at the end of the year (042+043)	044		321,482,896	405,168,570

NOTES ON ADJUSTMENTS WITH FINANCIAL STATEMENTS BASED ON IFRS

1) ADJUSTMENT OF PROFIT AND LOSS STATEMENT FOR 2013

In HRK '000

	CNB REPORTS	FINANCIAL STATEMENTS	DIFFERENCE
Interest income	144,006	144,006	-
Interest expenses	(86,087)	(86,087)	-
Net interest income	57,919	57,919	-
Income from fees and commissions	16,890	16,890	-
Expenses from fees and commissions	(1,883)	(1,883)	-
Net income from fees and commissions	15,007	15,007	-
Profit/loss from investments into subsidiaries, affiliates and joint ventures	-	-	-
Profit/loss from trading activities	2,202	-	2,202
Net profit from financial operations	-	3,065	(3,065)
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	110	-	110
Profit/loss from calculated exchange gains/losses	863	-	863
Other income	762	872	(110)
Other expenses	3,611	-	3,611
General administrative costs and depreciation	36,805	-	36,805
Personnel costs	-	19,054	(19,054)
Depreciation costs	-	3,440	(3,440)
Other operating expenses	-	17,922	(17,922)
Net income from operations before value adjustments and reservations for losses	36,447	36,447	-
Cost of value adjustments and reservations for losses	(24,332)	(24,332)	-
Profit before taxation	12,115	12,115	-
Corporate income tax	2,627	2,627	-
Profit after taxation	9,488	9,488	-
Earnings per share (in HRK)	10.19	10.19	-

Profit of the period	9,488	9,488	-
Other comprehensive income:			
Non-realized profit (loss) of assets available for sale	0	37	(37)
Corporate income tax transferred into profit or loss	0	(7)	7
Financial assets available for sale	-	30	(30)
Other comprehensive income (loss) of the current year	-	30	(30)
TOTAL COMPREHENSIVE INCOME	9,488	9,518	(30)

Differences between the items of the Profit and Loss Statement in the Financial Statements compared to the reports based on the CNB Decision refer to the following categories:

Gain (loss) from trading activities and Gain (loss) from calculated currency differences in CNB reports are presented separately while in the Financial Statements, they are included in Net gains and losses from financial operations.

Income from other equity investments are presented separately in CNB reports and included in Other income in the Financial Statements.

Other costs and General administrative costs and depreciation are presented separately in CNB reports while in Financial Statements, they are presented as personnel costs, depreciation costs and other operating expenses.

2) ADJUSTMENT OF BALANCE SHEET FOR 2013

In HRK '000

	CNB REPORT	FINANCIAL STATEMENTS	DIFFERENCE
ASSETS			
Cash and deposits with CNB	353,826	-	353,826
- Cash	20,837	-	
- Deposits with CNB	332,989	-	
Deposits with banking institutions	209,086	-	209,086
Cash reserves	-	403,276	(403,276)
Compulsory reserve with CNB	-	159,164	(159,164)
Deposits with other banks	-	472	(472)
Ministry of Finance and CNB treasury notes	22,057	-	22,057
Securities and other financial instruments held for trade	17,904	-	17,904
Securities and other financial instruments available for sale	-	-	-
Securities and other financial instruments held until maturity	239,372	261,449	(22,077)
Securities and other financial statements not actively traded and evaluated at fair value through P&L Statement	-	-	-
Derivative financial assets	-	-	-
Financial assets at fair value through P&L Statement	-	17,904	(17,904)
Loans to credit institutions	63,461	-	63,461
Loans to other clients	1,240,377	-	1,240,377
Loans and advances to clients	-	1,304,165	(1,304,165)
Investments into subsidiaries, affiliates and joint ventures	-	-	-
Assumed assets	16,995	16,995	-
Tangible assets	39,439	39,440	(1)
Intangible assets	-	3,959	(3,959)
Interests, fees and other assets	46,312	41,882	4,430
Deferred tax assets	-	123	(123)
TOTAL ASSETS	2,248,829	2,248,829	0

2) ADJUSTMENT OF BALANCE SHEET FOR 2013 (cont'd)

In HRK '000

	CNB REPORTS	FINANCIAL STATEMENTS	DIFFERENCE
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LIABILITIES

Loans from financial institutions	116,583	-	116,583
- Long-term loans	101,583	-	-
- Short-term loans	15,000	-	-
Other borrowings	-	116,583	(116,583)
Deposits	1,855,701	-	1,855,701
- Deposits on giro accounts and current accounts	99,074	-	-
- Savings deposits	24,889	-	-
- Fixed-term deposits	1,731,738	-	-
Deposits of financial institutions		155,337	(155,337)
Deposits of other clients		1,700,364	(1,700,364)
Other loans	-	-	-
- Short-term loans	-	-	-
- Long-term loans	-	-	-
Derivative financial liabilities and other liabilities in trade	-	-	-
Issued debt securities	-	-	-
- Short-term issued debt securities	-	-	-
- Long-term issued debt securities	-	-	-
Issued subordinated instruments	-	-	-
Issued hybrid instruments	98,009	98,009	-
Interests, fees and other liabilities	38,905		38,905
Other liabilities		38,184	(38,184)
Reservations for liabilities and costs		721	(721)
TOTAL LIABILITIES	2,109,198	2,109,198	-

EQUITY

Share capital	93,127	93,127	-
Profit (loss) of the current year	9,488	9,488	-
Retained profit	18,180	18,180	-
Legal reserves	2,661	-	2,661
Other reserves	-	5,661	(5,661)
Statutory and other capital reserves	16,175	-	16,175
Capital gain		13,175	(13,175)
TOTAL EQUITY	139,631	139,631	-

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 2013

In HRK '000

	CNB REPORTS	FINANCIAL STATEMENTS	DIFFERENCE
OPERATING ACTIVITIES			
1. Net cash flow from operating activities	(80,759)	(80,759)	-
Interest gains and related receipts	113,511	113,511	-
Gains from fees and commissions	15,923	15,923	-
Interests paid and similar expenses	(71,474)	(71,474)	-
Paid fees and commissions	(107)	(107)	-
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	2,023	2,023	-
Other expenses	(140,635)	(140,635)	-
2. Net increase/reduction in operating assets	49,696	43,079	6,617
Required reserve with Croatian National Bank	(1,620)	(1,620)	-
Ministry of Finance and CNB treasury notes	6,617	-	6,617
Loans and receivables from banks	(65,100)	(65,100)	-
Loans and receivables from clients	101,123	101,123	-
Securities held for trade	1,391	1,391	-
Financial assets available for sale	-	-	-
Securities not actively traded and evaluated at fair value through profit or loss	-	-	-
Other assets	7,285	7,285	-
3. Net increase/reduction in operating liabilities	141,599	141,599	-
Deposits on demand	14,247	14,247	-
Savings and fixed term deposits	127,352	127,352	-
Derivative financial liabilities and other liabilities for Trade	-	-	-
Other liabilities	-	-	-
4. Net cash inflow/outflow from operating activities before payment of corporate income tax	110,536	103,919	6,617
5. Paid corporate income tax	(1,818)	(1,818)	-
6. Net inflow/outflow from operating activities	108,718	102,101	6,617
INVESTMENT ACTIVITIES			
7. Net cash inflow/outflow from investment activities	(22,050)	(15,433)	(6,617)
Receipt from sale/purchase of tangible and intangible assets	(3,117)	(3,117)	-
Receipts from sale/investments into subsidiaries	-	-	-
Receipts from collection/purchase of securities held until maturity	(19,043)	(12,426)	(6,617)
Dividends received	110	110	-
Other receipts/payments from investment activities	-	-	-
FINANCIAL ACTIVITIES			
8. Net cash inflow/outflow from financial activities	(2,982)	(2,982)	-
Net increase/reduction in loans received	(1,379)	(1,379)	-
Net increase/reduction in issued debt securities	-	-	-
Net increase/reduction in hybrid instruments	(1,603)	(1,603)	-
Receipts from issues of share capital	-	-	-
Dividends paid	-	-	-
Other receipts/payments from financial activities	-	-	-
9. Net cash inflow/outflow	83,686	83,686	-
10. Effects of exchange rate change on cash and	-	-	-

equivalents			
11. Net increase/reduction in cash and equivalents	83,686	83,686	-
12. Cash and cash equivalents at the start of the year	321,483	321,483	-
13. Cash and cash equivalents at the end of the year	405,169	405,169	-

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 2013

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-4-155/11 of March 7, 2011 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 19th day of May 2014. No. 16/14

