

**ANNUAL REPORT FOR
SLATINSKA BANKA d.d. SLATINA
FOR 2015**

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SLATINSKA BANKA

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ANAGEMENT REPORT ON THE BANK'S FINANCIAL POSITION AND BUSINESS RESULT ANALYSIS

The previous year has been very complex, within the banking sector and for the economy in general. Slatinska bank, as all the other Croatian banks, endured negative financial solvency by businesses and individuals in 2015, which had a negative bearing on the business position and results, as shown herein.

The Bank's balance increased for approx. HRK 80 mil. with respect to last year and now amounts to approx. HRK 1,526 mil.

In the Bank's asset sources, retail deposits still hold the top spot and are still on the constant rise, which points to the clients' trust in safe and stable Bank business.

Through collection of primary asset sources, the Bank made a base for placements in retail and company business, keeping an eye on business risks and client credit rating.

During 2015, Slatinska banka d.d. functioned in conditions of stable liquidity, maintenance of optimal share of liquid assets in total assets, and the Bank acted only as a creditor on the money market.

In 2015 the Bank noted a negative financial result in the amount of HRK 8,625,000, which was mainly the result of high expenses of value adjustments and provisioning in the amount of HRK 19,5 million. Risk exposure, especially to credit risk, is followed continually, and the Bank shall attempt to decrease the influence of such risks on the business result during the next period.

Interest income make up 81% of total income, growing 14% with respect to 2014, while interest expenses (making up 39% of total expenses) grew some 8%. Decrease of interest income is a result of decreased loan/credit activities and lowered financial solvency of companies and individuals, and of increased number of difficult-to-collect loans.

2015 saw the Bank continue to use rational cost management policies, which resulted in decreased general expenses. Optimisation of cost-effectiveness has been applied continually, with the goal being improvement of business results.

Significant investments were made into raising the Bank's security level, development of credit and card-based business, as well as in continually educating the Bank's employees. The end goal is improvement of banking services and better client access.

Through continual improvement of service quality levels through this difficult time, we wish to offer our clients support in all their business segments and cycles.

In 2016 the Bank will be straining to offer fair-condition loans, in cooperation with the Croatian Bank for Reconstruction and Development (HBOR) and the Ministry of Business and Trade, significant activities are centred around placements to central and local state, i.e. securities.

We believe the efforts so far invested in technology and organisation, through building trust and good business cooperation with our business partners and clients, keeping in mind at all times the business liquidity, safety and stability, which we believe will result in further growth and development of the Bank in the following period.

DEVELOPMENT OF SLATINSKA BANKA d.d. SLATINA

SLATINSKA BANKA d.d. was founded 9 October 1992 and is the only banking institution seated in the County of Virovitica and Podravina. The seat of the Bank is at Vladimira Nazora 2, Slatina.

The Bank offers its services in 3 financial centres, 13 branches and 11 branch offices: (in counties:) Virovitičko – podravska, Osječko – baranjska, Požeško – slavonska, Brodsko – posavska, Bjelovarsko – bilogorska, Koprivničko – križevačka, Primorsko – goranska, Vukovarsko – srijemska and the City of Zagreb.

In addition to the business network of bank offices, banking services can be enjoyed through other distribution channels such as Internet banking and the EFTPOS network of bank machines.

By introducing Mobile Banking, the Bank expanded its offer of banking products with the system called “Bank at your fingertips”, where individuals can now pay all their bills from their homes, and with lower fees; they can also use this system for paying their loans in Slatinska bank and have access to their accounts 24 hours a day.

Our ATM machines are in Slatina, Virovitica, Našice, Požega, Daruvar, Osijek, Ilok, Koprivnica, Valpovo, Rijeka, Donji Miholjac, Đakovo, Zagreb, Orahovica, Pitomača, Slavonski Brod and Novigrad.

ATMs in Našice, Požega, Osijek and Ilok also have a day-and-night vault. The service of the day-and-night vault is round the clock - 24 hours per day, seven days a week, without waiting for the next free teller, using your key or the Bank's business card.

The Bank is the sole owner of Turbina d.o.o. Turbina d.o.o. has a 0.36% share in Bank assets and its business has a very small bearing on that of the Bank.

In accordance with market demands, legal entity business primarily concerns financial crediting of SME's and tradesmen/craftsmen, both from own sources and from assets put up by the Croatian Bank for Reconstruction and Development (CBRD) and through credit lines in cooperation with local governments. We are also continuing positive and active cooperation with HBOR, HAMAG BICRO, the competent ministry and all local government institutions and units in the field of company loans. We have also signed the Agreements for crediting companies with co-financing interest for the end-user. These agreements were entered into by and between the Bank, the Ministry of Business and Trade and the County pursuant to the programme „Loan to Success 2014.“, measure 1 – „Loan in order to be Competitive“ and also the business cooperation agreement between the Bank and the Ministry of Business and Trade pursuant to the programme „Loan to Success 2014.“, measure 2 – „Loan for Successful Business“, as well as the agreement on business cooperation in order to actualize the loan programme of the HBOR: Micro-loans supported by the EU (programme of crediting micro-businesses).

We will continue to keep an eye out for high-quality investment projects and allow our clients to use high-quality sources of financing.

In the next period, the Bank will continue to invest into development of present services in order to best fulfil all the dynamic market needs and needs of our clients with respect to traditional banking services and new technologies.

Special emphasis will still be on improvement of services, on high-quality communication with clients and on adjusting to their needs considering the current state of the market.

BANK BUSINESS ANALYSIS IN 2015

BANK BUSINESS INDICATORS

(in thousands of HRK)

	2015	2014
ASSETS	1,526,135	1,446,339
GROSS PROFIT/LOSS	-10,592	944
NET PROFIT/LOSS	-8,625	389
NET INTEREST INCOME	31,643	39,033
NET INCOME FROM COMMISSIONS AND FEES	8,911	9,140
TOTAL CAPITAL	166,015	174,264
REGULATORY CAPITAL	158,226	166,910
CAPITAL ADEQUACY	17.50%	16.90%
RETURN ON ASSETS	-	0.07%
RETURN ON EQUITY	-	0.22%
EXPENSE TO INCOME RATIO	82.12%	77.86%
ASSETS/EMPLOYEES	8,771	8,265
NUMBER OF EMPLOYEES	174	175

The financial result was negative in the amount of HRK 8,625,000, and the balance HRK 1,526 mil.

Interest income comprise some 81% of total income, which is 14% less than in 2014. Decrease of interest income is due to the decrease of business and retail loan activity, which is in turn tied to the challenging economic conditions in general, as well as due to the increase of non-income-yielding loans.

Hard-to-collect loans represent double burden on the Bank's profitability: they decrease interest income and placement value adjustment. Risk exposure is being monitored continuously. In accordance with internal regulations, value adjustments were performed on placements where collection is questionable. Value adjustment and provision expenses for placement losses for 2015 were HRK 19,5 mil.

Interest expenses comprising some 39% of total expenses were decreased for approximately 8%, mostly due to performed value adjustment of asset sources.

Bank assets as of 31 Dec. 2015 were HRK 1,526 mil., or approximately HRK 80 mil. more than at the end of 2014. The largest entry in asset sources are retail sources (69%), HRK 1,062 mil. in nominal amount, or HRK 69 mil. more than the last year.

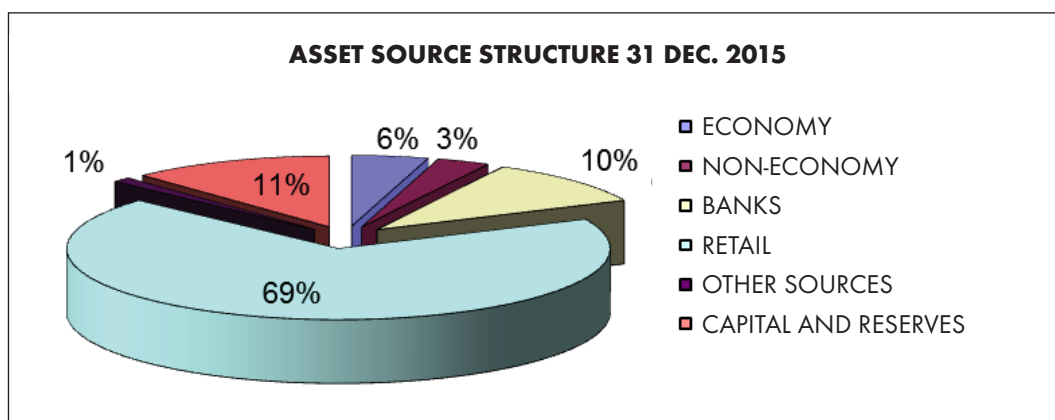
The bank fulfils all the conditions with respect to regulatory capital coverage.

The following is the structure of asset sources and placement structure by sector.

ASSET SOURCE STRUCTURE BY SECTOR

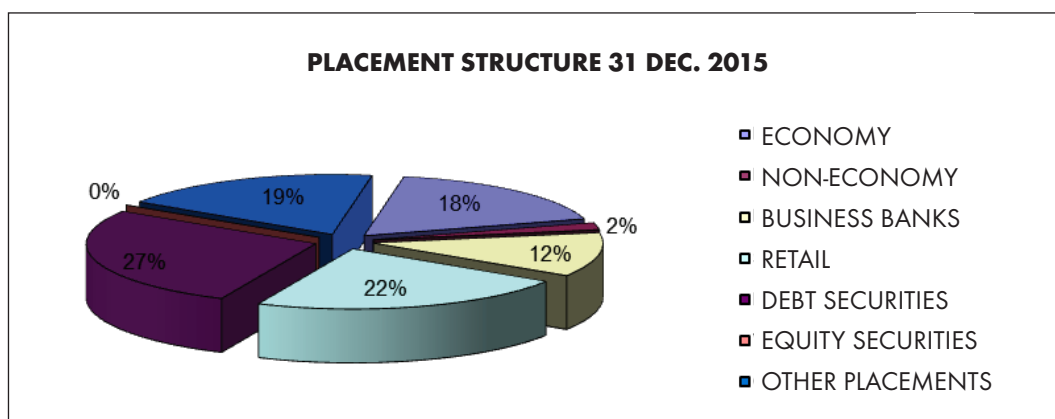
(in thousands of HRK)

	2015	%	2014	%
ECONOMY	86,692	5.68	65,836	4.55
NON-ECONOMY	39,101	2.56	45,394	3.14
BANKS	154,409	10.12	152,186	10.52
RETAIL	1,061,757	69.57	992,883	68.65
OTHER SOURCES	18,161	1.19	15,777	1.09
CAPITAL AND RESERVES	166,015	10.88	174,264	12.05
TOTAL:	1,526,135	100.00	1,446,339	100.00


PLACEMENT STRUCTURE BY SECTOR

(in thousands of HRK)

	2015	%	2014	%
ECONOMY	269,545	17.67	297,718	20.58
NON-ECONOMY	28,303	1.85	33,650	2.33
BUSINESS BANKS	180,578	11.83	142,787	9.87
RETAIL	344,663	22.58	400,453	27.69
DEBT SECURITIES	418,400	27.42	328,430	22.71
EQUITY (OWNER.) SECURITIES	313	0.02	313	0.02
OTHER PLACEMENTS	284,333	18.63	242,987	16.80
TOTAL:	1,526,135	100.00	1,446,339	100.00



RETAIL BANKING

Thanks to its continued development of business and product/service quality, coupled with continual market monitoring, Slatinska banka d.d. Slatina continues to retain its position in the retail banking segment.

Through following market trends and increasing the number of its services and introducing new technologies, the Bank is able to offer to its clients traditional and accepted forms of savings, (primarily) non-purpose loans and various transaction services.

The confirmation of the brand and confidence in Slatinska bank services is the increase in retail sources, which make up high 69.57% of all Bank sources.

In total retail deposits, term deposits comprise 85.78%, which allows the Bank manageable liquidity.

Deposits are constantly on the rise, growing 6.94% or HRK 68,874 mil. in 2015 in relation to the previous year.

In addition to re-designing our credit lines and adjusting them in accordance with the demands of more competitive surroundings, technology of credit lines for individuals has been significantly upgraded, and our business policy has turned toward targeted groups - all aimed at increasing retail placements. In 2015, due to the negative economic environment, retail placements decreased for the nominal amount of HRK 55,790,000 with respect to the previous year.

Retail placements are still a major part of total Bank placements with 22.58% of total placement structure.

In addition to investing in our business network, the Bank is continually developing and improving direct distribution channels. Following market demands and new trends in technology, the Bank also incorporated new services through its branch network, such as SMS banking for users of current and company accounts, Mastercard credit card, Internet banking, mobile banking, standing orders for payment of utility bills, loan repayment, etc., and the clients will soon be able to use MBplus instalment plan.

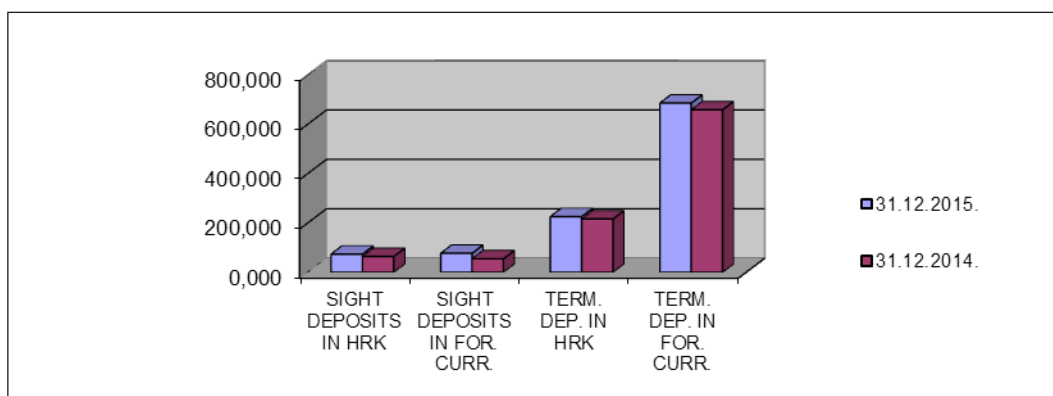
The Bank is continually adapting to the market in order to offer its clients sufficient financial backing in order to construct stable, long-term partnerships built on client trust and satisfaction.

Special care is given to training our staff in sales techniques and product & service knowledge through organising seminars, lectures and workshops.

RETAIL DEPOSITS

(in thousands of HRK)

	31 Dec 2015	%	31 Dec 2014	%
SIGHT DEPOSITS	150,940	14.22	118,712	11.96
In HRK	73,818	6.96	64,033	6.45
In foreign currency	77,122	7.26	54,679	5.51
TERM DEPOSITS	910,817	85.78	874,171	88.04
In HRK	225,560	21.24	216,110	21.77
In foreign currency	685,257	64.54	658,060	66.28
TOTAL:	1,061,757	100.00	992,883	100.00



LEGAL ENTITY TRANSACTIONS

In accordance with market demands, legal entity business primarily concerns financial crediting of SME's and tradesmen/craftsmen, both from own sources and from assets put up by the Croatian Bank for Reconstruction and Development (CBRD or HBOR in Croatian) and through credit lines in cooperation with local governments.

Cooperation was agreed upon with the Ministry of Business and Trade, the County and City as well, and stipulates that one part of interest would be covered by their assets.

Placements to legal entities as loans/credits in 2015 amounted to HRK 298 million, or 19.52% of total Bank placements.

In addition to better cooperation with HBOR, allowing the Bank greater freedom in using HBOR credit sources, the Bank also concluded an agreement with Hamag BICRO, aimed at constructing a financial model which will in a best way offer a full, high-quality financial service suited for dynamic market conditions.

In addition to SMEs and trades, the Bank actively credits local government institutions through CBRD credit lines, solving developmental and infrastructural financial problems and laying quality foundations for further economic growth of certain areas.

The Bank allocated a significant portion of its assets to placements into debt securities through discounting bills of exchange issued by companies with good credit rating.

The Bank also offers all types of guarantees, in Kuna and foreign currencies, for offers, active and payment guarantees, letters of credit and other types of guarantee demanded by today's business climate.

Credit rating, quality development programmes and professional management are the main conditions for financial crediting of clients.

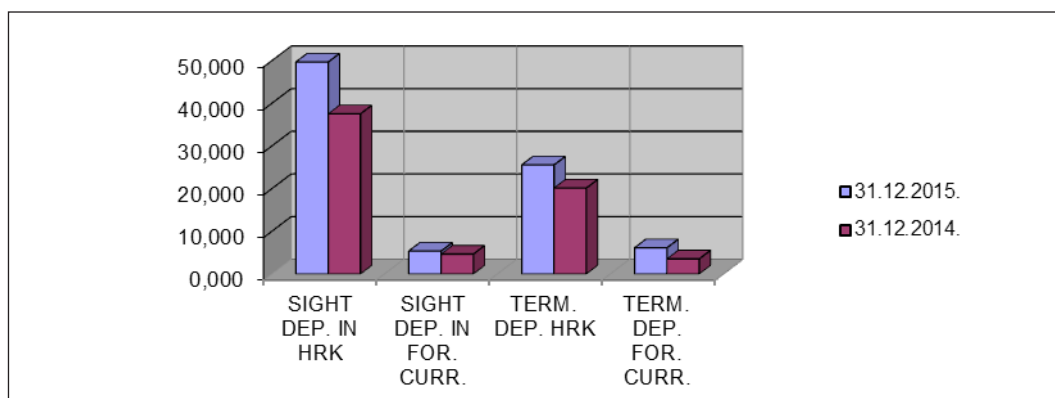
Further developing its business, we are offering other services to legal entities allowing faster, simpler and more efficient business - MBCARD/MAESTRO cards, MasterCard Business cards, SMS services, Internet banking and mobile banking.

Core Bank activities with companies will still be aimed at developing services which the Bank can offer to all legal entities, and at further development of business trust and partnership.

LEGAL ENTITY (COMPANY) DEPOSITS

(in thousands of HRK)

	31 Dec 2015	%	31 Dec 2014	%
SIGHT DEPOSITS	55,032	63.48	42,191	64.09
In HRK	49,666	57.29	37,531	57.01
In foreign currency	5,366	6.19	4,660	7.08
TERM DEPOSITS	31,660	36.52	23,644	35.91
In HRK	25,537	29.46	20,120	30.56
In foreign currency	6,123	7.06	3,525	5.35
TOTAL:	86,692	100.00	65,836	100.00



TRANSACTIONS

Through allowing clients to open multi-currency transaction accounts, the Bank is offering them a full, high-quality transaction service through which they will save time and money, and raise the efficiency of their business.

The Bank has for years been performing transaction services for businesses and individuals alike.

Clients can partake in this through the Bank's network of branches (i.e. in person through tellers), through our modern Internet banking system, or through mobile banking. The Bank is also offering this through FINA tellers thanks to the agreement between FINA and the Bank (via model III).

Driving the management of transaction services in the Bank are quality and speed of service.

The Bank also has a network of correspondent banks, and has been an active participant of the TARGET2 HR system since 2016.

The Bank is also a member of the National Clearing System (NKS) since its inception, and is an active participant in the inception and testing of the SEPA transactions system (Single Euro Payments Area).

The Bank uses its own software for payment transaction, which is the technical basis for high-quality domestic payment transaction operations - both domestic and international.

The Bank will continue to develop its payment transaction services in order to offer current and future users of such services a cost-effective, efficient, high-quality offer of our services.

To our clients the Bank guarantees maximum transaction security and quickness.

THE BANK'S INFORMATION SYSTEM AND IT

Information technology is present in all parts of our banking operations, and special care must be given to the management and development planning of our IT system. The primary function of the Bank's information system is to ensure to business users and Bank clients approach to information and services necessary for their everyday business, as well as confidentiality, accessibility and integrity of information within continued development of the Bank's business.

The technological base of the Bank IS are servers for banking and non-banking applications. The server for banking applications is IBM Power7 8202, while non-banking applications use two IBM x3650 M servers with installed VMware infrastructure and IBM Storwize disk system. External locations (financial centres, branches and branch offices) are connected through the virtual private network (VPN). In addition to the business network of bank offices, banking services can be enjoyed through other distribution channels such as Internet banking, mobile banking and the EFTPOS network of bank machines.

The Bank also has a backup system, which includes a backup location with redundant hardware, software and data to be used in case of catastrophic events or some other emergency; the entire production system can be started during the recovery time, all in accordance with legal provisions.

In order to further increase security of Internet banking, in 2015 the Bank introduced a new application and moved the server into the Bank's central location. Legal persons use the USB-PKI for identification and private persons use the physical or mobile token. The bank has also introduced an additional authorization device for approving over-the-limit payment orders and adding new recipients to the list of allowed payment recipients.

In 2015 we completed the project of changing our telecommunications services supplier, whereby we achieved better quality and higher speed of our connections.

In the area of credit card business, we completed the adaptation to the PCI DSS standard. The existing document management system was replaced by a new system which is more user-friendly.

In the area of regulator reports, the Bank successfully fulfilled all legal and other regulatory obligations. In 2015 the Bank initiated the SEPA project (eng. Single Euro Payments Area), which is to be completed during the first half of 2016.

BUSINESS RISKS

Liquidity/solvency risk

Liquidity risk is the risk of the Bank's ability to fulfil all its obligations according to their maturity on time and within arranged time frames, without causing any undue losses or jeopardising the Bank's capital. The Bank sets its liquidity by constructing preconditions for long-term maintenance of liquidity in HRK and foreign currencies which ensure the Bank's unhindered and timely fulfilment of all its obligations, thereby ensuring permanent Bank liquidity and fulfilling preconditions for safe, stable and profitable business.

Maintaining the Bank's planned liquidity level requires the fulfilment of the following conditions: regular maintenance of the planned level of "daily liquid assets", maintenance of time-adjusted assets and liabilities, and attaining surplus of foreign currency receivables over foreign currency liabilities, in accordance with the Decision on minimum necessary foreign currency receivables.

Ever more complex business conditions and high level of non-liquidity/insolvency both in the business sector and the retail sector are a constant challenge before the Bank, with the goal being retention of the wanted level of solvency/liquidity. To that end, solvency/liquidity levels are being constantly monitored, and stress tests performed in order to optimise the Bank's solvency/liquidity.

Credit risk

Credit risk is the risk of losses due to non-fulfilment of debtors' cash obligations toward the credit institution.

The Bank manages its credit risk through all-encompassing organizational structure, rules, processes, actions, systems and resources for determining, measuring i.e. assessing, managing, monitoring and reporting on risk exposure.

The Bank ensures control over crediting procedures - approval, monitoring and collection of placements - through performance of activities of detailed and thorough check of credit rating of clients.

The Bank monitors exposure toward individual clients based on client classification, type of exposure and provisioning of individual clients; it also controls the allocation of placements and off-balance potential items into risk groups.

Allocation of Bank placements and calculation of provisioning amounts for each individual non-identified and identified loss is based on each debtor's credit rating, the quality of his repayment and the quality of insurance instruments. Value adjustment amounts for identified losses have been determined within the 1-100% range, in accordance with legal provisions. Value adjustment amounts for non-identified losses have been determined within the 0-4.20% range, in accordance with Internet calculation methodology and the legal provision on a minimum 0.80% value adjustment of total position of placements in risk group A. Detailed placement criteria have been defined in the Regulations on Placement Classification and Off-balance Obligations, as presented in accordance with legal provisions, i.e. appropriate regulatory decision.

Since credit risk is the risk that can have the most serious consequences for the Bank, we are continually improving the credit/loan process and are adding new staff to the Risk Department.

Currency risk

Currency risk is the risk emerging pursuant to changes in currency relations and the change in value of the domestic currency with respect to foreign currencies in which the Bank has positions.

Currency risk stems from non-adjusted asset and liability items in the balance sheet and off-balance in currencies where more significant changes in currency rates may have an effect on the profit and loss account.

Monitoring and measuring of the currency risk is performed on a monthly and daily basis using the following methods, i.e. approaches: monitoring the asset and liabilities and the currency structure of off-balance entries, daily monitoring of Bank exposure to currency risk in accordance with the internal monitoring document, using the credits and deposits plan and currency exchange rate motion plan. Currency risk management is performed through planning the currency structure of the Bank's assets and liabilities, and through continual monitoring and foreseeing of the currency exchange rate (for certain currencies) and the effect this could have on the Bank's business.

In order to minimise this type of risk, the Bank's assets and liabilities are constantly optimised in order to neutralise this type of risk as much as possible.

Interest risk

Interest risk is the risk arising from changes in active and passive interest rates, influencing profitability of business and earnings, and thereby the Bank's capital. Interest risk stems from non-adjusted interest rates, by type and by maturity of interest-sensitive balance entries.

The Bank uses the following methods for measuring the risk of change of interest rates: analysis of interest rate trends on the market, analysis of interest margins, analysis of net interest income and the analysis of the static gap model.

Price risk

Risk tied to holding and trading securities; it is a consequence of possible decrease of the value of securities in the Bank's portfolio. Management of this portfolio includes the need for constant monitoring of market prices of certain securities and maintaining the portfolio structure which supports the optimal profit to risk ratio.

Sectors investing in securities are the ones furnishing data for monitoring price risks.

SHARE INFORMATION

The Bank did not purchase its own shares in 2015.
Purchased own shares made up 7.77% of capital stock.

The Chairwoman of the Board Angelina Horvat holds 200 shares, i.e. 0.02% in the Bank's capital stock.
Board member Marko Brnić holds 1 share of Slatinska banka d.d.

BANK MANAGEMENT BOARD:

Chairwoman of the Board

Angelina Horvat



Board Member

Marko Brnić

**SLATINSKA BANKA d.d.
Vladimira Nazora 2, Slatina**

**ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR 2015**

**REPORT ON
PERFORMED AUDIT
OF FINANCIAL
STATEMENTS
FOR 2015**

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SLATINSKA BANKA

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management Board of the bank Slatinska banka d.d., Slatina, Vladimira Nazora 2 (hereinafter "the Bank") is responsible for ensuring that financial statements for the year 2015 are prepared in accordance with the Accounting Act (Official Gazette No 109/07, 54/13, 121/14) and the International Financial Reporting Standards as adopted by the European Union to give a true and fair view of the financial position, results of operations, changes in equity and cash flows of the Bank for that period.

After making enquiries, the Board has a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has adopted the going concern basis in preparing the financial statements of the Bank.

In preparing these financial statements, the responsibilities of the Board include ensuring that:

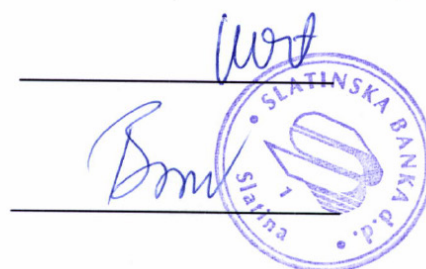
- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable financial reporting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless such assumption is not appropriate.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position and the results of operations of the Bank and their compliance with the Accounting Act (Official Gazette No 109/07, 54/13, 121/14) and the International Financial Reporting Standards. The Board is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board:

Angelina Horvat , President of the Management Board

Marko Brnić, Member of the Management Board



Slatinska banka d.d.
Vladimira Nazora 2
33520 Slatina
Croatia

Slatina, 29 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE BANK SLATINSKA BANKA D.D., SLATINA

- 1 We have audited the accompanying annual financial statements of the bank Slatinska banka d.d., Vladimira Nazora 2, Slatina (hereinafter "the Bank") for the year ended 31 December 2015, which comprise of the Balance sheet / Statement of Financial Position as at 31 December 2015, the Statement of Comprehensive Income; the Statement of Changes in Equity, the Cash Flows Statement for the year then ended, and the accompanying Notes to the Financial Statements which concisely set out the principal accounting policies and other disclosures.

Responsibility of the Bank's Management

2. The preparation and a fair presentation of the enclosed Financial Statements according to the International Financial Reporting Standards as adopted by the European Union and also those internal controls which are determined by the Bank's management as necessary to enable the preparation of the financial statements free of material misstatements whether due to fraud or error are the responsibility of the Bank's management.

Responsibility of Auditor

3. Our responsibility is to express an opinion on the enclosed Financial Statements based on the audit performed. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements.

An audit includes performing of procedures to obtain audit evidence supporting the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Financial Statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal controls relevant to the bank's preparation and fair presentation of the Financial Statements in order to conduct audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Bank's management, as well as evaluating the overall presentation of the Financial Statements.

We believe that auditing proof and evidence collected by us are sufficient and suitable as the basis for expressing our opinion.

Opinion

4. In our opinion, the enclosed Financial Statements, in all material respects, truly and fairly present the financial position of the bank Slatinska banka d.d., Slatina as of 31 December 2015 and the results of operations and the cash flows of the Bank for the year 2015 in accordance with the Accounting Act and International Financial Reporting Standards as adopted by the European Union.

Opinion on compliance with other legal or regulatory requirement

5. Based on the Decision of the Croatian National Bank on the structure and content of the annual financial statements of 30 May 2008 (Official Gazette No 62/08), the Bank's management has prepared the schedules set out on pages 57 to 63 ("Forms"), which comprise an alternative presentation of the Statement of financial position as at 31 December 2015, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for 2015, as well as reconciliation ("the Reconciliation") of the Forms with the financial statements as presented on pages 64 to 66. The Management Board is responsible for the Forms and the Reconciliation. The financial information in the Forms is derived from the financial statements set out on pages 4 to 56 on which we expressed our opinion as stated in the Opinion section above.
6. Based on the obligations arising from the Credit Institutions Act (Official Gazette No 159/13) the Bank has presented the required information on page 67 containing all the information prescribed by Article 164, paragraph 1. Presented information were derived from the financial statements presented on pages 4 to 56 on which we expressed our opinion as stated in the Opinion section above.

Opinion on compliance of Annual Report


7. The Management Board is responsible for the preparation of the Annual Report of the Bank. Pursuant to the regulations of Article 17 of the Accounting Act we are obliged to express an opinion on the compliance of the Annual Report of the Bank with the financial statements of the Bank. In our opinion, based on our audit of the annual financial statements of the Bank and the comparison with the Annual Report of the Bank for the year ended 31 December 2015, the financial information set out in the Bank's Annual Report, are in accordance with the financial information stated in the annual financial statements of the Bank set out on page 4 up to 56 on which we expressed our opinion as stated in the Opinion section above.

Zagreb, 29 March 2016

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10000 Zagreb

BDO

BDO Croatia d.o.o.
za pružanje revizorskih, konzalting
i računovodstvenih usluga
Zagreb, J.F. Kennedy 6/b


Zdenko Balen, Certified Auditor, Member of the
Management Board

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

POSITION	Note	2015	2014
		HRK '000	HRK '000
Interest income	4	68,858	79,672
Interest expense	5	(37,215)	(40,639)
Net interest income		31,643	39,033
Income from fees and commissions	6	11,878	12,217
Expenses from fees and commissions	7	(2,967)	(3,077)
Net income from fees and commissions		8,911	9,140
Net income from foreign exchange gains	8	2,992	2,318
Other income from ordinary business	9	1,659	3,899
Total other income		4,651	6,217
Other expenses	10,11,12	(36,225)	(41,127)
Impairments and provisions	13	(19,572)	(12,319)
Total other expenses		(55,797)	(53,446)
Loss / Gain before tax		(10,592)	944
Corporate income tax	14	1,967	(555)
LOSS / GAIN FOR THE CURRENT YEAR		(8,625)	389
Loss/ gain per share	32	(9,39) kn	0,42 kn
Unrealized loss/ profit from valuation of financial assets available for sale		876	(106)
TOTAL COMPREHENSIVE GAIN OF THE CURRENT YEAR		(7,749)	283

Supplementary notes under number I to IX form an integral part of these financial statements.

BALANCE SHEET / STATEMENT OF FINANCIAL POSITION

As of 31 December 2015

POSITION	Note	31 December 2015	31 December 2014
		HRK '000	HRK '000
ASSETS			
Cash assets	15	283,291	223,105
Receivables from Croatian National Bank	16	100,154	101,785
Placements with banks	17	1,432	1,383
Financial assets available for sale	18	371,031	238,547
Financial assets held to maturity	19	47,683	80,059
Loans and prepayments to customers	20	653,914	737,331
Investments in subsidiaries	21	5,558	5,425
Property, plant and equipment	22	27,018	26,417
Intangible assets	23	6,396	6,040
Foreclosed assets	24	14,048	8,555
Other assets	25	15,610	17,692
TOTAL ASSETS		1,526,135	1,446,339
LIABILITIES			
Sight deposits	26	223,102	191,668
Term deposits	27	978,841	924,476
Liabilities for received loans	28	140,910	140,592
Other liabilities	29	12,969	11,361
Provisions	30	4,298	3,978
TOTAL LIABILITIES		1,360,120	1,272,075
CAPITAL			
Capital stock	31	91,897	91,897
Own/treasury shares		(6,592)	(6,592)
Revaluation reserves		358	(18)
Capital gain		149	149
Reserves		15,182	15,182
Accumulated gain		73,646	73,257
Loss/ gain for the current year		(8,625)	389
TOTAL CAPITAL		166,015	174,264
TOTAL LIABILITIES AND CAPITAL		1,526,135	1,446,339

Supplementary notes under number I to IX form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

P O S I T I O N	Reserves								TOTAL	
	Capital Stock	Own/ treasury shares	Revaluated reserves	Capital gain	Legal reserves	Reserves for own shares	Other reserves	Retained earnings		Profit of current year
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Position as at 1 January 2014	91,897	(6,592)	574	149	4,729	7,425	3,028	72,859	398	174,467
Profit allocation for 2013	0	0	0	0	0	0	0	398	(398)	0
Unrealized profit	0	0	(106)	0	0	0	0	0	0	(106)
Realized profit	0	0	(486)	0	0	0	0	0	0	(486)
Profit of current period	0	0	0	0	0	0	0	0	389	389
Position as at 31 December 2014	91,897	(6,592)	(18)	149	4,729	7,425	3,028	73,257	389	174,264
Profit allocation for 2014	0	0	0	0	0	0	0	389	(389)	0
Unrealized profit	0	0	876	0	0	0	0	0	0	876
Realized profit	0	0	(500)	0	0	0	0	0	0	(500)
Loss of current period	0	0	0	0	0	0	0	0	(8,625)	(8,625)
Position as at 31 December 2015	91,897	(6,592)	358	149	4,729	7,425	3,028	73,646	(8,625)	166,015

Supplementary notes under number I to IX form an integral part of these financial statements.

CASH FLOW STATEMENT – INDIRECT METHOD

For the year ended 31 December 2015

POSITION	2015	2014
	HRK '000	HRK '000
NET CASH FLOW FROM OPERATING ACTIVITIES		
Loss/profit before taxation	(10,592)	944
Adjustment to net cash assets from operating activities		
Depreciation	2,605	4,230
Loan impairments	19,079	12,114
Value adjustments of the other assets	19	(3)
Provisions for court disputes	156	204
Other value adjustments of assets held to maturity	321	(5)
Other value adjustments and provisions (net)	165	(65)
Changes an assets and liabilities from operating activities		
Increase in receivables from CNB	1,631	7,826
Decrease (increase) in placements with banks	(87)	(2)
Decrease (increase) in loans and advances to customers	64,338	48,242
Decrease (increase) in other assets	2,063	(2,513)
Increase (decrease) in sight deposits	31,434	(10,324)
Increase (decrease) in term deposits	54,365	(30,492)
Increase (decrease) in other liabilities	1,607	(1,742)
Income tax	1,967	(555)
Net cash flow from operating activities	169,072	27,859
CASH FLOW FROM INVESTING ACTIVITIES		
Decrease (increase) in financial assets available for sale	439	(4,623)
Decrease (increase) in financial assets held to maturity	1,769	39,602
Purchase of property, plant and equipment and intangible assets	(3,562)	(3,257)
Decrease (increase) in foreclosed assets	(5,493)	(1,580)
Net cash flow from investing activities	(6,847)	30,141
CASH FLOW FROM FINANCIAL ACTIVITIES		
Increase in liabilities for received loans	318	(25,997)
Other changes in equity (net)	376	(592)
Net cash flow from financial activities	694	(26,589)
Net change in cash and cash equivalents	162,919	31,411
Cash and cash equivalents at the beginning of the year	524,638	493,227
Cash and cash equivalents at the end of the year 34	687,557	524,638

Supplementary notes under number I to IX form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

I. GENERAL INFORMATION ABOUT THE BANK

1.1. Legal framework and activities

SLATINSKA BANKA d.d. SLATINA ("Bank") is registered with Commercial Court in Bjelovar. The Bank's headquarters is located in Slatina, Vladimira Nazora 2.

The Bank is registered to conduct business with foreign currencies in the country, carrying out financial intermediation, all types of deposits, all types of loans, opening of letters of credit, issuance of warranties and bank guarantees, transactions with bills of exchange, checks, lending, sale and purchase of own account or on behalf of their customers, carry out transactions in securities for its own account or the account of others, the issuance and management of payment, financial leases and factoring, providing information on the creditworthiness of customers, at their request, the performance of credit transactions with foreign countries and payments transactions with foreign countries, payment transactions in the country, providing services in the sale of insurance policies and the provision of other financial services.

1.2. Management Bodies of the Bank

The management Bodies of the Bank are General Assembly, Supervisory Board and the Management Board

Management Board:

- | | |
|--------------------|-----------------------|
| 1. Angelina Horvat | Chairman of the Board |
| 2. Marko Brnić | Member of the Board |

Supervisory Board:

- | | |
|------------------------|--|
| 1. Ružica Vadić | Chairman of the Supervisory Board |
| 2. Denis Smolar | vice president of the Supervisory Board, from 16th February 2015 |
| 3. Hrvoje Markovinović | Member of the Supervisory Board |
| 4. Blaženka Eror Matić | Member of the Supervisory Board |
| 5. Krunoslav Lisjak | Member of the Supervisory Board, from 28th August 2015 |

II. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Statement of adjustment and basis of preparation

The Financial Statements of Slatinska banka d.d. have been prepared in compliance with the legal requirements of the framework of financial reporting applicable in the Republic of Croatia for large entrepreneurs and entrepreneurs whose stocks or debt securities are listed or about to be listed at the regulated stock market, based on the International Accounting Standards, their supplements and related interpretations, and the International Financial Reporting Standards ("IFRS"), their supplements and related interpretations, established by the European Commission and published in the Official Journal of the European Union, which were in application on 31 December 2015.

Banking business in the Republic of Croatia is regulated by the Credit Institutions Act (Official Gazette 117/08, 74/09, 153/09, 108/12, 54/13, 159/13, 19/15 and 102/15), under which financial reporting is regulated 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 foreclosed liabilities, interest and currency risk, liquidity risk and currency position and provisions for credit risk.

We draw attention to the following differences between the requirements for recognition and measurement under IFRS and the accounting regulations of the CNB:

- The CNB requires from banks to recognize impairment losses, in the statement of profit or loss, for exposure carried at amortized cost and not specifically identified as impaired (including sovereign risk assets) at prescribed rates. Provisions on a collective basis are recognized in the balance sheet / statement of financial position in accordance with the requirements of the CNB. Based on the regulations of the CNB, Bank recognized repeal of provisions within impairment losses and provisions.

Although in accordance with IFRS such provisions should more properly be presented as an appropriation within equity, the Bank continues to recognize, in accordance with the rules of the CNB, as a substitute for incurred but unidentified impairment losses calculated in accordance with the requirements of IFRS.

- Bank calculates impairment losses on individually significant items by estimating the future cash flows and discounting these original effective interest rate. Amortization of such discounts, the Bank recognize as interest income. In certain cases, collections are recognized as interest income only at the moment of complete release of impairment losses.
- CNB prescribes minimum levels of impairment losses for certain exposures specifically identified as impaired, and which in some cases may be different from the impairment losses calculated in accordance with IFRS.

2.2. The basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which are in force in the European Union.

IFRS published by the Council for standards of financial reporting appointed by the Croatian Government (National gazette 136/09, 8/10, 18/10, 27/10, 65/10, 120/10, 58/11, 140/11, 15/12, 118/12, 45/13, 69/13), which were in force until the Croatian accession to the European Union, are in accordance with the IFRS established by the European Commission and published in the Official Journal of the European Union.

The financial statements are prepared based on fair value of financial assets available for sale. Other financial assets and liabilities and non-financial assets and liabilities are stated at depreciated cost or historical cost.

Throughout the preparation of financial statements, the Management gives assessments and estimates which have a bearing on the application of policies and declared asset and liability amounts, and the issue of potential liabilities and liabilities taken over on the day of the balance, as well as on the amounts of income and liabilities during the reporting period. Assessments and estimates are based on past experience and other factors and information available on the day of completion of financial statements. Actual results may differ from said estimates. Estimates and related assumptions are being frequently checked and, if needed, amended. Amendments to accounting estimates are recognized in the period of the amendment.

Key estimates used in the application of accounting policies during the drafting of financial statements pertain to the calculation of depreciation of long-term tangible and intangible assets, decreased by assets value, value correction of claims and provisions, and to issue of potential liabilities.

Financial statements are shown in the form regularly used and is internationally adopted for publishing financial statements of banks and other similar financial institutions.

2.3. Reporting currency

The financial statements of the Bank are prepared in Croatian kuna, rounded in thousand, as a measuring and reporting currency of the Bank. (if not stated otherwise)

At 31 December 2015 the official rate of Croatian kuna was 7,635047 HRK for 1 EUR (2014: it was 7,661471 HRK) and 6,991801 HRK for 1 USD (2014: it was 6,302107 HRK).

III SUMMARY OF ACCOUNTING POLICIES

Summary of significant accounting policies adopted in the preparation of financial statements is set out below. Policies are consistently applied to all the years presented that are included in this statements, unless otherwise stated.

3.1. Adoption of new and revised International Financial Reporting Standards "IFRS"

The following amendments to the existing standards are issued by the International Accounting Standards and Interpretations Committee issued by the Committee for International Financial Reporting Interpretations, and as adopted in the EU:

- Annual improvements from the 2011-2013 cycle, these amendments take effect in the EU for annual periods beginning on or after 1 January 2015, with earlier application permitted and are not expected to have a material impact on the Bank. They include:
 - IFRS 3 Business Combinations,
 - IFRS 13 Fair Value Measurement,
 - IAS 40 Investment Property
- IFRIC 21 Fees (taking effect in the EU for annual periods beginning on or after June 17 2014, with earlier application permitted).

Applying the above standard had no impact on the Bank's financial statements for 2015.

The new and revised IFRSs adopted for use in the EU but not yet effective

- Amendments to IAS 19 Defined Benefit Plans: Employee contributions - IAS 19 requires that the contributions of employees or third parties are taken into account in the calculation. These changes are taking effect in the EU for periods beginning on or after 1 February 2015, with earlier application permitted. The Bank's management does not expect these changes to have an effect on the Bank.
- Annual improvements from the 2010-2012 cycle and amendments took effect in the EU for annual periods beginning on or after 1 February 2015, with earlier application permitted and is not expected to have a material impact on the Bank. They include:
 - IFRS 2 Share-based Payment,
 - IFRS 3 Business Combinations,
 - IFRS 8 Operating Segments,
 - IFRS 13 Fair Value Measurement
 - IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets,
 - IAS 24 Related Party Disclosures

The new and revised IFRSs adopted for use from IASB, but not adopted in the EU

The following standards and amendments to existing standards have not been adopted by the EU:

- IFRS 9 Financial Instruments - in July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which contains a comprehensive project of financial instruments and replacement of IAS 39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The application of standards will have impact on the classification and measurement of financial instruments.
- IFRS 14 The accruals - standard applies to entities operating on regulated markets who are for the first time adopting IFRS. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. The Bank prepares financial statements in accordance with IFRS, and will not apply this standard.
- IFRS 15 Revenue from contracts with customers - IFRS 15 was issued in May 2014 and represents a new model in five steps which refers to income arising from contracts with customers. Management carried out a detailed analysis about the possible effects of the above standards on the Bank's financial statements.
- Annual improvements IFRS cycle 2012th to 2014th
 - IFRS 5 - Non-current assets held for sale and discontinued operations
 - IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1)
 - IAS 19 - Employee Benefits
 - IAS 34 - Financial statements for the interim period

These changes will take effect on 1 January 2016. Earlier application is permitted.

- Amendments to IFRS 10 and IAS 28 - Sale or entry of the property between the investor and the associate or joint venture (issued in September 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: the application of the exemption from consolidation (issued in December 2014)
- Amendments to IFRS 11 - Accounting for the acquisition of shares in joint operations (issued in May 2014)
- Amendments to IAS 1 - Disclosures (issued in December 2014)
- Amendments to IAS 16 and IAS 38 - Clarification of the eligible methods of depreciation (issued in May 2014)
- Amendments to IAS 16 and IAS 41 - Agriculture: perennial plantations (issued in June 2014)
- Amendments to IAS 27 - Equity method in the separate financial statements (issued in August 2014)

The Management Board anticipate that the application of the above standards, amendments and interpretations will not have a significant impact on the financial statements in the period of initial application.

3.2. Interest income and expenses

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method and based on real purchase price. Interest income includes coupons earned on fixed income investment and trading securities for sale and accrued discount and premium on treasury bills and other discounted instruments.

Interest on placements evaluated risky is recorded in the balance-sheet and recognized in income only after collection.

Fees and commissions directly related to the given credit in the calculation of effective interest rate and recognized as income on a time basis.

3.3. Fee and commission income and expenses

Fees and commissions income mainly comprises fees and commissions from domestic and international payment transactions, guarantees, letters of credit, cards and assets management, and are recognized in the income statement when the corresponding service is provided, except for the cases when they are included in the calculation of effective interest rates.

Fees and commissions expenses comprise fees paid to the authorized banks for foreign payment transactions and for the services of the Financial Agency ("FINA") for domestic payment transactions.

3.4. Net income and losses from financial instruments at fair value through profit and loss statement and the result from purchase and sale of currencies and currency rate differentials made through recalculation of monetary assets and liabilities

This category includes earnings from purchase and sale of currencies, realized and unrealized profit and loss from debt and equity securities kept for trading, other financial instruments valued at fair value through the PLA, and derivative financial instruments. Net profit and loss from currency rate differentials made through recalculation of monetary assets and liabilities denominated in foreign currencies are also included in this category.

3.5. Foreign currencies

Transactions in foreign currencies are converted into the functional currency according to the exchange rate applicable on the transaction date. Croatian Kuna is the functional currency of the Bank and financial statements are presented in Croatian Kuna.

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.

Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

Non-monetary items denominated in foreign currencies measured at fair value are translated to HRK at the exchange rate prevailing at the date of determination of fair value. Non-monetary items denominated in foreign currencies measured at historical cost should be reported using the exchange rates at the dates of the transactions.

Gains and losses arising on translation and foreign currency trading are recognized in the statement of comprehensive income for the corresponding year.

3.6. Taxation

Profit tax expense represents the joint amount of current tax liabilities and deferred taxation.

a) Current tax

Current tax liabilities are based on taxable profit for the year. Taxable profit differs from net profit of the period declared in the PLA for amounts which are not added to the tax base, as well as amounts of tax-unrecognized expenses. The current tax liability of the Bank is calculated using valid interest rates, or those interest rates valid on the balance date.

The Management Board shall periodically assess the positions of tax claim with respect to situations in which applicable tax laws are subject to interpretation, and the Bank shall perform provisioning when possible.

b) Deferred tax

Deferred tax is calculated using the liability method and shows tax effects of all significant time differentials between the tax basis, assets and liabilities and amounts declared in financial statements.

3.7. Pension plans / retirement benefits

Defined contribution plans

Contributions from the Bank's pension plans burden the PLA in the year pertaining.

Defined benefit plans

Surplus and deficits from retirement benefit (pension) plans are measured per:

- Fair value of assets available for said benefits, as at the day of reporting, less
- Current net value of benefits and
- Adjustments for non-recognized expenses of previous services

The Bank has no other retirement plans except those included within the state retirement plan in the Republic of Croatia.

3.8. Financial instruments

The Bank's financial assets have been classified into portfolios depending on the purpose the bank envisioned when acquiring the financial instrument, and in accordance with the Bank's investment strategy. Financial assets and liabilities have been classified into the following categories: „Fair value in the PLA“, „Loans and receivables“, „Held to maturity“, „Available for sale“ and „Other financial liabilities“.

All financial assets and liabilities are recognized, or cease to be recognized, on the day of trade (purchase or sale) of financial asset or liability, as defined by the contractual date of delivery of financial assets within terms determined in accordance with conventional terms on the market.

At initial recognition of financial asset or liability, the Bank measures said asset/liability at purchase cost plus transaction expenses (except financial assets at fair value in the PLA) which can be directly tied to the acquisition, i.e. issuing of the financial asset/liability.

a) Financial assets/liabilities at fair value in the profit and loss account

Said category includes two sub-categories: Financial instruments held for trade (including derivatives), and those that the Bank initially placed in this category. A financial instrument shall be placed in this category if it was acquired or made for sale or repurchase within a short period of time, for the purpose of short-term profit or classification by the management into this category.

After initial recognition, financial assets at fair value in the PLA shall be calculated and recognized at fair value equal to the price quoted on official stock exchanges, or shall be determined through the application of acceptable value assessment models. The Bank is declaring non-realized profit and loss within the category net profit/loss from financial business.

b) Loans and receivables

Loans and receivables represent non-derivative financial assets with fixed or determined payment not quoted on the active market. They are made when the Bank gives cash assets to clients without any plan to trade receivables; they include loans and receivables from banks, clients, replacement bonds and obligatory reserves at the CNB.

They are initially measured at cost, and are later decreased for value correction amount due to adjustment.

The amount of the value adjustment due to decrease shall be declared if there is objective evidence that collection of entire amount receivable will not be possible by the Bank. Value correction represents the difference between the book value and the value that can be covered, representing the current value of expected cash flow, including amounts coverable through guarantees and collateral. Value adjustment/correction for losses from decrease per individual loan shall be estimated based on credit standing of the borrowing party, taking in consideration the value of instruments of insurance for loan repayment, or a third-party guarantee.

Non-collected matured loans are written-off in the amount of related value adjustment due to the decrease, while all later collected amounts are declared in the profit and loss statement, as other income.

The Bank charges penalty interest for late repayment, which is calculated based on incoming cash flow and is declared within income from interest.

c) Investments held to maturity

Investments held to maturity represent non-derivative financial assets with fixed or determinable payment amount and fixed maturity which the Bank intends and has the means to hold until maturity. This category includes certain debt securities.

All financial instruments held to maturity are declared as depreciated expense decreased by provisions for value decrease. Interest earned made based on these financial instruments is declared as income from interest.

The Bank regularly checks to see if there exists objective proof which would point to value decrease of assets held to maturity. When it has been determined that there was a value decrease of assets, the Bank shall declare appropriate provisions in the Statement of Comprehensive Income. Loss from decrease shall be annulled in later periods if the increase of the coverable investment amount can be objectively tied to the event after recognition of decrease.

d) Financial assets available for sale

Financial assets available for sale are non-derivative financial assets classified in this category, or is not classified in another category. Financial assets classified as available for sale are those assets that are intended to be held for a certain period of time, but may be sold if the need for maintaining liquidity or change of interest rates, exchange rates or prices of ownership/equity instruments arises. Financial assets available for sale include debt and equity securities.

After initial recognition, financial assets available for sale are calculated again at fair value, based on quoted prices or amounts derived from the cash flow model. If the market value cannot be ascertained with certainty, the Bank shall determine fair value using estimation techniques. They include using prices from recent transactions between informed and ready parties, referring to other similar instruments, using analyses of discounted cash flows and optional price models, all the while using market-based information as much as possible.

Non-realized gains and losses arising from changes to fair value of assets classified as available for sale shall be recognized as equity/principal until the moment of sale or decrease of financial assets; after that, realized gains or losses shall be declared as net profit or loss of the period.

e) Other financial liabilities

Other financial liabilities contain all financial liabilities/expenses not held for trade or which are not classified in the fair value category in the PLA.

3.9. Investments in subsidiaries

Subsidiaries are entities in which the Company has the power to govern the financial and operating policies (over 50% stake). Investments in subsidiaries are accounted for by the cost method, with the decrease of the carrying value of this asset - investment to its recoverable amount.

The Bank also prepares consolidated financial statements of the subsidiary in which it has the entire share portion and control.

3.10. Fair value of financial instruments

Fair value of financial instruments being traded on active markets shall be determined on each reporting date, with respect to quoted market prices or distributor's quoted prices, without decrease for transaction costs.

Fair value of financial instruments not being traded on active markets shall be determined through the use of value estimate techniques. Such techniques may include the use of new, non-biased market transactions; use of current fair value of another similar instrument; analysis of discounted cash flow, or other models of value estimation

3.11. Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and / or accumulated impairment losses, and make tangible assets if their useful life is longer than one year, and single value is greater than HRK 3,500 at the acquisition date. Cost includes purchase price, the cost of spare parts, plant and equipment, borrowing costs for long-term construction projects, and other dependent costs and estimated future costs of dismantling, if recognition conditions are met, while the liability is recorded as commission.

Land and property are recorded at cost less accumulated depreciation of property and asset impairment losses recognized after the date of revaluation, on the basis of periodic evaluation by professional appraisers.

Depreciation is calculated to write-off the cost of the assets, except land and investments in progress, over their estimated useful lives using the straight-line method. At the beginning of 2015 fiscal year, according to the decision of the Management Board, the Bank re-evaluated the useful life of the assets, which is estimated as follows at the following rates:

DESCRIPTION	2015	2014
	%	%
Buildings	2.00 - 2.50	2.50
Computer equipment	25	25
Furniture	20	20
Cars	40	40
Other equipment	10 - 25	10 - 25

If useful life of assets was not changed, the cost of depreciation for the period would be higher for HRK 335 thousand. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gains or losses from disposal of certain asset are determined as difference between sale revenue and carrying amount of that asset and are recognized as expense or income in the Income statement. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

3.12. Intangible assets

Intangible assets pertain to IT programmes and investments in someone else's assets initially calculated at purchase cost and depreciated using the straight-line method during their estimated life spans.

Individually acquired intangible assets are initially recognized at purchase value. Purchase value of intangible assets acquired through business combination represents fair value on the date of acquisition.

After initial recognition, intangible assets are entered at purchase value decreased by depreciation costs and eventual accumulated losses due to asset decrease. Intangible assets made through own production, excluding capitalized development costs, shall not be capitalized, and expenses shall be recognized in the PLA for the year in which they were made. Lifespan of intangible assets shall be estimated as limited (determined) or unlimited (undetermined).

Intangible assets with determined lifespan shall be depreciated during the estimated lifespan and shall be decreased when condition for this have been met. Depreciation period and method for intangible assets with determined lifespan shall be revised at least at the end of each fiscal year. Changes in expected lifespan or in the expected method of use future economic benefits included in these assets shall be calculated through the change in depreciation period and method, and shall be treated as changes to accounting estimates. For the purpose of preparing these financial statements, the Bank calculated depreciation of intangible assets using the depreciation rate of 10%. At the beginning of 2015, according to the decision of the Management Board, the Company made a reassessment of the useful lives of intangible assets, which is estimated at 10 years. If there had not been a change, depreciation cost for the period would be increased by HRK 1,099 thousand.

The depreciation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level.

3.13. Use of estimates

The preparation of the financial statements in accordance with the International Financial Reporting Standards ("IFRS") requires that the Bank's Management Board make estimates and assumptions that affect the amounts reported in financial statements and accompanying notes. The estimates have been made based on historical experience and various other factors that are believed to be realistic in the circumstances and information available at the date of preparation of financial statements, the results of which form the basis for judgments about carrying values of assets and liabilities that are not easily ascertainable from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which they are incurred if affect only that period or the period in which they are incurred and future periods if affect current and future periods.

3.14. Potential liabilities and liabilities taken over

During its business, the Bank declared potential liabilities and liabilities taken over in off-balance entries, through issuing guarantees, credit notes, approving credits/loans not entirely used, and through other potential liabilities. These financial instruments are shown in the Bank's balance if and when the Bank covers the matured liability.

Provisions for possible losses pursuant to potential liabilities and liabilities taken over shall be kept on the level for which the Bank's management feels is sufficient to absorb possible future losses. The Management shall determine sufficiency of these provisions based on the insight into individual items, current economic circumstances, various transaction risk categories, as well as other pertinent factors.

3.15. Cash flow report

For the purpose of cash flow reporting, cash and cash equivalents contain cash assets, placements to banks with remaining maturity of 90 days, treasury notes and bonds of the Croatian Ministry of Finance with remaining maturity of 90 days, and bills of exchange and bonds of companies with remaining maturity of 90 days and investment in investment fund.

3.16. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the Bank's Management Board that reaches strategic decisions.

The Bank has identified four primary segments: Corporate, Retail, Banks and Other. The primary segmental information is based on the internal reporting structure of business segments. Where it was possible the positions of the balance sheet and income statement were shown by mentioned segments.

3.17. Regulatory requirements

The Bank is subject to the regulatory requirements of the Croatian National Bank. These regulations include limits and other restrictions pertaining to minimum capital adequacy requirements, classification of loans and off-balance sheet commitments and provisioning to cover credit risk, liquidity, interest risk and risk related to foreign currency position.

3.18. Events after the report date

Events after the date of the financial position report are those events which have positive or negative effects and which emerged between the financial position report date and the date of approving the issue of the financial statements. The Bank shall coordinate the amounts which it recognized in its financial statements for events after the date of the financial position report which need adjusting.

3.19. Side-by-side data

Where necessary, side-by-side information has been reclassified to achieve consistency in disclosure with current financial year and other data.

IV. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4. INTEREST INCOME

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Corporate	26,075	32,052
Individuals and unincorporated business	35,457	40,163
Banks	43	116
Other	7,283	7,341
Total	68,858	79,672

5. INTEREST EXPENSES

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Corporate	1,038	927
Individuals and unincorporated business	27,256	29,596
Banks	3,467	4,117
Other	2,492	3,230
Premiums for deposit insurance	2,962	2,769
Total	37,215	40,639

6. FEE AND COMMISSION INCOME

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Corporate	3,442	3,494
Individuals and unincorporated business	7,002	7,327
Other	1,414	1,396
Total	11,878	12,217

7. FEE AND COMMISSION EXPENSES

DESCRIPTION	2015	2014
	HRK '000	HRK '000
The fee for services of FINA	1,700	1,827
Foreign banks	286	229
Domestic customers	981	1,021
Total	2,967	3,077

8. NET INCOME FROM EXCHANGE GAINS

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Net foreign exchange losses due to the revaluation of foreign currency assets and liabilities at the exchange rate	1,711	(1,693)
Net foreign exchange losses due to revaluation of positions to foreign currency clause at an agreed exchange rate	(1,590)	1,282
Net foreign exchange losses on foreign currency trading	2,870	2,729
Total	2,991	2,318

9. OTHER OPERATING INCOME

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Income from financial assets available for sale	580	2,641
Written off liabilities for which the statutory time limits occurred	1	0
Collected court and similar costs per covered lawsuit	87	365
Income from the sale of foreclosed assets	37	426
Other	954	467
Total	1,659	3,899

10. OTHER EXPENSES

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Staff expenses (note 11)	19,478	20,722
Depreciation (notes 22 i 23)	2,605	4,230
Other business expenses (note 12)	14,142	16,175
Total	36,225	41,127

11. STAFF EXPENSES

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Net salaries	11,137	11,597
Contributions from and on salaries	5,757	6,078
Taxes and surtaxes from salaries	1,620	2,021
Other staff expenses	964	1,026
Total	19,478	20,722

12. OTHER BUSINESS EXPENSES

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Material and similar expenses	1,966	2,124
Service expenses	10,591	11,142
Advertising, marketing and representation costs	416	799
Supervisory Board member fees	437	513
Other	732	1,597
Total	14,142	16,175

13. COST OF VALUE ADJUSTMENTS AND PROVISIONS

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Value adjustment of placements on individual basis		
- Financial assets held until maturity (Note 19)	321	(5)
- Loans and advances to clients (Note 20)	19,398	13,305
- Other assets (Note 25)	19	(3)
Value adjustment of placements, grouped (Notes 17, 19, 20, 21, 25)	(319)	(1,191)
Collected previous written off receivables	(35)	(52)
Value adjustment of investments in subsidiaries (Note 21)	(133)	126
Provisions for litigation costs (Note 30)	156	204
Provisions for potential liabilities (Note 30)	165	(65)
Total	19,572	12,319

14. PROFIT TAX

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Accounting profit /loss	(10,592)	944
Items increasing the tax basic	1,320	2,279
Items decreasing the tax basic	(184)	(227)
Tax basic	(9,456)	2,996
Tax rate	20%	20%
Tax obligations	0	599
EXPENSE / (INCOME) FROM DEFERRED TAXATION	(1,967)	(44)
TAX EXPENSE	(1,967)	555

V. NOTES TO THE BALANCE SHEET / STATEMENT OF FINANCIAL POSITION

15. CASH

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Giro account	87,881	58,705
Cash in hand:		
- HRK	16,175	18,737
- foreign currency	11,446	9,695
Cash at foreign current accounts with foreign banks	86,163	94,657
Cash at foreign current accounts with domestic banks	81,577	41,256
Other cash assets	49	55
Total	283,291	223,105

16. RECEIVABLES FROM THE CROATIAN NATIONAL BANK

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Obligatory reserve		
- HRK	86,350	78,807
- foreign currency	13,804	12,841
Obligatory treasury notes	0	10,137
Total	100,154	101,785

The Bank is required with the CNB to deposit reserve requirement in the amount of 12% of short-term and long-term deposits to which the reserve requirement is calculated. The Bank cannot for its daily operations use the amount of required reserves.

HRK portion of so calculated obligatory reserves shall be increased to 75% of the calculated reserve requirement on foreign currency deposits and loans. The percentage of kuna reserve requirement is 70%. Kuna reserve requirement deposited with the National Bank will transfer the funds accrued on the account of statutory reserves which leads CNB. In 2015, the foreign currency reserve requirement allocated to the foreign currency accounts of the CNB.

Separation of foreign exchange reserve requirement is performed in Euros. Commitment appropriations in foreign currency is calculated by applying the middle exchange rate on the day of reckoning. The percentage of foreign exchange reserve requirement amounted to 60%.

By CNB's decision on reserve requirements on December 15th 2015 it was introduced a 100% maintenance of foreign exchange reserve requirement, with the application of 13 January 2016. It was also introduced the obligation of banks that calculation from May 2016, 2% of the foreign currency reserve requirement maintain average daily balance of funds on their own foreign currency with euro settlement accounts with the CNB, or on its own PM accounts in the system TARGET2-HR.

17. PLACEMENTS WITH BANKS

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Short – term deposits to Croatian banks	1,432	1,383
Total	1,432	1,383

18. FINANCIAL ASSETS AVAILABLE FOR SALE

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Investments in equity securities	313	313
Investments in investment funds	27,695	25,565
Investments in debt securities		
- State institutions bonds in HRK	42,882	18,576
- State institutions bonds in foreign currency	10,647	0
- State institutions bonds with foreign currency clause	37,084	0
- Company bonds in HRK	0	10,616
- Company bonds with foreign currency clause	3,864	3,877
- Treasury notes of the Ministry of Finance of the Republic of	133,144	103,561
- Treasury notes of the Ministry of Finance of the Republic of Croatia – in foreign currency	34,121	0
- Treasury notes of the Ministry of Finance of the Republic of Croatia with foreign currency clause	81,281	76,039
Total	371,031	238,547

19. FINANCIAL ASSETS HELD TO MATURITY

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Company bills of exchange	15,011	52,019
Company bills of exchange with foreign currency clause	33,432	0
State institution bills of exchange	1,304	630
Trade bonds	0	0
Treasury notes of the Croatian Ministry of Finance	0	29,184
Value adjustment	(2,064)	(1,774)
Total	47,683	80,059

Changes in value adjustment are as follows:

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Position as at 1 January	(1,774)	(1,867)
Net value adjustment/correction (note 13) - special reserves	(321)	(5)
Net value adjustment/ correction (note 13) - general reserves	31	98
Position as at 31 December	(2,064)	(1,774)

20. LOANS AND PREPAYMENTS TO CUSTOMERS

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Companies	329,368	338,709
Individuals and tradesmen	377,211	432,849
Other	39,970	39,372
Value adjustment of loans	(92,635)	(73,599)
Total	653,914	737,331

Risk concentration by sector of industry in client loan portfolio is as follows:

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Production / Manufacture	81,899	78,582
Trade	108,268	95,634
Tourism	14,614	12,050
Agriculture	59,401	69,854
Civil Engineering/ Construction	16,175	14,571
Services	49,011	16,247
Private entities/ individuals	377,211	431,599
Others	39,970	92,393
Total	746,549	810,930
Value adjustments and provisions for loan-based losses	(92,635)	(73,599)
Grand total	653,914	737,331

Value adjustments changes, i.e. provision for possible losses and loans are shown as follows:

DESCRIPTION	2015			2014		
	Value adjustment	Special Reserves for Identified Joint losses	Total	Value adjustment	Special Reserves for Identified Joint losses	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Position as at 1 January	(66,089)	(7,510)	(73,599)	(53,795)	(8,599)	(62,394)
Net value adjustment (Note 13)	(19,398)	282	(19,116)	(13,353)	1,089	(12,264)
Currency rate differentials	(11)	0	(11)	(21)	0	(21)
Write-off and other	91	0	91	1,080	0	1,080
Position as at 31 December	(85,407)	(7,228)	(92,635)	(66,089)	(7,510)	(73,599)

In accordance with Bank policies, which are attuned to current law, the Bank must secure provisions for joint losses or decreased value for placements classified as risk level A. The Bank shall perform value adjustment (decrease) of such placements in the amount of latent losses, which it shall determine using its pre-prepared and tested internal methodologies based on experience, where the level of value adjustment must not be less than 0.80% of total position of these placements. The Bank shall keep so determined provisions between 0.00% to 4.20% non-risk assets and non-risk off-balance potential liabilities as at 31 December 2015 (0.00% to 4.20% non-risk assets and non-risk off-balance potential liabilities as at 31 December 2014).

21. INVESTMENT IN SUBSIDIARY

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Turbina d.o.o., Slatina	9,500	9,500
Value adjustment	(3,942)	(4,075)
Position as at 31 December	5,558	5,425

The Bank has a 100% shares in the mentioned company. Investment in subsidiary is stated at cost method, decreased by carrying value of this asset - investment to its recoverable amount.

Changes in value adjustments are shown as follows:

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Position as at 1 January	(4,075)	(3,949)
Net value adjustment/ correction (Note 13)	133	(126)
Position as at 31 December	(3,942)	(4,075)

22. PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	Land	Buildings	Equipment	Furniture and transport equipment	Assets in preparation	Total real property, plans and equipment
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Purchase value						
Balance at 1 January 2014	1,256	34,469	18,833	8,197	786	63,541
Additions	0	0	0	0	2,026	2,026
Transfer from assets in preparation	10	1,161	995	110	(2,276)	0
Disposals and write-offs	0	0	(388)	(34)	0	(422)
Balance at 31 December 2014	1,266	35,630	19,440	8,273	536	65,145
Additions	0	0	0	0	3,257	3,257
Transfer from assets in preparation	11	1,666	348	45	(2,070)	0
Disposals and write-offs	(140)	(689)	(435)	0	0	(1,264)
Balance at 31 December 2015	1,137	36,607	19,353	8,318	1,723	67,138

Impairment

Balance at 1 January 2014	0	13,022	15,935	7,655	0	36,612
Depreciation for 2014	0	868	1,348	322	0	2,538
Disposals and write-offs	0	0	(388)	(34)	0	(422)
Balance at 31 December 2014	0	13,890	16,895	7,943	0	38,728
Depreciation for 2015	0	753	1,075	153	0	1,981
Disposals and write-offs	0	(155)	(435)	0	0	(590)
Balance at 31 December 2015	0	14,488	17,535	8,096	0	40,119

Net carrying value

As at 1 January 2014	1,256	21,447	2,898	542	786	26,929
As at 31 December 2014	1,266	21,740	2,545	330	536	26,417
As at 31 December 2015	1,137	22,119	1,818	222	1,723	27,019

Right to lien (i.e. mortgage) was entered on one part of the Bank's real estate property, for the benefit of Zveza Bank, Bank und Revisionsverband registrierte Genossenschaft mit beschränkter Haftung, Klagenfurt, Republic of Austria, for the purpose of insuring cash claims (ref. Note 27). Book value of mortgaged property - business building of the Bank in Slatina as at 31 December 2015 was HRK 5,431 thousand (HRK 5,610 thousand as at 31 Dec. 2014).

23. INTANGIBLE ASSETS

DESCRIPTION	Software	Investments in property of third parties	Intangible assets under construction	Total intangible assets
	HRK '000	HRK '000	HRK '000	HRK '000
Purchase value				
Balance at 1 January 2014	12,641	2,091	1,305	16,037
Additions	0	0	1,230	1,230
Transfer from assets in preparation	1,072	0	(1,072)	0
Balance at 31 December 2014	13,713	2,091	1,463	17,267
Additions	0	0	981	981
Transfer from assets in preparation	1,039	0	(1,039)	0
Disposals and write-offs	(319)	(33)	0	(352)
Balance at 31 December 2015	14,433	2,058	1,405	17,896

Impairment

Balance at 1 January 2014	7,756	1,779	0	9,535
Depreciation for 2014	1,660	32	0	1,692
Balance at 31 December 2014	9,416	1,811	0	11,227
Depreciation for 2015	583	36	0	619
Disposals and write-offs	(319)	(27)	0	(352)
Balance at 31 December 2015	9,680	1,820	0	11,520

Net carrying value

Balance at 1 January 2014	4,885	312	1,305	6,502
Balance at 31 December 2014	4,297	280	1,463	6,040
Balance at 31 December 2015	4,753	238	1,405	6,396

24. ASSETS TAKEN OVER

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Land - taken over for over 2 years	2,107	2,116
Structures/buildings - taken over for over 2 years	4,052	4,153
Other assets - taken over for over 2 years	0	3
Land - taken over for less than 2 years	1,336	374
Structures/buildings - taken over for less than 2 years	6,553	1,909
Total	14,048	8,555

Assets taken over declared in the balance sheet of the Bank as at 31 December 2015 in the amount of HRK 14,048 (HRK 8,555 as at 31 December 2014) pertains to assets that the bank took over as coverage for non-collected receivables from credits/loans and placements. It is the estimation of the Bank that the value of assets taken over is close to its actual market value.

Changes in assets taken over are shown as follows:

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Position as at 1 January	8,555	6,975
Increase		
- real property tax and other	63	0
- newly acquired assets	5,543	2,283
Decrease		
- sales	(113)	(703)
Position as at 31 December	14,048	8,555

25. OTHER ASSETS

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Calculated assets	8,670	8,429
Fee and commission receivables	3,702	3,889
Receivables for cash sent to collection centre	2	3,929
Deferred tax assets	4,049	2,082
Accounts receivable	1,370	1,406
Card-based receivables	747	1,037
Receivables for advance payments of profit/company tax	560	560
Receivables from customers based on paid court expenses	2,666	533
Paid expenses of future period	558	481
Advance payments	81	19
Other	552	533
Value adjustment	(7,347)	(5,206)
Total	15,610	17,692

Changes in value adjustment are as follows:

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Position as at 1 January	(5,206)	(4,888)
Net value adjustment / correction (Note 13)- general reserves	6	15
Net value adjustment / correction (Note 13) – special reserves	(19)	50
Write- off and other	(2,128)	(383)
Position as at 31 December	(7,347)	(5,206)

26. SIGHT DEPOSITS

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Sight deposits – individuals		
- HRK	73,772	63,997
- foreign currency	75,302	54,215
Total individuals	149,074	118,212
Sight deposits – individuals		
- HRK	49,666	37,531
- foreign currency	5,366	4,660
Total individuals	55,032	42,191
Sight deposits – financial institutions		
- HRK	127	90
Total financial institutions	127	90
Sight deposits – state and other institutions		
- HRK	16,012	30,189
- foreign currency	97	45
Total state and other institutions	16,109	30,234
Limited deposits		
- HRK	513	424
- foreign currency	382	17
Total limited deposits	895	441
Sight deposits – foreign banks		
- HRK	45	35
- foreign currency	1,820	465
Total foreign deposits	1,865	500
GRAND TOTAL	223,102	191,668

27. TERM DEPOSITS

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Individual deposits		
- HRK	225,560	216,110
- Foreign currency	673,412	645,607
Total individuals	898,972	861,717
Company deposits		
- HRK	25,537	20,120
- Foreign currency	6,123	3,525
Total companies	31,660	23,645
Financial institutions deposits		
- HRK	13,371	10,646
- Foreign currency	0	855
Total financial institutions	13,371	11,501
State and other institutions deposits		
- HRK	22,912	15,081
- Foreign currency	80	78
Total state and other institutions	22,992	15,159
Foreign entity deposits		
- Foreign currency	11,846	12,454
Total foreign entities	11,846	12,454
GRAND TOTAL	978,841	924,476

28. LIABILITIES FOR RECEIVED CREDITS/ LOANS

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Domestic banks (Croatian Bank for Reconstruction and Development)	105,063	105,488
Domestic non-banking financial institutions	24,776	23,995
Foreign banks	11,071	11,109
Total	140,910	140,592

Liabilities toward the CBRD as at 31 December 2015 amounted to HRK 105,063 thousand (HRK 105,488 thousand as at 31 Dec. 2014). These sources are meant for approving loans to legal and private entities, in accordance with CBRD programmes. Depending on the purpose of the credit/loan, interest rates were 0%-5% (0%-5% also in 2014).

Liabilities toward domestic non-banking financial institutions as at 31 December 2015 were HRK 24,776 thousand (HRK 23,995 thousand as at 31 December 2014) and refers to REPO transactions concluded with AUCTION INVEST d.o.o. REPO rate is fixed for each contract, from 3.0% to 3.5%.

Liabilities toward foreign banks as at 31 December 2015 refers to liabilities toward Zveza Bank, Klagenfurt, Republic of Austria, amounted to HRK 11,071 thousand (HRK 11,109 thousand as at 31 December 2014). The loan was approved for the amount of EUR 1,450 thousand with maturity till 30 June 2017, as single payment. Interest rate is 4.75%, variable, and is calculated quarterly. Insurance for the loan is mortgaged real estate property of the Bank in Slatina (Note 22).

29. OTHER LIABILITIES

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Credit overpayment liabilities	3,744	4,138
Accounts payable	2,056	1,649
Liabilities toward employees	1,515	1,590
Supervisory Board member fees	38	39
Deferred interest income	3,862	1,271
Dividend liabilities	122	122
Income taxes and contributions	0	7
VAT liabilities	15	8
Other liabilities	1,617	2,537
Total	12,969	11,361

30. PROVISIONS

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Provisions for court cases (litigation costs)	2,876	2,720
Provisions for identified losses	14	1
Provisions for losses as per off-balance potential liabilities	1,408	1,257
Total	4,298	3,978

Changes in provisions are as follows:

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Position as at 1 January	3,978	3,839
Changes on provisions for litigation costs (Note 13)	156	204
Changes in provisions for potential liabilities and identified losses (Note 13)	164	(65)
Position as at 31 December	4,298	3,978

31. CAPITAL

Subscribed capital as at 31 December 2015 amounted to HRK 91,897 thousand divided into 918,972 shares of HRK 100 per share nominal value.

Pursuant to the decision of the General Assembly as of 29 June 2006 on elimination of preferred shares it was ascertained that capital stock of the Bank of HRK 91,897,000 divided into 172,412 immaterial (intangible) name shares of which 114,662 such common shares of series "A" carries a nominal value of HRK 600 each and 57,750 preferred immaterial shares of series "B" carry a nominal value of HRK 400 each, and that by this decision all preference is eliminated in full, so that said shares thereby become immaterial name shares of HRK 400 nominal value each. Pursuant to the decision of the General Assembly as of 29 June 2006 on division of shares, one common name share of the Bank carries a nominal value of HRK 600 and is divided into 6 common name shares of the Bank at HRK 100 nominal per-share value, and one share that was until this time a preferred share at HRK 400 nominal value shall be divided into 4 common name shares of the Bank at HRK 100 nominal value.

Largest shareholders of the Bank as at 31 December 2015 are shown as follows:

Shareholder	At 31 Dec 2015	Percentage of share in capital stock
	Number of shares	%
HYPO ALPE-ADRIA-BANK D.D./ SZAIF D.D. (1/1)	220,552	24.00
DRŽAVNA AGENCIJA ZA OSIG. ŠTEDNIH ULOGA I SANACIJU (1/1)	76,494	8.32
SOKAČIĆ DRAGUTIN (1/1)	73,781	8.03
SB-S D.D. (1/1)	71,374	7.77
BANKA SPLITSKO - DALMATINSKA D.D. (1/1)	61,200	6.66
BERIŠIĆ LJUBICA (1/1)	36,412	3.96
GALIĆ JOSIP (1/1)	29,962	3.26
MRKOCI MILIVOJ (1/1)	29,960	3.26
FINESA CREDOS D.D.. FINANCIJSKA KOMPANIJA (1/1)	29,073	3.16
MIKULIĆ EMIL (1/1)	26,554	2.89
AUCTOR INVEST D.O.O./ BORAS ARIJANA (1/1)	10,063	1.10
HITA-VRIJEDNOSNICE D.D./ MIKULIĆ EMIL (1/1)	10,000	1.09
Other	243,547	26.50
TOTAL 1,197 SHAREHOLDERS	918,972	100.00

32. EARNINGS PER SHARE

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Loss/ profit of current year (in thousands of HRK)	(8,625)	389
Number of shares (in thousands of shares)	918,972	918,972
Loss /Earnings per share	(9,39) kuna	0,42 kune

33. POTENTIAL LIABILITIES

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Performance guarantees		
- HRK	2,268	2,649
- Foreign currency	215	123
Payment guarantees		
- HRK	2,475	3,622
- Foreign currency	944	550
Letters of credit		
- Foreign currency	0	213
Approved unrealised credit line	45,350	34,480
Other potential liabilities	10,002	12,594
Total	61,254	54,231
Provisions for potential liabilities	(1,421)	(1,257)
Grand total	59,833	52,974

34. CASH AND CASH EQUIVALENTS

Money and cash equivalents comprise cash placements to banks, treasury notes and bills of exchange with up to 90 days maturity:

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Cash assets	283,291	223,105
Placements to banks with remaining maturity up to 3 months	657	695
Treasury notes and bills of exchange, with remaining maturity up to 3 months		
- Portfolio available for sale	366,854	233,798
- Portfolio to maturity	36,755	67,040
Total cash and cash equivalents	687,557	524,638

35. ASSETS FOR AND ON BEHALF

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Total sources	11,165	12,085
Less: assets	(10,713)	(11,707)
Assets not spent	452	378

The Bank manages assets for and on behalf of third parties, mainly placed as credits/loans. These assets are kept on books separate from Bank assets. Income and expenses based on these assets are entered in books for the benefit or burdening appropriate sources, while the Bank did not take over any appertaining risk. The Bank charged fees for its part, which was collected through burdening these assets.

36. RELATED PARTY TRANSACTIONS

Related parties are those in which one party is controlling or have significant influence in governing the financial and operating business decisions of other party. Bank activities with the related parties are conducted in the course of ordinary operations, which include loans and deposits assignation. Mentioned transactions are conducted under commercial conditions and market rates, respectively, prices. Total amount of transactions with related parties, closing balances at the end of a year and related income and expense for the year are shown as follows:

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Loans and advance payments to clients		
Shareholders having 5 or more percent of voting shares	10,619	14,515
Others (employees and associated parties)	2,440	3,368
Total loans and advance payments to clients	13,059	17,883
Potential liabilities		
Shareholders having 5 or more percent of voting shares	0	1,515
Others (employees and associated parties)	536	400
Total potential liabilities	536	1,915
Sight deposits		
Shareholders having 5 or more percent of voting shares	10	15
Others (employees and associated parties)	142	82
Turbina d.o.o., Slatina	374	304
Total sight deposits	526	401

DESCRIPTION	At 31 Dec 2015	At 31 Dec 2014
	HRK '000	HRK '000
Term deposits		
Shareholders having 5 or more percent of voting shares	3,907	4,634
Others (employees and associated parties)	8,367	1,222
Turbina d.o.o., Slatina	3,627	3,507
Total term deposits	15,901	9,363
Other assets		
Shareholders having 5 or more percent of voting shares	11,176	11,295
Turbina d.o.o., Slatina	5,558	5,425
Total other assets	16,734	16,270
Other liabilities		
Shareholders having 5 or more percent of voting shares	24,776	23,995
Turbina d.o.o., Slatina	12	10
Total other liabilities	24,788	24,005
Income		
Shareholders having 5 or more percent of voting shares	1,049	1,228
Members of the Supervisory Board and associated parties	1	0
Others (employees and associated parties)	205	293
Turbina d.o.o., Slatina	7	8
Total income	1,262	1,529
Expenses		
Shareholders having 5 or more percent of voting shares	1,419	914
Others (employees and associated parties)	288	26
Turbina d.o.o., Slatina	146	286
Total expenses	1,707	1,226

Management Board salaries are shown as follows:

DESCRIPTION	2015	2014
	HRK '000	HRK '000
Net salaries	903	862
Taxes and contributions	831	849
Total	1,734	1,711

VI. MANAGING FINANCIAL RISKS

This Note shows details of Bank's exposure to risks which arise from unpredictability of the financial market as well as briefly described methods which the Management uses for identification, measuring and management of risks. The Bank makes an effort to control the same risks, i.e. to reduce them to lowest possible level. The most significant types of financial risks to which the Bank is exposed are credit risk, liquidity risk and market risk. Market risk includes the risk of interest rate changes, exchange rate changes and price risk (price changes of owner and debt securities).

The risk management system is continually being upgraded at the level of the Bank by introducing new policies and procedures for assessment, measurement, control and management of risks and by determining the limits of risk exposure adjusted to the legal provisions and the Bank's risk profile.

The Bank's Management Board shall be accountable for recognition and control of risk. There are separate bodies and organisational parts within the Bank's organizational structure responsible for individual risk management and control.

37. CREDIT RISK

The Bank is exposed to credit risk, which represents the risk of inability of the other side to cover their liabilities in full as they mature. The Bank classifies credit risk by determining limits for the amount of risk taken on which it expects shall emerge with respect to each borrower or a group of borrowers, and divided by industry. The Bank regularly monitors above risks and reassesses them once per year or more often.

The Bank manages credit risk through regular analysis of the ability of existing and potential borrowers to pay back their obligations (equity and interest) and to change credit limits as necessary. In addition, exposure to this risk is also partially regulated through acquiring collateral and corporate/private guarantees.

The purpose of credit liabilities taken over is to ensure availability of assets in accordance with client needs. Guarantees represent non-retractable Bank's obligation of realizing payments to third parties in case the client cannot settle/cover the same; they carry the same credit risk as credits/loans.

Credit liabilities taken over represent unused approved amounts in the form of credits/loans or guarantees. In connection with credit risk tied to credit liabilities taken over, the Bank is potentially exposed to losses in the amount equal to total unused liabilities taken over. However, the probable amount of losses is lower than the total amount of unused liabilities taken over because most of credit liabilities taken over are tied to maintaining specific credit-based standards by the client. The Bank monitors the period to maturity of credit liabilities taken over, since these long-term liabilities generally represent a greater credit risk than short-term ones.

Maximum credit risk exposure before lien/mortgage or other insurance instruments at 31 December 2015 is shown as follows:

DESCRIPTION	Gross placements	Individual reserves	Joint reserves	Net placements
	HRK '000	HRK '000	HRK '000	HRK '000
Exposure to credit risk relating to balance assets is as follows				
Cash assets	283,290	0	0	283,290
Receivables from the Croatian National Bank	100,154	0	0	100,154
Placements to banks	1,432	0	0	1,432
Financial assets available for sale	371,031	0	0	371,031
Financial assets held to maturity	49,746	1,591	473	47,682
Loans and advance payments to clients				
- Companies	329,369	57,731	2,094	269,544
- Individuals	377,211	27,676	4,873	344,662
- Other entities	39,970	0	261	39,709
Other assets	77,400	7,340	1,429	68,631
Total balance exposure:	1,629,603	94,338	9,130	1,526,135

Exposure to credit risk relating to off-balance assets is as follows:

Guarantees	7,323	0	73	7,250
Letters of credit	0	0	0	0
Credit and other liabilities taken over	53,931	14	1,334	52,583
Total off-balance exposure:	61,254	14	1,407	59,833
Total as at 31 December	1,690,857	94,352	10,537	1,585,968

Maximum credit risk exposure before lien/mortgage or other insurance instruments at 31 December 2014 is shown as follows:

DESCRIPTION	Gross placements HRK '000	Individual reserves HRK '000	Joint reserves HRK '000	Net placements HRK '000
Exposure to credit risk relating to balance assets is as follows:				
Cash assets	194,673	0	0	194,673
Receivables from the Croatian National Bank	101,785	0	0	101,785
Placements to banks	1,383	0	0	1,383
Financial assets available for sale	238,548	0	0	238,548
Financial assets held to maturity	81,834	(1,270)	(505)	80,059
Loans and advance payments to clients				
-Companies	338,709	(38,759)	(2,218)	297,732
- Individuals	432,849	(27,330)	(5,062)	400,457
-Other entities	39,372	0	(229)	39,143
Other assets	19,631	(5,177)	(28)	14,426
Total balance exposure:	1,448,783	(72,536)	(8,042)	1,368,205

Exposure to credit risk relating to off-balance assets is as follows:

Guarantees	7,974	0	(80)	7,894
Letters of credit	213	0	(2)	211
Credit and other liabilities taken over	46,044	(1)	(1,174)	44,869
Total off-balance exposure:	54,231	(1)	(1,256)	52,974
Total as at 31 December	1,503,014	(72,537)	(9,298)	1,421,179

Overview of unpaid matured receivables as at 31 December 2015 is shown as follows:

DESCRIPTION	Maturity							TOTAL
	Matured up to 30 days	Matured 31-90 days	Matured 91-180 days	Matured 181-365 days	Matured 1-2 years	Matured 2-3 years	Matured over 3 years	
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Placements to banks	0	0	0	0	0	0	0	0
Loans and advance payments to clients								
- Companies	6,399	1,053	380	5,628	38,525	12,495	56,788	121,268
- Individuals	2,915	2,471	1,486	1,852	7,685	2,512	24,369	43,290
- Other entities	594	135	0	0	0	0	0	729
Financial assets held to maturity	0	0	0	0	0	0	1,655	1,655
Other matured receivables	0	0	0	0	0	0	0	0
Total unpaid matured receivables	9,908	3,659	1,866	7,480	46,210	15,007	82,812	166,942
Off-balance interest (matured)	86	82	146	728	5,154	3,144	59,434	68,774

Overview of unpaid matured receivables as at 31 December 2014 is shown as follows:

DESCRIPTION	Maturity							TOTAL
	Matured up to 30 days	Matured 31-90 days	Matured 91-180 days	Matured 181-365 days	Matured 1-2 years	Matured 2-3 years	Matured over 3 years	
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	
Placements to banks	0	0	0	0	0	0	0	0
Loans and advance payments to clients								
- Companies	5,960	9,442	3,800	20,129	14,788	28,697	31,394	114,210
- Individuals	3,541	4,010	2,994	8,853	3,081	3,272	22,466	48,217
- Other entities	677	75	0	0	0	0	86	838
Financial assets held to maturity	1	0	0	0	0	1,525	0	1,526
Other matured receivables	0	2	20	42	55	79	273	471
Total unpaid matured receivables	10,179	13,529	6,814	29,024	17,924	33,573	54,219	165,262
Off-balance interest (matured)	186	139	465	1,860	2,812	10,054	41,652	57,168

Placements to banks, loans and advance payments to clients

Summary of credit exposure with respect to the level of possibility of coverage as at 31 December 2015 is shown as follows:

DESCRIPTION	Placements to banks	Loans and advance payments to companies	Loans and advance payments to individuals	Loans and advance payments to other entities	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Not matured and value not decreased	1,432	190,485	321,286	39,241	552,444
Matured and value not decreased	0	18,863	5,237	729	24,829
Individual value decreased	0	120,021	50,688	0	170,709
Gross	1,432	329,369	377,211	39,970	747,982
Decreased for provisioning	0	(59,825)	(32,549)	(261)	(92,635)
Net	1,432	269,544	344,662	39,709	655,347

Summary of credit exposure with respect to the level of possibility of coverage as at 31 December 2014 is shown as follows:

DESCRIPTION	Placements to banks	Loans and advance payments to companies	Loans and advance payments to individuals	Loans and advance payments to other entities	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Not matured and value not decreased	1,383	202,464	372,179	38,534	614,560
Matured and value not decreased	0	19,619	11,651	752	32,022
Individual value decreased	0	116,626	49,019	86	165,731
Gross	1,383	338,709	432,849	39,372	812,313
Decreased for provisioning	0	(40,977)	(32,392)	(229)	(73,598)
Net	1,383	297,732	400,457	39,143	738,715

Placements to banks and loans and advance payments to clients whose value has not been decreased

Credit quality of placements to banks portfolio, and loans and advance payments to clients that have not matured nor has their value decreased, may be estimated based on the Bank-adopted internal system of estimation and placement allocation.

It shall be considered that the value of placements to banks and loans and advances matured, with maturation of up to 90 days, has not decreased unless other information pointing to otherwise is available.

Gross amount of placements to banks and loans and advances to clients which have matured, but whose value has not decreased as at 31 December 2015 is shown as follows:

DESCRIPTION	Placements to banks	Loans and advance payments to companies	Loans and advance payments to individuals	Loans and advance payments to other entities	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Not matured and value not decreased	1,432	190,485	321,286	39,241	552,444
TOTAL	1,432	190,485	321,286	39,241	552,444
Matured and value not decreased					
Maturity up to 30 days	0	6,372	2,742	594	9,708
Maturity 31-90 days	0	1,018	2,407	135	3,560
Maturity over 90 days	0	11,473	88	0	11,561
TOTAL	1,432	209,348	326,523	39,970	577,273
GRAND TOTAL	1,432	209,348	326,523	39,970	577,273
Fair value of lien/mortgage	0	153,863	65,612	6,047	225,522
Receivables (claims) insured with an insurance company	0	0	116,271	0	116,271

Gross amount of placements to banks and loans and advances to clients which have matured, but whose value has not decreased as at 31 December 2014 is shown as follows:

DESCRIPTION	Placements to banks	Loans and advance payments to companies	Loans and advance payments to individuals	Loans and advance payments to other entities	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Not matured and value not decreased	1,383	202,464	372,179	38,534	614,560
TOTAL	1,383	202,464	372,179	38,534	614,560
Matured and value not decreased					
Maturity up to 30 days	0	5,955	3,528	678	10,161
Maturity 31-90 days	0	9,015	3,910	74	12,999
Maturity over 90 days	0	4,649	4,213	0	8,862
TOTAL	0	19,619	11,651	752	32,022
GRAND TOTAL	1,383	222,083	383,830	39,286	646,582
Fair value of lien/mortgage	0	163,742	108,686	3,263	275,691
Receivables (claims) insured with an insurance company	0	0	185,618	0	185,618

Placements to banks and loans and advance payments to clients whose value has individually decreased - as at 31 December 2015

Debt age	Placements to banks	Loans and advance payments to companies	Loans and advance payments to individuals	Loans and advance payments to other entities	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Maturity up to 30 days	0	27	173	0	200
Maturity 31-90 days	0	35	64	0	99
Maturity 91-180 days	0	379	1,437	0	1,816
Maturity 181-365 days	0	5,628	1,813	0	7,441
Maturity 1-2 years	0	27,053	7,685	0	34,738
Maturity 2-3 years	0	12,495	2,512	0	15,007
Maturity over 3 years	0	56,788	24,369	0	81,157
TOTAL MATURED	0	102,405	38,053	0	140,458
Pertinent non-matured debt	0	17,616	12,635	0	30,251
TOTAL	0	120,021	50,688	0	170,709
Decreased for provisioning	0	(57,731)	(27,676)	0	(85,407)
Net	0	62,290	23,012	0	(85,407)
Fair value of lien/mortgage	0	62,290	12,623	0	74,913
Receivables (claims) insured with an insurance company	0	0	6,956	0	6,956

- at as 31 December 2014

Debt age	Placements to banks	Loans and advance payments to companies	Loans and advance payments to individuals	Loans and advance payments to other entities	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Maturity up to 30 days	0	5	13	0	18
Maturity 31-90 days	0	427	100	0	527
Maturity 91-180 days	0	3,800	2,950	0	6,750
Maturity 181-365 days	0	16,068	4,685	0	20,753
Maturity 1-2 years	0	14,788	3,081	0	17,869
Maturity 2-3 years	0	28,697	3,272	0	31,969
Maturity over 3 years	0	30,806	22,466	86	53,358
TOTAL MATURED	0	94,591	36,567	86	131,244
Pertinent non-matured debt	0	22,035	12,452	0	34,487
TOTAL	0	116,626	49,019	86	165,731
Decreased for provisioning	0	(38,759)	(27,330)	0	(66,089)
Net	0	77,867	21,689	86	99,642
Fair value of lien/mortgage	0	99,457	14,153	81	113,691
Receivables (claims) insured with an insurance company	0	0	9,477	0	9,477

38. INTEREST RISK

The following table shows assets and liabilities of the Bank as per book value, categorised at contractually changed price or maturity, depending on which term is earlier, as at 31 December 2015:

2015	Not sensitive to interest rate changes	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	TOTAL
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
ASSETS							
Cash assets	27,669	255,622	0	0	0	0	283,291
Receivables from the Croatian National Bank	0	13,804	0	86,350	0	0	100,154
Placements to banks	0	504	153	775	0	0	1,432
Financial assets available for sale	10,647	19,431	32,874	307,124	955	0	371,031
Financial assets held to maturity	0	2,735	34,115	10,778	17	38	47,683
Loans and advance payments to clients	11,780	35,116	45,131	138,323	258,775	164,789	653,914
Investments in related company	5,558	0	0	0	0	0	5,558
Real property, plants and equipment	27,018	0	0	0	0	0	27,018
Intangible assets	6,396	0	0	0	0	0	6,396
Assets taken over	14,048	0	0	0	0	0	14,048
Other assets	15,610	0	0	0	0	0	15,610
Total assets	118,726	327,212	112,273	543,350	259,747	164,827	1,526,135
LIABILITIES							
Sight deposits	895	4	0	222,203	0	0	223,102
Term deposits	31,959	195,259	183,976	454,370	98,217	15,060	978,841
Credit liabilities	687	37,501	11,975	14,314	42,800	33,633	140,910
Other liabilities	12,968	0	0	0	0	0	12,968
Provisions	4,298	0	0	0	0	0	4,298
Total liabilities	50,807	232,764	195,951	690,887	141,017	48,693	1,360,119
CAPITAL							
Capital stock	91,897	0	0	0	0	0	91,897
Own/treasury shares	(6,592)	0	0	0	0	0	(6,592)
Revaluation reserves	358	0	0	0	0	0	358
Capital gain	149	0	0	0	0	0	149
Reserves	15,182	0	0	0	0	0	15,182
Retained earnings	73,646	0	0	0	0	0	73,646
Profit of current year	(8,625)	0	0	0	0	0	(8,625)
Total capital	166,015	0	0	0	0	0	166,015
Total liabilities and capital	216,823	232,764	195,951	690,887	141,017	48,693	1,526,135
NET ASSETS/LIABILITIES AND CAPITAL	(98,096)	94,448	(83,678)	(147,537)	118,730	116,134	0

The following table shows assets and liabilities of the Bank as per book value, categorised at contractually changed price or maturity, depending on which term is earlier, as at 31 December 2014.

2014	Not sensitive to interest rate changes	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	TOTAL
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
ASSETS							
Cash assets	28,487	194,618	0	0	0	0	223,105
Receivables from the Croatian National Bank	101,785	0	0	0	0	0	101,785
Placements to banks	1	541	153	688	0	0	1,383
Financial assets available for sale	5,473	25,795	29,500	155,053	5,226	17,500	238,547
Financial assets held to maturity	0	1,113	65,553	13,393	0	0	80,059
Loans and advance payments to clients	16,307	50,827	57,281	127,301	282,456	203,159	737,331
Investments in related company	5,425	0	0	0	0	0	5,425
Real property, plants and equipment	26,417	0	0	0	0	0	26,417
Intangible assets	6,040	0	0	0	0	0	6,040
Assets taken over	8,555	0	0	0	0	0	8,555
Other assets	17,692	0	0	0	0	0	17,692
Total assets	216,182	272,894	152,487	296,435	287,682	220,659	1,446,339
LIABILITIES							
Sight deposits	441	36	0	191,191	0	0	191,668
Term deposits	38,760	171,778	175,951	434,515	93,658	9,814	924,476
Credit liabilities	190	36,785	13,346	12,169	41,768	36,334	140,592
Other liabilities	11,361	0	0	0	0	0	11,361
Provisions	3,978	0	0	0	0	0	3,978
Total liabilities	54,730	208,599	189,297	637,875	135,426	46,148	1,272,075
CAPITAL							
Capital stock	91,897	0	0	0	0	0	91,897
Own/treasury shares	(6,592)	0	0	0	0	0	(6,592)
Revaluation reserves	(18)	0	0	0	0	0	(18)
Capital gain	149	0	0	0	0	0	149
Reserves	15,182	0	0	0	0	0	15,182
Retained earnings	73,257	0	0	0	0	0	73,257
Profit of current year	389	0	0	0	0	0	389
Total capital	174,264	0	0	0	0	0	174,264
Total liabilities and capital	228,994	208,599	189,297	637,875	135,426	46,148	1,446,339
NET ASSETS/LIABILITIES AND CAPITAL	(12,812)	64,295	(36,810)	(341,440)	152,256	174,511	0

The table below shows valid interest rates for interest – yielding assets and liabilities:

	2015	2014
	%	%
Assets		
Receivables from the Croatian National Bank	0	0
Placements to banks	(0.50) - 1.00	0.01 - 0.95
Financial assets held to maturity	1.90 - 10.05	1.90 - 9.00
Loans and advance payments to clients	2.00 - 14.00	1.00 - 15.00
Liabilities		
Sight deposits	0.00 - 1.00	0.05 - 1.00
Term deposits	2.40 - 4.90	0.30 - 5.20
Liabilities by credit	0.00 - 5.00	0.00 - 5.00

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value represents the amount which some assets may be traded for or a liability covered, in the best interest of both sides. Since market prices are not accessible (possible) for a greater part of financial assets and liabilities of the Bank, fair value of such assets and liabilities shall be based on estimates of the management, as per type of asset/liability. According to Management estimate, market values do not differ significantly from their book value in all categories of assets and liabilities.

40. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE ENTRIES

DESCRIPTION	31 December 2015			31 December 2014		
	Assets	Liabilities	Off - balance entries	Assets	Liabilities	Off - balance entries
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000

Geographical region

Republic of Croatia	1,439,924	1,335,335	61,253	1,351,627	1,248,400	54,231
Europe	86,211	24,782	1	94,712	23,675	0
Other	0	166,018	0	0	174,264	0
Total geographical region	1,526,135	1,526,135	61,254	1,446,339	1,446,339	54,231

Sector

Republic of Croatia	383,720	39,101	427	71,373	33,822	230
CNB	188,035	0	0	178,840	0	0
Trade	126,932	13,885	8,054	150,574	13,424	3,419
Finances	138,638	143,336	3,303	219,218	141,063	5,130
Tourism	13,760	4,291	159	15,653	1,662	547
Agriculture, fishing	44,646	2,608	1,434	93,425	4,853	3,982
Industry	65,060	14,838	3,151	88,312	7,304	2,909
Individuals (including tradesmen and other independent enterprises)	344,662	1,048,046	36,340	389,049	979,929	28,030
Non-residents	86,211	24,782	1	94,712	23,675	0
Other	134,471	235,248	8,385	145,183	240,607	9,984
Total sector analysis	1,526,135	1,526,135	61,254	1,446,339	1,446,339	54,231

41. CURRENCY RISK

Foreign currency assets and liabilities of the Bank as at 31 December 2015 are shown as follows:

2015	EUR	USD	Other currencies	HRK with currency clause	Total for, cur, equivalents	HRK	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
ASSETS							
Cash assets	159,618	9,064	10,553	0	179,235	104,056	283,291
Receivables from the Croatian National Bank	13,804	0	0	0	13,804	86,350	100,154
Placements to banks	928	0	504	0	1,432	0	1,432
Financial assets available for sale	0	0	0	132,255	132,255	238,776	371,031
Financial assets held to maturity	0	0	0	32,971	32,971	14,712	47,683
Loans and advance payments to clients	5	0	0	427,793	427,798	226,116	653,914
Investments in related company	0	0	0	0	0	5,558	5,558
Real property, plants and equipment	0	0	0	0	0	27,018	27,018
Intangible assets	0	0	0	0	0	6,396	6,396
Assets taken over	0	0	0	0	0	14,048	14,048
Other assets	0	0	0	0	0	15,610	15,610
Total assets	174,355	9,064	11,057	593,019	787,495	738,640	1,526,135
LIABILITIES							
Sight deposits	77,193	1,877	3,896	0	82,966	140,136	223,102
Term deposits	677,697	7,064	6,699	16,713	708,173	270,668	978,841
Credit liabilities	11,071	0	0	46,197	57,268	83,642	140,910
Other liabilities	0	0	0	0	0	12,969	12,969
Provisions	0	0	0	0	0	4,298	4,298
Total liabilities	765,961	8,941	10,595	62,910	848,407	511,713	1,360,120
CAPITAL							
Capital stock	0	0	0	0	0	91,897	91,897
Own/treasury shares	0	0	0	0	0	(6,592)	(6,592)
Revaluation reserves	0	0	0	0	0	358	358
Capital gain	0	0	0	0	0	149	149
Reserves	0	0	0	0	0	15,182	15,182
Retained earnings	0	0	0	0	0	73,646	73,646
Profit of current year	0	0	0	0	0	(8,625)	(8,625)
Total capital	0	0	0	0	0	166,015	166,015
Total liabilities and capital	765,961	8,941	10,595	62,910	848,407	677,728	1,526,135
NET ASSETS/LIABILITIES AND CAPITAL	(591,606)	123	462	530,109	(60,912)	60,912	0

Foreign currency assets and liabilities of the Bank as at 31 December 2014 are shown as follows:

2014	EUR	USD	Other currencies	HRK with currency clause	Total for, cur, equivalents	HRK	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
ASSETS							
Cash assets	126,746	7,328	11,588	0	145,662	77,443	223,105
Receivables from the Croatian National Bank	12,841	0	0	0	12,841	88,944	101,785
Placements to banks	841	0	542	0	1,383	0	1,383
Financial assets available for sale	0	0	0	90,041	90,041	148,506	238,547
Financial assets held to maturity	29,184	0	0	0	29,184	50,875	80,059
Loans and advance payments to clients	104	0	0	504,178	504,282	233,049	737,331
Investments in related company	0	0	0	0	0	5,425	5,425
Real property, plants and equipment	0	0	0	0	0	26,417	26,417
Intangible assets	0	0	0	0	0	6,040	6,040
Assets taken over	0	0	0	0	0	8,555	8,555
Other assets	0	0	0	0	0	17,692	17,692
Total assets	169,716	7,328	12,130	594,219	783,393	662,946	1,446,339
LIABILITIES							
Sight deposits	54,353	1,318	3,730	0	59,401	132,267	191,668
Term deposits	649,136	6,050	7,333	27,259	689,778	234,698	924,476
Credit liabilities	0	0	0	47,853	47,853	92,739	140,592
Other liabilities	0	0	0	0	0	11,361	11,361
Provisions	0	0	0	0	0	3,978	3,978
Total liabilities	703,489	7,368	11,063	75,112	797,032	475,043	1,272,075
CAPITAL							
Capital stock	0	0	0	0	0	91,897	91,897
Own/treasury shares	0	0	0	0	0	(6,592)	(6,592)
Revaluation reserves	0	0	0	0	0	(18)	(18)
Capital gain	0	0	0	0	0	149	149
Reserves	0	0	0	0	0	15,182	15,182
Retained earnings	0	0	0	0	0	73,257	73,257
Profit of current year	0	0	0	0	0	389	389
Total capital	0	0	0	0	0	174,264	174,264
Total liabilities and capital	703,489	7,368	11,063	75,112	797,032	649,307	1,446,339
NET ASSETS/LIABILITIES AND CAPITAL	(533,773)	(40)	1,067	519,107	(13,639)	13,639	0

42. LIQUIDITY RISK

Remaining maturity of assets and liabilities of the Bank as at 31 December 2015 is shown as follows:

2015	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
ASSETS						
Cash assets	283,291	0	0	0	0	283,291
Receivables from the Croatian National Bank	0	43,877	40,627	13,754	1,896	100,154
Placements to banks	504	153	775	0	0	1,432
Financial assets available for sale	364,052	0	0	0	6,979	371,031
Financial assets held to maturity	2,780	33,484	10,938	434	47	47,683
Loans and advance payments to clients	116,683	38,423	127,150	197,314	174,344	653,914
Investments in related company	0	0	0	0	5,558	5,558
Real property, plants and equipment	0	0	0	0	27,018	27,018
Intangible assets	0	0	0	0	6,396	6,396
Assets taken over	0	0	0	0	14,048	14,048
Other assets	13,645	126	918	556	365	15,610
Total assets	780,955	116,063	180,408	212,058	236,651	1,526,135
LIABILITIES						
Sight deposits	223,102	0	0	0	0	223,102
Term deposits	202,933	187,441	454,354	114,495	19,618	978,841
Credit liabilities	26,524	4,433	15,775	57,695	36,483	140,910
Other liabilities	12,951	0	12	6	0	12,969
Provisions	1,351	34	25	2,887	1	4,298
Total liabilities	466,861	191,908	470,166	175,083	56,102	1,360,120
CAPITAL						
Capital stock	0	0	0	0	91,897	91,897
Own/treasury shares	0	0	0	0	(6,592)	(6,592)
Revaluation reserves	0	0	0	0	358	358
Capital gain	0	0	0	0	149	149
Reserves	0	0	0	0	15,182	15,182
Retained earnings	0	0	0	0	73,646	73,646
Profit of current year	0	0	0	0	(8,625)	(8,625)
Total capital					166,015	166,015
Total liabilities and capital	466,861	191,908	470,166	175,083	222,117	1,526,135
NET ASSETS/LIABILITIES AND CAPITAL	314,094	(75,845)	(289,758)	36,975	14,534	0

Foreign currency assets and liabilities of the Bank as at 31 December 2014 are shown as follows:

2014	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
ASSETS						
Cash assets	223,105	0	0	0	0	223,105
Receivables from the Croatian National Bank	0	38,126	37,917	23,874	1,868	101,785
Placements to banks	542	153	688	0	0	1,383
Financial assets available for sale	233,798	0	0	0	4,749	238,547
Financial assets held to maturity	1,503	65,538	12,583	0	435	80,059
Loans and advance payments to clients	141,497	50,414	117,382	211,061	216,977	737,331
Investments in related company	0	0	0	0	5,425	5,425
Real property, plants and equipment	0	0	0	0	26,417	26,417
Intangible assets	0	0	0	0	6,040	6,040
Assets taken over	0	0	0	0	8,555	8,555
Other assets	16,130	140	453	551	418	17,692
Total assets	616,575	154,371	169,023	235,486	270,884	1,446,339
LIABILITIES						
Sight deposits	191,668	0	0	0	0	191,668
Term deposits	180,664	180,239	421,894	122,735	18,944	924,476
Credit liabilities	25,330	3,997	13,766	56,787	40,712	140,592
Other liabilities	11,361	0	0	0	0	11,361
Provisions	1,175	13	41	2,745	4	3,978
Total liabilities	410,198	184,249	435,701	182,267	59,660	1,272,075
CAPITAL						
Capital stock	0	0	0	0	91,897	91,897
Own/treasury shares	0	0	0	0	(6,592)	(6,592)
Revaluation reserves	0	0	0	0	(18)	(18)
Capital gain	0	0	0	0	149	149
Reserves	0	0	0	0	15,182	15,182
Retained earnings	0	0	0	0	73,257	73,257
Profit of current year	0	0	0	0	389	389
Total capital	0	0	0	0	174,264	174,264
Total liabilities and capital	410,198	184,249	435,701	182,267	233,924	1,446,339
NET ASSETS/LIABILITIES AND CAPITAL	206,377	(29,878)	(266,678)	53,219	36,960	0

43. CAPITAL MANAGEMENT

Managing capital

Credit institutions in the Republic of Croatia are from 1 January 2014 required to calculate and report the prudential requirements in accordance with Regulation (EU) No. 575/2013, Directive 2013/36 / EU, Implementing technical standards and other relevant regulations of the European supervisory authorities for banking ("EBA") and also, the local regulator, the CNB.

The regulatory capital of the Bank is entirely comprised of share capital, which includes equity created by issuing common stock, capital gains, retained earnings, reserves impaired for acquired own shares, intangible assets, unrealized losses on changes in fair value of financial assets available for sale and the approved amount of loans granted for the purchase of own shares.

The prescribed minimum capital ratios in accordance with Art. 92. Regulation (EU) No. 575/2013 are the following:

- The rate of regular share capital 4.5% of total risk exposure
- The rate of core capital 6% of the total risk exposure
- The rate of the total capital of 8% of the total risk exposure

In addition to the set of minimum regulatory capital adequacy and according to Art. 117 and 130 of the Credit Institutions Act and Articles 129 and 133 of Directive 2013/36 / EU, the Bank is also obliged to provide the following protective layers of capital:

- Cover for the preservation of capital of 2.5% of the total risk exposure
- Cover for structural system risk of 1.5% of the total risk exposure

Supervisory assessment of the required rate of the total capital amounted to 15.65% (12% + 3.65% Regulatory cover for 2015).

On 15 February 2016, the Bank received a decision by Supervisor on required rate of total capital of 15.37%.

DESCRIPTION	Basel III 31 December 2015	Basel III 31 December 2014
	HRK '000	HRK '000
Ordinary shares paid-in	91,897	91,897
Own/treasury shares	(6,592)	(6,592)
Regular and non-cumulative preferred shares	85,305	85,305
Reserves	15,182	15,182
Capital profit from purchase and sale of own shares	149	149
Retained earnings	73,646	73,257
Reserves and retained earnings	88,977	88,588
Intangible assets	(6,395)	(6,039)
Unreturned amount of credits/loans approved for purchase of credit institution shares	(14)	(46)
Unrealised loss based on value adjustment of financial assets available for sale	(1,021)	(898)
Loss of the current year	(8,625)	0
CAPITAL	158,224	166,910
SUPPLEMENTARY CAPITAL		0
REGULATORY CAPITAL	158,224	166,910
RATE OF CAPITAL ADEQUACY	17.50%	16.90%

VII. EVENTS AFTER THE REPORT DATE

After the balance sheet date there were no events that could significantly affect the annual financial statements for 2015, that, consequently, should be published.

VIII. COURT CASES (CLAIMS) AND POTENTIAL LIABILITIES

As at 31 December 2015, ten court claims are currently being held against the Bank; they are all of lesser value except the claim initiated by Jugobanka d.d., in bankruptcy, Belgrade. The Commercial court in Bjelovar rendered its verdict on 19 June 2008 (decision VP-167/08-27), whereby the claim of the plaintiff was dismissed as baseless. Appeal was lodged against this Decision.

At the same time, the plaintiff brought forward a claim for temporary court injunction, to which claim the High Commercial Court of the Republic of Croatia rendered its verdict on 3 June 2008, Decision Pž-3109/08-4, whereby the claim of the plaintiff was dismissed as baseless, and the Decision of the Commercial court in Bjelovar was held up.

The High Commercial Court also rendered its verdict on the claim of the plaintiff, as well as the Decision 53 Pž-6092/08-3 as of 30 October 2012, amending a part of the judgment of the Commercial Court in Bjelovar with respect to the question of annulment of the Contract dated 26 October 1992 and decided the Contract is null and void. At

the same time, the High Commercial Court dismissed the remainder of the first-instance judgment pertaining to damage claims through a separate decision, feeling that these issues have not been sufficiently argued on, and the case in that part was returned to the Commercial Court in Bjelovar for re-trial, noting that it should be ascertained whether there are any basis for damage compensation, especially due to and with respect to objection to expiration of statute of limitations. The Bank lodged a request for revision against this Decision, due to erroneous use of material law and significant breaches of civil case provisions. In the re-trial, the Commercial Court in Bjelovar rendered its verdict Reg. No. 5 P-9/2013-33 dated 1 August 2013, whereby the plaintiff's claims were dismissed in full as baseless. The plaintiff lodged an appeal against the above ruling. The procedure of the second instance before the High Commercial Court of the Republic of Croatia is on-going.

Croatian Supreme Court, by judgment of 7 May 2014, No Revt 156 / 13-2, reversed the judgment of the High Commercial Court of the Republic of Croatia number: 52,Pž-6092 / 08-3 of 30 October 2012 in the way that the part of the judgment of the Commercial Court in Bjelovar the number P-167 / 08-27 of 19 June 2008, which denied request to establish the nullity of the Assumption Agreement the rights and obligations of 26 October 1992 had dismissed the appeal of the plaintiff as unfounded and in that part confirmed the first-instance judgment. This made the decision of the Commercial Court in Bjelovar on 19 June 2008 in respect of the rejection of the claim Jugobanka a.d., in bankruptcy, Belgrade, for the nullity of the Treaty established in 1992 legal and final.

On 13 February 2015, the Bank received Resolution from the Supreme Court of the Republic of Croatia in the case of prosecutor Jugobanka a.d. in bankruptcy, Belgrade, by which it is accepted the appeal of the Bank against the verdict of the High Commercial Court of the Republic of Croatia dated 30 October 2012.

The Bank reserved assets for said case in accordance with Article 8 Decision on obligatory provisions of assets for court claims against credit institutions (O.G. 1/09, 75/09 and 2/10). Until the Bank in relation to the claim for damages is not had a final judgment in its favor, or judgment, by which would legally reject plaintiff's claim in its entirety as unfounded.

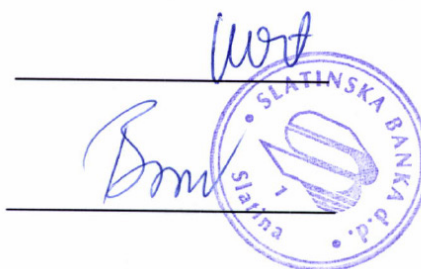
IX. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were signed and authorised for issuing by the Management Board on 29 March 2016:

Signed on behalf of the Board:

Angelina Horvat , President of the Management Board

Marko Brnić, Member of the Management Board



Slatinska banka d.d.
Vladimira Nazora 2
33520 Slatina
Croatia

Appendix – other legal and regulatory requirements

ADDITIONAL REPORTS FOR THE CROATIAN NATIONAL BANK

In addition are shown annual financial statements of the Bank (the Income Statement for 2015, Balance sheet at 31 December 2015, the Cash Flows Statement for 2015 and the Statement of Changes in Equity for 2015) prescribed by the Decision of the Croatian National Bank regarding structure and content of annual financial reports of banks, prescribed by Croatian National Bank (hereinafter: Decision).

in HRK

INCOME STATEMENT
for the period 01.01. 2015. to 31.12.2015.

Position	ADS sign	Previous year	Current year
1	2	3	4
1. Interest income	048	79,670,364	68,893,457
2. Interest expenses	049	40,690,141	37,174,677
3. Net interest income (048-049)	050	38,980,223	31,718,780
4. Income from fees and commissions	051	12,217,409	11,877,626
5. Expenses from fees and provisions	052	3,076,927	2,966,606
6. Net income from fees and provisions (051-052)	053	9,140,482	8,911,020
7. Profit / loss from investments in affiliates, associated companies, joint ventures	054	-126,240	132,988
8. Profit / loss from trading activities	055	2,729,015	2,869,348
9. Profit / loss from derivatives built into	056	-215	360
10. Profit / loss from property which is not traded actively, but is valued at fair value through P & L account	057	0	0
11. Profit / loss from activities in category of property available for sale	058	2,641,341	579,564
12. Profit / loss from activities in category which is held to maturity	059	0	0
13. Profit / loss from protection transactions (hedge)	060	0	0
14. Income from investments in affiliates, associated companies and joint ventures	061	0	0
15. Income from other equity investments	062	0	0
16. Profit / loss from accounted foreign exchange differences	063	-337,089	56,242
17. Other income	064	1,257,474	1,079,706
18. Other expense	065	1,316,777	844,010
19. General administrative costs and depreciation	066	40,014,509	35,536,107
20. Net income from operations before value adjustment and provisions (050+053 to 064-065-066)	067	12,953,705	8,967,891
21. Cost of value adjustments and provisions for losses	068	12,010,021	19,559,510
22. PROFIT / LOSS BEFORE TAXATION (067-068)	069	943,684	-10,591,619
23. INCOME TAX	070	554,808	-1,966,329
24. PROFIT / LOSS FOR THE CURRENT YEAR (069-070)	071	388,876	-8,625,290
25. Earnings per share	072	0	0

BALANCE SHEET

Balance at 31.12.2015.

Position	ADS sign	Previous year	Current year
1	2	3	4

ASSETS

1. CASH AND DEPOSITS WITH CNB (002+003)	001	178,839,854	215,704,452
1.1. Cash	002	28,486,403	27,669,236
1.2. Deposits with CNB	003	150,353,451	188,035,216
2. DEPOSITS WITH BANKING INSTITUTIONS	004	137,295,557	169,171,899
3. TREASURY NOTES OF THE MINISTRY OF FINANCE AND TREASURY BILLS OF CNB	005	189,736,703	214,424,502
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	0	0
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	58,835,821	155,967,451
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	79,622,494	47,200,886
7. SECURITIES AND OTHER FINANCIAL INSTRUMENTS WHICH ARE NOT TRADED ACTIVELY, BUT IS VALUED AT FAIR VALUE THROUGH P & L ACCOUNT	009	0	0
8. DERIVATIVE FINANCIAL ASSETS	010	0	0
9. LOANS TO THE FINANCIAL INSTITUTIONS	011	5,492,134	11,387,187
10. LOANS TO OTHER CUSTOMERS	012	728,358,573	638,801,559
11. INVESTING IN AFFILIATES, ASSOCIATED COMPANIES AND JOINT VENTURES	013	5,425,184	5,558,172
12. FORECLOSED ASSETS	014	8,555,257	14,047,590
13. TANGIBLE ASSETS (LESS DEPRECIATION)	015	26,624,785	27,233,884
14. INTEREST, FEES AND OTHER ASSETS	016	27,552,141	26,637,267
A) TOTAL ASSETS (001+004 to 016)	017	1,446,338,503	1,526,134,849

BALANCE SHEET
Balance at 31.12.2015.

Position	ADS sign	Previous year	Current year
1	2	3	4
LIABILITIES			
1. OANS FROM FINANCIAL INSTITUTIONS (019+020)	018	129,023,036	129,309,368
1.1. Short term loans	019	23,631,788	24,341,635
1.2. Long term loans	020	105,391,248	104,967,733
2. DEPOSITS (AOP 022 to 024)	021	1,098,472,324	1,186,690,434
2.1. Deposits on gyro accounts and current accounts	022	115,282,314	124,724,170
2.2. Saving deposits	023	75,945,172	97,498,359
2.3. Term deposits	024	907,244,838	964,467,905
3. OTHER LOANS (026+027)	025	11,109,133	11,070,818
3.1. Short term loans	026	0	0
3.2. Long term loans	027	11,109,133	11,070,818
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES WHICH ARE NOT TRADED	028	3,169	2,084
5. ISSUED EQUITY INSTRUMENTS (030+031)	029	0	0
5.1. Issued short term security equity investments	030	0	0
5.2. Issued long term security equity instruments	031	0	0
6. ISSUED SUBORDINATE INSTRUMENTS	032	0	0
7. ISSUED HYBRID INSTRUMENTS	033	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	034	33,467,051	33,047,404
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	1,272,074,713	1,360,120,108
CAPITAL			
1. SHARE CAPITAL	036	85,304,852	85,304,852
2. PROFIT (LOSS) OF THE CURRENT YEAR	037	388,876	-8,625,290
3. RETAINED EARNINGS (LOSS)	038	73,256,906	73,645,782
4. LEGAL RESERVES	039	4,729,423	4,729,423
5. STATUTORY AND OTHER CAPITAL RESERVES	040	10,602,000	10,602,000
6. UNREALIZED PROFIT (LOSS) ON THE BASIS OF VALUE ADJUSTMENT OF FINANCIAL PROPERTY AVAILABLE FOR SALE	041	-18,267	357,974
7. RESERVES ARISEN FROM PROTECTION TRANSACTIONS (HEDGE)	042	0	0
C) TOTAL CAPITAL (036 to 042)	043	174,263,790	166,014,741
D) TOTAL LIABILITIES AND CAPITAL (035+043)	044	1,446,338,503	1,526,134,849

in HRK

CASH FLOW STATEMENT – Indirect method
In the period 1 January 2015 to 31 December 2015

From
BAN-NTI

Company : 42252496579; SLATINSKA BANKA DD

Position	ADS sign		Previous year	Current year
1	2	3	4	5
BUSINESS ACTIVITIES				
1. Cash flow from operating activities before changes in business property (002 to 007)	001		17,184,084	11,573,130
1.1. Profit / loss before tax	002		943,684	-10,591,619
1.2. Impairment and loss provisions	003		12,010,021	19,559,510
1.3. Depreciation	004		4,230,379	2,605,239
1.4. Net unrealized (profit)/loss from financial assets and liabilities at fair value through profit and loss account	005		0	0
1.5. Profit/loss from sale of tangible assets	006		0	0
1.6. Other income / losses	007		0	0
2. Net increase / decrease in business property (009 to 016)	008		52,536,146	-126,360,211
2.1. Deposits with CNB	009		7,118,325	-37,681,765
2.2. Treasury notes of Ministry of Finance and treasury bills of CNB	010		10,329,427	-24,687,799
2.3. Deposits at banking institutions and loans to financial institutions	011		19,564,958	-37,771,395
2.4. Loans to other customers	012		47,074,106	69,997,504
2.5. Securities and other financial instruments held for trading	013		0	0
2.6. Securities and other financial instruments available for sale	014		-30,207,390	-97,131,630
2.7. Securities and other financial instruments non actively traded. at fair value through profit and loss account	015		0	0
2.8. Other operating assets	016		-1,343,280	914,874
3. Net increase / decrease in operating liabilities (018 to 021)	017		-42,313,579	87,797,378
3.1. Demand deposits	018		-7,557,337	9,441,856
3.2. Saving and term deposits	019		-31,043,635	78,776,254
3.3. Derivative financial liabilities and other liabilities which are traded	020		-793	-1,085
3.4. Other liabilities	021		-3,711,814	-419,647
4. Net cash flow from business activities before net income tax payment (001+008+017)	022		27,406,651	-26,989,703
5. Paid income tax	023		-554,808	0
6. Net inflow /(outflow) of cash from operating activities (022+023)	024		26,851,843	-26,989,703

in HRK

CASH FLOW STATEMENT – Indirect method
In the period 1 January 2015 to 31 December 2015

From
BAN-NTI

Company : 42252496579; SLATINSKA BANKA DD

Position	ADS sign		Previous year	Current year
1	2	3	4	5

INVESTMENT ACTIVITIES

7. Net cash flow from investment activities (026 to 030)	025		2,743,626	23,581,949
7.1. Receivables from sale / payments for purchase of tangible and intangible assets	026		-5,269,834	-8,706,671
7.2. Receivables from sale / payments for purchase of investments into subsidiaries, related companies and joint ventures	027		126,240	-132,988
7.3. Receivables from collection / payments for purchase of securities and other financial instruments held to maturity	028		7,887,220	32,421,608
7.4. Received dividends	029		0	0
7.5. Other receivables / payments from investment activities	030		0	0

FINANCING ACTIVITIES

8. Net cash flow from financing activities (032 to 037)	031		-26,693,990	2,590,587
8.1. Net increase / decrease/ of received loans	032		-26,102,066	248,017
8.2. Net increase / decrease/ from the issue of equity and debt financial instruments	033		0	0
8.3. Net increase / decrease/ in subordinated and hybrid instruments	034		0	0
8.4. Receipts from emission of share capital	035		0	0
8.5. Paid off dividends	036		0	0
8.6. Other receipts / payments from financing activities	037		-591,924	2,342,570
9. Net increase /decrease of cash and cash equivalents (024+025+031)	038		2,901,479	-817,167
10. Effects of changes in foreign currencies on cash and cash equivalents	039		0	0
11. Net increase/(decrease) in cash and cash equivalents (038+039)	040		2,901,479	-817,167
12. Cash and cash equivalents at the beginning of the year	041		25,584,924	28,486,403
13. Cash and cash equivalents at the end of the year (040+041)	042		28,486,403	27,669,236

In HRK

Form BAN-PK

STATEMENT OF CHANGES IN EQUITY from 1 January 2015 to 31 December 2015

Company: 42252496579; SLATINSKA BANKA DD

Position	ADS sign	Serial No.	Available to the shareholders of parent company					Profit/loss of the current year	Retained earnings/ loss	Unrealized profit/loss on the basis of Value	Minority interest	Total capital i reserves
			Share capital	Treasury shares	Legal, statutory and other reserves	7	8					
1	2	3	4	5	6	7	8	9	10	11		
Balance at 1 January current year	001		91,897,200	-6,592,347	15,331,423	73,256,905	388,876	-18,267	0	174,263,790		
Changes in accounting policies and correction of errors	002											
Corrected balance at 1 January current year (001+002)	003		91,897,200	-6,592,347	15,331,423	73,256,905	388,876	-18,267	0	174,263,790		
Sale of financial assets available for sale	004											
Change in fair value of financial assets available for sale	005							376,241		376,241		376,241
Tax to items directly recognized or transferred from capital and reserves	006											
Other gains/losses directly recognized in capital and reserves	007											
Net gains/losses directly recognized in capital and reserves (004+005+006+007)	008		0	0	0	0	0	376,241	0	376,241	0	376,241
Profit/(loss) for the current year	009						-8,625,290			-8,625,290		-8,625,290
Total recognized income and expenses for the current year (008+009)	010		0	0	0	0	-8,625,290	376,241	0	-8,249,049	0	-8,249,049
Increase/decrease in share capital	011											
Purchase/sale of treasury shares	012											
Other changes	013											
Transfer to reserves	014					388,876	-388,876			0		0
Pay off of dividends	015											
Allocation of profit (014+015)	016		0	0	0	388,876	-388,876	0	0	0	0	0
Balance at 31 December (003+010+011+012+013+016)	017		91,897,200	-6,592,347	15,331,423	73,645,781	-8,625,290	357,974	0	166,014,741	0	166,014,741

The following is adjustment of annual financial statements prepared in accordance with the reporting and annual financial statements framework prescribed by the Decision of the CNB on the structure and the contents of annual financial statements:

Auditors report	Amount	Reports as per the Decision of the CNB	Amount		Difference		Explanation
			HRK '000	HRK '000	HRK '000	HRK '000	
Interest income	68,858	Interest income		68,893	(35)	(35)	Net currency rate differentials based on interest income
Interest expenses	37,215	Interest expenses		37,174	(41)	(41)	Net currency rate differentials based on interest expenses
Income from commissions and fees	11,878	Income from commissions and fees		11,878	0		
Fee and commission expenses	2,967	Fee and commission expenses		2,967	0		
Net income from currency rate differentials	2,991	Profit/loss from trading		2,870		(35)	Net currency rate differentials based on interest income
		Profit/loss from built-in derivatives		0		41	Net currency rate differentials based on interest expenses
		Profit/loss from calculated currency rate differentials		56	65	(11)	Net currency rate differentials based on adjustments of placement values
Other income from regular business transactions	1,659	Profit / loss from activities in category of assets available for sale		580			
Other business expenses	36,223	Other income		1,080	0		
		Other income		844	157	157	Provisions for court cases (litigation)
Expenses of value adjustments and provisions	19,572	General administrative expenses and depreciation		35,536			
		Profit (loss) from investing into subsidiaries, related companies and joint ventures		133		(157)	Provisions for court cases (litigation)
		Expenses of value adjustments and provisions for losses		19,560	(145)	11	Net currency rate differentials based on adjustments of placement value
Profit (loss) before taxes	(10,592)	Profit (loss) before taxation		(10,592)	-	-	
Profit/company tax	(1,967)	Profit/company tax		(1,967)			
Profit (loss) after taxation	(8,625)	Profit (loss) after taxation		(8,625)			

Auditors report	Amount		Reports as per the Decision of the CNB		Amount		Difference		Explanation	
	HRK '000		Assets		HRK '000		HRK '000		HRK '000	
Cash assets		283,291	Cash		27,669		255,622		87,881	Giro account (coverage account at the CNB)
									86,163	Sight deposits with foreign banks
									81,577	Sight deposits with Croatian banks
Receivables from the Croatian National Bank		100,154	Deposits with the CNB		188,035		(87,881)		(87,881)	Giro account (coverage account) at the CNB
										Obligatory CNB financial papers
Placements to banks		1,432	Deposits with banking institutions		169,172		(179,127)		(86,163)	Sight deposits with foreign banks
									(11,387)	Credits/loans to non-banking financial institutions
Financial assets held to maturity		47,683	Credits/loans to financial institutions		11,387				(81,577)	Sight deposits with Croatian banks
									482	Interest
Financial assets available for sale		371,031	Securities and other financial instruments held to maturity		214,425					Obligatory CNB financial papers
									639	Interest
Loans and advance payments to clients		653,914	Monetary Fund treasury notes and CNB financial papers		638,802		15,112		11,387	Credits/loans to non-banking financial institutions
									3,727	Interest
Investments in subsidiaries		5,558	Securities and other financial instruments available for sale		5,558		0		0	
Assets taken over		14,048	Credits/loans to other clients		14,048		0		0	
Real property, plants and equipment		27,018	Investments in branches		27,234		(216)		(216)	Other tangible assets (small inventory)
Intangible assets		6,396	Material assets (less depreciation)		26,637		(4,631)		(4,847)	Interest
Other assets		15,610	Interest, fees and other assets		0				216	Other tangible assets (small inventory)
Total assets		1,526,135	Derivative financial liabilities		1,526,135		0		0	

Auditors report	Amount		Reports as per the Decision of the CNB		Amount		Difference		Explanation
	HRK '000	Liabilities	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	
Liabilities									
Sight deposits	223,102	Deposits on giro accounts and current accounts	124,723	881	881	Limited deposits			
		Savings deposits	97,498						
Term deposits	978,841	Term deposits	964,468	14,373	14,373	Interest			
Credit liabilities	140,910	Credits/loans from financial institutions	129,309	530	530	Interest			
		Other credits/loans	11,071						
Other liabilities	12,968	Interest, fees and other assets	33,048	(881)	(881)	Limited deposits			
Provisions	4,298	Derivative financial liabilities	2	(15,784))	(14,903)	Interest			
Total liabilities	1,360,119	Total liabilities	1,360,119	0	0				
Capital		Capital							
Capital stock	91,897	Shareholder capital	85,305	0	0				
Own/treasury shares	(6,592)								
Profit of current year	-8,625	Profit (loss) of current year	(8,625)	0	0				
Retained earnings	73,646	Shareholder capital	73,646	0	0				
Reserves	15,182	Legal reserves	4,730	0	0				
Capital gain	149	Statutory and other capital reserves	10,602	0	0				
Revaluation reserves	358	Unrealised profit (loss) based on value adjustment of financial assets available for sale	358	0	0				
Total capital	166,015	Total capital	166,015	0	0				
TOTAL LIABILITIES AND CAPITAL	1,526,135	TOTAL LIABILITIES AND CAPITAL	1,526,135	0	0				

ADJUSTMENT OF CASH FLOW REPORT

Deviations of positions in the Cash Flow Report published in the annual financial statements from those defined through prescribed structure and content of the report as per CNB Decision arise from:

- Difference in declaring certain positions in the balance sheet, as is explained in the overview of differences of in the financial position report in significant financial statements with respect to the standard prescribed in the CNB Decision.
- In the annual financial statements, cash and cash equivalents at the beginning and the end of the year show positions of cash and cash equivalents maturing in up to 90 days, while the report, as per the CNB Decision, contains only cash positions

ADJUSTMENT OF REPORT ON CHANGES IN EQUITY

Differences in the Statement of changes in equity disclosed in the annual financial statements from the Statement of changes in equity, which is defined by the prescribed structure and contents of the report by the CNB standards apply only to the grouping of individual items of capital. In the annual financial statements an item capital gains, legal reserves, reserves for own shares and other reserves are presented separately while in the statement by the CNB standards summarized under Statutory and other reserves

Pursuant to Article 164 of the Law on Credit Institutions the Bank announces the following information:

The Bank is registered for and is providing following activities:

- receiving of deposits or other returnable assets
- grants loans and borrowings, including consumable loans as also mortgage loans and borrowings if it is permitted by special law and financing commercial activities, including export financing on the basis of purchase with discount and without recourse of long term undue receivables assured by financial instruments (forfeiting),
- purchase of receivables with recourse or without (factoring),
- financial lease (leasing),
- issuing of guarantees or other warranties
- trading for own account or for the account of client in instruments on money market, transferable securities, foreign means of payment, including exchange business, financial terms and options, currency and interest instruments
- payment traffic services in accordance with special regulations
- services related to financing business as e.g. gathering of data, performing of analyses and giving information in respect of solvency of legal persons and individuals which
- independently perform activities, issuing of other instruments of payment and managing with them if rendering of this services is not deemed rendering of payment traffic services in accordance with special law
- mediation when concluding contracts on financial market
- performing of business related to sale of insurance policies in accordance with regulations which regulate insurance activities

The Bank operates through headquarters in Slatina and 3 financial centers (Osijek, Rijeka, Zagreb), 13 offices (D. Miholjac, Daruvar, Đakovo, Ilok, Koprivnica, Našice, Orahovica, Pitomača, Požega, Slavonski Brod, Slatina, Valpovo, Virovitica) and 11 substations (Bribir, Čačinci, Čađavica, Kaptol, Kutjevo, Mikleuš, Nova Bukovica, Nova Kapela, Pleternica, Suhopolje, Viškovo) in Republic of Croatia.

The Bank states, as follows, the other requirements in accordance with Article 164 of the Law on Credit Institutions:

	2015
	HRK '000
Total revenue	98,516
Loss before taxation	(10,592)
Income tax	0
Number of employees on 31 December 2015	174
Number of full-time employees (paid working hours) in 2015	157
The number of workers on the basis of equivalent full working time in 2015	133

During 2015 Slatinska banka d.d. did not received public subsidies.

CORPORATE MANAGEMENT CODEX

ANNUAL QUESTIONNAIRE

GENERAL COMPANY INFORMATION:

Slatinska banka d.d. Slatina

CONTACT PERSON AND TELEPHONE NUMBER:

Tihomir Grđan, tel.
033/637-080

DATE OF FINNING IN THE QUESTIONNAIRE:

16/03/2016

All questions in this questionnaire pertain to the period of one fiscal year to which the annual financial statements also pertain.

Please use explanations in your responses only when the questions asks for them explicitly.

Answers found in the questionnaire are valued at certain percentages, shown at the beginning of each chapter.

DEDICATION TO PRINCIPLES OF CREATIVE MANAGEMENT AND SOCIAL RESPONSIBILITY

Answers to this set of questions carry 20% of the entire indicator with respect to the harmonization of the company with the corporate management codex.

Question No.	Question	Answer YES / NO	Explanation
1	Has the company (i.e. Bank) accepted the change of the corporate management codex, or adopted its own corporate management policy?	YES	
2	Are there adopted corporate management codex principles within internal company policies?	YES	
3	Does the company, within its annual financial statements, publish its conformance with the principles of corporate management, in accordance with the principle of "use or explain"?	YES	
4	At decision-making, does the company take into consideration interests of all shareholders, in accordance with the corporate management codex principles?	YES	

SHAREHOLDERS AND GENERAL ASSEMBLY

Answers to this set of questions carry 30% of the entire indicator with respect to the harmonization of the company with the corporate management codex.

Question No.	Question	Answer YES / NO	Explanation
5	Is the Company a part of joint shareholding with another company or companies? (If so, explain)	NO	
6	Does each Company share give the right to one vote? (if not, explain)	YES	
7	Does the company have the same approach toward, and offer the same conditions, to all shareholders? (If not, explain)	YES	
8	Is the issuing of authorisation (proxy) for voting at the General Assembly fully simplified and void of strict formalistic conditions? (If not, explain)	YES	
9	Did the Company ensure (free of charge) proxies for shareholders who could not, for any reason, vote at the General Assembly, to vote in accordance with their instructions? (If not, explain)	NO	The shareholders themselves are in charge of insuring authorised persons. The Bank provides the authorisation document template.
10	Has the Company, or the Management Board, when convening the General Assembly, set a date for according to which it will check the position in the share register - which will be competent for realising the right to vote in the General Assembly, in a way that this date is before the General Assembly, but no more than six days before it? (If not, explain)	YES	
11	Were the minutes of the General Assembly, as well as all relevant information and documents with explanations pertaining to the minutes published on the web pages of the Company and accessible in the Company facilities to the shareholders from the first public issue of the minutes? (If not, explain)	YES	
12	Does the decision on the dividend payout or prepayment of the dividend contain the date on which a person who is a shareholder of the Company realizes his or her right to the dividend payout, as well as the date and the period for said payout? (If not, explain)	NO	The Company did not pay out dividends
13	Does the date of payout of dividend or prepayment of dividend fall at most 30 days after the decision? (If not, explain)	NO	The Company did not pay out dividends
14	Were any shareholders favoured during the payout/prepayment of dividend? (If so, explain)	NO	The Company did not pay out dividends

15	Have you facilitated to shareholders their participation and voting at the General Assembly using modern communication technology means? (If not, explain)	NO	Participation and voting by the shareholders at the General Assembly of the Company is prescribed by the Company Articles of Association There were no such conditions set.
16	Were there any conditions set with respect to taking part in the General Assembly or the use of the right to vote (regardless of the law or the articles of association), such as announcing participation beforehand, notarising authorisations/proxies, etc.? (If so, explain)	YES	The obligation of announcing participation beforehand is set by the Articles of Association
17	Has the management published publically the decisions of the General Assembly?	YES	
18	Has the management of the Company publicly issued/ published information on possible claims challenging said decisions? (If not, explain)	NO	There were none

MANAGEMENT AND SUPERVISORY BODIES

NAME MEMBERS OF THE MANAGEMENT BOARD AND THEIR FUNCTIONS:

Angelina Horvat (Chairwoman),
Marko Brnić (Member)

NAME MEMBERS OF THE SUPERVISORY BOARD AND THEIR FUNCTIONS:

Ružica Vadić (Chairwoman),
Denis Smolar (Vice-chairman),
Baženka Eror Matić,
Hrvoje Markovinović i
Krunoslav Lisjak (members)

Answers to this set of questions carry 20 % of the entire indicator with respect to the harmonization of the company with the corporate management codex.

Question No.	Question	Answer YES / NO	Explanation
19	Has the Supervisory Board, or the Management Board, reached the decision on its operational framework, including the list of regular meetings and information which regularly and timely needs to be placed at the disposal to the members of the Supervisory Board? (If not, explain)	NO	The Supervisory Board convenes at least once a month and enacts decisions in its purview, in accordance with the Articles of Association and the Rules of Conduct of the Supervisory Board

	20	Did the Supervisory Board, or the Management Board, enact internal Rules of Conduct? (If not, explain)	YES	
	21	Is the Supervisory Board, or the non-executive directors in the Management Board, mostly comprised of independent members? (If not, explain)	NO	Independent members of the Supervisory Board have all the necessary knowledge, experience and professional know-how for high-quality management.
	22	Does the Bank have a long-term succession plan? (If not, explain)	NO	Members of the Management Board are named by the Supervisory Board, and approved by the CNB
	23	Is the compensation/bonus received by the members of the SB and the MB completely or partly determined according to the contribution to the success of the company? (If not, explain)	NO	The compensation/bonus is determined by the General Assembly
	24	Are supervisory or management board member compensations/bonuses determined by the decision of the General Assembly or by company by-laws? (If not, explain)	YES	
	25	Is detailed information on all compensations and other income by the company or persons connected to the company for each member of the SB or the MB, including the structure of such compensation, published/issued publicly? (If not, explain)	NO	Expenses are published jointly
	26	Does every member of the SB or the MB inform the company of all changes in connection with their acquisition, waiver or the possibility of fulfilment of their voting rights over the company shares, by five days after such a change at the latest? (If not, explain)	YES	
	27	Were all transactions in which the members of the SB or MB, or associated persons and the company and associated persons/entities participated, clearly noted in the company reports: (If not, explain)	YES	
	28	Are there contracts or agreements between any member of the SB or MB and the Company?	NO	
	29	Have they been first approved by the SB or the MB? (If not, explain)		
	30	Are important elements of such contracts or agreements contained in the annual report? (If not, explain)		

31	Has the SB or MB instituted a Naming Commission?	NO	The Supervisory Board is in charge of operations of the Naming Commission.
32	Has the SB or MB instituted an Awards Commission?	NO	The Supervisory Board is in charge of operations of the Naming Commission.
33	Has the SB or MB instituted an Audit Commission?	YES	
34	Are most Commission members independent members of the SB? (If not, explain)	NO	The Commission is made up of three members from the Supervisory Board and three members who are not from the Supervisory Board.
35	Has the Commission followed the integrity of financial information of the Company, and especially the correctness and consistency of accounting methods used by the Company and the Group the Company belongs to, including the criteria for consolidating financial statements of companies belonging to the Group? (If not, explain)	YES	
36	Has the Commission assessed the quality of the internal controls system and the risk management system, with the goal being proper identification of main risks the Company is exposed to (including risks tied to adherence to regulations), i.e. their proper identification, exposure, and management? (If not, explain)	YES	
37	Did the Commission work on ensuring the efficiency of the internal audit system, especially through drafting recommendations during phases of choosing, naming, repeat naming and dismissal of internal audit managers and with respect to assets available to them, as well as the assessment of actions undertaken by managers in view of findings and recommendations of the internal audit? (If not, explain)	YES	
38	If the function of internal audit does not exist within the Company, has the Commission made an assessment of the need to introduce it? (If not, explain)	YES	The Bank organised the function of internal audit.
39	Did the Commission monitor the independence and objectivity of the external auditor, especially with respect to the rotation of authorised auditors within the auditors' company and the compensation the Company is paying for their services? (If not, explain)	YES	

	40	Has the Commission followed the nature and the quantity of services not constituting an audit, but still being received by the Company from the auditors' or associated entities? (If not, explain)	NO	No such services
	41	Has the Commission drafted such regulations on which services the auditors' and their associates may not render to the Company, which services they may render only with previous approval by the Commission, and which services they may perform without previous approval? (If not, explain)	NO	This is regulated through legal provisions. External auditor performs auditing services only.
	42	Has the Commission deliberated on the efficiency of external audit and the actions of the senior management staff with respect to the recommendations made by the external auditor? (If not, explain)	YES	
	43	Has the Audit Commission ensured submission of high-quality information by dependant and associated companies and third parties (such as expert advisors)? (If not, explain)	YES	
	44	Was the documentation relevant for the operation of the SB or MB submitted on time to all members? (If not, explain)	YES	
	45	Were all decisions and voting results noted in the SB/MB meeting minutes? (If not, explain)	YES	
	46	Has the SB/MB drafted the evaluation of its performance in the previous period, including assessment of contribution and competence of each individual member, as well as the joint performance of the Commission, assessment of performances of SB-established commissions, and the assessment of goals met with respect to those set by the Company?	NO	
	47	Has the Company published the statement on the policy of management and SB, MB and Management awards as a part of the annual report? (If not, explain)	NO	
	48	Is the Statement on the SB/MB/Management awarding policy constantly present on the web pages of the Company? (If not, explain)	NO	Awarding is defined through employment contracts.
	49	Is detailed information on all salaries and compensations for each member of the Management or executive directors publicly declared in the annual report? (If not, explain)	NO	Expenses are published jointly
	50	Are all forms of awards to the members of the management or the SB, including options and other benefits publicly declared (in detail by entry and person) in the annual report? (If not, explain)	NO	Expenses are published jointly

51	Were all transactions in which the members of the SB or MB, or associated persons and the Company or associated persons/entities participated, clearly noted in the Company reports: (If not, explain)	YES	
52	Does the report which the Supervisory Board or the Management Board submits to the General Assembly contain (along with the legally prescribed report), the assessment of total business success of the Company (read: the Bank), activities of the Company management, and special cooperation of the Board with the management? (If not, explain)	YES	

AUDIT AND INTERNAL CONTROL MECHANISMS

Answers to this set of questions carry 10% of the entire indicator with respect to the harmonization of the company with the corporate management codex.

Question No.	Question	Answer YES / NO	Explanation
53	Does the Company have its external auditing company?	YES	
54	Is the external auditor connected to the Company in ownership or interest?	NO	
55	Does the external auditor offer other services to the Company, whether by itself or through associated entities?	NO	
56	Has the company publicly declared the amounts of compensation paid out to external auditors for services of audit and other services rendered? (If not, explain)	NO	The external auditor provided only the services of audit, in accordance with the conditions of their business.
57	Does the Company have internal auditors and an integrated system of internal control? (If not, explain)	YES	

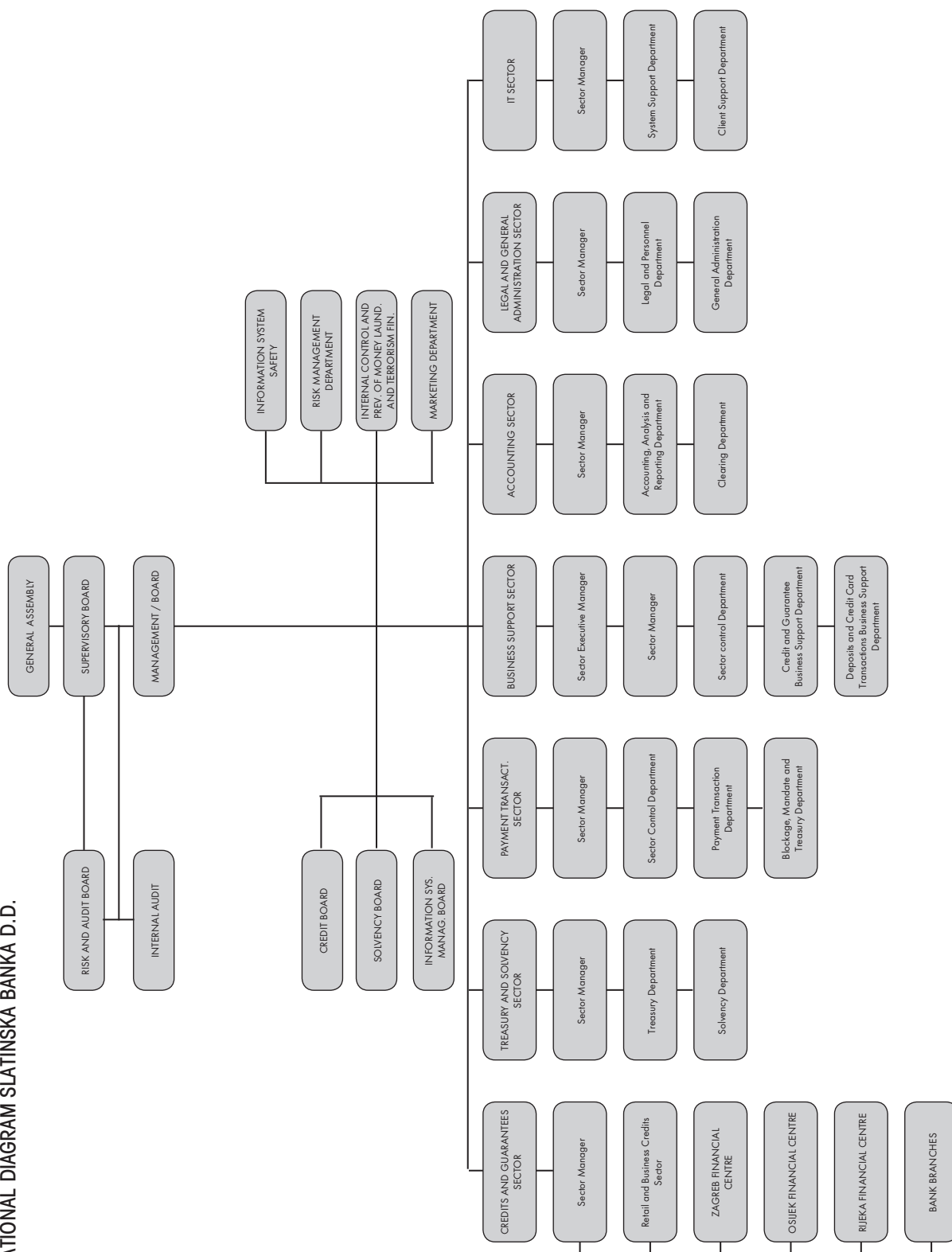
BUSINESS TRANSPARENCY AND PUBLIC APPEARANCE

Answers to this set of questions carry 20% of the entire indicator with respect to the harmonization of the company with the corporate management codex.

Question No.	Question	Answer YES / NO	Explanation
58	Are semi-annual, annual and quarterly reports available to shareholders?	YES	
59	Has the Company drafted a calendar of important events?	NO	
60	Has the Company introduced mechanism whereby persons who handle or come into contact with eyes-only (privileged) information have the nature and significance of that information explained to them, including limitations?	YES	
61	Has the Company introduced mechanisms ensuring oversight over the flow of privileged information and possible misuse of the same?	YES	
62	Did anyone suffer negative consequences because he/she pointed out to the competent bodies within the Company or outside the Company any insufficiencies in the application of regulations or ethical norms within the Company? (If so, explain)	NO	
63	Did the Company have any meetings during the previous year with interested investors?	NO	
64	Are all members of the Management, the SB and the MB in agreement that the answers to the questions in this questionnaire, to their best knowledge, completely true?	YES	



ORGANIZATIONAL DIAGRAM SLATINSKA BANKA D.D.



CONTACTS

SUPERVISORY BOARD

Mrs. Ružica Vadić, Chairwoman

Mrs. Blaženka Eror Matić - Member

Mr. Hrvoje Markovinović - Member

Mr. Denis Smolar - Member

Mr. Krunoslav Lisjak - Member from 28th August 2015

CHAIRWOMAN OF THE MANAGEMENT BOARD

Angelina Horvat, M.Sc. Econ.

V.Nazora 2, Slatina

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E-mail: ahorvat@slatinska-banka.hr

BOARD MEMBER

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SLATINSKA BANKA D.D. - BUSINESS NETWORK

FINANCIAL CENTRES

OSIJEK FINANCIAL CENTRE
Županijska 13, 31000 Osijek
Manager: Marina Penavin, tel: 031/628-200

ZAGREB FINANCIAL CENTRE
Tomašićeva 2, 10000 Zagreb
Manager: Tomislav Dolinac, tel: 01/645-9005

RIJEKA FINANCIAL CENTRE
Jelačićev trg 1, 51000 Rijeka
Manager: Silvana Birin Bašić, tel: 051/563-505



BRANCHES:

SLATINA BRANCH – MAIN OFFICE
V. Nazora 2, 33520 Slatina
Manager: Marina Koleno, tel: 033/637-011

DONJI MIHOLJAC BRANCH
Vukovarska 4, 31540 D. Miholjac
Manager: Tamara Rendulić, tel: 031/628-185

DARUVAR BRANCH
Kralja Tomislava 22, 43500 Daruvar
Manager: Jasminka Ajdić, tel: 043/638-305

NAŠICE BRANCH
Trg Izidora Kršnjavog 3, 31500 Našice
Manager: Sanja Kapraljević, tel: 031/628-145

ĐAKOVO BRANCH
Stjepana Radića 9, 31400 Đakovo
Manager: Ivan Pološki, tel: 031/628-455

ORAHOVICA BRANCH
Kralja Zvonimira 9, 33515 Oraštica
Manager: Juraj Nerovčić, tel: 033/637-145

POŽEGA BRANCH
Kamenita vrata 4, 34000 Požega
Manager: Boris Belunjak, tel: 034/638-505

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COUNTRY	CORRESPONDENT
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BELGIUM	<p>KBC BANK NV BRUSSELS</p>

