

**ANNUAL REPORT FOR
SLATINSKA BANKA d.d. SLATINA
FOR 2013**

**ANNUAL REPORT
FOR 2013**

CONTENT

REPORT OF THE MANAGEMENT ON THE BANK'S FINANCIAL POSITION AND ANALYSIS OF BUSINESS RESULTS.	3
DEVELOPMENT OF SLATINSKA BANKA d.d. SLATINA	4
BANK BUSINESS ANALYSIS IN 2013	5
BUSINESS RISKS	10
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT . . .	13
SUPPLEMENTARY REPORT FOR THE CROATIAN NATIONAL BANK . . .	67
CORPORATE MANAGEMENT CODEX	81
ORGANISATIONAL STRUCTURE OF SLATINSKA BANKAd.d.	86
SLATINSKA BANKA d.d. - CONTACTS.	87
SLATINSKA BANKA d.d. - BUSINESS NETWORK	89
CORRESPONDENTS	90



SLATINSKA BANKA

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

The business year 2013 was extremely difficult for the entire banking system in Croatia. It was marked by:

- Significant decrease in profit and profitability as a whole
- Decreased asset value
- Increased percentage of "bad credits/loans" (credits/loans not yielding income)
- Increased costs of provisioning due to changed regulations

On 1 July 2013 Croatia became a full-fledged member of the European Union; unfortunately, there were no positive economic signs to be felt by the end of the year. Therefore, the previous year was marred by fallen GDP, record deficit, growth of public and foreign debt, increased unemployment and decrease in salaries. Long-term recession sapped the power out of the economy, constantly bombarded by news of pre-bankruptcy settlements, bankruptcies and accounts being blocked.

In such hard, recession business conditions, Slatinska bank finished the previous year with a positive business result and balance growth for approximately HRK 83 million, whereby the balance level grew to HRK 1,515 million. Along with the above described growth, the Bank kept a satisfactory level of capital adequacy, 16.95% .

During 2013, business of Slatinska banka d.d., as far as liquidity is concerned, was stable, without any foreign or domestic debt with financial institutions, and on the money market, the Bank was present only as a creditor.

As far as Bank asset sources are concerned, deposits totalled HRK 1,156 mil., showing our clients trusted our safe, stable business. Through collection of primary asset sources, mainly in retail, the Bank made a base for placements in retail and company business, keeping an eye on business risks and client credit rating.

Despite the costs of value adjustments and provisioning in the amount of HRK 13.3 million, the Bank still managed a positive financial result in 2013. Increase of adjustment costs for HRK 7.8 million compared to 2012 is the result of changes to regulations on placement classifications.

Interest income make up 80 % of total income, growing 4.59 % with respect to 2012, while interest expenses (making up 45% of total expenses) grew 3.73%.

Significant investments were placed in the expansion of the ATM network, raising internet banking security, development of credit- and card-based business, as well as continual education of Bank staff - all aimed at developing and improving banking services and client accessibility.

2013 also saw the continuation of development around financial centres in Osijek, Zagreb and Rijeka - important cogs in the business growth machine. These development efforts will continue in 2014, aimed at raising profitability in all our business units.

Results achieved so far, as well as the continuity of business are proof of the clients' and business partners' trust in stable, safe and profitable functioning of the Bank, bearing in mind at all times its solvency, which is a good base for further growth and development in the coming 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 12 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.

During 2013 the Bank installed ATM's in hotels Maestral and Laguna in Novigrad, in addition to the ones already present in Slatina, Virovitica, Našice, Požega, Daruvar, Osijek, Ilok, Koprivnica, Valpovo, Rijeka, Donji Miholjac, Đakovo, Zagreb, Orahovica, Pitomača and Slavonski Brod.

ATM's in Našice, Požega, Osijek, Ilok, Slatina and Virovitica have day-and-night vaults that can be used 24 hours a day, 7 days a week, without having to wait in queues in the Bank itself.

The Bank is the sole owner of Turbina d.o.o. Share of Turbina d.o.o. in total Bank assets is 0.37 %; therefore, this Bank branch has a small influence on Bank's business as a whole.

The following period will see a continuation of the Bank's efforts to invest into development of existing services, attempting to fulfil the needs of the ever more dynamic market and its clients with respect to traditional banking services, as well as new technologies (card-based business, internet and mobile banking).

The Bank's strategy is to keep the current business model based on organic growth and standard offer of banking services. Strategic plan does not foresee significant changes to the balance structure or the structure of the profit and loss account. The Bank fulfils all limitations/conditions with respect to guarantee capital coverage; in fact, the situation is often more positive with respect to prescribed amounts.

BANK BUSINESS ANALYSIS IN 2013

Despite very difficult business conditions in 2013, the continuity of the Bank's positive business results continued, primarily reflecting in the increased Bank balance and positive active business results.

BANK BUSINESS INDICATORS	(in thousands of HRK)	
	2013	2012
ASSETS	1,514,957	1,432,280
GROSS PROFIT	738	6,403
NET PROFIT	398	4,997
NET INTEREST INCOME	38,741	36,647
NET INCOME FROM COMMISSIONS AND FEES	8,998	10,077
TOTAL CAPITAL	174,467	175,294
GUARANTEE CAPITAL	170,549	166,107
CAPITAL ADEQUACY	16.95	16.84%
RETURN ON ASSETS	0.05%	0.45%
RETURN ON CAPITAL	0.23%	2.85%
EXPENSE TO INCOME RATIO	75.80%	78.96%
ASSETS/EMPLOYEES	8,657	7,957
NUMBER OF EMPLOYEES	175	180

2013 saw a balance growth of HRK 82,677, or 5.77%, whereby the value of the balance reached HRK 1,514,957.

The growth of the balance is mainly due to the increase in retail deposits, which have nominally grown for HRK 68,703,000 in 2013, and which make up 64.55% of the Bank's total asset sources.

Profit of the fiscal year for the period from 1 January to 31 December 2013 amounts to HRK 398,000.

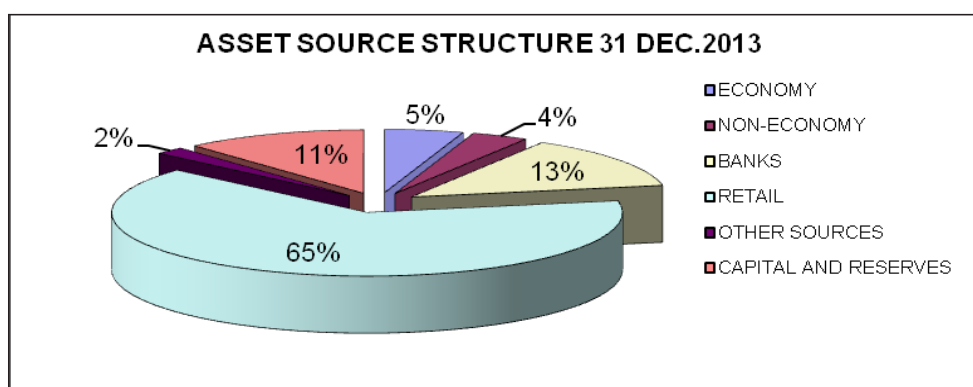
Growth of assets per employee was realized in 2013, being a precondition for Bank productivity increase.

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

ASSET SOURCE STRUCTURE BY SECTOR

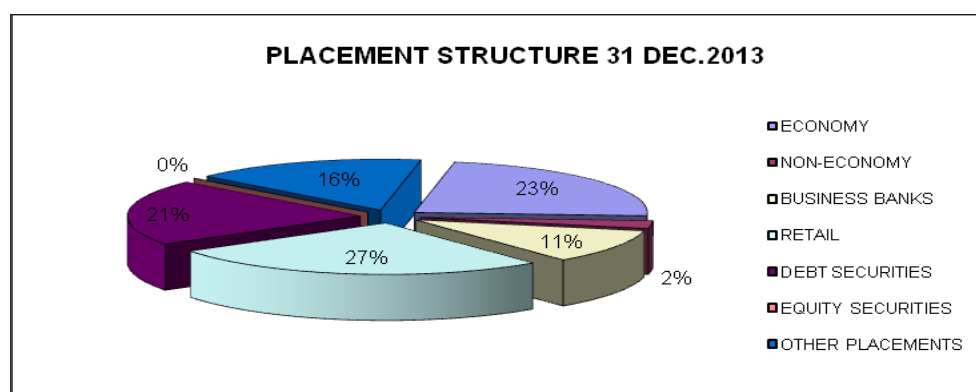
(in thousands of HRK)

	2013	%	2012	%
ECONOMY	75,468	4.98	59,224	4.13
NON-ECONOMY	54,356	3.59	58,045	4.05
BANKS	204,572	13.50	199,709	13.94
RETAIL	977,962	64.55	909,259	63.48
OTHER SOURCES	28,132	1.86	30,749	2.16
CAPITAL AND RESERVES	174,467	11.52	175,294	12.24
TOTAL:	1,514,957	100	1,432,280	100


PLACEMENT STRUCTURE BY SECTOR

(in thousands of HRK)

	2013	%	2012	%
ECONOMY	352,200	23.25	370,475	25.87
NON-ECONOMY	36,735	2.42	23,528	1.64
BUSINESS BANKS	162,426	10.72	128,017	8.94
RETAIL	402,996	26.60	372,724	26.02
DEBT SECURITIES	315,028	20.79	257,081	17.95
EQUITY SECURITIES	431	0.03	431	0.03
OTHER PLACEMENTS	245,141	16.18	280,024	19.55
TOTAL:	1,514,957	100	1,432,280	100



RETAIL BANKING

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

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 64.55 % of all Bank sources.

In total retail deposits, term deposits comprise 88.43%, which allows the Bank manageable liquidity.

Deposits are constantly on the rise, growing 7.56% or HRK 68,703 mil. in 2013 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. The above change resulted in positive business trends: increase of retail placements for 8.13% or nominally HRK 30,295,000 in relation to the previous year.

Retail placements are still a major part of total Bank placements with 26.60% 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, Internet banking, standing orders for payment of utility bills, loan repayment, etc., and the clients are now able to use the MBplus instalment plan.

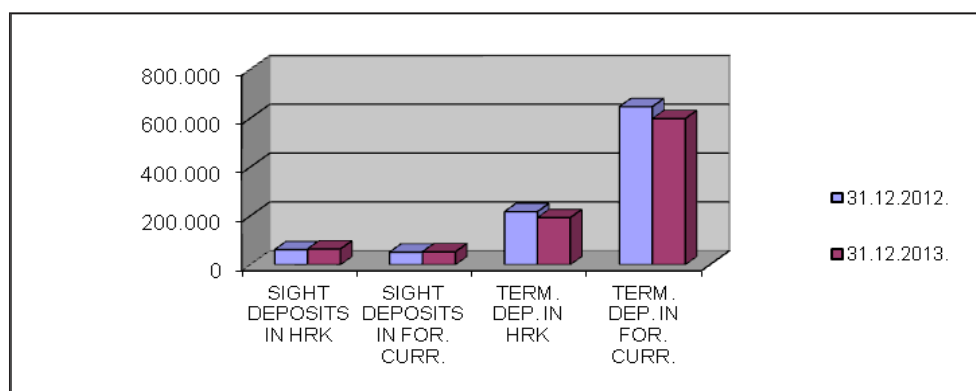
The Bank is continually adapting to the market in order to offer its clients sufficient financial backing in order to construct stable, long-term partnerships built on client trust and satisfaction.

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. 2013	%	31 Dec. 2012	%
SIGHT DEPOSITS	113,195	11.57	117,593	12.81
In HRK	61,742	6.31	64,593	7.00
In foreign currency	51,453	5.26	53,000	5.81
TERM DEPOSITS	864,767	88.43	791,666	87.19
in HRK	217,352	22.22	193,069	20.92
In foreign currency	647,415	66.20	598,597	66.27
TOTAL:	977,962	100.00	909,259	100.00



LEGAL ENTITY TRANSACTIONS

Due to tougher conditions in the retail loans/credits sector, the Bank made a significant turn in 2013 in the segment of business loans/credits.

Placements to legal entities, as credit/loan placements in 2013 amounted to approximately HRK 389 million, or 25.67% of total Bank placements.

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.

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 Invest, 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.

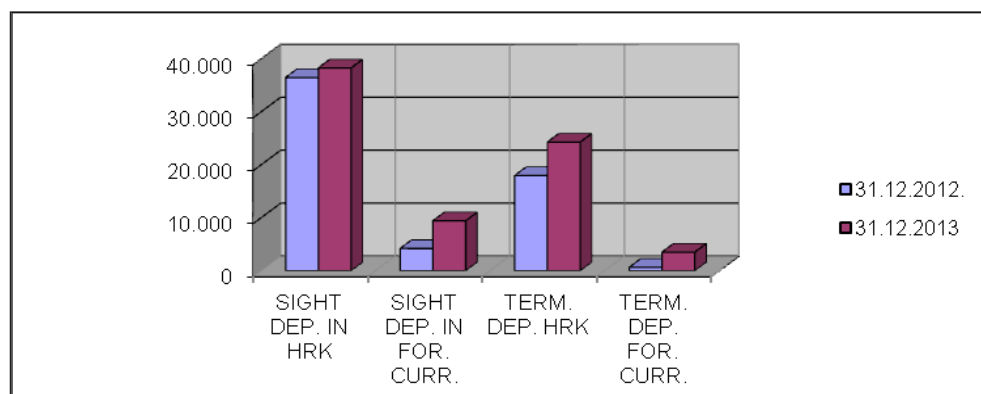
Further developing its business, we are offering other services to legal entities allowing faster, simpler and more efficient business - MBCARD/MAESTRO cards, MasterCard Business cards, SMS services and Internet banking.

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. 2013	%	31 Dec. 2012	%
SIGHT DEPOSITS	47,692	63.19	40,641	68.62
In HRK	38,281	50.72	36,457	61.56
In foreign currency	9,411	12.47	4,184	7.06
TERM DEPOSITS	27,776	36.81	18,583	31.38
In HRK	24,279	32.17	17,957	30.32
In foreign currency	3,497	4.63	626	1.06
TOTAL:	75,468	100.00	59,224	100.00



TRANSACTIONS

The Bank has through many years offered services of banking transactions to private and legal entities.

All bank clients may perform their transactions through Bank tellers (in person), Internet banking or mobile banking. In order for this service to be accessible to all clients, the Bank also entered into a contract with the Financial Agency (FINA), whereby transactions are now available through their tellers as well (model III).

For the Bank, the main characteristics of managing transactions are quality and speed of service.

The Bank keeps a developed network of correspondent banks, which is a precondition for high-quality transaction services.

The Bank has been a member of the National Clearing System (NKS) since it was founded, and is also an active member or various work groups attempting to introduce SEPA (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.

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 its services.

THE BANK'S INFORMATION SYSTEM AND IT

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. It ensures confidentiality, accessibility and integrity of information, as well as continual 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 Power6 520, while non-banking applications use two IBM x3650 servers with installed VMware infrastructure. External locations (financial centres, branches and branch offices) are connected through the virtual private network (VPN). A new IBM Power7 server is currently being installed as banking installation server.

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.

Numerous activities concerning the upgrade of the IS of the Bank and expanding services according to the operations plan were performed in 2013. 2 (two) ATMs were installed in hotels Maestral and Laguna in Novigrad, and one portion of the computer and communication equipment in financial centres/branches and the Bank seat was replaced.

The project of developing our IT system was completed, and all the goals set have been fulfilled: expansion of the system with new functionalities, increased system performance, increased security through introduction of new OS versions, increased effectiveness of system maintenance, decreased risk of certain components failing, higher efficiency of the data backup system at DR location, decreased time necessary for system recovery (RTO), simple system upgrade.

A new service was introduced: MBPlus, allowing instalment payments for users of the Bank's debit cards at MBNet member outlets.

MasterCard SecureCode service was introduced for users of all cards supported by the Bank. The service is aimed at safer payment of goods and services through Internet merchants supporting payments through MasterCard SecureCode.

In the area of regulator reports, the Bank successfully fulfilled all legal and other regulatory obligations. The project of fiscalization support for cash payments, in accordance with the Fiscalization Act, was also successfully completed.

During to process of introducing new products or developing present ones, the Bank Management performs the analysis of its own technical, organizational and staff readiness, as well as risk assessment for new products. These activities are being performed in accordance with Project Management Regulations.

BUSINESS RISKS

Liquidity 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 manages its liquidity by constructing preconditions for long-term maintenance of liquidity in HRK and foreign currencies which would ensure the Bank unhindered and timely fulfilment of all its obligations, thereby ensuring permanent Bank liquidity and fulfilling preconditions for safe, stable and profitable business.

In order to maintain the planned level of liquidity, the Bank must attempt to meet the following criteria: 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 an undesirable event taking place due to which the debtor cannot or does not wish to return the money placed to him or fulfil his financial obligation according to agreed upon dynamic or set conditions.

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 Bank ensures control over crediting procedures - approval, monitoring and collection - 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.

The bank evaluates credits/loans and other placements through the internal placement allocation system, based on client regularity in making their payments, based on repeated inspection of client credit ability and based on the quality of insurance instruments.

In accordance with Bank policies, which in turn are run in accordance with pertinent valid legal provisions, the Bank sets aside reserves for non-identified grouped losses. The amount of so determined reserves may not be lower than 0.85% - 1% of no-risk assets and 0.85%-1% non-risk potential liabilities and those taken over.

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 currency structure of assets and liabilities and the currency structure of off-balance items, daily monitoring of Bank's exposure to currency risk according to the Decision on limiting the exposure of banks to currency risk, the credit and deposit plan, analysis of currency rate trends. Management of currency risk is performed through planning of the currency structure of the Bank's assets and liabilities and continued monitoring of the exchange rate of certain currencies and forecasting their trends and effects 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 originates from non-adjusted interest rates, as per type of interest rates and maturity of balance items sensitive to interest changes.

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 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.

Sector investing in securities is the one furnishing data for monitoring price risks.

SHARE INFORMATION

The Bank did not purchase own shares in 2013.
Purchased own shares made up 7.77% of capital stock.

The Chairwoman of the Board Angelina Horvat holds 200 shares, or a stake of 0.02% in the Bank's stock capital.

Member of the Board Marko Brnić has 1 share of Slatinska banka d.d.

BANK MANAGEMENT BOARD:

Chairwoman of the Board

Angelina Horvat

Board Member

Marko Brnić



**SLATINSKA BANKA d.d.
SLATINA**

**FINANCIAL STATEMENTS FOR 2013
AND
INDEPENDENT AUDITOR'S REPORT**

APRIL 2014

**REPORT ON
PERFORMED AUDIT
OF FINANCIAL
STATEMENTS
FOR 2013**

CONTENTS

RESPONSIBILITY OF MANAGEMENT FOR FINANCIAL STATEMENTS . . .	17
INDEPENDENT AUDITOR'S REPORT	18-19
FINANCIAL STATEMENTS	
All-Inclusive Profit Account for 2013	20
Financial Position Report as at 31 December 2013	21
Report on Capital Changes for 2013	23
Cash Flow Report for 2013	24
Notes to financial statements.	25
ADDENDUM - OTHER LEGAL AND REGULATORY OBLIGATIONS	67



SLATINSKA BANKA

RESPONSIBILITY OF MANAGEMENT FOR FINANCIAL STATEMENTS

The Management Board (or: Management) of Slatinska banka d.d. Slatina, hereinafter: the Bank is obligated to prepare annual financial statements which give a true and fair representation of financial position, business results and cash flow and equity/capital changes in accordance with valid accounting practices – International Standards of Financial Reporting as determined by the European Commission and published in the official ledger of the European Union, and Croatian law.

The Bank Management is responsible for management of pertinent accounting records, shaping, recording and maintenance of internal controls relevant for preparation and fair presentation without significant erroneous presentation, caused by deceit or mistake.

The Management is responsible for choice and use of appropriate accounting policies in accordance with valid accounting standards and Croatian law, for reaching prudent and rational accounting estimates and assessments and preparing financial statements under presumption of unlimited business period, except if the presumption of this unrestricted time is not applicable.


The Management shall submit annual financial statements for approval to the Supervisory Board.

Submitted financial statements on pages 3-59, as well as forms drafted in accordance with the Decision of the Croatian National Bank on structure and content of annual financial statements of banks (O.G. No. 62/08) on pages 60-67 with appertaining coordinating texts on pages 68-74 have been approved by the Bank Management on 14 April 2014 and are signed by:

Mrs. Angelina Horvat, Chairwoman of the Board

Mr. Marko Brnić, Board Member

Horvat
Brnić



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

INDEPENDENT AUDITOR'S REPORT

TO SHAREHOLDERS OF SLATINSKA BANKA d.d. SLATINA



Financial Statements Report

We have conducted the audit of financial statements of Slatinska banka d.d. Slatina, containing the Financial Position Report as at 31 Dec. 2013, the All-inclusive Profit (Income) Statement, the Report on Changes in Capital and the Cash Flow Report for the year ending, as well as the summary of Significant Accounting Policies and Notes to Financial Statements..

Responsibility of the Management for Financial Statements

The Management is responsible for drafting financial statements which give a true and fair representation of financial position, business results and cash flow and equity/capital changes in accordance with the Accounting Act and International Standards of Financial Reporting as determined by the European Commission and published in the official ledger of the European Union, and Croatian law, and for those internal checks which the Management deems necessary in order to facilitate the drafting of financial statements not containing any significant erroneous presentation caused by deceit or mistake.

Responsibility of the auditor

Our responsibility is to give our opinion on those financial statements based on our audit. We conducted the audit in accordance with International Auditing Standards. These standards prescribe that we act in accordance with ethical demands and plan/perform the audit in order to gain reasonable conviction on whether the financial statements contain any significant errors in their declaration.

The audit includes performing activities and obtaining auditing proof on amounts and releases in financial statements. The choice of procedures depends on the auditor's assessment, including the risk assessment of significant erroneous entries in financial statements due to fraud or mistakes/errors. When assessing these risks, the auditor takes into consideration the internal controls relevant for preparation and fair presentation of the client's financial statements in order to determine auditing activities applicable under the circumstances, but not for giving opinion on effectiveness of the Group's internal controls. The audit also includes assessment of pertinence of accounting policies used and of prudence of accounting estimates/assessments of the Management, as well as the assessment of the total presentation of financial statements.

We believe that auditing proof we compiled is indeed sufficient and appropriate in order to be used as a base for our opinion.

In addition, we read the attached annual report of Slatinska banka d.d. Slatina for 2013 in order to be able to express our opinion on the compatibility of the annual report with the attached financial statements of Slatinska banka d.d. Slatina for 2013.

Opinion

According to our opinion, the financial statements are a true and fair representation, in all significant determinants, of the financial position of Slatinska banka d.d. Slatina as at 31 December 2013 and its cash flow for the year ending have been prepared in accordance with the Accounting Act, International Financial Reporting Standards as determined by the European Commission and published in the official ledger of the European Union, and specific legal conditions for bank accounting in the Republic of Croatia

Emphasis of matter

Without reservations to our opinion, we direct your attention to Note VIII to financial statements in which potential obligations of the Bank for ongoing legal action (court proceedings) is described.

Report on other legal provisions

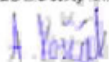
Other legal and regulatory provisions

Pursuant to the Decision on Shape and Contents of Annual Financial Statements of Banks (Official Gazette No. 62/08, hereinafter: the Decision), the Management Board of Slatinska banka d.d. Slatina (hereinafter: the Bank) drafted forms shown on pages 60-76, which contain the Bank's Balance Sheet as at 31 December 2013, the Profit and Loss Account, the Report on Changes in Capital (equity), and the the Cash Flow Report for the year ended, as well as information on adjustments to the Bank's financial statements/reports. The Bank's Management Board is responsible for the preparation of these forms and the adjustment information; they are not integral parts of these financial statements but are rather prescribed by the Decision. Financial information in forms is correctly derived out of the Bank's financial statements prepared in accordance with International Financial Reporting Standards, as determined by the European Commission and published in the official ledger of the European Union, and specific legal conditions for bank accounting in the Republic of Croatia.

Opinion on the compliance of the annual report with the financial statements

In our opinion, information contained in the attached annual report for 2013 is in compliance with the attached financial statements of Slatinska banka d.d. Slatina for 2013.

Authorized auditor:
Anita Koščak, M.Sc. (Econ.)



Managing Director:
Stjepan Šargač, M.Sc. (Econ.)
Authorized auditor



In Varaždin, 14 April 2014

HLB Revidicon d.o.o.
Ankice Opolski 2
42000 Varaždin
Republic of Croatia

ALL-INCLUSIVE PROFIT ACCOUNT FOR 2013

in thousands of HRK

	Note	2013.	2012.
Interest income	4	88.338	84.459
Interest expenses	5	(49.598)	(47.812)
Net interest income		38.740	36.647
Fee and commission income	6	12.188	13.011
Fee and commission expenses	7	(3.190)	(2.934)
Net fee and commission income		8.998	10.077
Net income from currency rate differentials	8	2.881	3.189
Other income from regular business transactions	9	6.364	5.654
Total other income		9.245	8.843
Other business expenses	10,11,12	(42.904)	(43.642)
Expenses of value adjustments and provisions	13	(13.341)	(5.522)
Total other expenses		(56.245)	(49.164)
Profit before taxes		738	6.403
Profit/company tax	14	(340)	(1.406)
PROFIT AFTER TAXATION		398	4.997
Unrealised profit/loss based on the value of financial assets available for sale		200	3.022
TOTAL ALL-INCLUSIVE PROFIT OF CURRENT YEAR		598	8.019
Earnings per share (in HRK)	33	0,43	5,44

Notes on pages 25 to 66
are an integral part of these financial statements

FINANCIAL POSITION REPORT AS AT 31 DECEMBER 2013

in thousands of HRK

ASSETS	Note	2013.	2012.
Cash assets	15	202.130	133.357
Receivables from the Croatian National Bank	16	109.611	159.503
Placements to banks	17	42.608	42.067
Financial assets available for sale	18	214.232	174.534
Financial assets held to maturity	19	87.556	82.790
Loans and advances to clients	20	797.687	771.629
Investments in dependent company	21	5.551	5.679
Real estate, plants and equipment	22	26.929	27.315
Intangible assets	23	6.502	6.273
Assets taken over	24	6.975	13.741
Other assets	25	15.176	15.392
TOTAL ASSETS		1.514.957	1.432.280

Notes on pages 25 to 66
are an integral part of these financial statements

FINANCIAL POSITION REPORT AS AT 31 DECEMBER 2013

- Continued -

in thousands of HRK

LIABILITIES AND CAPITAL	Note	2013.	2012.
Liabilities toward banks	26	-	2.617
Sight deposits	27	201.992	196.482
Term deposits	28	954.968	882.083
Credit liabilities	29	166.588	159.251
Other liabilities	30	13.103	13.617
Provisions	31	3.839	2.936
TOTAL LIABILITIES		1.340.490	1.256.986
Capital stock		91.897	91.897
Own/treasury shares		(6.592)	(6.592)
Revaluation reserves		574	1.799
Capital gain		149	149
Reserves		15.182	14.357
Retained earnings		72.859	68.687
Profit of current year		398	4.997
TOTAL CAPITAL	32	174.467	175.294
TOTAL LIABILITIES AND CAPITAL		1.514.957	1.432.280
POTENTIAL LIABILITIES	34	64.462	67.244

The Financial Statements on pages 3 to 59 were approved by the Management on 14 April 2014 and as confirmation signed by:

Mrs. Angelina Horvat, Chairwoman of the Board

Mr. Marko Brnić, Board Member



Notes on pages 25 to 66
are an integral part of these financial statements

REPORT ON CHANGES IN CAPITAL FOR 2013

in thousands of HRK

	Capital stock	Own/ treasury shares	Revalu. reserves	Capital gain	Legal reserves	Reserves for own shares	Other reserves	Retained earnings	Profit of current year	TOTAL
Position as at 1 January 2012	91.897	(398)	(1.223)	149	4.729	6.600	3.028	65.360	3.327	173.469
Profit allocation for 2011	-	-	-	-	-	-	-	3.327	(3.327)	-
Purchase of own shares	-	(6.194)	-	-	-	-	-	-	-	(6.194)
Unrealized profit	-	-	3.022	-	-	-	-	-	-	3.022
Profit of current period	-	-	-	-	-	-	-	-	4.997	4.997
Position as at 31 December 2012	91.897	(6.592)	1.799	149	4.729	6.600	3.028	68.687	4.997	175.294
Position as at 1 January 2013	91.897	(6.592)	1.799	149	4.729	6.600	3.028	68.687	4.997	175.294
Profit allocation for 2012	-	-	-	-	-	825	-	4.172	(4.997)	-
Unrealized profit	-	-	200	-	-	-	-	-	-	200
Realized profit	-	-	(1.425)	-	-	-	-	-	-	(1.425)
Profit of current period	-	-	-	-	-	-	-	-	398	398
Position as at 31 December 2013	91.897	(6.592)	574	149	4.729	7.425	3.028	72.859	398	174.467

Notes on pages 25 to 66
are an integral part of these financial statements

CASH FLOW REPORT FOR 2013

(indirect method)

in thousands of HRK

NET CASH FLOW FROM BUSINESS ACTIVITIES	2013.	2012.
Profit before taxes	738	6.403
Adjustment of net cash assets gained from business activities		
Depreciation	4.178	3.937
Value correction of credits/loans	11.298	5.182
Adjustment of value of other assets	1.118	465
Provisions for court cases (litigation costs)	225	185
Adjustment of value of assets held to maturity	14	1.128
Other adjustments and provisions (net)	678	139
Changes in assets and liabilities from business activities		
Decrease (increase) of receivables from the CNB	49.892	(41.233)
Decrease (increase) of placements to banks	5.055	418
Decrease (increase) of loans and advance payments from clients	(37.356)	(114.338)
Decrease (increase) of other assets	(902)	2.819
Increase (decrease) of liabilities toward banks	(2.617)	21
Increase (decrease) of sight deposits	5.510	(6.231)
Increase (decrease) of term deposits	72.885	33.544
Increase (decrease) of other liabilities	(514)	(31.500)
Profit/company tax	(340)	(1.406)
Net cash flow from business activities	109.862	(140.467)
CASH FLOW FROM INVESTMENT ACTIVITIES		
Decrease (increase) of financial assets available for sale	34.780	4.712
Decrease (increase) of financial assets until maturity	4.323	(2.934)
Procurement of real property, plants and equipment and intangible assets	(4.021)	(5.703)
Decrease (increase) of assets taken over	6.766	(5.386)
Net cash flow from investment activities	41.848	(9.311)
NET CASH FLOW FROM FINANCIAL ACTIVITIES		
Increase (decrease) of credit/loan liabilities	7.337	103.094
Other changes in capital (net)	(1.225)	3.022
Purchase of own shares	-	(6.194)
Net cash flow from financial activities	6.112	99.922
Net changes in cash and cash equivalents	157.822	(49.856)
Cash and cash equivalents at the beginning of year	335.405	385.261
Cash and cash equivalents at the end of year	493.227	335.405

Notes on pages 25 to 66
are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

I. GENERAL INFORMATION

a) Bank registration and activities

Slatinska banka d.d. Slatina, hereinafter "the Bank" is registered as joint-stock company with the Commercial court in Bjelovar under company tax number (MBS) 010000576 and Nat. ID No. (OIB) 42252496579.

The seat of the Bank is in Slatina, Vladimira Nazora 2.

The Bank is registered for the following activities:

- Accepting deposits or other returnable assets from the public and approving credits/loans from those assets, for its own account
- Accepting deposits or other returnable assets
- Approving credits and loans, including consumer credits and loans, mortgage credits and loans, and, if permitted by special law, financing commercial businesses, including export financing based on discounted repurchase and without recourse on long-term non-matured receivables insured by financial instruments
- Repurchase of claims, with and without recourse
- Financial leasing
- Issuing various types of guarantees
- Trading for its own account or the client's account: using money market instruments, transferrable securities, foreign means of payment, including currency exchange, financial futures and options, currency and interest instruments
- Payment services in accordance with special laws
- Services in connection with crediting; for example, data acquisition, formation of analyses and giving information on credit standing of legal and physical entities independently performing their business
- Issuing other payment instruments and their management if offering these services is not considered offering services as per Article 5 Item 7 Credit Institutions Act, in accordance with special law
- Money market business mediation
- Activities in connection with selling insurance policies, in accordance with insurance regulations

b) Official Bank bodies

Supervisory Board	Mrs. Ružica Vadić	Chairwoman
	Mr. Tomislav Rosandić	Vice-chairman
	Mr. Hrvoje Markovinović	Member
	Mrs. Blaženka Eror Matic	Member
	Mr. Denis Smolar	Member
Management (Board)	Mrs. Angelina Horvat	Management Board Chairwoman
	Mr. Marko Brnić	Board Member
	Mr. Marko Krajina	Board Member until 26 June 2013
	Mr. Elvis Mališ	Board Member until 17 March 2013

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

2.1. Conformance statement and basis for presentation

Financial statements of the Bank were drafted in accordance with International Financial Reporting Standards, as determined by the European Commission and published in the official ledger of the European Union ("IFRS"), and specific legal conditions for bank accounting in the Republic of Croatia. Bank business in the Republic of Croatia is regulated by the Credit Institutions Act, pursuant to which the Croatian National Bank ("CNB") then prescribes the regulations for financial statements.

Accounting regulations of the Croatian National Bank are based on International Financial Reporting Standards. Basic differences between accounting regulations of the Croatian National Bank and requests for adopting and measuring according to the IFRS are as follows:

- The CNB requests that the banks declare losses for which there is no proof based on which they could be directly tied to individual placements, but for which assertion may be made based on experience that they exist in the form of latent losses in the credit portfolio. The Bank performs value adjustment of these placements in the amount of latent losses, which it determines through its pre-prepared and tested internal methodology based on experience, where the level of adjusted value cannot be less than 0.80% of total placement value. Bank portfolio provisions amount to HRK 10.549.000 (10.928.000 in 2012) and are declared on the balance sheet, while the income from cancellation of provisioning amounts to HRK 379.000 in 2013. Although, according to IFRS, these provisions should be declared within capital and reserves, the Bank is classifying these losses as ones that are known to exist, but have not been individually identified.

2.2. Basis for preparation of financial statements

Financial statements have been prepared using the historical expense method, except financial assets and financial expenses, which are declared at fair value, in accordance with IRS 39 - "Financial instruments: acknowledgement and measuring" and IFRS 7 - "Financial instruments: issuing".

Accounting policies are applied consistently, unless specified otherwise.

Prescribed significant financial statements of the Bank were reclassified for purposes of this Report in order to present business results and the financial position (of the Bank) in accordance with the IFRS. Performed reclassifications did not have a bearing on net gain which the Bank accomplished during the current year.

The Bank's financial statements were prepared assuming no limitation of the duration of Bank's business operations

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 recognised 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

Report currency

Report currency is the Croatian Kuna (HRK), and financial statements are shown rounded up to thousands of HRK (unless otherwise stated).

The currency rate of Kuna (HRK) as at 31 December 2013 was, in relation to the Euro (EUR), HRK 7.637643 for 1 EUR (7,545624 as at 31 December 2012) and in relation to US dollars (USD) HRK 5.549000 for 1 USD (5,726794 as at 31 December 2012).

III. SUMMARY OF ACCOUNTING POLICIES

Summary of significant accounting policies adopted for the preparation of financial statements is shown next. Policies were consistently applied in all periods from this Report, unless stated otherwise.

3.1. Income and expenses from interest

Income and expenses from interest are declared in the profit and loss account for all instruments which yield interest, using the principle of calculated interest and the method of actual yield, based on actual purchase price. Income from interest includes coupons earned from investing in fixed income securities, securities for sale and calculated discount and premiums on treasury notes and other discounted instruments.

In case the repayment of the credit/loan should become questionable, the principal/equity amount is decreased to the estimated charge amount, and interest income is later declared at the rate used when calculating discount of future cash flow.

3.2. Income and expenses from fees and commissions

Income and expenses from fees and commissions comprise fees and commissions from domestic and international transactions, guarantees and issuing letters of credit, credit/debit card business and through asset management, and are declared in the profit and loss account per individual service, except in cases where they are included in the calculation of the effective interest rate.

Fee and provision expenses contain fees to authorized banks paid for services performed in foreign currency transactions, and for services of the Financial Agency (FINA) performed in domestic transactions

3.3. 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.

3.4. Recalculation of foreign means of payment

Transactions declared in foreign currencies are recalculated to HRK (Croatian Kuna) using the exchange rates valid as at the day of the transaction. Croatian Kuna is the official currency of the Bank; therefore, the financial statements have been presented using that currency.

Monetary assets and liabilities declared in foreign currencies have been recalculated to HRK as at the balance date using exchange rates valid on that day. Currency rate differentials stemming from recalculation of foreign currencies shall be declared in the PLA.

Non-monetary entries declared in foreign currencies valued at fair value have been recalculated into HRK using the exchange rate as at the day of determining fair value. Non-monetary entries declared in foreign currencies declared at purchase cost should be declared using the exchange rate valid as at the day of transaction.

Profit and loss arising from recalculation of foreign currencies and purchase and sale of foreign currencies have been declared in the PLA for the pertinent year.

3.5. 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-unrecognised 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

3.6. 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.

3.7. 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 PLA. 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.

3.8. Investments in dependent companies

Dependent companies are companies in which the main company (the Bank) has control over decisions, i.e. financial and business policies (stake of over 50%). Investments in dependent companies are declared using the expense method, with decrease of the book amount of this asset - investment up to its coverable amount.

The Bank shall also draft consolidated financial statements including any and all dependent companies in which the Bank has total stake and control.

3.9. 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.

3.10. Real estate, plants and equipment

Plants and equipment shall be declared at purchase value less accumulated depreciation and/or accumulated loss from value decrease. They are tangible assets if their useful life is longer than one year, and individual value higher than HRK 3,500 on the purchase date. Purchase value includes the purchase price, cost of spare parts, debt incurred due to long-term construction projects, and other dependent expenses and estimated value of future disassembly costs, if the conditions of recognizing the same have been fulfilled, while the liability shall be declared as provision.

Land and real property shall be declared at purchase value less accumulated depreciation of real property and losses from decrease of assets recognized after the revaluation date, based on periodical estimates made by professionals.

Depreciation is calculated by writing-off the purchase value of real property, except land and current investments, during the estimated useful life of assets using the straight-line method and the following rates:

DESCRIPTION	2013.	2012.
	%	%
Structures/buildings	2,50	2,50
Computer equipment	25	25
Furniture	20	20
Personal vehicles	40	40
Other equipment	10-25	10-25

Depreciation calculation shall be made per individual item until their full write-off. Real property, plants and equipment and each of their significant parts shall cease to be recognized at full write-off, or when no future economic benefits are expected through their use.

Gains or losses made through abandonment or write-off of a certain asset are calculated as a difference between sales income and the book amount of that asset and shall be declared as income. Value left over (current value), useful lifespan and depreciation methods shall be audited at the end of each fiscal year and adjusted if necessary.

3.11. 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 20% (same as the previous year).

Expenses of depreciation of intangible assets with determined lifespan shall be declared in the PLA as expense, in tune with the role of intangible assets. Intangible assets with determined lifespan will not be depreciated, but shall be annually value-estimated for decreases, whether individually or on the level of money generation.

3.12. Application of estimates

Preparation of the financial statements of the Bank, in accordance with various ISFR's, demands from the Bank management to make estimations and assumptions which have a bearing on amounts declared in these financial statements and notes. Estimates and related assumptions are based on previous experience and various other factors believed to be realistic in pertinent circumstances, as well as information accessible by and on the day of preparation of financial statements, the result of which is the basis for determining the book value of those assets and liabilities that cannot be easily determined through other sources. Actual results may differ from said estimates.

Estimates and basic assumptions are regularly checked. Changes to accounting estimates shall be recognized in the period they were made in if they have an effect on only that period; or, on the period in which they were made and future periods if they also have an effect on the current and future periods

3.13. 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.

3.14. 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 of the Croatian Ministry of Finance, and bills of exchange of companies with remaining maturity of 90 days.

3.15. Operative segments

Operative segments have been declared in accordance with internal reporting to the main business decision maker. The main business decision maker, i.e. the function responsible for allocating resources and assessment of operative segment performance, is identified as the Bank Management Board, which is responsible for making strategic decisions.

The Bank identified four main segments: companies, individuals (retail), banks and other. Information per segment is based on information given to managers for managing purposes. Where it was possible, positions of balance sheet and the PLA were shown using the above segments.

3.16. Regulatory demands

The Bank must perform its business in accordance with regulations put forward by the Croatian National Bank, determining limits and other limitations in connection with minimum capital adequacy, classification of loans and liabilities taken over in off-balance entries, as well as provisioning for covering credit risk, liquidity risk, interest risk and those risks pertaining to foreign currency positions.

3.17. 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

3.18. Side-by-side data

In order to better show data in accordance with the ISFR, reclassification of side-by-side data was made in the financial statements of the Bank in order to achieve consistency in presenting current fiscal year data with other data.

Interest receivables and liabilities which were declared in the financial position report as at 31 December 2012 on positions of Other assets and Other liabilities, are declared within the amount of the pertinent financial instrument in the financial position report as at 31 December 2013.

Paid fee which has the characteristic of interest income, was declared as deferred interest income, the position of Other liabilities in the financial position report as at 31 December 2012, while in the financial position report as at 31 December 2013 it was declared as decrease of loans and advance payment to clients, as well as bills of exchange held to maturity. Paid fee which has the characteristic of interest expenses and which was declared as an asset (as Other assets) in the financial position report as at 31 December 2012, was declared as decrease liabilities on received credits/loans in the financial position report as at 31 December 2013.

IV. NOTES TO THE ALL-INCLUSIVE PROFIT ACCOUNT**4. INCOME FROM INTEREST**

in thousands of HRK

	2013.	2012.
Companies	39.204	33.397
Private entities/individuals	41.513	41.628
Banks	144	627
Other	7.477	8.807
TOTAL:	88.338	84.459

5. INTEREST EXPENSES

in thousands of HRK

	2013.	2012.
Companies	1.535	1.136
Private entities/individuals	36.001	35.954
Banks	4.719	3.207
Other	7.343	7.515
TOTAL:	49.598	47.812

6. INCOME FROM COMMISSIONS AND FEES

in thousands of HRK

	2013.	2012.
Companies	3.423	3.604
Private entities/individuals	7.619	8.320
Other	1.146	1.087
TOTAL:	12.188	13.011

7. COMMISSION AND FEE EXPENSES

in thousands of HRK

	2013.	2012.
FINA services commission	2.234	1.958
Foreign banks	218	253
Domestic clients	738	723
TOTAL:	3.190	2.934

8. NET INCOME FROM CURRENCY RATE DIFFERENTIALS

in thousands of HRK

	2013.	2012.
Net currency rate differentials due to adjustment of foreign currency positions in the balance sheet to the exchange rate	(6.938)	(1.204)
Net currency rate differentials due to adjustment of foreign currency positions to the agreed exchange rate	6.949	1.060
Net currency rate differentials made by purchase or sale of foreign currency	2.870	3.333
TOTAL:	2.881	3.189

9. OTHER INCOME FROM REGULAR BUSINESS

in thousands of HRK

	2013.	2012.
Profit from activities in category of assets available for sale	2.165	3.873
Write-off of liabilities whose statute of limitations has passed	2.603	-
Charged court and similar costs per case	456	318
Income from sales of assets taken over	406	1.051
Other	734	412
TOTAL:	6.364	5.654

10. OTHER BUSINESS EXPENSES

in thousands of HRK

	2013.	2012.
Staff expenses (Note 11)	22.112	21.594
Depreciation (Notes 22 and 23)	4.178	3.937
Other business expenses (Note 12)	16.614	18.111
TOTAL:	42.904	43.642

11. STAFF EXPENSES

in thousands of HRK

	2013.	2012.
Net salaries	12.204	11.885
Contributions from and on salaries	6.300	6.117
Taxes and surtaxes from salaries	2.570	2.350
Other staff expenses	1.038	1.242
TOTAL:	22.112	21.594

Broj zaposlenih krajem razdoblja	175	180
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12. OTHER BUSINESS EXPENSES

in thousands of HRK

	2013.	2012.
Material and similar expenses	2.318	2.142
Service expenses	11.634	11.933
Advertising, marketing and representation costs	938	1.257
Supervisory Board member fees	562	566
Other	1.162	2.213
TOTAL:	16.614	18.111

13. EXPENSES OF VALUE ADJUSTMENTS AND PROVISIONS

in thousands of HRK

	2013.	2012.
Value adjustment of placements on individual basis		
- Financial assets held until maturity (Note 19)	14	1.128
- Loans and advances to clients (Note 20)	12.395	4.612
- Other assets (Note 25)	1.118	465
Value adjustment of placements, grouped (Notes 15, 16, 17, 19, 20 and 21).	(1.097)	570
Collected previous written off receivables	(120)	(1.657)
Value adjustment of investments in dependant company (Note 21)	128	80
Provisions for litigation costs (Note 31)	225	185
Provisions for potential liabilities (Note 31)	678	139
TOTAL:	13.341	5.522

14. PROFIT TAX

in thousands of HRK

	2013.	2012.
Accounting profit	738	6.403
Items increasing the tax basis	2.243	1.291
Items decreasing the tax basis	(250)	(308)
TAX BASIS	2.731	7.386
Tax rate	20%	20%
TAX OBLIGATIONS	546	1.477
Expense / (income) of deferred taxation	(206)	(71)
TAX EXPENSE	340	1.406

V. NOTES TO THE FINANCIAL POSITION REPORT**15. CASH ASSETS**

in thousands of HRK

	2013.	2012.
Giro account	62.439	25.755
Cash in hand:		
- HRK	16.156	19.120
- Foreign currency	9.348	8.218
Cash in foreign currency accounts of foreign banks	82.511	69.285
Cash in foreign currency accounts of domestic banks	31.595	11.813
Other cash assets	81	74
Value adjustment	-	(908)
TOTAL:	202.130	133.357

16. RECEIVABLES FROM THE CROATIAN NATIONAL BANK

in thousands of HRK

	2013.	2012.
Obligatory reserves		
- HRK	81.575	86.593
- Foreign currency	13.457	14.269
Obligatory treasury notes	14.579	-
Other deposits with the CNB	-	60.008
Value adjustment	-	(1.367)
TOTAL:	109.611	159.503

Obligatory reserves are calculated using the 12.0% rate (13.5% in 2012) on HRK and foreign currency deposits, and foreign currency credits/loans. The Bank holds 70% of the HRK part and 60% of the foreign currency part of obligatory reserves with the CNB.

Obligatory treasury notes of the CNB are in HRK, and mature 12 December 2016. The CNB does not charge interest on entered obligatory reserves.

17. PLACEMENTS TO BANKS

in thousands of HRK

	2013.	2012.
Short-term credits/loans to Croatian banks	5.000	5.000
Long-term credits/loans to Croatian banks	-	5.015
Short-term deposits to foreign banks	31.409	31.063
Short-term deposits to Croatian banks	6.199	1.350
Value adjustment	-	(361)
TOTAL:	42.608	42.067

Changes in value adjustment are as follows:

in thousands of HRK

	2013.	2012.
Position as at 1 January	(361)	(1.107)
Net value adjustment/correction (Note 13)	361	746
TOTAL:	-	(361)

18. FINANCIAL ASSETS AVAILABLE FOR SALE

in thousands of HRK

	2013.	2012.
Investments in equity securities	431	431
Investments in investment funds	13.286	19.801
Investments in debt securities		
- Company bonds in HRK	11.163	10.616
- Company bonds with foreign currency clause	3.865	3.804
- Treasury notes of the Ministry of Finance of the Republic of Croatia - in HRK	104.087	53.664
- Treasury notes of the Ministry of Finance of the Republic of Croatia - with foreign currency clause	81.400	86.218
TOTAL:	214.232	174.534

19. FINANCIAL ASSETS HELD TO MATURITY

in thousands of HRK

	2013.	2012.
Company bills of exchange	59.483	57.398
State institution bills of exchange	1.569	2.190
Trade bonds	210	644
Factoring - companies	-	2.659
Treasury notes of the Croatian Ministry of Finance	28.161	21.954
Value adjustment	(1.867)	(2.055)
TOTAL:	87.556	82.790

Changes in value adjustment are as follows:

in thousands of HRK

	2013.	2012.
Position as at 1 January	(2.055)	(874)
Net value adjustment/correction (Note 13)	188	(1.181)
Position as at 31 December	(1.867)	(2.055)

20. LOANS AND ADVANCES TO CLIENTS

in thousands of HRK

	2013.	2012.
Companies	382.584	389.185
Individuals and tradesmen	434.860	401.841
Other	42.637	28.717
Value adjustment of loans	(62.394)	(48.114)
TOTAL:	797.687	771.629

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

in thousands of HRK

	2013.	2012.
Production/Manufacture	107.313	106.236
Trade	103.066	107.347
Tourism	10.398	10.229
Agriculture	79.256	91.780
Civil Engineering/Construction	19.680	27.932
Services	15.999	29.877
Private entities/individuals	434.855	401.837
Others	89.514	44.505
TOTAL:	860.081	819.743
Value adjustments and provisions for loan-based losses	(62.394)	(48.114)
GRAND TOTAL:	797.687	771.629

Value adjustment changes, i.e. provision for possible losses on loans:

in thousands of HRK

	2013.			2012.		
	Value adjustment	Special reserves for identified joint losses	Total	Value adjustment	Special reserves for identified joint losses	Total
Position as at 1 January	41.377	6.737	48.114	37.040	5.725	42.765
Net value adjustment (Note 13)	12.395	1.862	14.257	4.612	1.012	5.624
Currency rate differentials	37	-	37	(17)	-	(17)
Write-off and other	(14)	-	(14)	(258)	-	(258)
Position as at 31 December	53.795	8.599	62.394	41.377	6.737	48.114

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 2013 (0.85% to 1.00% non-risk assets and non-risk off-balance potential liabilities as at 31 December 2012).

21. INVESTMENTS IN DEPENDENT COMPANY

in thousands of HRK

	2013.	2012.
Turbina d.o.o. Slatina	9.500	9.500
Value adjustment	(3.949)	(3.821)
TOTAL:	5.551	5.679

The Bank holds a 100% stake in the above company. Investments in dependent company have been declared using the investment expense method, with decrease of the book amount of this asset - investment up to its coverable amount.

Changes in value adjustment are as follows:

in thousands of HRK

	2013.	2012.
Position as at 1 January	(3.821)	(3.741)
Net value adjustment/correction (Note 13)	(128)	(80)
Position as at 31 December	(3.949)	(3.821)

22. REAL PROPERTY, PLANTS AND EQUIPMENT**Changes to positions of real property, plants and equipment:**

in thousands of HRK

2013.	Land	Structures/ buildings	Equipment	Furniture and means of transport	Assets in preparation	Total real property, plants and equipment
Purchase value						
Position as at 31 December 2012	1.256	33.903	17.982	8.089	559	61.789
Direct increases	-	566	900	121	597	2.184
Transfer from assets in preparation	-	-	370	-	(370)	-
Liabilities (expenses)	-	-	(419)	(13)	-	(432)
Position as at 31 Dec. 2013	1.256	34.469	18.833	8.197	786	63.541
Value adjustment						
Position as at 31 Dec. 2012	-	(12.164)	(15.060)	(7.250)	-	(34.474)
Depreciation for 2013	-	(858)	(1.294)	(418)	-	(2.570)
Liabilities (expenses)	-	-	419	13	-	432
Position as at 31 Dec. 2013	-	(13.022)	(15.935)	(7.655)	-	(36.612)
Current (net) value						
31 December 2012	1.256	21.739	2.922	839	559	27.315
31 December 2013	1.256	21.447	2.898	542	786	26.929

Right to lien (i.e. mortgage) was entered on one part of the Bank's real 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 29). Book value of mortgaged property - business building of the Bank in Slatina as at 31 December 2013 was HRK 29,767,000 (HRK 29,416,000 as at 31 Dec. 2012).

Changes to positions of real property, plants and equipment:

in thousands of HRK

2012.	Land	Structures/ buildings	Equipment	Furniture and means of transport	Assets in preparation	Total real property, plants and equipment
Purchase value						
Position as at 31 December 2011	1.145	33.106	17.368	7.805	369	59.793
Direct increases	111	624	-	-	2.145	2.880
Transfer from assets in preparation	-	173	1.161	621	(1.955)	-
Expenses and sales	-	-	(547)	(337)	-	(884)
Position as at 31 Dec. 2012	1.256	33.903	17.982	8.089	559	61.789
Value adjustment						
Position as at 31 Dec. 2011	-	(11.325)	(14.066)	(7.229)	-	(32.620)
Depreciation for 2012	-	(839)	(1.541)	(358)	-	(2.738)
Expenses and sales	-	-	547	337	-	884
Position as at 31 Dec. 2012	-	(12.164)	(15.060)	(7.250)	-	(34.474)
Current (net) value						
31 December 2011	1.145	21.781	3.302	576	369	27.173
Current (net) value						
31 December 2012	1.256	21.739	2.922	839	559	27.315

23. INTANGIBLE ASSETS

in thousands of HRK

2013.	Software	Investments in real estate belonging to others	Intangible assets in preparation	Total intangible assets
Purchase value				
Position as at 31 December 2012	11.234	1.901	1.065	14.200
Direct increases	342	190	1.305	1.837
Transfer from assets in preparation	1.065	-	(1.065)	-
Position as at 31 Dec. 2013	12.641	2.091	1.305	16.037
Value adjustment				
Position as at 31 Dec. 2012	(6.202)	(1.725)	-	(7.927)
Depreciation for 2013	(1.554)	(54)	-	(1.608)
Position as at 31 Dec. 2013	(7.756)	(1.779)	-	(9.535)
Current (net) value 31 December 2012	5.032	176	1.065	6.273
Current (net) value 31 December 2013	4.885	312	1.305	6.502

in thousands of HRK

2012.	Software	Investments in real estate belonging to others	Intangible assets in preparation	Total intangible assets
Purchase value				
Position as at 31 December 2011	8.010	1.884	1.483	11.377
Direct increases	51	-	2.772	2.823
Transfer from assets in preparation	3.173	17	(3.190)	-
Position as at 31 Dec. 2012	11.234	1.901	1.065	14.200
Value adjustment				
Position as at 31 Dec. 2011	(5.067)	(1.661)	-	(6.728)
Depreciation for 2012	(1.135)	(64)	-	(1.199)
Position as at 31 Dec. 2012	(6.202)	(1.725)	-	(7.927)
Current (net) value 31 December 2011	2.943	223	1.483	4.649
Current (net) value 31 December 2012	5.032	176	1.065	6.273

24. ASSETS TAKEN OVER

in thousands of HRK

	2013.	2012.
Land - taken over for over 2 years	2.164	1.733
Structures/buildings - taken over for over 2 years	4.562	2.949
Other assets - taken over for over 2 years	113	113
Land - taken over for less than 2 years	62	1.727
Structures/buildings - taken over for less than 2 years	74	7.219
TOTAL:	6.975	13.741

Assets taken over declared in the balance sheet of the Bank as at 31 December 2013 in the amount of HRK 6,975 (HRK 13,741 as at 31 December 2012) 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 during 2013:

in thousands of HRK

	2013.
Position as at 1 January	13.741
Increase	
- Real property tax and other	35
Decrease	
- Sales	(6.801)
Position as at 31 December	6.975

25. OTHER ASSETS

in thousands of HRK

	2013.	2012.
Calculated assets	8.261	7.650
Fee and commission receivables	3.497	2.924
Receivables for cash sent to collection centre	2.301	2.727
Deferred tax assets	2.038	1.831
Accounts receivable	1.406	1.400
Card-based receivables	939	786
Receivables for advance payments of profit/company tax	789	-
Paid expenses of future period	219	175
Advance payments	27	464
Other	587	1.283
Value adjustment	(4.888)	(3.848)
TOTAL:	15.176	15.392

Changes in value adjustment are as follows:

in thousands of HRK

	2013.	2012.
Position as at 1 January	(3.848)	(4.092)
Net value adjustment/correction (Note 13)	(1.035)	(336)
Currency rate differentials	(5)	-
Write-off and other	-	580
Position as at 31 December	(4.888)	(3.848)

26. Position as at 31 December

in thousands of HRK

	2013.	2012.
Term deposits		
- Foreign currency	-	2.617
TOTAL:	-	2.617

The above liabilities for which statute of limitations has run out in accordance with the Obligatory Relations Act and for which none of the creditors demanded payment, was written off in 2013 for the benefit of other Bank income.

27. SIGHT DEPOSITS

in thousands of HRK

	2013.	2012.
Sight deposits - individuals (retail)		
- HRK	61.742	64.593
- Foreign currency	51.453	53.000
Total retail:	113.195	117.593
Sight deposits - companies (business)		
- HRK	38.281	36.457
- Foreign currency	9.411	4.184
Total companies:	47.692	40.641
Sight deposits - financial institutions		
- HRK	107	174
Total financial institutions:	107	174
Sight deposits - state and other institutions		
- HRK	39.574	36.824
- Foreign currency	62	70
Total state and other institutions:	39.636	36.894
Limited deposits		
- HRK	471	366
- Foreign currency	-	142
Total limited deposits	471	508
Sight deposits - foreign banks		
- HRK	45	53
- Foreign currency	846	619
Total foreign banks:	891	672
GRAND TOTAL:	201.992	196.482

28. TERM DEPOSITS

in thousands of HRK

	2013.	2012.
Individual deposits (retail)		
- HRK	217.352	193.069
- Foreign currency	647.415	598.597
Total retail:	864.767	791.666
Company deposits (business)		
- HRK	24.279	17.957
- Foreign currency	3.497	626
Total companies:	27.776	18.583
Financial institution deposits		
- HRK	24.229	24.301
- Foreign currency	13.643	13.360
Total financial institutions:	37.872	37.661
State and other institution deposits		
- HRK	14.484	20.986
- Foreign currency	236	165
Total state and other institutions:	14.720	21.151
Foreign entity deposits		
- Foreign currency	9.833	13.022
Total foreign entities:	9.833	13.022
GRAND TOTAL:	954.968	882.083

29. LIABILITIES FOR RECEIVED CREDITS/LOANS

in thousands of HRK

	2013.	2012.
Croatian banks (Croatian Bank for Reconstruction and Development)	132.262	126.093
Croatian non-banking financial institutions	23.251	22.217
Foreign banks	11.075	10.941
TOTAL:	166.588	159.251

Liabilities toward the CBRD as at 31 December 2013 amounted to HRK 132,262,000 (HRK 126,093,000 as at 31 Dec. 2012). These sources are meant for approving credits/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 2012).

Liabilities toward Croatian non-banking financial institutions as at 31 Dec. 2013 were HRK 23,251,000 (HRK 22,217,000 as at 31 Dec. 2012) and pertain to REPO transactions concluded with AUCTOR INVEST d.o.o. REPO rate is fixed for each contract, from 3.0% to 4.5%.

Liabilities toward foreign banks as at 31 December 2013 pertaining to liabilities toward Zveza Bank, Klagenfurt, Republic of Austria, amounted to HRK 11,075,000 (HRK 10,941,000 as at 31 Dec. 2012). The loan was approved for the amount of HRK 1,450,000, with maturity being 30 June 2017, as single payment. Interest rate is 4.75% fixed, and is calculated quarterly. Insurance for the loan is mortgaged real property of the Bank in Slatina (Note 22).

30. OTHER LIABILITIES

	in thousands of HRK	
	2013.	2012.
Credit overpayment liabilities	4.705	4.621
Accounts payable	1.897	2.025
Liabilities toward employees	1.576	1.711
Supervisory Board member fees	47	47
Deferred interest income	556	811
Dividend liabilities	122	122
Income taxes and contributions	11	308
VAT liabilities	21	48
Other liabilities	4.168	3.924
TOTAL:	13.103	13.617

31. PROVISIONING

	in thousands of HRK	
	2013.	2012.
Provisions for court cases (litigation costs)	2.517	2.292
Provisions for losses as per off-balance potential liabilities	1.322	644
TOTAL:	3.839	2.936

Changes in provisioning are as follows:

	in thousands of HRK	
	2013.	2012.
Position as at 1 January	2.936	2.612
Changes on provisions for litigation costs (Note 13)	225	185
Changes in provisions for potential liabilities (Note 13)	678	139
Position as at 31 December	3.839	2.936

32. KAPITAL

Capital stock as at 31 December 2013 amounted to HRK 91,897,000, 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.

The largest Bank's shareholders as at 31 December 2013:

	Percentage of share in capital stock	
	Number of shares	%
Hypo Alpe-Adria-Bank d.d. / SZIF d.d. (1/1)	152.502	16,59
State Agency for Savings Insurance and Bank Recovery (1/1)	76.494	8,32
Dragutin Sokačić (1/1)	72.510	7,89
SB-S d.d. (1/1)	71.374	7,77
Zagrebačka banka d.d. / SAVA – RE d.d. (1/1)	50.271	5,47
Raiffeisenbank Austria d.d. / Adris Grupa d.d. (1/1)	40.258	4,38
Galić Josip (1/1)	29.962	3,26
Mrkoci Milivoj (1/1)	29.960	3,26
Finesa Credos d.d., financial company (1/1)	29.073	3,16
Croatia LLOYD d.d. (1/1)	27.792	3,02
Emil Mikulić (1/1)	26.554	2,89
Robert Berišić (1/1)	20.000	2,18
Đurđica Ergović (1/1)	15.519	1,69
Velebit životno osiguranje d.d. (1/1)	11.000	1,20
Arijana Boras (1/1)	10.063	1,10
HITA - VRIJEDNOSNICE d.d. / Emil Mikulić (1/1)	10.000	1,09
Ivan Sesar (1/1)	9.000	0,98
Ivan Vukelić (1/1)	8.983	0,98
Tvin d.o.o. (1/1)	8.958	0,97
Zagrebačka banka d.d. / Allianz Zagreb d.d. (1/1)	8.703	0,95
Tihomir Strizrep (1/1)	7.990	0,87
Slobodan Prijic (1/1)	7.303	0,79
Srečko Bahovec (1/1)	6.073	0,66
SATO d.o.o. (1/1)	4.596	0,50
Ante Vrdoljak (1/1)	3.853	0,42
Hrvatske šume d.o.o. (1/1)	3.036	0,33
Others	177.145	19,28
TOTAL:	918.972	100,00

33. EARNINGS PER SHARE

	2013.	2012.
Profit of current year (in thousands of HRK)	398	4.997
Number of shares (in thousands of shares)	918,972	918,972
Earnings per share	0,43 HRK	5,44 HRK

34. POTENTIAL LIABILITIES

in thousands of HRK

	2013.	2012.
Performance guarantees		
- HRK	5.352	4.870
- Foreign currency	157	-
Payment guarantees		
- HRK	6.640	6.768
- Foreign currency	518	783
Letters of credit		
- Foreign currency	198	555
Approved unrealised credit line	40.720	38.990
Other potential liabilities	12.199	15.922
TOTAL:	65.784	67.888
Provisions for potential liabilities	(1.322)	(644)
GRAND TOTAL:	64.462	67.244

35. CASH AND CASH EQUIVALENTS

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

in thousands of HRK

	2013.	2012.
Cash assets	202.130	133.357
Placements to banks with remaining maturity up to 3 months	41.922	36.326
Treasury notes and bills of exch. with rem. maturity up to 3 months		
- Portfolio available for sale	214.232	139.882
Treasury notes and bills of exch. with maturity of up to 3 months		
- Portfolio to maturity	34.943	25.840
Total cash and cash equivalents:	493.227	335.405

36. ASSETS FOR AND ON BEHALF

in thousands of HRK

	2013.	2012.
Total sources	12.200	12.524
Less: assets	(11.887)	(12.200)
Assets not spent	313	324

The Bank manages assets for and on behalf of (i.e. 'in the name and account') 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

37. TRANSACTIONS WITH RELATED PARTIES

Related (also: associated) parties are those in which one party manages the other or has a significant influence on financial and business decisions of the other. Regular business includes banking transactions with related parties, which include allocation of credits/loans and receiving deposits. The above transactions are performed under commercial conditions and using market rates and prices. Total amount of transactions with related parties, items remaining open at the end of the year and related income and expenses for the year are as follows:

in thousands of HRK

	2013.	2012.
Loans and advance payments to clients		
Shareholders having 5 or more percent of voting shares	7.733	7.936
Members of the Supervisory Board and associated parties	-	344
Others (employees and associated parties)	3.708	4.075
Total loans and advance payments to clients	11.441	12.355
Potential liabilities		
Others (employees and associated parties)	771	611
Total potential liabilities	771	611
Sight deposits		
Shareholders having 5 or more percent of voting shares	15	76
Others (employees and associated parties)	908	143
Turbina d.o.o. Slatina	328	343
Total sight deposits	1.251	562
Term deposits		
Shareholders having 5 or more percent of voting shares	4.172	-
Others (employees and associated parties)	2.393	4.606
Turbina d.o.o. Slatina	3.388	3.261
Total term deposits	9.953	7.867

Other assets

Shareholders having 5 or more percent of voting shares	290	561
Members of the Supervisory Board and associated parties	-	1
Others (employees and associated parties)	-	299
Turbina d.o.o. Slatina	5.552	5.685
Total other assets	5.842	6.546

Other liabilities

Turbina d.o.o. Slatina	3	3
Total other liabilities	3	3

Income

Shareholders having 5 or more percent of voting shares	669	302
Members of the Supervisory Board and associated parties	18	36
Others (employees and associated parties)	317	569
Turbina d.o.o. Slatina	8	6
Total income	1.012	913

Expenses

Shareholders having 5 or more percent of voting shares	1.374	4
Others (employees and associated parties)	209	230
Turbina d.o.o. Slatina	183	180
Total expenses	1.766	414

Management Board salaries:

in thousands of HRK

	2013.	2012.
Net salaries	1.614	1.959
Taxes and contributions	1.691	2.447
TOTAL:	3.305	4.406

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 org. parts within the Bank's organisational structure responsible for individual risk management and control.

38. 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

2013.

in thousands of HRK

Exposure to credit risk relating to balance assets is as follows:	Gross placements	Individual reserves	Joint reserves	Net placements
Cash assets	202.130	-	-	202.130
Receivables from the Croatian National Bank	109.611	-	-	109.611
Placements to banks	42.608	-	-	42.608
Financial assets available for sale	214.232	-	-	214.232
Financial assets held to maturity	89.423	(1.275)	(592)	87.556
Loans and advance payments to clients				
- Companies	382.584	(27.423)	(2.904)	352.257
- Individuals	434.860	(26.372)	(5.450)	403.038
- Other entities	42.637	-	(245)	42.392
Other assets	20.064	(4.845)	(43)	15.176
Total balance exposure:	1.538.149	(59.915)	(9.234)	1.469.000

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

Guarantees	12.667	-	(142)	12.525
Letters of credit	198	-	(2)	196
Credit and other liabilities taken over	52.919	(7)	(1.171)	51.741
Total off-balance exposure:	65.784	(7)	(1.315)	64.462
Total as at 31 December	1.603.933	(59.922)	(10.549)	1.533.462

Overview of unpaid matured receivables as at the balance date:

2013.

in thousands of HRK

	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	TOTAL
Placements to banks	-	-	-	-	-	-	-	-
Loans and advance payments to clients								
- Companies	5.749	4.649	7.998	18.821	28.697	5.603	28.614	100.131
- Individuals	2.603	3.151	2.066	3.165	3.843	6.281	18.218	39.327
- Other entities	481	4	-	-	-	-	-	485
Financial assets held to maturity	4	1	-	1	1.667	-	-	1.673
Other matured receivables	261	136	19	19	62	72	189	758
Total unpaid matured receivables	9.098	7.941	10.083	22.006	34.269	11.956	47.021	142.374
Off-balance interest (matured)	7	10	277	1.480	5.453	3.504	33.428	44.159

Total placements to banks, loans and advance payments to clients

Summary of credit exposure with respect to the level of possibility of coverage:

2013.

in thousands of HRK

	Placements to banks	Loans and advance payments to companies	Loans and advance payments to individuals	Loans and advance payments to other entities	Total
Not matured and value not decreased	42.608	274.078	381.974	42.152	740.812
Matured and value not decreased	-	16.665	6.053	485	23.203
Individual value decreased	-	91.841	46.833	-	138.674
Gross:	42.608	382.584	434.860	42.637	902.689
Decreased for provisioning	-	(30.327)	(31.822)	(245)	(62.394)
Net:	42.608	352.257	403.038	42.392	840.295

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

2013.

in thousands of HRK

	Placements to banks	Loans and advance payments to companies	Loans and advance payments to individuals	Loans and advance payments to other entities	Total
Not matured and value not decreased	42.608	274.078	381.974	42.152	740.812
TOTAL:	42.608	274.078	381.974	42.152	740.812
Matured and value not decreased					
Maturity up to 30 days	-	5.742	2.600	481	8.823
Maturity 31-90 days	-	2.645	3.145	4	5.794
Maturity over 90 days	-	8.278	308	-	8.586
TOTAL:	-	16.665	6.053	485	23.203
GRAND TOTAL:	42.608	290.743	388.027	42.637	764.015
Fair value of lien/mortgage	-	227.833	47.838	-	275.671
Receivables (claims) insured with an insurance company	-	-	172.601	-	172.601

Placements to banks and loans and advance payments to clients whose value has individually decreased

2013.

in thousands of HRK

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
Maturity up to 30 days	-	6	2	-	8
Maturity 31-90 days	-	2.005	6	-	2.011
Maturity 91-180 days	-	6.994	1.891	-	8.885
Maturity 181-365 days	-	11.547	3.033	-	14.580
Maturity 1-2 years	-	28.697	3.843	-	32.540
Maturity 2-3 years	-	5.603	6.281	-	11.884
Maturity over 3 years	-	28.614	18.218	-	46.832
TOTAL MATURED:	-	83.466	33.274	-	116.740
Pertinent non-matured debt	-	8.375	13.559	-	21.934
TOTAL:	-	91.841	46.833	-	138.674
Decreased for provisioning	-	(30.327)	(31.822)	(245)	(62.394)
Net	-	61.514	15.011	(245)	76.280
Fair value of lien/mortgage	-	76.507	10.938	-	87.445
Receivables (claims) insured with an insurance company	-	-	1.823	-	1.823

39. 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 2013.

2013.							in thousands of HRK	
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Without interest	Total	
ASSETS								
Cash assets	176.545	-	-	-	-	25.585	202.130	
Receivables from the Croatian National Bank	-	-	-	-	-	109.611	109.611	
Placements to banks	41.920	-	685	-	-	3	42.608	
Financial assets available for sale	25.659	30.494	141.545	10.554	3.819	2.161	214.232	
Financial assets held to maturity	1.681	33.683	25.544	26.648	-	-	87.556	
Loans and advance payments to clients	54.659	67.040	158.808	277.251	239.046	883	797.687	
Investments in related company	-	-	-	-	-	5.551	5.551	
Real property, plants and equipment	-	-	-	-	-	26.929	26.929	
Intangible assets	-	-	-	-	-	6.502	6.502	
Assets taken over	-	-	-	-	-	6.975	6.975	
Other assets	-	-	-	-	-	15.176	15.176	
Total assets	300.464	131.217	326.582	314.453	242.865	199.376	1.514.957	
LIABILITIES AND CAPITAL								
Liabilities toward banks	-	-	-	-	-	-	-	
Sight deposits	36	-	201.479	-	-	477	201.992	
Term deposits	211.213	200.734	427.011	71.363	9.100	35.547	954.968	
Credit liabilities	32.515	8.404	39.646	34.640	51.252	131	166.588	
Other liabilities	-	-	-	-	-	13.103	13.103	
Provisions	-	-	-	-	-	3.839	3.839	
Total liabilities	243.764	209.138	668.136	106.003	60.352	53.097	1.340.490	
Capital stock	-	-	-	-	-	91.897	91.897	
Own/treasury shares	-	-	-	-	-	(6.592)	(6.592)	
Revaluation reserves	-	-	-	-	-	574	574	
Capital gain	-	-	-	-	-	149	149	
Reserves	-	-	-	-	-	15.182	15.182	
Retained earnings	-	-	-	-	-	72.859	72.859	
Profit of current year	-	-	-	-	-	398	398	
Total capital	-	-	-	-	-	174.467	174.467	
Total liabilities and capital	243.764	209.138	668.136	106.003	60.352	227.564	1.514.957	
Net assets/liabilities and capital	56.700	(77.921)	(341.554)	208.450	182.513	(28.188)	-	

Notes to financial statements

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 2012

2012.	in thousands of HRK						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Without interest	Total
ASSETS							
Cash assets	-	-	-	-	-	133.357	133.357
Receivables from the Croatian National Bank	100.005	-	-	-	-	59.498	159.503
Placements to banks	35.755	571	5.741	-	-	-	42.067
Financial assets available for sale	18.702	11.766	128.011	11.602	4.022	431	174.534
Financial assets held to maturity	13.361	12.170	57.259	-	-	-	82.790
Loans and advance payments to clients	161.398	79.587	151.732	190.262	188.650	-	771.629
Investments in related company	-	-	-	-	-	5.679	5.679
Real estate, plants and equipment	-	-	-	-	-	27.315	27.315
Intangible assets	-	-	-	-	-	6.273	6.273
Assets taken over	-	-	-	-	-	13.741	13.741
Other assets	-	-	-	-	-	15.392	15.392
Total assets	329.221	104.094	342.743	201.864	192.672	261.686	1.432.280
LIABILITIES AND CAPITAL							
Liabilities toward banks	-	-	-	-	-	2.617	2.617
Sight deposits	191.566	-	-	-	-	4.916	196.482
Term deposits	349.247	106.670	307.887	71.114	7.290	39.875	882.083
Credit liabilities	33.558	12.622	39.642	26.629	44.211	2.589	159.251
Other liabilities	-	-	-	-	-	13.617	13.617
Provisions	-	-	-	-	-	2.936	2.936
Total liabilities	574.371	119.292	347.529	97.743	51.501	66.550	1.256.986
Capital stock	-	-	-	-	-	91.897	91.897
Own/treasury shares	-	-	-	-	-	(6.592)	(6.592)
Revaluation reserves	-	-	-	-	-	1.799	1.799
Capital gain	-	-	-	-	-	149	149
Reserves	-	-	-	-	-	14.357	14.357
Retained earnings	-	-	-	-	-	68.687	68.687
Profit of current year	-	-	-	-	-	4.997	4.997
Total capital	-	-	-	-	-	175.294	175.294
Total liabilities and capital	574.371	119.292	347.529	97.743	51.501	241.844	1.432.280
Net assets/liabilities and capital	(245.150)	(15.198)	(4.786)	104.121	141.171	19.842	-

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

	2013.	2012.
	%	%
Assets		
Receivables from the Croatian National Bank	-	0,00-0,25
Placements to banks	0,01-1,00	0,01-6,00
Financial assets held to maturity	1,90-10,00	5,25-10,00
Loans and advance payments to clients	1,00-15,00	3,00-14,00
Liabilities		
Liabilities toward banks	-	-
Sight deposits	0,05-2,50	0,00-3,70
Term deposits	0,50-6,10	0,50-6,00
Liabilities by credit	0,00-5,00	0,00-6,00

40. 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.

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

in thousands of HRK

	31 December 2013			31 December 2012		
	Assets	Liabilities and capital	Off-balance entries	Assets	Liabilities and capital	Off-balance entries
Geographical region						
Republic of Croatia	1.401.037	1.493.479	65.784	1.332.936	1.408.002	67.888
Europe	113.920	21.478	-	99.344	24.278	-
Total geo. region	1.514.957	1.514.957	65.784	1.432.280	1.432.280	67.888
Sector						
Republic of Croatia	75.652	44.404	1.327	196.887	45.625	8.692
CNB	172.064	-	-	185.053	9	-
Trade	174.336	13.531	7.441	163.899	14.936	4.707
Finances	58.315	193.503	7.320	59.248	188.023	8.778
Tourism	16.831	972	579	11.587	1.610	1.429
Agriculture, fishing	100.938	4.445	1.374	91.625	3.245	1.808
Industry	153.456	14.802	10.164	115.456	7.132	6.872
Individuals (including tradesmen and other independent enterprises)	415.201	958.981	25.555	429.444	880.347	25.926
Non-residents	113.920	21.478	-	99.344	24.278	-
Other	234.244	262.841	12.024	79.737	267.075	9.676
Total sector analysis	1.514.957	1.514.957	65.784	1.432.280	1.432.280	67.888

42. CURRENCY RISK

Foreign currency assets and liabilities of the Bank as at 31 December 2013:

2013.

in thousands of HRK

	EUR	USD	Other currencies	HRK with currency clause	Total for. cur. equivalents	HRK	Total
ASSETS							
Cash assets	111.280	1.559	10.693	-	123.532	78.598	202.130
Receivables from the Croatian National Bank	13.457	-	-	-	13.457	96.154	109.611
Placements to banks	31.238	4.994	1.376	-	37.608	5.000	42.608
Financial assets available for sale	-	-	-	85.219	85.219	129.013	214.232
Financial assets held to maturity	28.160	-	-	-	28.160	59.396	87.556
Loans and advance payments to clients	-	-	-	517.875	517.875	279.812	797.687
Investments in related company	-	-	-	-	-	5.551	5.551
Real property, plants and equipment	-	-	-	-	-	26.929	26.929
Intangible assets	-	-	-	-	-	6.502	6.502
Assets taken over	-	-	-	-	-	6.975	6.975
Other assets	-	-	-	-	-	15.176	15.176
Total assets	184.135	6.553	12.069	603.094	805.851	709.106	1.514.957
LIABILITIES AND CAPITAL							
Liabilities toward banks	-	-	-	-	-	-	-
Sight deposits	57.272	828	3.672	-	61.772	140.220	201.992
Term deposits	661.321	6.140	7.164	25.968	700.593	254.375	954.968
Credit liabilities	11.075	-	-	54.283	65.358	101.230	166.588
Other liabilities	-	-	-	-	-	13.103	13.103
Provisions	-	-	-	-	-	3.839	3.839
Total liabilities	729.668	6.968	10.836	80.251	827.723	512.767	1.340.490
Capital stock	-	-	-	-	-	91.897	91.897
Own/treasury shares	-	-	-	-	-	(6.592)	(6.592)
Revaluation reserves	-	-	-	-	-	574	574
Capital gain	-	-	-	-	-	149	149
Reserves	-	-	-	-	-	15.182	15.182
Retained earnings	-	-	-	-	-	72.859	72.859
Profit of current year	-	-	-	-	-	398	398
Total capital	-	-	-	-	-	174.467	174.467
Total liabilities and capital	729.668	6.968	10.836	80.251	827.723	687.234	1.514.957
Net assets/liabilities and capital	(545.533)	(415)	1.233	522.843	(21.872)	21.872	-

Notes to financial statements

Foreign currency assets and liabilities of the Bank as at 31 December 2012:

2012.

in thousands of HRK

	EUR	USD	Other currencies	HRK with currency clause	Total for. cur. equivalents	HRK	Total
ASSETS							
Cash assets	57.486	7.669	11.812	-	76.967	56.390	133.357
Receivables from the Croatian National Bank	14.269	-	-	-	14.269	145.234	159.503
Placements to banks	30.692	-	1.358	-	32.050	10.017	42.067
Financial assets available for sale	-	-	-	86.218	86.218	88.316	174.534
Financial assets held to maturity	-	-	-	-	-	82.790	82.790
Loans and advance payments to clients	-	-	-	509.121	509.121	262.508	771.629
Investments in related company	-	-	-	-	-	5.679	5.679
Real property, plants and equipment	-	-	-	-	-	27.315	27.315
Intangible assets	-	-	-	-	-	6.273	6.273
Assets taken over	-	-	-	-	-	13.741	13.741
Other assets	2.285	-	445	46	2.776	12.616	15.392
Total assets	104.732	7.669	13.615	595.385	721.401	710.879	1.432.280
LIABILITIES AND CAPITAL							
Liabilities toward banks	-	-	2.617	-	2.617	-	2.617
Sight deposits	51.369	1.803	4.082	-	57.254	139.228	196.482
Term deposits	594.024	6.253	7.046	28.075	635.398	246.685	882.083
Credit liabilities	53.488	-	-	-	53.488	105.763	159.251
Other liabilities	62	3	3	-	68	13.549	13.617
Provisions	-	-	-	-	-	2.936	2.936
Total liabilities	698.943	8.059	13.748	28.075	748.825	508.161	1.256.986
Capital stock	-	-	-	-	-	91.897	91.897
Own/treasury shares	-	-	-	-	-	(6.592)	(6.592)
Revaluation reserves	-	-	-	-	-	1.799	1.799
Capital gain	-	-	-	-	-	149	149
Reserves	-	-	-	-	-	14.357	14.357
Retained earnings	-	-	-	-	-	68.687	68.687
Profit of current year	-	-	-	-	-	4.997	4.997
Total capital	-	-	-	-	-	175.294	175.294
Total liabilities and capital	698.943	8.059	13.748	28.075	748.825	683.455	1.432.280
Net assets/liabilities and capital	(594.211)	(390)	(133)	567.310	(27.424)	27.424	-

43. LIQUIDITY RISK

Remaining maturity of assets and liabilities of the Bank as at 31 December 2013:

2013.

in thousands of HRK

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
ASSETS						
Cash assets	202.130	-	-	-	-	202.130
Receivables from the Croatian National Bank	-	42.792	38.563	25.907	2.349	109.611
Placements to banks	41.922	-	686	-	-	42.608
Financial assets available for sale	200.515	-	-	-	13.717	214.232
Financial assets held to maturity	2.117	32.820	24.458	28.161	-	87.556
Loans and advance payments to clients	149.532	53.007	145.424	205.300	244.424	797.687
Investments in related company	-	-	-	-	5.551	5.551
Real property, plants and equipment	-	-	-	-	26.929	26.929
Intangible assets	-	-	-	-	6.502	6.502
Assets taken over	-	-	-	-	6.975	6.975
Other assets	12.670	154	85	-	2.267	15.176
Total assets	608.886	128.773	209.216	259.368	308.714	1.514.957
LIABILITIES AND CAPITAL						
Liabilities toward banks	-	-	-	-	-	-
Sight deposits	201.922	-	-	-	-	201.922
Term deposits	217.441	205.714	404.314	113.722	13.777	954.968
Credit liabilities	21.537	8.492	39.764	34.557	62.238	166.588
Other liabilities	13.103	-	-	-	-	13.103
Provisions	-	-	-	3.839	-	3.839
Total liabilities	454.073	214.206	444.078	152.118	76.015	1.340.490
Capital stock	-	-	-	-	91.897	91.897
Own/treasury shares	-	-	-	-	(6.592)	(6.592)
Revaluation reserves	-	-	-	-	574	574
Capital gain	-	-	-	-	149	149
Reserves	-	-	-	-	15.182	15.182
Retained earnings	-	-	-	-	72.859	72.859
Profit of current year	-	-	-	-	398	398
Total capital	-	-	-	-	174.467	174.467
Total liabilities and capital	454.073	214.206	444.078	152.118	250.482	1.514.957
Net assets/liabilities and capital	154.813	(85.433)	(234.862)	107.250	58.232	-

Notes to financial statements

Remaining maturity of assets and liabilities of the Bank as at 31 December 2012:

2012.	in thousands of HRK					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
ASSETS						
Cash assets	133.357	-	-	-	-	133.357
Receivables from the Croatian National Bank	59.498	52.187	35.908	9.517	2.393	159.503
Placements to banks	35.757	571	5.739	-	-	42.067
Financial assets available for sale	174.534	-	-	-	-	174.534
Financial assets held to maturity	13.361	12.170	57.259	-	-	82.790
Loans and advance payments to clients	161.398	79.587	151.732	190.262	188.650	771.629
Investments in related company	-	-	-	-	5.679	5.679
Real property, plants and equipment	-	-	-	-	27.315	27.315
Intangible assets	-	-	-	-	6.273	6.273
Assets taken over	-	-	-	13.741	-	13.741
Other assets	15.392	-	-	-	-	15.392
Total assets	593.297	144.515	250.638	213.520	230.310	1.432.280
LIABILITIES AND CAPITAL						
Liabilities toward banks	-	-	2.617	-	-	2.617
Sight deposits	196.482	-	-	-	-	196.482
Term deposits	163.376	181.189	430.857	92.792	13.869	882.083
Credit liabilities	22.839	12.614	42.235	26.567	54.996	159.251
Other liabilities	10.536	126	307	-	2.648	13.617
Provisions	-	-	-	2.936	-	2.936
Total liabilities	393.233	193.929	476.016	122.295	71.513	1.256.986
Capital stock	-	-	-	-	91.897	91.897
Own/treasury shares	-	-	-	-	(6.592)	(6.592)
Revaluation reserves	-	-	-	-	1.799	1.799
Capital gain	-	-	-	-	149	149
Reserves	-	-	-	-	14.357	14.357
Retained earnings	-	-	-	-	68.687	68.687
Profit of current year	-	-	-	-	4.997	4.997
Total capital	-	-	-	-	175.294	175.294
Total liabilities and capital	393.233	193.929	476.016	122.295	246.807	1.432.280
Net assets/liabilities and capital	200.064	(49.414)	(225.378)	91.225	(16.497)	-

44. CAPITAL MANAGEMENT

Managing capital

The Bank manages capital in order to ensure adequate risk coverage arising from regular Bank business activities.

The goals of managing capital are:

- Adjustment with capital demands prescribed by the CNB
- Maintaining Bank abilities to continue with its business and ensuring return to shareholders
- Maintaining strong capital presence which supports business development.

The Croatian National Bank demands of every bank the maintenance of the minimum level of capital stock in the amount of HRK 40 million, and the indicator of the capital adequacy rate as a ratio of guarantee capital and total exposure weighted by credit risk and the amount of initial capital demands for market risk and operative risk multiplied by 12.5, to a minimum of 12%.

Guarantee capital contains the sum of stock capital and supplementary capital, less deduction entries. Indicators as at the balance date:

	in thousands of HRK	
	2013.	2012.
CAPITAL STOCK	170.549	166.107
Regular and non-cumulative preferred shares	85.305	85.305
Ordinary shares paid-in	91.897	91.897
Own/treasury shares	(6.592)	(6.592)
Reserves and retained earnings	88.190	81.362
Reserves	15.182	14.358
Capital profit from purchase and sale of own shares	149	149
Retained earnings	72.859	66.855
Intangible assets	(312)	(176)
Unreturned amount of credits/loans approved for purchase of credit institution shares	(90)	(155)
Unrealised loss based on value adjustment of financial assets available for sale	(506)	(229)
Other	(2.038)	-
SUPPLEMENTARY CAPITAL I	-	-
SUPPLEMENTARY CAPITAL II	-	-
GUARANTEE CAPITAL (capital stock + supplementary capital)	170.549	166.107
RATE OF ADEQUACY OF GUARANTEE CAPITAL	16,95	16,83

VII. EVENTS AFTER THE REPORT DATE

There were no events after the date of the report on financial position which would have a significant bearing on the annual financial statements of the Bank for 2013, and would thus need to be declared.

VIII. COURT CASES (CLAIMS) AND POTENTIAL LIABILITIES

As at 31 December 2013, 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 ongoing.

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).

ADDENDUM - OTHER LEGAL AND REGULATORY OBLIGATIONS

SUPPLEMENTARY REPORT FOR THE CROATIAN NATIONAL BANK

The following are annual financial statements of Slatinska banka d.d. Slatina as prescribed by the Croatian National Bank through the Decision of the structure and the contents of annual financial statements of banks (Official Gazette No. 62/08, hereinafter: "the Decision"):

- Profit and Loss Account for 2013
- Balance Sheet as at 31 December 2013
- Cash Flow Report for 2013
- Report on Changes in Capital for 2013

Financial information in summary of financial statements (hereinafter: "Reports as per CNB decision") was extracted from financial statements shown on pages 3 - 7 (hereinafter "significant financial statements").

Accounting policies have been applied in the preparation of these financial statements, as well as in the preparation of significant financial statements with respect to evaluating certain analytical positions of the balance sheet, the profit and loss account, cash flow and changes in capital (equity), but the grouping and presenting individual positions was performed in accordance with the previously noted Decision on the structure and the content of annual financial statements of banks.

**PROFIT AND LOSS ACCOUNT
for the period from 1 January 2013 to 31 December 2013**
Form
BAN-RDG

Taxpayer: 42252496579; SLATINSKA BANKA d.d.

Position	AOP label	Note No.	Previous year	Current year
1	2	3	4	5
1. Interest income	048		84.471.309	88.317.766
2. Interest expenses	049		47.889.837	49.781.738
3. Net interest income (048-049)	050		36.581.472	38.536.028
4. Income from commissions and fees	051		13.011.347	12.187.806
5. Commission and fee expenses	052		2.934.540	3.190.231
6. Net income from Commissions and fees (051-052)	053		10.076.807	8.997.575
7. Profit/loss from investing into subsidiaries, related companies and joint ventures	054		(79.986)	(127.615)
8. Profit/loss from trading	055		3.334.863	2.872.157
9. Profit/loss from built-in derivatives	056		(1.147)	(2.337)
10. Profit/loss from assets not actively traded valued according to the PLA	057		-	-
11. Profit / loss from activities in category of assets available for sale	058		3.872.660	2.164.590
12. Profit / loss from activities in category of assets kept to maturity	059		-	-
13. Profit / loss arising from protective transactions	060		-	-
14. Income from investing into subsidiaries, related companies and joint ventures	061		-	-
15. Income from other ownership investments	062		-	-
16. Profit/loss from calculated currency rate differentials	063		(61.477)	256.974
17. Other income	064		1.780.986	4.199.685
18. Other expenses	065		2.859.556	1.440.999
19. General administrative expenses and depreciation	066		40.967.210	41.688.178
20. Net income from business before value adjustment and provisioning for losses (050+053 to 064-065-066)	067		11.677.412	13.767.880
21. Expenses of value adjustments and provisions for losses	068		5.273.996	13.030.337
22. PROFIT / LOSS BEFORE TAXES (067-068)	069		6.403.416	737.543
23. PROFIT TAX	070		1.406.527	339.326
24. PROFIT / LOSS OF CURRENT YEAR (069-070)	071		4.996.889	398.217
25. Earnings per share	072		6	0

BALANCE SHEET
Position as at 31 December 2013
Form
BAN-BIL

Taxpayer: 42252496579; SLATINSKA BANKA d.d.

Position	AOP label	Note No.	Previous year	Current year
1	2	3	4	5
ASSETS				
1. CASH AND DEPOSITS WITH THE CNB (002+003)	001		212.442.434	183.056.700
1.1. Cash	002		27.411.820	25.584.924
2.2. Deposits with the CNB	003		185.030.614	157.471.776
2. DEPOSITS WITH BANKING INSTITUTIONS	004		112.544.271	151.711.231
3. MONETARY FUND TREASURY BILLS AND CNB FINANCIAL PAPERS	005		139.882.386	200.066.130
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006		-	-
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007		34.540.357	28.628.431
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008		83.098.395	87.509.714
7. SECURITIES AND OTHER FINANCIAL INSTRUMENTS NOT BEING ACTIVELY TRADED AND ARE VALUED AT FAIR VALUE THROUGH THE RDG (BUSINESS SUCCESS REPORT)	009		-	-
8. DERIVATIVE FINANCIAL ASSETS	010		5.744	180
9. CREDITS/LOANS TO FINANCIAL INSTITUTIONS	011		14.919.864	10.641.418
10. CREDITS/LOANS TO OTHER CLIENTS	012		762.312.004	787.442.700
11. INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURES	013		5.679.039	5.551.424
12. ASSETS TAKEN OVER	014		13.740.839	6.974.698
13. MATERIAL ASSETS (LESS DEPRECIATION)	015		27.534.767	27.165.889
14. INTEREST, FEES AND OTHER ASSETS	016		25.579.414	26.208.681
A) TOTAL ASSETS (001+004 TO 016)	017		1.432.279.514	1.514.957.196

BALANCE SHEET
Position as at 31 December 2013
Form
BAN-BIL

Taxpayer: 42252496579; SLATINSKA BANKA d.d.

Position	AOP label	Note No	Previous year	Current year
1	2	3	4	5
LIABILITIES				
1. CREDITS/LOANS FROM FINANCIAL INSTITUTIONS (019+020)	018		147.627.871	155.159.653
1.1. Short-term credits/loans	019		21.912.925	23.093.372
1.2. Long-term credits/loans	020		125.714.946	132.066.281
2. DEPOSITS (AOP 022 TO 024)	021		1.055.782.900	1.137.073.296
2.1. Deposits on business accounts and current accounts	022		114.488.147	122.839.651
2.2. Savings deposits	023		81.485.175	78.681.317
2.3. Term deposits	024		859.809.578	935.552.328
3. OTHER CREDITS/LOANS	025		13.558.148	11.074.582
3.1. Short-term credits/loans	026		-	-
3.2. Long-term credits/loans	027		13.558.148	11.074.582
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES BEING TRADED	028		5.459	3.962
5. ISSUED DEBT SECURITIES (030+031)	029		-	-
5.1. Short-term issued debt securities	030		-	-
5.2. Long-term issued debt securities	031		-	-
6. ISSUED SUBORDINATE INSTRUMENTS	032		-	-
7. ISSUED HYBRID INSTRUMENTS	033		-	-
8. INTEREST, FEES AND OTHER LIABILITIES	034		40.010.778	37.178.865
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035		1.256.985.156	1.340.490.358
CAPITAL				
1. SHAREHOLDER CAPITAL	036		85.304.852	85.304.852
2. PROFIT (LOSS) OF CURRENT YEAR	037		4.996.889	398.217
3. RETAINED PROFIT (LOSS)	038		68.686.800	72.858.689
4. LEGAL RESERVES	039		4.729.423	4.729.423
5. STATUTORY AND OTHER CAPITAL RESERVES	040		9.777.000	10.602.000
6. UNREALISED PROFIT (LOSS) BASED ON VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041		1.799.394	573.657
7. RESERVES EMERGING FROM PROTECTIVE TRANSACTIONS	042		-	-
C) TOTAL CAPITAL (036 TO 042)	043		175.294.358	174.466.838
D) TOTAL LIABILITIES AND CAPITAL (035+043)	044		1.432.279.514	1.514.957.196

**CASH FLOW REPORT - Indirect method
for the period from 1 Jan. 2013 to 31 Dec. 2013**Form
BAN-NTI

Taxpayer: 42252496579; SLATINSKA BANKA d.d.

Position	AOP label	Note No.	Previous year	Current year
1	2	3	4	5
BUSINESS ACTIVITIES				
1. Cash flow from business activities before changes in business assets (002 to 007)	001		15.664.655	17.946.236
1.1. Profit/loss before taxation	002		6.403.416	737.543
1.2. Value adjustments and provisioning for losses	003		5.273.996	13.030.337
1.3. Depreciation	004		3.937.243	4.178.356
1.4. Net unrealized profit/loss from financial assets and liabilities as per fair value through the PLA	005		-	-
1.5. Profit/loss from sale of tangible assets	006		50.000	-
1.6. Other profit/losses	007		-	-
2. Net increase / decrease of business assets (009 to 016)	008		(108.201.452)	(100.064.523)
2.1. Deposits with the CNB	009		(26.458.980)	27.558.838
2.2. Monetary Fund treasury notes and CNB financial papers	010		(35.801.902)	(60.183.744)
2.3. Deposits with banking institutions and credits/loans to financial institutions	011		67.524.631	(34.888.514)
2.4. Credits to other clients	012		(114.630.041)	(37.839.326)
2.5. Securities and other financial instruments held for trading	013		-	-
2.6. Securities and other financial instruments available for sale	014		4.744.330	5.911.926
2.7. Securities and other financial instruments not being actively traded, valued according to fair value through the PLA	015		-	-
2.8. 2.8. Other business assets	016		(3.579.490)	(623.703)
3. Net increase / decrease of business liabilities (018 to 021)	017		6.346.089	78.135.279
3.1. Sight deposits	018		(7.645.635)	8.351.504
3.2. Savings and term deposits	019		12.761.889	72.938.892
3.3. Derivative financial liabilities and other liabilities being traded	020		4.320	(1.497)
3.4. Other liabilities	021		1.225.515	(3.153.620)
4. Net cash flow from business activities before paying profit tax (001+008+017)	022		(86.190.708)	(3.983.008)
5. Paid profit/company tax	023		(1.406.527)	(339.326)
6. Net inflow / outflow of cash from business activities (022+023)	024		(87.597.235)	(4.322.334)

**CASH FLOW REPORT - Indirect method
for the period from 1 Jan. 2013 to 31 Dec. 2013**Form
BAN-NTI

Taxpayer: 42252496579; SLATINSKA BANKA d.d.

Position	AOP label	Note No.	Previous year	Current year
1	2	3	4	5
INVESTMENT ACTIVITIES				
7. Net cash flow from investment activities (026 to 030)	025		(1.298.301)	(1.327.041)
7.1. Receivables from sale / payments for purchase of tangible and intangible assets	026		(5.702.345)	2.956.663
7.2. Receivables from sale / payments for purchase of investments into subsidiaries, related companies and joint ventures	027		(79.986)	127.615
7.3. Receivables from collection / payments for purchase of securities and other financial instruments held to maturity	028		4.484.030	(4.411.319)
7.4. Received dividends	029		-	-
7.5. Other receivables / payments from investment activities	030		-	-
FINANCIAL ACTIVITIES				
8. Net cash flow from investment activities (032 to 037)	031		96.699.384	3.822.479
8.1. Net increase / decrease of received credits/loans	032		102.893.312	5.048.216
8.2. Net increase / decrease of issued debt securities	033		-	-
8.3. Net increase / decrease of subordinate and hybrid instruments	034		-	-
8.4. Receivables from share capital emissions	035		-	-
8.5. Dividend paid out	036		-	-
8.6. Other receivables / payments from financial activities	037		(6.193.928)	(1.225.737)
9. Net increase / decrease of cash and cash equivalents (024+025+031)	038		7.803.848	(1.826.896)
10. Effects of foreign currency rate fluctuations on cash and cash equivalents	039		-	-
11. Net increase/ decrease of cash and cash equivalents (038+039)	040		7.803.848	(1.826.896)
12. Cash and cash equivalents at the beginning of the year	041		19.607.972	27.411.820
13. Cash and cash equivalents at the end of the year (040+041)	042		27.411.820	25.584.924

**REPORT ON CHANGES IN CAPITAL
from 1 Jan. 2013 to 31 Dec. 2013**

Taxpayer: 42252496579; SLATINSKA BANKA d.d.

Form
BAN-PK

Position	AOP label	Note No.	Available to the shareholders of parent company						Unrealised profit/loss based on value adjustment of financial assets available for sale	Minority share	Total capital and reserves
			Shareholder capital	Treasury shares	Legal, statutory and other reserves	Retained profit (earnings)/loss	Profit/loss of current year				
1	2	3	4	5	6	7	8	9	10	11	
Position as at 1 January of the current year	001		91.897.200	(6.592.347)	14.506.423	68.686.799	4.996.889	1.799.394	-	175.294.358	
Changes in accounting policies and error corrections	002										
Adjusted position as at 1 Jan. of the current year (001+002)	003		91.897.200	(6.592.347)	14.506.423	68.686.799	4.996.889	1.799.394	-	175.294.358	
Sale of financial assets available for sale	004							(1.225.737)		(1.225.737)	
Changes to fair value of financial assets portfolio available for sale	005										
Tax on directly recognised items or those transferred from capital and reserves	006										
Other profit and losses recognised directly in capital and reserves	007										
Net profit / loss recognised directly in capital and reserves (004+005+006+007)	008		-	-	-	-	-	(1.225.737)	-	(1.225.737)	
Profit / loss of current year	009						398.217			398.217	
Total recognised profit and loss for the current year (008+009)	010		-	-	-	-	398.217	(1.225.737)	-	(827.520)	
Increase / decrease of shareholder capital	011										
Purchase/sale of treasury stock	012										
Other changes	013										
Transfer to reserves	014				825.000	4.171.889	(4.996.889)				
Dividend pay-out	015										
Profit allocation (014+015)	016		-	-	825.000	4.171.889	(4.996.889)	-	-	-	
Position as at 31 Dec. of the current year (003+010+011+012+013+016)	017		91.897.200	(6.592.347)	15.331.423	72.858.688	398.217	573.657	-	174.466.838	

Other legal and regulatory obligations

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.

in thousands of HRK

Significant financial statements	Reports as per the Decision of the CNB			Amount	Difference	Explanation
	Amount	Amount	Amount			
Interest income	88.338	Interest income	88.318	20	Net currency rate differentials based on interest income	
Interest expenses	49.598	Interest expenses	49.782	184	Net currency rate differentials based on interest expenses	
Income from commissions and fees	12.188	Income from commissions and fees	12.188	-		
Fee and commission expenses	3.190	Fee and commission expenses	3.190	-		
Net income from currency rate differentials	2.881	Profit/loss from trading	2.872	(20)	Net currency rate differentials based on interest income	
		Profit/loss from built-in derivatives	(2)	(184)	Net currency rate differentials based on interest expenses	
		Profit/loss from calculated currency rate differentials	257	(42)	Net currency rate differentials based on adjustments of placement values	
Other income from regular business transactions	6.364	Profit / loss from activities in category of assets available for sale	2.164			
		Other income	4.200			

in thousands of HRK

Significant financial statements	Amount	Reports as per the Decision of the CNB	Amount	Difference	Explanation
Other business expenses	42.904	Other expenses	1.441		
		General administrative expenses and depreciation	41.688	225	225 Provisions for court cases (litigation costs)
		Expenses of value adjustments and provisions for losses	13.030		(225) Provisions for court cases (litigation costs)
Expenses of value adjustments and provisions	13.341	Profit (loss) from investing into subsidiaries, related companies and joint ventures	128	(183)	42 Net currency rate differentials based on adjustments of placement valuesa
Profit before taxes	738	Profit before taxation	738	-	
Profit/company tax	340	Profit/company tax	340	-	
Profit after taxation	398	Profit of current year	398	-	

in thousands of HRK

Significant financial statements	Amount		Reports as per the Decision of the CNB		Amount	Difference	Explanation
Cash assets	202.130		Cash		25.585	176.545	62.440 Giro account (coverage account at the CNB)
							82.510 Sight deposits with foreign banks
							31.595 Sight deposits with Croatian banks
Receivables from the Croatian National Bank	109.611		Deposits with the CNB		157.472	(47.861)	(62.440) Giro account (coverage account) at the CNB
							14.579 Obligatory CNB financial papers
Placements to banks							(82.510) Sight deposits with foreign banks
			Deposits with banking institutions		151.711		(5.642) Credits/loans to non-banking financial institutions
	42.608		Credits/loans to financial institutions		10.641	(119.744)	(31.595) Sight deposits with Croatian banks
							3 Interest
Financial assets available for sale			Monetary Fund treasury notes and CNB financial papers		200.066		(14.579) Obligatory CNB financial papers
	214.232		Securities and other financial instruments available for sale		28.628	(14.462)	117 Interest
Financial assets held to maturity	87.556		Securities and other financial instruments held to maturity		87.510	46	46 Interest

in thousands of HRK

Significant financial statements	Amount	Reports as per the Decision of the CNB	Amount	Difference	Explanation
Loans and advance payments to clients	797.687	Credits/loans to other clients	787.443	10.244	5.642 Credits/loans to non-banking financial institutions 4.602 Interest
Investments in dependent company	5.551	Investments in branches	5.551	-	
Real property, plants and equipment	26.929	Material assets (less depreciation)	27.166	(237)	(237) Other tangible assets (small inventory)
Intangible assets	6.502				(4.768) Interest
Other assets	15.176	Interest, fees and other assets	26.209	(4.531)	237 Other tangible assets (small inventory)
Assets taken over	6.975	Assets taken over	6.975	-	
TOTAL ASSETS	1.514.957	Total assets	1.514.957	-	

in thousands of HRK

Significant financial statements	Reports as per the Decision of the CNB		Amount	Difference	Explanation
	Amount	Amount			
Sight deposits		Deposits on giro accounts and current accounts	122.840		
	201.992	Savings deposits	78.681	471	471 Limited deposits
Term deposits	954.968	Term deposits	935.552	19.416	19.416 Interest
Credit liabilities		Credits/loans from financial institutions	155.160		
	166.588	Other credits/loans	11.075	353	353 Interest
Other liabilities	13.103	Interest, fees and other assets	37.178		(471) Limited deposits
Provisions	3.839	Derivative financial liabilities	4	(20.240)	(19.769) Interest
Total liabilities	1.340.490	Total liabilities	1.340.490	-	

in thousands of HRK

Significant financial statements	Amount	Reports as per the Decision of the CNB		Difference	Explanation
		Amount	Amount		
CAPITAL					
Capital stock	91.897				
Own/treasury shares	(6.592)		85.305	-	
Revaluation reserves	574		4.729		
Capital gain	149		10.602		
Reserves	15.182		574	-	
Retained earnings	72.859		72.859		
Profit of current year	398		398	-	
Total capital	174.467		174.467	-	
TOTAL LIABILITIES AND CAPITAL	1.514.957		1.514.957	-	

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 CAPITAL

The differences in the report on changes in capital, as published in the annual financial statements from those in the report on changes in capital as defined by prescribed structure and content of the report, as per the CNB Decision, pertain only to the grouping of certain capital entries.

In the annual financial statements, the entries of capital gain, legal reserves, reserves for own/treasury shares and other reserves are declared separately, while in the report as per the CNB Decision they are jointly declared under Legal, statutory and other reserves.

CORPORATE MANAGEMENT CODEX

ANNUAL QUESTIONNAIRE

GENERAL COMPANY INFORMATION:

Slatinska banka d.d. Slatina
Tihomir Grđan, tel. 033/840-480
20 March 2014

CONTACT PERSON AND TELEPHONE NUMBER:

DATE OF FINNING IN THE QUESTIONNAIRE:

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 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 Company provided proxy forms for taking part in the General Assembly. The forms can be found on the Company web pages.

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
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),
Tomislav Rosandić
(Vice-chairman), Hrvoje
Markovinović, Denis Smolar
i Baženka Eror Matić
(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)	YES	
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	
32	Has the SB or MB instituted an Awards Commission?	NO	
33	Has the SB or MB instituted an Audit Commission?	YES	
34	Are most Commission members independent members of the SB? (If not, explain)	YES	
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)	NO	
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)	YES	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)	NO	
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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.

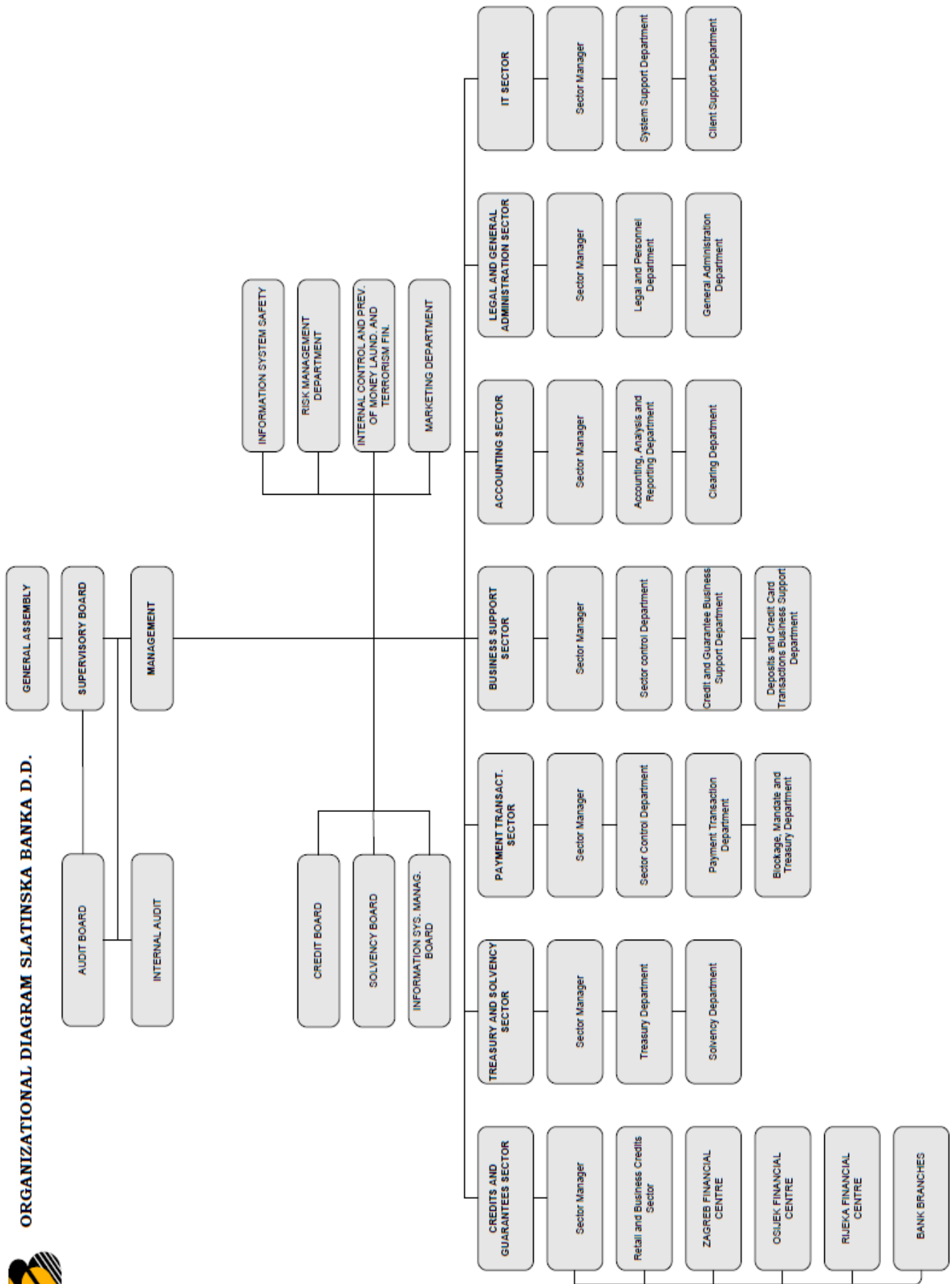
Question No.	Question	Answer YES / NO	Explanation
53	Does the Company have its external auditing company?	YES	
54	Is the external auditor connected to the Company in ownership or interest?	NO	
55	Does the external auditor offer other services to the Company, whether by itself or through associated entities?	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 Vađić, Chairwoman
Mrs. Blaženka Erer Matić - Member
Mr. Hrvoje Markovinović - Member
Mr. Denis Smolar - Member
Mr. Tomislav Rosandić - Member

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FINANCIAL CENTRES

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Županijska 13, 31000 Osijek
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FINANCIAL CENTRE ZAGREB

Tomašičeva 2, 10000 Zagreb
Manager: Nataša Putak until 07 March 2014
Manager: Tomislav Dolinac, Tel: 01/46-14-706

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Manager: Vedran Draženović, Tel: 051/332-183

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Manager: Predrag Marković, Tel: 048/621-451

SLAVONSKI BROD BRANCH

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Manager: Filip Tolić, Tel: 035/400-007

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AUSTRIA	UNICREDIT BANK AUSTRIA AG, VIENNA ZVEZA BANK RZZOJ, KLAGENFURT
USA	DEUTCHE BANK TRUST COMPANY AMERICAS NEW YORK
GERMANY	DEUTSCHE BANK AG FRANKFURT AM MAIN BAYERISCHE LANDESBANK, MUNCHEN
ITALY	INTESA SANPAOLO SPA MILAN BANCA POPOLARE DI CIVIDALE SOCIETA COOPERATIVE PER AZIONI CIVICALE DEL FRIULI BANCA ANTONVENETA SPA PADOVA
SWEDEN	SVENSKA HANDELSBANKEN AB(PUBL), STOCKHOLM
ŠVICARSKA	CREDIT SUISSE, ZURICH
BELGIUM	KBC BANK NV BRUSSELS