



Maran Audit Services Ltd.
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21000 Split
OIB:67202619578

IMEX BANKA d.d. - SPLIT

AUDIT REPORT AS AT 31 DECEMBER 2010

Split, March 2011

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Management Board Responsibility Statement

Based on the Croatian Act on Accounting (Official Journal *Narodne novine* No. 109/07), the Management Board is obligated to prepare the financial statements of the Bank for each business year in compliance with the International Financial Reporting Standards („IFRS“) published by the Board for International Accounting Standards, in such a way as to provide a fair and true presentation of the financial position of the Bank, its operating results and cash flow, in compliance with the applicable accounting standards.

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

The Management Board is responsible for keeping of appropriate accounting records, which will accurately reflect at any moment the financial position of the Bank, and their compliance with the Croatian Act on Accounting (Official Journal *Narodne novine* 109/07). The Management Board is also responsible for keeping of corporate assets and undertaking reasonable measures for the prevention and disclosure of any frauds or other illegal proceedings.

These financial statements have been approved for issue as at 10 March 2011 and signed on behalf of the Management Board.

Imex banka d.d.
Tolstojeva 6
21000 Split

Branko Buljan

Ružica Šarić

Management Board President

Management Board Member

AUDITOR'S REPORT

To Shareholders of IMEX BANKA d.d., Split

We have audited the enclosed Financial Statements of Imex banka d.d., Split, Tolstojeva 6, OIB: 99326633206 (hereinafter: Bank) including the Balance Sheet as at 31 December 2010, Profit and Loss Statement, Equity Change Statement and Cash Flow Statement for the year ended on that date, as well as Summary of Significant Accounting Policies and Notes with the Financial Statements, presented on pages 5 to 40.

Management Board responsibilities

The Management Board is responsible for the preparation and objective presentation of these Financial Statements in compliance with the International Financial Reporting Standards. Responsibilities of the Management Board include: determination, introduction and maintenance of internal controls applicable for the preparation and objective presentation of financial statements free of any misstatements caused by fraud or error; selection and application of appropriate accounting policies and determination of reasonable accounting evaluations appropriate in given circumstances.

Auditor's responsibilities

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

The audit includes procedures for obtaining of audit evidence on sums and disclosures presented in the financial statements. Selection of procedures depends on the auditor's judgment, including an assessment of risk of substantial misstatements in the financial statements caused by fraud or error. In assessment of such risks, the auditor considers the internal controls applicable for the preparation and objective presentation of financial statements prepared by the Bank to determine the appropriate audit procedures in given circumstances. An audit also includes evaluation of applied accounting principles and significant judgments by the Management Board, as well as evaluation of the entire presentation of the financial statements.

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

Basis for the Opinion

We have conducted our audit in compliance with the International Audit Standards. These Standards require the planning and conducting of an audit in such a way as to ascertain with a reasonable certainty that the financial statements are free of substantial misstatements. An audit includes verification, on test basis, of information supporting the amounts and all notes to the financial statements. An audit also includes evaluation of applied accounting principles and significant judgments by the

Management Board, as well as evaluation of the entire presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the Financial Statement present really and fairly, in all significant aspects, the financial position of the Bank on 31st of December 2010, its operating results and cash flows for the year that ended on that day, in compliance with the legal requirements for bank accounting in Croatia.

Other legal and regulatory obligations

Based on Decision on form and contents of annual financial statements of banks (Official Journal *Narodne novine* no. 62/08, hereinafter: „Decision“), the Management Board has prepared forms presented on pages 41 to 59, including Balance Sheet as at 31 December 2010, Profit and Loss Statement, Equity Change Statement and Cash Flow Statement for the year ended on that date, as well as notes on adjustments with the fundamental financial statements. Preparation of such forms and information on adjustments are responsibilities of the Management Board and they are not an integral part of these Financial Statements, but instead they are set out by the Decision. Financial information in the forms are accurately derived from the fundamental Financial Statements of the Bank prepared in compliance with legal requirements for bank accounting in Croatia, presented on pages 5 to 40.

MARAN Audit Services Ltd.

Josipa Jovića 51

21000 Split

OIB: 67202619578

Split, 25 March 2011

Licensed Auditors:

Ivan Jelović, Graduate Economist

Ivanka Duvnjak, Graduate Economist

Director:

Ivan Jelović, Graduate Economist

Financial Statements (Reclassified)

Profit and Loss Statement for 2010

		HRK '000	
	Notes	2009	2010
Interest income	3a	103,443	125,350
Interest expenses	3c	(56,925)	(66,620)
Net interest income		46,518	58,730
Fees and commissions	3b	7,613	6,582
Currency gains/losses and profit/loss from trade in securities and currency (net)	4,4a	1,754	3,510
Other income	5	452	559
Total income		56,337	69,381
Operating expenses	6	(39,235)	(36,297)
Value adjustment and provisions	8a,8b	(12,093)	(22,831)
Profit before taxation		5,009	10,253
Corporate income tax		1,158	2,201
Profit after taxation		3,851	8,052
Profit allocation proposal:			
- profit available for allocation		3,851	8,052
Earning per share	9	6.40	13.39

Based on Management Board and Supervisory Board decision, profits after taxation for 2010 of HRK 8,052 thousand have been allocated into retained profits, i.e. into the Bank's guarantee capital.

Based on the Bank's Assembly decision, profits after taxation for 2009 of HRK 3,851 thousand have been allocated into the retained profits.

The accounting policies and notes on pages 10 to 40 shall form an integral part of these Financial Statements.

Balance Sheet as at 31 December 2010

HRK '000

	Notes	2009	2010
Assets			
Cash and assets with other banks	10	178,538	167,144
Assets with the Croatian National Bank	11	102,875	116,314
Deposits with other banks	12	157,448	186,658
Treasury and cashier notes		0	0
Loans to customers	13	826,588	1,043,408
Accrued interests and other assets	14	15,377	20,861
Investments and securities	15	15,879	7,487
Tangible and intangible assets with advances for buildings	16a,16b	47,977	46,762
Special provisions for identified losses on group basis for placements	22a	(10 564)	(12 585)
Total assets:		1,334,118	1,576,049
Equity and liabilities			
Other deposits	17		
- on demand		121,938	102,888
- saving and fixed term deposits		959,984	1,200,430
Other borrowed funds	18	76,399	85,072
Hybrid instruments	19	41,000	41,000
Accrued interests and other liabilities	20,21	33,129	36,960
Provisions for contingent liabilities on group and individual level	22 a	839	779
Provisions for litigation	22 b	0	40
Total liabilities:		1,233,289	1,467,169
Share capital		60,127	60,127
Capital gain		13,175	13,175
Treasury shares		0	0
Reserves and retained profit		23,676	27,526
Current year profit		3,851	8,052
Total equity:		100,829	108,880
Total equity and reserves:		1,334,118	1,576,049
Contingent and assumed liabilities			
- guarantees		63,234	62,160
- letters of credit		2,633	5,640
- credit facilities and financing liabilities		22,516	16,886
Total:		88,383	84,686
- other out-of-balance items (derivatives)		0	0
Total:	23	88,383	84,686

Equity Change Statement

	HRK '000				
	Share capital with capital gain	Treasury shares	Reserves	Current year profit and retained profit	Total equity
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 1 January 2009	73,301	0	15,385	13,810	102,496
Transfer of profits into general banking risk reserves			2,055		2,055
Sale of treasury shares		0			0
Allocation of profits from 2008				(7,574)	(7,574)
Profits for 2009				3,851	3,851
As at 31 December 2009	<u>73,301</u>	<u>0</u>	<u>17,440</u>	<u>10,087</u>	<u>100,828</u>
As at 1 January 2010	73,301	0	17,440	10,087	100,828
Allocation of profits from 2009				(3,851)	(3,851)
Transfer into general banking risk reserves				0	0
Sale of treasury shares		0			0
Retained profit				3,851	3,851
Profits for 2010				8,052	8,052
As at 31 December 2010	<u>73,301</u>	<u>0</u>	<u>17,440</u>	<u>18,139</u>	<u>108,880</u>

In compliance with the Croatian laws, the Bank is bound to allocate 5% of the profits after taxation into legal reserves, until the total amount of such reserves reaches 5% of share capital.

Cash Flow Statement for the Year Ending on 31 December 2010

HRK '000

	2009	2010
Net cash flow from operating activities		
Profit before taxation	5,009	8,052
Increase on accrued interests and other assets	(1,122)	(5,484)
Depreciation	3,978	3,786
Increase / reduction on other liabilities	5,092	3,811
Income / expenses from value adjustment and provisions	12,093	22,831
Net cash flow from trading activities	25,050	32,996
Changes in assets and liabilities		
Net increase (reduction) on bank deposits	0	0
Net increase (reduction) on other deposits	180,961	221,396
Net increase of assets with the Croatian National Bank	(10,513)	(13,439)
(Reduction) / increase of borrowed funds	22,855	8,673
Increase of placements to banks exceeding 90 days	(41,544)	(29,210)
Net reduction (increase) on loans to customers	(80,324)	(216,820)
Corporate income tax	(1,158)	(2,201)
Hybrid instruments	8,000	0
Other	(45,284)	(20,691)
Net cash inflow from operating activities	32,993	(52,292)
Investment activities		
Purchase of securities and participations	17,673	8,392
Purchase of intangible and tangible assets and alike	(1,387)	(2,571)
Sale and write-off of tangible assets	0	0
Advances for tangible assets	(101)	0
Net cash outflow from investment activities	16,185	5,821
Financing		
Payments out of profit to shareholders	(5,519)	0
Net cash (outflow) from financing	(5,519)	0
Increase/reduction of cash and cash equivalents	68,709	(13,475)

Cash and cash equivalents changes through the year		
Balance as at 1 January	119,382	188,091
Net cash inflow – outflow	68,709	(13,475)
Balance as at 31 December	188,091	174,616
Changes in accounting policies and calculation methods	0	0
Balance as at 31 December	188,091	174,616
Contents of cash and cash equivalents		
Cash and cash equivalents with other banks	178,538	167,144
Placements and deposits with other banks on 90-day term	0	0
Marketable securities with maturity up to 90 days	9,553	7,472
T o t a l:	188,091	174,616

Founders and shareholders with appertaining shares as at 31 December 2010:

	<u>2009</u>	<u>2010</u>
1. BULJAN BRANKO, Split	77.98%	77.98%
2. MIJIĆ IVKA, Split	22.02%	22.02%

1.3. Notes to the Financial Statements

1. Registration of the Company

Imex banka d.d. Split (“Bank”) was established in the Republic of Croatia and registered into the Register of Companies of the Commercial Court of Split under the number MBS-060001876, with the registered capital stock of HRK 60,126,900.00. The Bank’s corporate seat is in Split, Tolstojeva 6.

The Bank has the following registered scope of activities:

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

Supervisory Board:

1. Dario Medak, President
2. Dubravka Ostojić, Deputy President
3. Slavka Petrov, Member

Procurator:

1. Ivka Mijić

Management Board:

1. Branko Buljan, President
2. Ružica Šarić, Member

2. Summary of significant accounting policies

Below are presented the general accounting policies adopted for the preparation of the financial statements;

(1) Compliance Statement

The financial statements of Imex banka d.d. Split have been prepared in compliance with the International Financial Reporting Standards („IFRS“) published in the Official Journal of the Republic of Croatia (“*Narodne novine*”) and specific legal requirements for the accounting of banks in the Republic of Croatia.

Banking operations in Croatia have been governed by the Act on Credit Institutions, according to which financial reporting requirements are set out by the Croatian National Bank („CNB“).

Accounting regulations of the Croatian National Bank are based on the International Financial Reporting Standards.

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

(2) Functional and reporting currency

The financial statements of the Bank have been presented in Croatian currency (Kuna) as functional currency. The sums are rounded to the closest thousand (unless specified otherwise).

The official exchange rate as at 31 December 2010 was HRK 7.385173/EUR 1 (in 2009: HRK 7.306199) and HRK 5.568252/USD 1 (in 2009: HRK 5.0893)

(3) Foreign currency

Assets and liabilities expressed in foreign currencies are converted into the Croatian currency Kuna according to the mean exchange rate applicable on the last day of an accounting period. Income and expenses expressed in foreign currencies are converted into Kuna according to the official exchange rate applicable on the transaction date. Gains and losses arising from the conversion of foreign currency items of the Balance Sheet to the mean exchange rate and from purchase and sale of foreign currency have been included into the Profit and Loss Account for the relevant year.

(4) Interest income and expenses

Interest income and expenses are recognized in the Profit and Loss Statement upon occurrence for all interest-bearing financial instruments, including those measured at amortised cost, at fair value through Profit and Loss Statement, and those available for sale, by application of effective interest rate method. Interest income and expenses are presented in the Profit and Loss Statement as income from interest and similar income or expenses from interest and similar expenses. Interest income and expenses also include fees related to granted loans and receivables from clients or loans received from other banks.

(5) Income and expenses from fees and commissions

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

(6) Conversion of foreign currency

Events not expressed in Croatian currency are at start booked by conversion according to the applicable rate on the transaction date. Monetary assets and liabilities expressed in foreign currencies are reconverted on the balance sheet date by application of the exchange rate applicable on that date. Gains and losses resulting from the conversion are presented in the Profit and Loss Statement for the period in which they were incurred.

Non-monetary items in foreign currencies expressed at fair value are converted by application of the foreign exchange rate applicable on the date of assessment of fair value. Non-monetary items in foreign currency expressed at historical cost are reconverted on the balance sheet date. Gains and losses resulting from the conversion are presented in the Profit and Loss Statement for the period.

(7) Financial instruments

Financial assets are classified into portfolios depending on the Bank's intention at the moment of acquisition of financial assets and in compliance with the investment strategy. Financial assets and financial liabilities are classified into portfolio presented at fair value through the Profit and Loss Statement, held until maturity, and granted loans and receivables. All financial assets and all financial liabilities are recognized, or their recognition stops, on the settlement date, where purchase of financial asset or financial liability is defined with the agreed delivery date.

At the initial recognition of a financial asset or a financial liability, measurement is conducted at purchase cost plus transaction costs directly attributable to acquisition or issue of a financial asset or a financial liability.

-Financial assets and financial liabilities at fair value through Profit and Loss Statement

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

-Investments held until maturity

Investments held until maturity are non-derivative financial assets with fixed or fixable payments and fixed maturity date, in respect of which the Bank has a positive intention and capacity of holding until maturity. The category includes certain securities.

-Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or fixable payments and not listed on active market. Loans and receivables occur when the Bank has approved funds to its clients without intention to trade in such receivables and they include loans and receivables from banks, loans and receivables from clients, etc.

(8) Impairment of financial assets

The Bank is obligated to check as at each Balance Sheet date whether there are any objective indicators of impairment of financial assets. Where there are any indications of impairment of financial assets, its substitute value is evaluated.

Substitute value of extended loans and receivables created by the Bank and assets held until maturity is calculated as current value of expected future cash flows, discounted at originally agreed effective interest rate of an instrument.

(9) Recognition and derecognition

Regular purchase and sale of financial instruments at fair value through Profit and Loss Statement and investments held until maturity are recognized on settlement date or on date when the financial instrument is delivered to or transferred from the Bank. Loans and receivables as well as other financial liabilities are recognized at the moment when the financial assets are delivered to borrowers or when the liability is received from the lenders.

(10) Initial and subsequent measurement

After the initial recognition, the Bank evaluates the financial instruments at fair value through Profit and Loss Account at their fair value, without reduction for costs of sale. Loans and receivables and investments held until maturity and other financial liabilities are evaluated at amortised cost at application of effective interest rate method.

(11) Fair value measurement principles

Fair value of listed securities is based on applicable final sales prices. If the market for financial assets is not active or if fair value cannot be reliably determined based on market price for other reasons, the Bank shall determine fair value by use of evaluation techniques. They include the use of prices realised in recent deals among informed and willing parties, reference to other essentially similar instruments, analysis of discounted cash flows and price option models, with maximum use of market information and as low reliance on specific features of the subject as possible.

(12) Tangible and intangible assets

Tangible and intangible assets are presented in the Balance Sheet at investment cost minus accumulated depreciation.

Depreciation of tangible and intangible assets is calculated at straight line method by application of prescribed rates by which the acquisition cost is to be written off in the course of their estimated lifecycle. Average annual depreciation rates for 2009 and 2010 were:

	<u>2009</u>	<u>2010</u>
Buildings	2.50%	2.50%
Computers and software	10.00 %-25.00 %	10.00%-25.00%
Furniture and equipment	20.00 %-25.00 %	20.00 %-25.00 %
Vehicles	20.00%	20.00%
Other	10.00%	10.00%

Investments in progress are not depreciated all until they are placed in use. Maintenance and repairs are debited into operating costs in the Profit and Loss Account when incurred and improvements are capitalised.

(13) Provisions

The Bank recognizes provisions when it has a current liability based on past events, when it is possible that outflow of resources will be required for the settlement of the liability. The Management shall set out the amount of provisions based on the best possible evaluation of the expenses which will be incurred by the settlement of the liability.

(14) Corporate income tax

Corporate income tax is based on taxable profits for the year and consists of current and deferred tax. Corporate income tax is expressed in Profit and Loss Statement with the exception of corporate income tax related to items recognized directly in equity and reserves, when corporate income tax is recognized in equity and reserves. Current tax is the expected tax liability calculated on taxable profits for the year, by the use of tax rates applicable or essentially valid on the Balance Sheet date and all adjustments of tax liability from former periods.

(15) Share capital and provisions

Share capital is the non-allocated capital of the Bank. Dividend based on Assembly decision is payable to founders – shareholders of the Bank after allocation of 5% of profits into legal provisions. Allocation into legal provisions has been performed in full amount in compliance with the Act on Companies.

(16) Regulatory environment

The Bank is subject to the Croatian National Bank regulations, setting out the limits and other restrictions related to the minimum level of capital adequacy, classification of loans and out-of-balance liabilities, and provisions for credit and currency risk, liquidity risk and currency position. At the end of the year, the Bank significantly fulfilled all regulatory requirements.

(17) Litigation

The Bank classifies the risk of litigation taking into account the legal grounds of the claim, opinion of external lawyers, case law considering the type of litigation, opinion by relevant internal departments as well as opinions of other relevant experts, and its own experience in similar litigation cases.

(18) Cash and cash equivalents

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

(19) Events after Balance Sheet date

Events after the Balance Sheet date providing additional information on the Bank's position on that date (events leading to adjustments) are recognized in the Financial Statements.

The events not leading to adjustments are noted in the Notes to the Financial Statements if they are of material significance.

According to the Management Board opinion, for the period I–III/2011 there were no events or transactions in the Bank operations ending with 31 December 2010 which would have any significant effect on the Financial Statements on that date or for the period ending on that date or which are of such significance for the Bank's operations to require notification in the Notes to the Financial Statements.

3. Interest income and expenses and non-interest income and expenses

	HRK '000	
	2009	2010
	<hr/>	<hr/>
a) Interest income by sectors		
- corporate and public sector, and non-for-profit institutions	72,977	102,467
- banks and financial institutions	2,649	1,631
- population	19,848	19,041
- debt securities, shares and other capital investments	7,982	2,345
Net currency gains based on interest income	(13)	(134)
Total:	<hr/> 103,443 <hr/>	<hr/> 125,350 <hr/>
b) Non-interest income - types		
- commissions for transactions with international clients	1,996	1,967
- fee for other banking services	4,788	3,528
- from population commissions	829	1,087
Total:	<hr/> 7,613 <hr/>	<hr/> 6,582 <hr/>

c) Interests expenses by sectors and saving deposit insurance premiums		
- corporations and public sector institutions	8,168	8,653
- banks and non-banking financial institutions	14,536	13,202
- population	29,553	39,219
- saving deposit insurance premiums	1,881	2,094
- debt securities (hybrid instruments) and alike	2,737	3,196
- non-profit organisations' funds and alike	50	470
- net currency losses	0	(214)
Total:	56,925	66,620
d) Non-interest expenses – types		
- commissions for foreign banks services	2,511	2,323
- fees or services of domestic corporations	124	87
Total:	2,635	2,410

4. Currency gains/losses and gains/losses from trade in foreign currency

	HRK '000	
	2009	2010
Currency gains/losses arising from:		
- purchase of foreign currency	3,338	2,502
- Balance Sheet item conversion to agreed exchange rate	(4,409)	11,333
- Balance Sheet item conversion to mean exchange rate	2,270	(10,494)
Total:	1,199	3,341

4.a) Profit/Loss from reduction of securities to fair value

	HRK '000	
	2009	2010
- Profit/loss from trade in securities	555	169
Total:	555	169

5. Other income

	HRK '000	
	2009	2010
Group of other income:		
- income from dun letters based on loans to legal entities, population, and small trades; income from the closing of inactive bank accounts and similar income	96	191
- refund of court expenses	8	22
- other	348	346
Total:	452	559

The sum presented under item "Other" for 2010 of HRK 346 thousand refers to income from stocks and shares of HRK 170 thousand, and income from leases of HRK 176 thousand.

The sum presented under item „Other“ for 2009 of HRK 348 thousand refers to income from stocks and shares of HRK 156 thousand, and income from leases of HRK 192 thousand.

6. Operating expenses

	HRK '000	
	2009	2010
Personnel expenses (Note 7)	16,761	16,324
Depreciation	3,978	3,786
Fees and commissions (Note 3 d)	2,635	2,410
Administration and marketing expenses	5,062	3,697
Supplies and services	9,837	9,474
Other	962	606
Total:	39,235	36,297

7. Personnel expenses

	HRK '000	
	2009	2010
Net salaries	8,700	8,638
Pension insurance expenses	2,691	2,601
Social and health insurance expenses	2,271	2,237
Taxes and local surtaxes	2,063	1,767
Other personnel expenses	1,036	1,081
Total:	16,761	16,324
Number of employees as at 31 December	116	126

8. a) Costs of provisions and income from cancelled provisions in 2009:

	HRK '000		
	Expenses	Income	Difference
Loans – identified losses	12,499	6,322	6,177
Interests and fees and other placements – identified losses	4,203	99	4,104
Placements – identified losses on group basis	1,659	0	1,659
Out-of-balance items – identified losses on group basis	151	89	62
Out-of-balance items – identified losses based on contingent liabilities on individual basis	123	29	94
Net currency differences based on adjusted value of placements	650	653	(3)
Total:	19,285	7,192	12,093

8. b) Costs of provisions and income from terminated provisions in 2010:

	HRK '000		
	Expenses	Income	Difference
Loans – identified losses	24,458	8,718	15,740
Interests and fees and other placements – identified losses	5,290	534	4,756
Placements – identified losses on group basis	2,021	0	2,021
Out-of-balance items – identified losses on group basis	200	208	(8)
Out-of-balance items – identified losses based on contingent liabilities on individual basis	67	107	(40)
Net currency differences based on adjusted value of placements	775	413	362
Total:	32,811	9,980	22,831

8.c) Provisions and impairment of bad and dubious receivables (placements) and contingent liabilities

Provisions with regard to risk level of placements and contingent liabilities are related to the following:

	Notes	HRK '000	
		2009	2010
Loans – specific purpose	13d	19,006	32,929
Interests and other assets	13d	1,445	6,656
Provisions for identified losses on group basis for placements	22	10,565	12,585
Provisions for identified losses on group basis for contingent liabilities	22	751	743
Provisions for non-identified losses on individual basis for contingent liabilities	22	87	36
Total:		31,854	52,950

9. Earning per share

The Bank presents the earning per share on its ordinary shares. Earning per share is calculated by division of the appertaining net profits to ordinary shareholders of the Bank with weighted average number of ordinary shares at the end of the period.

10. Cash assets

	HRK '000			
	2009		2010	
	HRK	Currency	HRK	Currency
Cash in hand and cheques in the process of collection	7,861	5,936	9,258	8,199
On demand deposits:				
- with foreign banks		728		3,040
- with domestic banks		83		346
Giro account with Croatian National Bank	163,930	0	146,301	0
Total:	171,791	6,747	155,559	11,585
Grand total (HRK + currency):	178,538		167,144	

11. Assets with the Croatian National Bank

	HRK '000	
	2009	2010
Compulsory reserve with CNB in HRK	87,963	98,134
Compulsory reserves in foreign currencies	14,912	18,180
Marginal reserve requirements	0	0
Total:	102,875	116,314

The Bank is obligated to keep a compulsory reserve with the Croatian National Bank equal to 13% deposits. These assets are not available for financing of daily banking operations and are subject to 0.75% p.a. interests in 2010, or in compliance with a decision by the Croatian National Bank (2009: 0.75%).

12. Deposits with other banks

	HRK '000	
	2009	2010
a) Survey by types		
Fixed term foreign currency deposits	157,448	183,773
Foreign currency "nostro" covered L/C	0	2,885
Total:	157,448	186,658
b) Survey by countries		
Croatia	365	621
OECD members and others	157,083	186,037
Total:	157,448	186,658

In 2010, the Bank had fixed-term currency deposits of HRK 133,672 thousand with the agreed maturity term up to one month, deposits with the agreed maturity term of 1-3 months of HRK 49,480 thousand, and fixed-term currency deposits of HRK 621 thousand with the agreed maturity term exceeding 3 months, and foreign currency "nostro" covered letters of credit of HRK 2,885 thousand.

In 2009, the Bank had fixed-term currency deposits of HRK 54,796 thousand with the agreed maturity term up to one month, deposits with the agreed maturity term of 1-3 months of HRK 102,287 thousand, and fixed-term currency deposits of HRK 365 thousand with the agreed maturity term exceeding 3 months.

13. Extended loans and their impairment

	HRK '000			
	2009	%	2010	%
a) Analysis by clients				
Population	190,482	22.53	158,007	14.68
Corporate clients	591,937	70.00	911,827	84.72
Other clients	63,175	7.47	6,503	0.60
Total gross loans:	845,594	100.00	1,076,337	100.00
Loan impairment:	(19,006)		(32,929)	
Total net loans:	826,588		1,043,408	
b) Analysis by industry or intended use				
For working assets			477,440	44.36%
For investments			52,387	4.87%

Cash non-specified-purpose loans without pledge			93,766	8.71%
Cash non-specified-purpose loans with pledge			13,579	1.26%
Civil engineering			23,866	2.22%
Agriculture			6,785	0.63%
Tourism			16,680	1.55%
Shares in syndicated loans			6,500	0.60%
Housing loans			10,351	0.96%
Transaction account overdrafts			6,281	0.58%
Other			368,702	34.26%
Total gross loans:	845,594	100.00	1,076,337	100.00
Loan impairment	(19,006)	2.25	(32,929)	3.06
Total net loans:	826,588	97.75	1,043,408	96.94
c) Analysis by loan types				
Short-term loans	530,272		681,111	
Long-term loans	315,322		395,226	
Total gross loans:	845,594		1,076,337	
Loan impairment	(19,006)		(32,929)	
Total net loans:	826,588		1,043,408	
d) Provisions and impairment of bad and dubious receivables				
Initial balance	13,246		20,451	
New impairment	17,353		19,249	
Collections and write-offs	(10,148)		(115)	
As at 31 December (exclusive of receivables based on contingent liabilities)	20,451		39,585	
e) Provisions for receivables based on contingent liabilities				
	87		36	
As at 31 December	20,538		39,621	

f) Loans with delay in collection

Loans extended to clients with delay in payment of their matured liabilities, i.e. total due outstanding receivables exceeding 90 days, as at 31 December 2010 amounted to HRK 183,851 thousand (as at 31 December 2009: HRK 123,633 thousand).

g) Interest flexibility

All placements have variable interest rate. Under the agreed terms, the Bank may change the interest rate for each month. Regular **interest receivables** on loans to customers (legal entities) in Croatian currency operations, without currency clause, were, depending on the intended use and collateral: up to 12.0%, for short-term loans to banks and other financial institutions according to market terms, based on specific-purpose fixed-term deposits up to 2.5 p.p. above interest payables on annual level, and up to 10% for long-term loans.

Regular **interest receivables** on loans to customers (legal entities) in Croatian currency operations, but with a currency clause were, depending on the intended use and collateral: up to 11.5%, for short-term loans to banks and other financial institutions according to market terms, based on specific-purpose fixed-term deposits up to 2.5 p.p. above interest payables on annual level, and up to 9.5% for long-term loans.

Regular interest receivables on loans to customers (legal entities) in **foreign currency** operations were, depending on the intended use and collateral: up to 10.0%, for short-term loans based on specific-purpose fixed-term deposits up to 2.5 p.p. above interest payables on annual level, and up to 9.0% for long-term loans.

Interests on short-term loans to banks and other financial institutions are determined according to market terms. Interests on short-term loans based on specific purpose fixed-term deposits amount to 2.49 p.p. above interest payable.

Interests for discount of securities and loans granted based on them are agreed for each specific case up to 12% in Croatian currency operations without currency clause and up to 11.5% with a currency clause.

Interest payable on deposits in operations with corporate customers is as follows:

Croatian currency deposits:

-deposits from 1 to 12 months up to 6.00%

Foreign currency deposits:

-deposits from 1 to 12 months up to 5.50%

Interest payable on **Kuna** deposits in operations with **population** is as follows:

Fixed-term Kuna savings with no currency clause

- deposits from 1 to 12 months up to 5.00%

Interest on **fixed-term foreign currency deposits** is as follows:

	Fixed interest rate	Variable interest rate
EUR		
1-12 month savings	up to 3.80%	up to 4.30%
USD		
1-12 month savings	up to 3.00%	up to 3.50%
CHF and other currencies		
1-12 month savings	up to 1.10%	up to 1.60%

h) Excluded interest income

Excluded interest income on extended loans of “B” and “C” group in 2010 amounts to HRK 13,073 thousand (in 2009: 7,250 thousand).

14. Accrued interests and other assets

	‘000 HRK	
	2009	2010
Accrued matured interests	10,830	11,977
Non-matured interests	2,862	6,562
Fees and commissions (matured and non-matured)	327	384
Other assets	1,941	1,938
Total:	15,960	20,861
Provisions and impairment by accrued interests and other assets	(583)	(3,271)
Total:	15,377	17,590

15. Investments and securities

	‘000 HRK	
	2009	2010
Securities and financial instruments held until maturity and financial instruments available for sale	17,299	10,899
Discount and value adjustment	(1,420)	(3,412)
Total	15,879	7,487

16.a) Tangible and intangible assets

2009	Land and buildings	Computers and software	Furniture and equipment	Motor vehicles	Other	Invest. in progress	TOTAL
Acquisition cost in HRK '000							
As at 1 January 2009	37,602	14,231	4,397	4,744	3,856	0	64,830
Direct increases	40	536	507	257	47	0	1,387
Reductions, transfers from investments in progress, corrections	0	0	722	(85)	(735)	0	(98)
As at 31 December 2009	37,642	14,767	5,626	4,916	3,168	0	66,119
Value adjustment in HRK '000							
As at 1 January 2009	7,447	9,917	2,001	2,053	1,169	0	22,587
Depreciation for 2009	798	355	1,754	899	172	0	3,978
Sale, write-off and other	0	0	(13)	(85)	0	0	(98)
As at 31 December 2009	8,245	10,272	3,742	2,867	1,341	0	26,467
Non-written-off value as at 31 December 2009	29,397	4,495	1,884	2,049	1,827	0	39,652

2010	Land and buildings	Computers and software	Furniture and equipment	Motor vehicles	Other	Invest. in progress	TOTAL
Acquisition cost in HRK '000							
As at 1 January 2010	37,642	14,767	5,626	4,916	3,168	0	66,119
Direct increases	326	920	890	142	293	0	2,571
Reductions, transfers from investments in progress, corrections	0	(341)	0	0	0	0	(341)
As at 31 December 2010	37,968	15,346	6,516	5,058	3,461	0	68,349

Value adjustment in

HRK '000

As at 1 January 2010	8,245	10,272	3,742	2,867	1,341	0	26,467
Depreciation for 2010	799	981	1,149	669	188	0	3,786
Sale, write-off and other	0	(341)	0	0	0	0	(341)
As at 31 December 2010	9,044	10,912	4,891	3,536	1,529	0	29,912
Non-written-off value as at 31 December 2010	28,924	4,434	1,625	1,522	1,932	0	38,437

16. b) Advances for tangible assets

Advances for tangible assets as at 31 December 2010 amount to HRK 8,325 thousand and refer to advances provided for land and building in Zadar (in 2009: HRK 8,325 thousand).

17. Other deposits

	'000 HRK	
	2009	2010
I. On-demand deposits:		
1. On-demand deposits of corporations and public sector institutions in:		
- HRK	76,973	61,478
- foreign currency	7,260	7,747
2. Limited deposits and non-allocated inflow in		
- HRK	12	0
- foreign currency	0	0
3. Deposits of financial institutions in		
- HRK	13,200	13,486
- foreign currency	0	0
4. On-demand saving, population giro accounts in:		
- HRK	16,633	10,766
- foreign currency	7,860	9,411
Total:	121,938	102,888

II. Fixed-term deposits

1. Deposits of financial institutions

- HRK and currency clause	105,944	93,702
- foreign currency	49,570	48,826

2. Saving accounts and deposits of population

- HRK and currency clause	69,987	124,414
- foreign currency	596,354	845,666

3. Fixed-term deposits of corporations and public sector institutions

- HRK and currency clause	101,916	63,412
- foreign currency	36,213	24,410

Total	959,984	1,200,430
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Grand total deposits (I + II)	1,081,922	1,303,318
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18. Other borrowed assets

‘000 HRK

	2009	2010
Short-term loans		
- domestic banks	0	0
- HBOR funds	10,000	10,000
- foreign banks	0	0
Long-term loans		
- long-term loans from HBOR	66,399	75,072
Total	76,399	85,072

Loan currency structure

- HRK	10,000	10,000
- foreign currency and currency clause	66,399	75,072
Total	76,399	85,072

19. Hybrid instruments

They are non-insured long-term deposits of customers affecting the increase of the guarantee capital of the Bank at the calculation of capital adequacy, in compliance with CNB regulations. As at 31 December 2010, the balance was HRK 41,000 thousand. The payer has agreed that the deposit is supplemental capital and in case of need they are available for coverage of loss or at bankruptcy or liquidation.

	‘000 HRK	
	<u>2009</u>	<u>2010</u>
Hybrid instruments	41,000	41,000
Total	<u>41,000</u>	<u>41,000</u>

20. Other liabilities

	‘000 HRK	
	<u>2009</u>	<u>2010</u>
Liabilities for dividend	0	0
Liabilities for corporate income tax	0	0
Liabilities based on card operations	210	222
Liabilities for unperformed payments from collections from abroad	0	0
Liabilities for provisional payments into corporate equity	100	120
Liabilities based on purchase and sale of foreign currency	24	24
Liabilities based on other taxes and contributions	697	1,493
Liabilities to suppliers	1,582	1,965
Liabilities for salaries and fees	679	789
Liabilities for received insurance premiums	37	23
Restricted deposits	54	518
Liabilities to population	3,805	3,398
Liabilities from internal relations of organisation units	1,535	1,352
Liabilities based on fees based on loans to corporations and traders	3,212	3,925
Other liabilities	37	436
Total	<u>11,972</u>	<u>14,265</u>

21. Accrued interests and fees

	‘000 HRK	
	<u>2009</u>	<u>2010</u>
Accrued matured interests and fees	885	754
Accrued non-matured interests and fees	20,272	21,941
Total	<u>21,157</u>	<u>22,695</u>

22.a) Impairment and provisions for identified losses based on placements and contingent liabilities

	‘000 HRK	
	2009	2010
As at 1 January	8,905	10,564
New provisions	1,659	2,021
Reduction and cross-entry	0	0
As at 31 December	10,564	12,585
	2009	2010
As at 1 January	690	839
New provisions	149	56
Reduction and cross-entry	0	(116)
As at 31 December	839	779

22.b) Provisions for litigation

	2009	2010
As at 1 January	0	0
New provisions	0	40
Reduction and cross-entry	0	0
As at 31 December	0	40

23. Contingent and assumed liabilities

	‘000 HRK	
	2009	2010
Guarantees: HRK and foreign currency	63,234	62,160
Foreign letters of credit and “loro” documentary letters of credit	2,633	5,640
Other (unused credit facilities and other)	22,516	16,886
Total:	88,383	84,686
Value adjustment:	0	0
a) As at 31 December:	88,383	84,686
b) Other out-of-balance items:	0	0
Total (a + b):	88,383	84,686

24. Cash and cash equivalent

	‘000 HRK	
	<u>2009</u>	<u>2010</u>
Cash and accounts with banks	178,538	167,144
Securities	17,299	10,899
Discount for securities	(1,420)	(3,427)
Placements to banks	157,083	186,658
Total	<u>351,500</u>	<u>361,274</u>

25. Transactions with affiliates

Affiliates are persons fulfilling at least one of the following conditions:

- 1) two or more individuals or corporate entities representing a single risk for the Bank, as one of them has direct or indirect control of other(s),
- 2) two or more individuals or corporate entities representing a single risk for the Bank, as one of them has direct or indirect significant influence on other(s),
- 3) two or more individuals or corporate entities among which there is no relation of control or significant influence, but representing a single risk for the bank as they are mutually related in such a way that there is a great probability that worsening or improvement of economic or financial status of one person may lead to worsening or improvement of economic or financial status of one or several persons, as among them there is or there may be transfer of loss, profit or creditworthiness, or
- 4) trustee and person on whose behalf he/she works.

Affiliates are also persons mutually related as:

- 1) narrow family members:
- 2) members of management board or supervisory board and narrow family members of such persons; or
- 3) persons employed based on employment contract with specific conditions made with the company in which they are employed as well as their narrow family members.

A transaction increasing the exposure of the Bank to affiliates requires the consent from all members of the Supervisory Board of the Bank.

At the end of year, total Bank exposure to affiliates was HRK 13,551 thousand or 9.04% guarantee capital (2009: HRK 1,934 thousand or 1.40% granted loans) which represents approximately 1.30% total loans to customers (2009: 0.23%).

26. General provisions for banking risks

The Bank recognizes general provisions for banking risks as provisions for contingent losses in addition to those expected and recognized as recognized losses of value reduction. General provisions are calculated in compliance with the CNB provisions requiring that a certain percentage of annual net profit is allocated as provision within equity and reserves when the growth of risk assets (based on CNB definition) on annual level exceeds a specific amount. General provisions for banking risks cannot be transferred into retained profit or distributed in another way, before expiration of three-year period from their formation, provided that consecutive growth of exposure on annual level has not exceeded 15%.

27. Risk from interest rate changes and term structure

Interest risk is sensitivity of the Bank's financial status to interest rate trends. Mismatch or gaps in the amounts of assets, liabilities and out-of-balance instruments becoming due or changing the fee (interest rate) in a specific period generate the interest risk. The Bank may reduce such risk by adjusting the possibility of changing of interest rates on assets and liabilities.

The Bank makes effort to reach balance between reducing the risk from earnings and adverse changes in interest rates by increasing net income from interests through accurate anticipation of interest rate trends and amounts.

Tables below present the balance sensitivity to interest risk as at 31 December 2009 and 31 December 2010 based on the known dates when interest rates of assets and liabilities with fixed and variable rate may be changed, and the assumed dates of fee (interest rate) change.

Interest risk and term structure as at 31 December 2009

	<u>Up to 1</u> <u>month</u>	<u>1 – 3</u> <u>months</u>	<u>3</u> <u>months</u> <u>to 1 year</u>	<u>Exceeding</u> <u>1 year</u>	<u>Insensitive</u> <u>to</u> <u>interests</u>	<u>TOTAL</u>
Assets:						
Cash and current accounts with other banks	178,538					178,538
Funds with CNB	102,875					102,875
Deposits with other banks	157,448					157,448
Loans and advances to customers	826,588					826,588

Accrued interests and other assets					15,377	15,377
Long-term investments and securities					15,879	15,879
Fixed assets					47,977	47,977
Provisions for identified losses on group basis for “A” placements					(10,564)	(10,564)
T o t a l:	1,265,449	0	0	0	68,669	1,334,118
Liabilities:						
Issued hybrid instruments				41,000		41,000
On-demand deposits	121,938					121,938
Liabilities based on fixed-term deposits	460,975	156,508	288,186	54,315		959,984
Other borrowed funds	10,000	0	0	66,399		76,399
Liabilities based on accrued interests and fees					21,157	21,157
Other liabilities					11,972	11,972
Provisions for contingent liabilities					839	839
T o t a l:	592,913	156,508	288,186	161,714	33,968	1,233,289
Gap in sensitivity to interest rate changes	672,536	(156,508)	(288,186)	(161,714)	34,701	100,829

Interest rate and term structure as at 31 December 2010

	<u>Up to 1</u> <u>month</u>	<u>1 – 3</u> <u>months</u>	<u>3</u> <u>months</u> <u>to 1 year</u>	<u>Exceeding</u> <u>1 year</u>	<u>Insensitive</u> <u>to interest</u>	<u>TOTAL</u>
Assets:						
Cash (cash at hand, cheques, current & giro account)	167,144					167,144
Funds with CNB	116,314					116,314
Deposits with other banks	186,658					186,658
Loans and advances to customers	1,043,408					1,043,408
Accrued interests and other assets					20,861	20,861
Long-term investments and securities					7,487	7,487
Fixed assets					46,762	46,762
Provisions for identified losses on group basis for “A” placements					(12,585)	(12,585)
T o t a l:	<u>1,513,524</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>62,525</u>	<u>1,576,049</u>
Liabilities						
Issued hybrid instruments				41,000		41,000
On-demand deposits	102,888					102,888
Liabilities based on fixed term deposits	957,274	36,851	175,197	31,108		1,200,430
Other borrowed assets	10,000	0	0	75,072		85,072
Accrued interests and fees					22,695	22,695
Other liabilities					14,265	14,265
Provisions for contingent liabilities					779	779
Provisions for litigation					40	40

T o t a l:	1,070,162	36,851	175,197	147,180	37,779	1,467,169
Gap in sensitivity to interest rate changes	443,362	(36,851)	(175,197)	(147,180)	24,746	108,880

28. Currency risk

The Bank is exposed to exchange rate change risk through transactions in foreign currency. Exposure to currency risk is based on loan, deposit, investment and trade activities. It is monitored on daily basis based on legal and internal limits by specific currencies and in total amount for assets and liabilities denominated in foreign currency or related to currency clause.

The Bank directs its operations attempting to minimize the mismatch between assets and liabilities denominated in a foreign currency.

The Bank manages the currency risk by determination of limits for exposures in currency and by monitoring exposures in relation to limits.

In the measurement of its exposure to currency risk, the Bank relies on the Croatian National Bank regulations – capital requirements for currency risk have been calculated by the use of standard method in compliance with the CNB Decision on bank capital adequacy.

Amounts of total assets and liabilities as at 31 December 2009 and 31 December 2010 in HRK and currency are analysed in the following tables:

Currency risk as at 31 December 2009

	EUR and currency clause	USD	Other	Total currency	HRK	Total
Assets						
Cash assets and amounts with other banks	687	115	5.945	6.747	171.791	178.538
Assets with CNB	0	14.912	0	14.912	87.963	102.875
Placements to other banks	157.448	0	0	157.448	0	157.448
Loans to customers	605.815	25.527	1.143	632.485	194.103	826.588
Accrued interests and other	13.010	602	47	13.659	1.718	15.377
Investments and securities					15.879	15.879

Tangible and intangible assets					47.977	47.977
Provisions for identified losses on group basis for "A" placements					(10.564)	(10.564)
Total assets:	776.960	41.156	7.135	825.251	508.867	1.344.118
Liabilities						
Issued hybrid instruments					41.000	41.000
Other deposits:						
- on demand	15.119	0	0	15.119	106.819	121.938
- fixed term	686.982	40.396	4.362	731.740	228.244	959.984
Other borrowed assets	66.399			66.399	10.000	76.399
Accrued interests and fees	16.033	722	59	16.814	4.343	21.157
Other liabilities					11.972	11.972
Provisions for contingent liabilities					839	839
Total liabilities:	784.533	41.118	4.421	830.072	403.217	1.233.289
Surplus (deficit)	(7.573)	38	2.714	(4.821)	105.650	100.829

Currency risk as at 31 December 2010

	EUR and currency clause	USD	Other	Total currency	HRK	Total
Assets						
Cash assets	9,802	1,495	288	11,585	155,559	167,144
Assets with CNB	0	18,180	0	18,180	98,134	116,314
Deposits to other banks	186,658	0	0	186,658	0	186,658
Loans to customers	790,323	23,621	100	814,044	229,364	1,043,408
Accrued interests and other	13,917	547	0	14,464	6,397	20,861
Investments and securities				0	7,487	7,487
Tangible and intangible assets				0	46,762	46,762
Provisions for identified losses on						

group basis for "A"						
placements				0	(12,585)	(12,585)
Total assets:	<u>1,000,700</u>	<u>43,843</u>	<u>388</u>	<u>1,044,931</u>	<u>531,118</u>	<u>1,576,049</u>
Liabilities						
Issued hybrid instruments					41.000	41.000
Other deposits:						
- on demand	14.729	1.966	463	17.158	85.730	102.888
- fixed term	893.612	41.308	3.964	938.884	261.546	1.200.430
Other borrowed assets	75.072			75.072	10.000	85.072
Accrued interests and fees	18.324	1.061	23	19.408	3.287	22.695
Other liabilities	4			4	14.261	14.265
Provisions for contingent liabilities					779	779
Provisions for litigation					40	40
Total liabilities:	<u>1.001.741</u>	<u>44.335</u>	<u>4.450</u>	<u>1.050.526</u>	<u>416.643</u>	<u>1.467.169</u>
Surplus (deficit)	<u>(1.041)</u>	<u>(492)</u>	<u>(4.062)</u>	<u>(5.595)</u>	<u>114.475</u>	<u>108.880</u>

The Bank protects itself from currency risk by granting placements to customers in foreign currency and with a currency clause. Such placements and liabilities as at 31 December 2010 were in an amount of HRK 1,044,931 thousand and HRK 1,050,526 thousand respectively (as at 31 December 2009: placements amounted to HRK 825,251 thousand and liabilities amounted to HRK 830,072 thousand).

29. Maturity structure and liquidity risk

Liquidity risk is based on regular financing of the Bank operations and management of positions. It includes the risk of impossibility to finance assets within appropriate terms at appropriate interest rates, as well as risk of impossibility to liquidate assets at reasonable price within appropriate time period. The Bank has access to various sources of finance. Resources are collected through a number of instruments including deposits, loans and equity. The Bank continuously evaluates the liquidity risk through identification and monitoring of changes in financing required for achievement of operating and strategic objectives. Furthermore, the Bank keeps a portfolio of liquid assets as part of its liquidity risk management strategy.

Liquidity risk management is conducted in compliance with legal provisions and regulatory guidelines, as well as internal methods, procedures and limits, and is defined by the Liquidity Risk Management Policy regularly revised by the Risk Management Sector based on changes in the economic environment

Risk Management Sectors reports to Assets and Liabilities Committee on quarterly basis about the Bank exposure to the liquidity risk and reports to the Croatian National Bank on monthly basis based on the Decision on Management of Liquidity Risk.

Total amounts of assets and liabilities as at 31 December 2009 and 31 December 2010 are analysed through the remaining period from the Balance Sheet date in relation to the agreed maturity date and presented in the following tables:

Maturity structure and liquidity risk as at 31 December 2009:

	Up to 1 month	1 – 3 months	3 months – 1 year	1 – 3 years	Exceed ing 3 years	Total
Assets						
Cash and amounts with other banks	178,538					178,538
Assets with CNB	23,473	20,545	43,816	5,045	9,996	102,875
Deposits to other banks	55,973	101,475				157,448
Loans to clients	118,679	202,900	196,740	176,408	131,861	826,588
Accrued interests and other	14,829	460	29	58	1	15,377
Investments and securities	9,117	2,359	4,403			15,879
Tangible and intangible assets					47,977	47,977
Provisions for identified losses on group basis						

for "A" placements	<u>(1,499)</u>	<u>(2,598)</u>	<u>(2,554)</u>	<u>(2,266)</u>	<u>(1,647)</u>	<u>(10,564)</u>
T o t a l:	<u>399,110</u>	<u>325,141</u>	<u>242,434</u>	<u>179,245</u>	<u>188,188</u>	<u>1,334,118</u>
Liabilities						
Issued hybrid instruments				41,000		41,000
Other deposits						
- on-demand	121,938					121,938
- fixed	141,715	239,512	510,806	58,647	9,304	959,984
Other borrowed assets	10,000	0	0	66,399		76,399
Accrued interests	2,428	5,710	9,787	1,711	1,521	21,157
Other liabilities	11,972					11,972
Provisions for contingent liabilities	208	154	239	72	166	839
Total liabilities:	<u>288,261</u>	<u>245,376</u>	<u>520,832</u>	<u>167,829</u>	<u>10,991</u>	<u>1,233,289</u>
Surplus (deficit)	<u>110,849</u>	<u>79,765</u>	<u>(278,398)</u>	<u>11,416</u>	<u>177,197</u>	<u>100,829</u>

Maturity structure and liquidity risk as at 31 December 2010:

	<u>Up to 1 month</u>	<u>1 – 3 months</u>	<u>3 months – 1 year</u>	<u>1 – 3 years</u>	<u>Exceeding 3 years</u>	<u>Total</u>
Assets						
Cash and amounts with other banks	167,144					167,144
Assets with CNB	19,565	27,154	57,759	10,183	1,653	116,314
Deposits to other banks	137,177	49,481				186,658
Loans to customers	88,560	391,417	172,669	228,041	162,721	1,043,408
Accrued interests and other	13,042	2,422	468	921	4,008	20,861
Investments and securities	6,714	773				7,487
Tangible and intangible assets					46,762	46,762

Provisions for identified losses on group basis for “A” placements	(1,298)	(4,591)	(2,069)	(2,782)	(1,845)	(12,585)
T o t a l:	<u>430,904</u>	<u>466,656</u>	<u>228,827</u>	<u>236,363</u>	<u>213,299</u>	<u>1,576,049</u>
Liabilities						
Issued hybrid instruments				33,000	8,000	41,000
Other deposits						
- on-demand	102,888					102,888
- fixed	123,240	309,813	674,583	81,684	11,110	1,200,430
Other borrowed assets					85,072	85,072
Accrued interests	2,863	5,598	10,439	2,878	917	22,695
Other liabilities	14,265					14,265
Provisions for contingent liabilities	230	96	305	106	42	779
Provisions for litigation	<u>40</u>					<u>40</u>
Total liabilities:	<u>243,526</u>	<u>315,507</u>	<u>685,327</u>	<u>117,668</u>	<u>105,141</u>	<u>1,467,169</u>
Surplus (deficit)	<u>187,378</u>	<u>151,149</u>	<u>(456,500)</u>	<u>118,695</u>	<u>108,158</u>	<u>108,880</u>