

MARFIN BANK A.D. BEOGRAD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
AND INDEPENDENT AUDITOR'S REPORT**

MARFIN BANK A.D. BEOGRAD

Financial statements for the year ended 31 December 2014

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Marfin Bank a.d. Beograd

We have audited the accompanying financial statements of Marfin Bank a.d. Beograd (the "Bank") which comprise the balance sheet as of 31 December 2014 and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

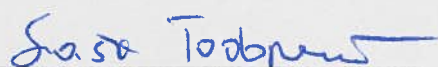
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Marfin Bank a.d. Beograd as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter - going concern

Without qualifying our opinion, we draw attention to Note 2.1 in the financial statements which describes the concentration of funding, transferred from the Parent to the Bank of Cyprus, that needs to be renegotiated on continuous basis, and the measures the National Bank of Serbia has imposed on the Bank to ensure this funding is kept within the Bank in order to maintain its liquidity. These conditions, along with the other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern.


Saša Todorović
Licensed Auditor




PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 28 April 2015

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(business name and seat of the bank)

BALANCE SHEET
 as at 31.12.2014. year

(in RSD thousand)

Group of accounts, account	POSITION	AOP Code	Note	Current year			Previous years	
				5	6	7		
1	2	3	4	5	6	7		
	ASSETS							
00 (without 002), 010, 025, 05 (other than 050, 052 and part of 059), 060, 07, 085, 196, 296 and parts of accounts 009, 019, 029, 069, 089, 199 and 299	Cash and assets held with Central bank	0 0 0 1	16	3.464.593	3.817.122	4.711.915		
	Pledged financial assets	0 0 0 2						
120, 220, 125, 225	Financial assets at fair value through profit or loss held for trading	0 0 0 3						
121, 221	Financial assets designated at fair value through profit or loss	0 0 0 4						
122, 222, part of 129 and part of 229	Financial assets available for sale	0 0 0 5						
124, 224, part 129 and part of 229	Financial assets held to maturity	0 0 0 6						
002, 01 (without 010 and part of 019), part of 020, 028, 050, 052, 06 (without 060 and part of 069), 080, 088, 10, 11, 16, 20, 21, 26, 190, 191, 290, 291, part of 493 and part of 593 as deductible items (SSKR-SS code 1 (without code 17), code 70 and parts of codes 71 and 74) and parts of accounts 009, 029, 069, 089, 199 and 299	Loans and receivables with banks and other financial organizations	0 0 0 7	17	3.299.323	3.658.574	1.713.980		
01 (without 010 and part of 019), part of 020, 028, 06 (without 060 and part of 069), 080, 088, 10, 11, 16, 20, 21, 26, 190, 191, 290, 291, part of 493 and part of 593 as deductible items (SSKR – SS code 17 and all other codes, except code 70 and parts of codes 71 and 74) and parts of accounts 029, 069, 089, 199 and 299	Loans and receivables with customers	0 0 0 8	18	14.597.077	14.514.659	18.191.535		
123, 223	Fair value changes of hedged items	0 0 0 9						
126, 226	Receivables for financial derivatives used for hedging	0 0 1 0	19	4.662	2.704	6.455		
130, 131, 230, 231 part of 139 and part of 239	Investments in associates and joint ventures	0 0 1 1						
132, 232 part of 139 and part of 239	Investments in subsidiaries	0 0 1 2						
33	Intangible assets	0 0 1 3	20	142.426	50.295	79.302		
34	Property, plant and equipment	0 0 1 4	21	507.980	434.652	449.411		
35	Investment property	0 0 1 5	22	1.260.239	465.986	449.131		
034 and part 039	Current tax assets	0 0 1 6		1.325	959			
37	Deferred tax assets	0 0 1 7				175.618		
36	Non current assets classified as held for sale and assets from discontinued operations	0 0 1 8						
021, 022, 024, 027, 03 (without 034 and part of 039), 081, 082, 084, 087, 09, 134, 192, 194, 195, 234, 292, 294, 295, 30, 38 and parts of accounts 029, 089, 139, 199, 239 and 299	Other assets	0 0 1 9	23	903.736	1.265.940	439.124		
	TOTAL ASSETS (from 0001 to 0019)	0 0 2 0		24.181.361	24.210.891	26.216.471		

Group of accounts, account	POSITION	AOP Code	Note	Current year		Previous years	
				5	6	7	
1	2	3	4	5	6	7	
	LIABILITIES AND EQUITY						
	LIABILITIES						
411, 416, 511, 516	Financial liabilities at fair value through profit or loss held for trading	0 4 0 1					
415, 515	Financial liabilities designated at fair value through profit or loss	0 4 0 2					
417, 517	Liabilities for financial derivatives used for hedging	0 4 0 3				4.612	
part of 40, part of 420, part of 421, part of 490, part of 50, part of 520, part of 521, part of 590, part of 193 and part of 293 as deductible items (SSKR – SS code 1 (without code 17), code 70 and parts of codes 71 and 74)	Deposits and other liabilities from banks, other financial organizations and central bank	0 4 0 4	24	8.326.060	8.622.304	9.031.291	
part of 40, part of 420, part of 421, part of 490, part of 50, part of 520, part of 521, part of 590, part of 193 and part of 293 as deductible items (SSKR – SS code 17 and all other codes, except code 70 and parts of codes 71 and 74)	Deposits and other liabilities from other customers	0 4 0 5	25	11.062.789	10.857.845	10.616.058	
418 and 518	Fair value changes of hedged items	0 4 0 6					
410, 412, 423, 496, 510, 512, 523, 596 and 127 as deductible item	Own securities issued and other loans taken	0 4 0 7	26	123.052	123.052	123.052	
424, 425, 482, 497, 524, 525, 582, 597, part of 193 and part of 293 as deductible items	Subordinated liabilities	0 4 0 8	27	605.900			
450, 451, 452, 453, 454	Provisions	0 4 0 9	28	43.892	51.747	55.004	
46	Liabilities related to non current assets classified as held for sale and to assets from discontinued operations	0 4 1 0					
455	Current tax liabilities	0 4 1 1			114	487	
47	Deferred tax liabilities	0 4 1 2	29	19.544	15.260		
426, 427, 43, 44, 456, 457, 491, 492, 494, 495, 526, 527, 53, 591, 592, 594 and 595	Other liabilities	0 4 1 3	30	201.417	170.465	1.320.080	
	TOTAL LIABILITIES (from 0401 to 0413)	0 4 1 4		20.382.654	19.840.787	21.150.584	
	EQUITY						
80	Share capital	0 4 1 5	31	8.426.043	8.426.043	8.426.043	
128	Own shares	0 4 1 6					
83	Profit	0 4 1 7				9.955	
84	Loss	0 4 1 8	31d	5.051.809	4.480.412	3.794.670	
81 and 82 – credit balance	Reserves	0 4 1 9	31b and c	424.473	424.702	424.761	
81 and 82 – debit balance	Unrealized losses	0 4 2 0			229	202	
	Minority interest	0 4 2 1					
	TOTAL EQUITY						
	(0415 - 0416 + 0417 - 0418 + 0419 - 0420 + 0421) ≥ 0	0 4 2 2	31	3.798.707	4.370.104	5.065.887	
	LOSSES ABOVE LEVEL OF EQUITY						
	(0415 - 0416 + 0417 - 0418 + 0419 - 0420 + 0421) < 0	0 4 2 3					
	TOTAL LIABILITIES AND EQUITY (0414 + 0422 - 0423)	0 4 2 4		24.181.361	24.210.891	26.216.471	

In Belgrade,
28.04.2015. year

Person responsible for preparing the financial statement

Legal representative of the Bank



INCOME STATEMENT
from 01.01.2014. until 31.12.2014. years

(in RSD thousand)

Group of accounts, account	POSITION	ADP Code	Note	Current year	Previous years
1	2	3	4	5	6
70	Interest income	1 0 0 1	5	1.451.281	1.937.882
60	Interest expenses	1 0 0 2	5	658.877	819.152
	Net interest income (1001-1002)	1 0 0 3	5	792.404	1.118.730
	Net interest expenses (1002-1001)	1 0 0 4			
71	Fee and commission income	1 0 0 5	6	212.223	269.193
61	Fee and commission expenses	1 0 0 6	6	45.820	71.701
	Net fee and commission income (1005 - 1006)	1 0 0 7	6	166.403	197.492
	Net fee and commission expenses (1006 - 1005)	1 0 0 8			
720-620+771-671+774-674	Net gains on financial assets held for trading	1 0 0 9			
620-720+671-771+674-774	Net losses on financial assets held for trading	1 0 1 0			
775-675+770-670	Net gain from hedging operations	1 0 1 1	7	3.857	
675-775+670-770	Net loss from hedging operations	1 0 1 2			1.523
725-625+776-676	Net gain from financial assets designated at fair value through profit or loss	1 0 1 3			
625-725+676-776	Net loss from financial assets designated at fair value through profit or loss	1 0 1 4			
721-621	Net gain from financial assets available for sale	1 0 1 5			
621-721	Net loss from financial assets available for sale	1 0 1 6			
78-68	Net exchange rate gains and gains from foreign currency clause	1 0 1 7	8	20.194	13.103
68-78	Net exchange rate losses and losses from foreign currency clause	1 0 1 8			
723-623	Net gain from investments in associates and joint ventures	1 0 1 9			
623-723	Net loss from investments in associates and joint ventures	1 0 2 0			
724, 74, 752, 753, 76 (other than 760, 769), 772, 773	Other operating income	1 0 2 1	9	97.405	22.428
750-650+751-651+760-660	Net income from write backs on impairment of financial assets and off balance sheet items with credit risk	1 0 2 2			
650-750+651-751+660-760	Net expenses from impairment of financial assets and off balance sheet items with credit risk	1 0 2 3	10	425.352	497.962
	TOTAL NET OPERATING GAIN (1003 - 1004 + 1007 - 1008 + 1009 - 1010 + 1011 - 1012 + 1013 - 1014 + 1015 - 1016 + 1017 - 1018 +	1 0 2 4		654.911	852.268
	TOTAL NET OPERATING LOSS (1003 - 1004 + 1007 - 1008 + 1009 - 1010 + 1011 - 1012 + 1013 - 1014 + 1015 - 1016 + 1017 - 1018 +	1 0 2 5			
63, 655, 755	Wages, compensations of wages and other personal expenses	1 0 2 6	11	528.217	634.242
642	Depreciation expenses	1 0 2 7	12	84.412	97.183
64 (other than 642), 624, 652, 653, 66 (other than 660, 669), 672, 673	Other expenses	1 0 2 8	13	609.399	625.622
	PROFIT BEFORE TAX (1024 - 1025 - 1026 - 1027 - 1028) ≥ 0	1 0 2 9			
	LOSS BEFORE TAX (1024 - 1025 - 1026 - 1027 - 1028) < 0	1 0 3 0		567.117	504.779

Group of accounts, account	POSITION	ADP Code	Note	Current year	Previous years
1	2	3	4	5	6
850	Income tax	1 0 3 1			
861	Deferred tax gains	1 0 3 2			
860	Deferred tax losses	1 0 3 3	14	4.284	
	PROFIT AFTER TAX (1029 - 1030 - 1031 + 1032 - 1033) ≥ 0	1 0 3 4			
	LOSS AFTER TAX (1029 - 1030 - 1031 + 1032 - 1033) < 0	1 0 3 5	31d	571.401	504.779
769-669	Net profit from discontinued operations	1 0 3 6			
669-769	Net loss from discontinued operations	1 0 3 7			
	PROFIT FOR THE YEAR - GAIN (1034 - 1035 + 1036 - 1037) ≥ 0	1 0 3 8			
	PROFIT FOR THE YEAR - LOSS (1034 - 1035 + 1036 - 1037) < 0	1 0 3 9	31d	571.401	504.779
	Gain belonging to the parent	1 0 4 0			
	Gain belonging to the minority interest	1 0 4 1			
	Loss belonging to the parent	1 0 4 2			
	Loss belonging to the minority interest	1 0 4 3			
	EARNINGS PER SHARE				
	Basic earnings per share (in RSD rounded)	1 0 4 4	15	(51)	(63)
	Diluted earnings per share (in RSD rounded)	1 0 4 5			

Person responsible for preparing the financial statement

Legal representative of the Bank

In Belgrade,
28.04.2015. year



Completed by bank		
Registration number: 07534183	Activity code: 6419	TIN: 100003148
Name: "MARFIN BANK" AD		
Head office: Dalmatinska 22, 11000 BEOGRAD		

STATEMENT OF OTHER COMPREHENSIVE INCOME
In the period FROM 01.01.2014. to 31.12.2014. year

(In RSD thousand)					
Group of accounts, account	ITEM	ADP code	Note No	Current year	Previous year
1	2	3	4	5	6
	PROFIT FOR THE PERIOD	2 0 0 1			
	LOSS FOR THE PERIOD	2 0 0 2		571.401	695.692
820	Other comprehensive income for the period Components of other comprehensive income which cannot be reclassified to profit or loss: Increase in revaluation reserves arising from intangible investments and fixed assets	2 0 0 3			
820	Decrease in revaluation reserves arising from intangible investments and fixed assets	2 0 0 4			
822	Actuarial gains	2 0 0 5			
822	Actuarial losses	2 0 0 6			
826	Positive effects of change in value of other components of other comprehensive income which cannot be reclassified to profit or loss	2 0 0 7			
825	Negative effects of change in value of other components of other comprehensive income which cannot be reclassified to profit or loss	2 0 0 8			
821	Components of other comprehensive income which may be reclassified to profit or loss: Positive effects of change in fair value of financial assets available for sale	2 0 0 9			(82)
823	Unrealized losses on securities available for sale	2 0 1 0			27
824	Gains from cash flow hedges	2 0 1 1			
824	Losses on cash flow hedges	2 0 1 2			
826	Cumulative translation gains for foreign operations	2 0 1 3			
826	Cumulative translation losses for foreign operations	2 0 1 4			
826	Positive effects of change in value of other components of other comprehensive income which may be reclassified to profit or loss	2 0 1 5			
826	Negative effects of change in value of other components of other comprehensive income which may be reclassified to profit or loss	2 0 1 6			
82	Tax gains pertaining to other comprehensive income for the period	2 0 1 7			
82	Tax losses pertaining to other comprehensive income of the period	2 0 1 8			
	Total positive other comprehensive income for the period (2003 - 2004 + 2005 - 2006 + 2007 - 2008 + 2009 - 2010 + 2011 - 2012 + 2013 - 2014 + 2015 - 2016 + 2017 - 2018) ≥ 0	2 0 1 9		0	(89)
	Total negative other comprehensive income for the period (2003 - 2004 + 2005 - 2006 + 2007 - 2008 + 2009 - 2010 + 2011 - 2012 + 2013 - 2014 + 2015 - 2016 + 2017 - 2018) < 0	2 0 2 0		0	
	TOTAL POSITIVE COMPREHENSIVE INCOME FOR THE PERIOD (2001 - 2002 + 2019 - 2020) ≥ 0	2 0 2 1			
	TOTAL NEGATIVE COMPREHENSIVE INCOME FOR THE PERIOD (2001 - 2002 + 2019 - 2020) ≥ 0	2 0 2 2		(571.401)	(695.781)
	Total positive comprehensive income for the period belonging to a parent entity	2 0 2 3			
	Total positive comprehensive income for the period belonging to non-controlling owners	2 0 2 4			
	Total negative comprehensive income for the period belonging to a parent entity	2 0 2 5			
	Total positive comprehensive income for the period belonging to non-controlling owners	2 0 2 6			

In Belgrade
Date, 28.04.2015. year

Legal representative of the bank



STATEMENT OF CASH FLOWS
from 01.01. to 31.12.2014. year

(in RSD thousand)

POSITION		ADP code				Amount	
						current year	previous year
1		2				3	4
A.	CASH FLOWS FROM OPERATING ACTIVITIES					1.776.686	2.207.408
I.	Cash inflows from operating activities (from 3002 to 3005)	3	0	0	1	0	0
1.	Inflow from interest	3	0	0	2	1.563.367	1.944.618
2.	Inflow from fees	3	0	0	3	213.319	262.790
3.	Inflow from other operating activities	3	0	0	4	0	0
4.	Inflow from dividends and profit sharing	3	0	0	5	0	0
II.	Cash outflows from operating activities (from 3007 to 3011)	3	0	0	6	2.013.651	3.080.306
5.	Outflow from interest	3	0	0	7	836.894	711.417
6.	Outflow from fees	3	0	0	8	46.003	71.132
7.	Gross wages, compensations of wages and other personal expenses	3	0	0	9	578.795	677.697
8.	Taxes, contributions and other duties charged to income	3	0	1	0	157.506	158.726
9.	Other operating expenses	3	0	1	1	394.453	1.461.334
III.	Net cash inflow from operating activities before increase or decrease in lending and deposits (3001 - 3006)	3	0	1	2	0	0
IV.	Net cash outflow from operating activities before increase or decrease in lending and deposits (3006 - 3001)	3	0	1	3	236.965	872.898
V.	Decrease in lending and increase in deposits and other liabilities (from 3015 to 3020)	3	0	1	4	1.135.430	3.845.834
10.	Decrease in loans and advances to banks, other financial institutions, central banks and customers	3	0	1	5	0	3.687.950
11.	Reduction of financial assets that are initially recognized at fair value through profit or loss, financial assets held for trading and other securities that are not intended for investment	3	0	1	6	150.606	0
12.	Decrease in receivables from financial derivatives held for hedging and fair value adjustments of items that are the subject of hedging	3	0	1	7	0	0
13.	Increase in deposits and other liabilities to banks, other financial institutions, central banks and customers	3	0	1	8	984.824	157.884
14.	The increase in financial liabilities are initially recognized at fair value through profit or loss and financial liabilities held for trading	3	0	1	9	0	0
15.	Increase in liabilities arising from financial derivatives held for hedging and fair value adjustments of items that are the subject of hedging	3	0	2	0	0	0
VI.	Increase in loans and decrease in deposits and other liabilities (from 3022 to 3027)	3	0	2	1	2.168.104	0
16.	Increase in loans and advances to banks, other financial institutions, central banks and customers	3	0	2	2	2.020.126	0
17.	Increase in financial assets that are initially recognized at fair value through profit or loss, financial assets held for trading and other securities that are not intended for investment	3	0	2	3	147.978	0
18.	Increase in receivables from financial derivatives held for hedging and fair value adjustments of items that are the subject of hedging	3	0	2	4	0	0
19.	Decrease in deposits and other liabilities to banks, other financial institutions, central banks and customers	3	0	2	5	0	0
20.	Reducing financial liabilities are initially recognized at fair value through profit or loss and financial liabilities held for trading	3	0	2	6	0	0
21.	Reduction of liabilities arising from financial derivatives held for hedging and fair value adjustments of items that are the subject of hedging	3	0	2	7	0	0
VII.	Net cash inflow from operating activities before income tax (3012 - 3013 + 3014 - 3021)	3	0	2	8	0	2.972.936
VIII.	Net cash outflow from operating activities before income tax (3013 - 3012 + 3021 - 3014)	3	0	2	9	1.269.639	0
22.	Income tax paid	3	0	3	0	514	1.366
23.	Dividends paid	3	0	3	1	0	14.676
IX.	Net cash inflow from operating activities (3028 - 3029 - 3030 - 3031)	3	0	3	2	0	2.956.894
X.	Net cash outflow from operating activities (3029 - 3028 + 3030 + 3031)	3	0	3	3	1.270.153	0
B.	CASH FLOWS FROM INVESTING ACTIVITIES						
I.	Cash flow from investing activities (from 3035 to 3039)	3	0	3	4	47.672	37.919
1.	Proceeds from investments in investment securities	3	0	3	5	0	0
2.	Proceeds from sales of investments in subsidiaries and associates and joint ventures	3	0	3	6	0	0
3.	Proceeds from sale of intangible assets, property, plant and equipment	3	0	3	7	47.672	31.102
4.	Proceeds from sale of investment property	3	0	3	8	0	6.817
5.	Other inflows from investing activities	3	0	3	9	0	0
II.	Cash outflows from investing activities (from 3041 to 3045)	3	0	4	0	811.336	1.020.483
6.	Outflows from investments in investment securities	3	0	4	1	0	0
7.	Purchase of investments in subsidiaries and associates and joint ventures	3	0	4	2	0	0
8.	Purchase of intangible assets, property, plant and equipment	3	0	4	3	275.345	98.434
9.	Purchases of investment property	3	0	4	4	0	0
10.	Other outflows from investing activities	3	0	4	5	535.991	922.049
III.	Net cash inflow from investing activities (3034 - 3040)	3	0	4	6	0	0
IV.	Net cash outflow from investing activities (3040 - 3034)	3	0	4	7	763.664	982.564

POSITION		ADP code				Amount	
						current year	previous year
1		2				3	4
C.	CASH FLOWS FROM FINANCING ACTIVITIES						
I.	Cash flow from financing activities (from 3049 to 3054)	3	0	4	8	604.792	0
1.	Proceeds from capital increase	3	0	4	9	0	0
2.	Cash inflows from subordinated liabilities	3	0	5	0	604.792	0
3.	Proceeds from borrowings	3	0	5	1	0	0
4.	Proceeds from issued treasury securities	3	0	5	2	0	0
5.	Proceeds from sale of treasury shares	3	0	5	3	0	0
6.	Other inflows from financing activities	3	0	5	4	0	0
II.	Cash used in financing activities (from 3056 to 3060)	3	0	5	5	907.252	458.078
7.	Outflow from redemption of own shares	3	0	5	6	0	0
8.	Cash outflow from subordinated liabilities	3	0	5	7	0	0
9.	Cash outflows from borrowings	3	0	5	8	907.252	458.078
10.	Outflows issued its own securities	3	0	5	9	0	0
11.	Outflows issued its own securities	3	0	6	0	0	0
III.	Net cash inflow from financing activities (3048-3055)	3	0	6	1	0	0
IV.	Net cash outflow from financing activities (3055-3048)	3	0	6	2	302.460	458.078
G.	TOTAL CASH FLOW (3001 + 3014 + 3034 + 3048)	3	0	6	3	3.564.580	6.091.161
D	TOTAL CASH OUTFLOW (3006 + 3021 + 3030 + 3031 + 3040 + 3055)	3	0	6	4	5.900.857	4.574.909
Đ	NET INCREASE IN CASH (3083 - 3064)	3	0	6	5	0	1.516.252
E	NET DECREASE IN CASH (3064 - 3083)	3	0	6	6	2.336.277	0
Ž	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	0	6	7	4.867.553	3.400.185
Z	EXCHANGE RATE GAINS	3	0	6	8	825.265	1.298.131
I	EXCHANGE RATE LOSSES	3	0	6	9	1.391.598	1.347.015
J	CASH AND CASH EQUIVALENTS AT END OF PERIOD (3065-3066+3067+3068-3069)	3	0	7	0	1.964.943	4.867.553

In Belgrade,
Days, 28.04.2015. year

Person responsible for preparing the financial statement

Legal representative of the Bank



To be completed by the bank		
Registration Number: 07534183	Activity Code: 8419	PIB 100003148
Name of Bank: Marfin bank ad		
The headquarters of the bank: Dalmatian 22 Belgrade		

Appendix 4

STATEMENT OF CHANGES IN EQUITY
In the period from 01.01. to 31.12.2014. year

(in thousands of dinars)

Serial number	DESCRIPTION	Share and other capital (accounts 809,801,803)		Own shares (Account 128)		Share premium (acc. 802)		Profit reserves and other reserves (acc 81)		Revaluation reserves (acc. 82 credit balance)		Revaluation reserves (acc. 82 debit balance)		Profit (accounts 83)		Loss (Accounts 840, 841,842)		Total (col. 2-3 + 4 + 5 + 6-7 + 8-9) ≥ 0		Total (col. 2-3 + 4 + 5 + 6-7 + 8-9) < 0		
		AOP	2	AOP	3	AOP	4	AOP	5	AOP	6	AOP	7	AOP	8	AOP	9	AOP	10	AOP	11	
1.	Opening balance at 1 January of the previous year	4001	8.548.558	4029		4057	2.877.487	4085	161.873	4113	273.828	4127	202	4141	9.855	4175	3.794.670	4209	8.568.887	4215		
2.	Correction of material errors and changes in accounting policies in the previous year - an increase	4002		4030		4058		4088		4114		4128		4142	4176				x	x	x	x
3.	Correction of material errors and changes in accounting policies in the previous year - decrease	4003		4031		4059		4087		4115		4129		4143	4177				x	x	x	x
4.	Adjusted opening balance as at 1 January of the previous year (Item No.1 + 2-3)	4004	8.548.558	4032		4060	2.877.487	4088	161.873	4116	273.828	4130	202	4144	9.855	4178	3.794.670	4210	8.568.887	4216		
5.	Total other positive result for the period	x	x	x	x	x	x	x	x	4117		4131		x	x	x	x	x	x	x	x	x
6.	Total other negative result for the period	x	x	x	x	x	x	x	x	4118	50	4132	27	x	x	x	x	x	x	x	x	x
7.	Profit for the year	x	x	x	x	x	x	x	x	x	x	x	x	4145					x	x	x	x
8.	Loss for the year	x	x	x	x	x	x	x	x	x	x	x	x	x			685.887		x	x	x	x
9.	Transfers from reserves in the result due to abolition of reserves - increasing	x	x	x	x	x	x	x	x	x	x	x	x	4146		4180			x	x	x	x
10.	Transfers from reserves in the result due to abolition of reserves - increasing	x	x	x	x	x	x	x	x	x	x	x	x	4147		4181			x	x	x	x
11.	Transactions with owners recorded directly in equity - increase	4005		4033		4061		4089		x	x	x	x	4148		4182			x	x	x	x
12.	Transactions with owners recorded directly in equity - reduction	4006		4034		4062		4090		x	x	x	x	4149		4183			x	x	x	x
13.	Distribution of profit - increase	4007		4035		4063		4091		x	x	x	x	4150		4184			x	x	x	x
14.	Distribution of profit or loss coverage - reducing	4008		4036		4064		4092		x	x	x	x	4151	9.855	4185	9.855		x	x	x	x
15.	Payment of dividends	4009		4037		4065		4093		x	x	x	x	4152		4186			x	x	x	x
16.	Other - increase	4010		4038		4066		4094		x	x	x	x	4153		4187			x	x	x	x
17.	Other - reduction	4011		4039		4067		4095		x	x	x	x	4154		4188			x	x	x	x
18.	Total transactions with owners (no. 11-12 + 16-17 + 13-14-15) ≥ 0	4012	0	4040	0	4068	0	4096	0	x	x	x	x	4155		4189			x	x	x	x
19.	Total transactions with owners (no. 11-12 + 16-17 + 13-14-15) < 0	4013		4041		4069		4097		x	x	x	x	4156	(9.855)	4190	(9.855)		x	x	x	x
20.	As at 31 December of the previous year (no. 4 + 5-6 + 7 + 8 + 9-10 + 18-19 for columns of 2,3,4,5,6,8,9), in column 7 (no. 4 + 6-8)	4014	8.548.558	4042	0	4070	2.877.487	4098	161.873	4119	273.828	4133	229	4157	0	4191	4.480.412	4211	4.370.104	4217		
21.	Opening balance at 1 January of the current year	4015	8.548.558	4043	0	4071	2.877.487	4099	161.873	4120	273.828	4134	229	4158	0	4192	4.480.412	4212	4.370.104	4218		
22.	Correction of material errors and changes in accounting policies in the previous year - an increase	4016		4044		4072		4100		4121		4135		4159		4193			x	x	x	x
23.	Correction of material errors and changes in accounting policies in the previous year - decrease	4017		4045		4073		4101		4122		4136		4160		4194			x	x	x	x
24.	Adjusted opening balance as at 1 January of the current year (regular No.21 + 22-23)	4018	8.548.558	4046	0	4074	2.877.487	4102	161.873	4123	273.828	4137	229	4161	0	4195	4.480.412	4213	4.370.104	4219		
25.	Total other positive result for the period	x	x	x	x	x	x	x	x	4124		4138		x		x			x	x	x	x
26.	Total other negative result for the period	x	x	x	x	x	x	x	x	4125		4139		x		x			x	x	x	x
27.	Profit for the year	x	x	x	x	x	x	x	x	x	x	x	x	4162					x	x	x	x
28.	Loss for the year	x	x	x	x	x	x	x	x	x	x	x	x	x		4196	571.207		x	x	x	x
29.	Transfers from reserves in the result due to abolition of reserves - increasing	x	x	x	x	x	x	x	x	x	x	x	x	4163		4197			x	x	x	x
30.	Transfers from reserves in the result due to abolition of reserves - reduction	x	x	x	x	x	x	x	x	x	x	x	x	4164		4198			x	x	x	x
31.	Transactions with owners recorded directly in equity - increase	4019		4047		4075		4103		x	x	x	x	4165		4199			x	x	x	x
32.	Transactions with owners recorded directly in equity - reduction	4020		4048		4076		4104		x	x	x	x	4166		4200			x	x	x	x
33.	Distribution of profit - increase	4021		4049		4077		4105		x	x	x	x	4167		4201			x	x	x	x
34.	Distribution of profit or loss coverage - reducing	4022		4050		4078		4106		x	x	x	x	4168		4202			x	x	x	x
35.	Payment of dividends	4023		4051		4079		4107		x	x	x	x	4169		4203			x	x	x	x
36.	Other - increase	4024		4052		4080		4108		x	x	x	x	4170		4204			x	x	x	x
37.	Other - reduction	4025		4053		4081		4109		x	x	x	x	4171		4205			x	x	x	x
38.	Total transactions with owners (no. 31-32 + 36-37 + 33-34-35) ≥ 0	4026	0	4054	0	4082	0	4110	0	x	x	x	x	4172	0	4206	0		x	x	x	x
39.	Total transactions with owners (no. 31-32 + 36-37 + 33-34-35) < 0	4027		4055		4083		4111		x	x	x	x	4173		4207			x	x	x	x
40.	As at 31 December of the current year (no. 24 + 25-26 + 27 + 28 + 29-30 + 38-39 for columns of 2,3,4,5,6,8,9), in column 7 (no. 24 + 26-28)	4028	8.548.558	4056	0	4084	2.877.487	4112	161.873	4126	273.828	4141	229	4174	0	4208	5.651.808	4214	3.798.707	4220		

In Belgrade,
Days, 28.04.2015. year



The legal representative bank

MARFIN BANK A.D. BEOGRAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

Belgrade, 20.03.2015

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

1. General information

Marfin Bank A.D. Beograd was established on 28 December 1990. Under the Law on Banks, the Bank was registered to perform domestic and foreign payment operations as well as domestic credit and deposit activities.

The address of the Bank's registered office and headquarters is in Belgrade, at 22 Dalmatinska Street. As at 31 December 2014, the Bank's network of branches, business units and cash desks was comprised of 19 organisational units (31.12.2013: 23 organisational units).

As at 31/12/2014 the Bank had 307 employees (31/12/2013: 339 employees). In 2014, the average number of employees was 317 (2013: 353).

The Bank's ID No. is 07534183 and its Tax ID is 100003148.

Based on the Business Registers Agency Decision No. BD 21808/2014 dated 17/03/2014, Eleftherios Papaeracleous was appointed President of the Executive Board in place of Andreasa Moyseos.

Based on the Business Registers Agency Decision No. BD 75207/2014 of 09/09/2014 Georgios Phiniotis was appointed as member of the Executive Board.

Based on the Business Registers Agency Decision No. BD 82147/2014 of 02/10/2014, Borislav Strugarević was appointed as President in place of Eleftherios Papaeracleous.

The Members of the Executive Board are: Borislav Strugarević and Georgios Phiniotis. As of 05/05/2014, Savvas Pashias is no longer member of the Executive Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The Bank prepares its financial statements in accordance with the accounting regulations prevailing in the Republic of Serbia, and with the National Bank of Serbia Regulations. Pursuant to the Law on Accounting (Official Gazette of the Republic of Serbia no. 62/2013), banks are required to maintain their books of account and to prepare financial statements in accordance with International Financial Reporting Standards (IFRS). The accompanying financial statements are presented in the format prescribed by the "Decision on the Form and Content of the Financial Statements of Banks" (Official Gazette of the Republic of Serbia no. 71/2014 and 135/2014).

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities at fair value through profit or loss.

The aforesaid law and the NBS regulations prescribe the first-time adoption of IFRS for the period commencing 1 January 2014. Accordingly, these are the Bank's first annual financial statements prepared in accordance with IFRS. The Bank has made adjustments to its balance sheet as of 1 January 2013 that was prepared in accordance with the previously-applied accounting regulations, and has prepared an opening balance sheet as of 1 January 2013 so as to comply with IFRS. The effects of aforementioned adjustments in the opening balance sheet as of 1 January 2013 are presented in Note 2.2. to the financial statements.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1. Basis of preparation (Continued)

2.1.1 Going concern

The financial statements are prepared in accordance with the going concern concept, which assumes that the Bank will continue its operations for the foreseeable future.

2.1.1 a) *The position of Laiki Group (the Parent) recent developments*

The Cyprus economy has been adversely affected over the past few years by the international credit crisis and the instability in the financial markets. In 2012, there was a considerable tightening of financing availability from Cyprus financial institutions, mainly resulting from the Greek sovereign debt crisis, including the impairment of Greek government bonds. In addition, following its credit downgrades, the ability of Cyprus to borrow from international markets has been significantly affected. The Cyprus government entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund, in order to obtain financial support.

On 25 March 2013, an agreement was reached on the key elements necessary for a future macroeconomic adjustment programme, (March 2013) which includes providing financial assistance to Cyprus of up to €10 billion. The Programme, supported by the European Stability Mechanism (ESM) and the International Monetary Fund (IMF), aims to address the exceptional economic challenges that Cyprus is facing and to restore the viability of the financial sector, with the view to strengthening public finance sustainability, and adopting structural reforms so as to support long-run growth, while protecting the welfare of the population.

In accordance with the Decree issued by the Central Bank of Cyprus, published on the Official Gazette of the Republic of Cyprus No. 4645 dated 29 March 2013, Laiki Bank transferred to the Bank of Cyprus all assets, title deeds and rights except, among others, of shares in subsidiaries of Laiki Bank incorporated in a jurisdiction other than the Republic of Cyprus.

As a result of the above, Central Bank of Cyprus introduced administrative measures in terms of cash and other transactions deemed inappropriate to allow for a swift reopening of the banks. Capital controls were enforced on 28 March 2013 affecting transactions executed through banking institutions operating in Cyprus. The extent and duration of the capital controls is decided by the Minister of Finance and the Governor of the Central Bank of Cyprus. The administrative measures were reduced in 2014 but continue to date and are subject to daily monitoring and reviewing by the Central Bank of Cyprus.

By December 2014, the Troika comprising members of the European Commission (EC), the European Central Bank (ECB) and the IMF completed four review missions to ensure that the compliance program is being implemented properly. All missions were regarded as successful having in mind that the macroeconomic conditions in Cyprus are developing in line with program projections and the fiscal consolidation is regarded as progress in accordance with the agreed consolidation. Furthermore, it has been determined that structural reforms are progressing and that steps are made in the right direction in terms of increase in capital and financial sector restructuring. As a result, there has been a gradual release of administrative measures.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1. Basis of preparation (continued)

2.1.1 Going concern concept (continued)

a) *The position of Laiki Group (Parent) recent developments (continued)*

On 19 June 2014, the Troika issued a Statement on the fourth review mission of the Cyprus economic programme, under which Cyprus's programme remains on track, with the macro-fiscal outturn better than expected. In 2014, Cyprus made significant progress in stabilizing the public finances and the economy in general. The objectives of the financial assistance programme regarding growth, employment and public sector deficit have been met. Challenges remain in the areas of monitoring and tackling the high level of non-performing loans. At the same time, there has been a significant improvement in the financial sector, in terms of capital increase and bank restructuring. This is reflected in the results of the asset quality review (AQR) and the stress tests conducted by the European Central Bank (ECB), which revealed that the Cyprus banking sector is adequately capitalized in light of the ongoing capital increase plans. The international confidence towards Cyprus economy is being restored and this is highlighted by positive upgrades of the Cyprus economy by Credit Rating Agencies.

b) *The Bank's position in Serbia*

In the current environment, the focus of the Bank in Serbia has been on liquidity and capital adequacy. Currently, a significant source of funding is from the Bank of Cyprus (earlier it was from Laiki Group, before the Central Bank of Cyprus passed a Decree), which as at 31 December 2014 amounted to EUR 72.5 million (RSD 8,764 million), compared to EUR 74 million as at 31.12.2013 (RSD 8,412 million).

This funding was a portion of Laiki Group's net assets transferred to the Bank of Cyprus under the the Central Bank of Cyprus Decree passed on 29 March 2013. As a result of developments in Cyprus, which affected the Laiki Group and generated a subsequent transfer of their net assets to the Bank of Cyprus, on 28 March 2013 the National Bank of Serbia issued temporary measures against the Bank operating in Serbia. The temporary measures include: a) the need for prior approval of the National Bank of Serbia for all significant repayments to Laiki Group or the Bank of Cyprus, who took onto themselves the financing of the bank amounting to EUR 74 million; b) the undertaking of all necessary steps for possible repayment of amounts owed to Laiki Group or the Bank of Cyprus, c) the improvement of the liquidity plan of the Bank and conduct of liquidity stress tests no less than once a month, and d) the maintenance of retail deposit coverage ratio (cash and cash equivalents) of a minimum 50%.

The main effect of Cyprus developments on the Serbian Bank was the transfer of Laiki Group's funding obligation to a third party, the Bank of Cyprus.

In 2014, in accordance with the original terms and conditions of the contracted financing arrangement as agreed with the Laiki Group, the Bank was due to pay EUR 48 million of the total funding amount. The Bank of Cyprus agreed with the restructuring of all the payables due till 22 January 2016, and demonstrated readiness to support the Bank in its endeavours to improve operations. Moreover, the Bank agreed with the Bank of Cyprus to convert a portion of its liabilities amounting to EUR 5 million to subordinated debt with maturity date as at 28 November 2021, and thus strengthened its capital base.

In 2014, CHF 350 thousand was paid as a repayment of principal to the Bank of Cyprus (5 February 2014), and foreign currency receivables and payables of EUR 676 thousand were offset for which prior approval was obtained from the National Bank of Serbia.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.1. Going concern concept

b) The Bank's position in Serbia (continued)

As at 31 December 2014, the Bank had liquid assets totalling EUR 56.6 million and the retail deposit coverage ratio of 67.7% (the minimum coverage ratio prescribed by the NBS temporary measures is 50%).

The guarantee deposits for loans granted by the Bank to its customers, which are part of the EUR 72.5 million funding described above previously received from Laiki Group and now payable to the Bank of Cyprus, totalled RSD 1,259 million as at 31. December 2014 (31 December 2013: (RSD 1,193 million). Under the Serbian banking regulations, these amounts may be repaid only upon maturity and collection of the loan receivables.

The Bank's capital adequacy ratio (as prescribed by the National Bank of Serbia) as at 31 December 2014 amounted to 14.86% (31: December 2013 14.97%). As at 28 February 2015, the Bank's capital adequacy ratio amounted to 15.34%. Furthermore, under Article 34 of the Decision on Risk Management prescribed by NBS, the Bank's liquidity ratio as at 31 December 2014 amounted to 2.92 compared to the prescribed minimum of 1.

Article 33 of the Law on Banks (RS Official Gazette Nos. 107/05 and 91/10), prescribes that a bank's exposure to a person related to the Bank may not exceed 5% of the bank's capital and 25% to a group of persons related to the Bank. The Bank's exposure to the Bank's related parties was limited to 1.25 % of the Bank's capital as at 31 December 2014.

Given the issues resulting from the events affecting the parent Laiki Group and a concentration of funding received from parent Laiki bank and transferred to the Bank of Cyprus which has yet to be satisfactorily resolved, there exists, at the present time, a material uncertainty that casts significant doubt on the Bank's ability to continue as a going concern. However, having in mind that the Bank of Cyprus agreed with the restructuring of all the payables due till 22 January 2016 and the Bank converted a portion of its liabilities amounting to EUR 5 million to subordinated debt with maturity date as at 28 November 2021, and demonstrated readiness to support the Bank in its endeavours to improve operations, the Bank's Management believes that it will maintain the necessary liquidity and capital to continue to operate on a going concern basis.

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)**2.2. Transition to IFRS and comparative data**

Information necessary for the date of adoption of the International Financial Reporting Standards are given below. The last financial statements prepared and issued in accordance with the Accounting standards of the Republic of Serbia, are those for the year ended with 31 December 2013. Therefore, the date of transition on International Financial Reporting Standards is 1 January 2013.

a) Reconciliation of equity at 1 January 2013

	1 January 2013	IFRS adjustments	IFRS 1 January 2013
Total assets	26,278,613	62,142	26,216,471
Equity	5,065,887	0	5,065,887
Liabilities	21,212,726	62,142	21,150,584
Total equity and liabilities	26,278,613	62,142	26,216,471

b) Reconciliation of equity at 31 December 2013

	31 December 2013	IFRS adjustments	IFRS 31 December 2013
Total assets	24,261,495	50,604	24,210,891
Equity	4,370,104	-	4,370,104
Liabilities	19,891,391	50,604	19,840,787
Total equity and liabilities	24,261,495	50,604	24,210,891

The Bank changed the presentation of the Balance Sheet and Income Statement in comparison to the previous requested manner of presentation, and presented the Other Comprehensive Income. The difference between the amount of the total assets in this IFRS financial statements and the amount of total assets previously presented on 31 December 2013 and 1 January 2013 in amount of RSD 50,604 thousand and RSD 62,142 thousand respectively, represents deferred loan origination fees in the amount of RSD 50,604 thousand, on 31 December 2013 and RSD 62,142 thousand on 1 January 2013. Fees are presented to the related financial instrument, while previously have been shown under liabilities.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. a) New and amended standards adopted by the Bank

The following new standards and amendments to existing standards, as issued by the International Accounting Standards Board (IASB), apply from 1 January 2014:

IAS 27, Amendment - Separate Financial Statements

The amendment is issued concurrently with IFRS 10 'Consolidated Financial Statements' and together they supersede IAS 27 'Consolidated and Separate Financial Statements'. The amendment prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amendment had no impact on the Bank's financial statements.

IAS 28, Amendment - Investments in Associates and Joint Ventures

The amendment replaces IAS 28 'Investments in Associates'. The objective of the amendment is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures following the publication of IFRS 11. An exemption from applying the equity method is provided, when the investment in associate or joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds. In this case, investments in those associates and joint ventures may be measured at fair value through profit or loss. The amendment had no impact on the Bank's financial statements.

IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities

The amendment clarifies the requirements for offsetting financial assets and financial liabilities. The adoption of the amendment had no impact on the Bank's financial statements.

IAS 36, Amendment - Recoverable Amount Disclosures for Non-Financial Assets

The amendment restricts the requirement to disclose the recoverable amount of an asset or cash generating unit only to periods in which an impairment loss has been recognized or reversed. It also includes detailed disclosure requirements applicable when an asset or cash generating unit's recoverable amount has been determined on the basis of fair value less costs of disposal and an impairment loss has been recognized or reversed during the period. The amendment had no impact on the Bank's financial statements.

IAS 39, Amendment - Novation of derivatives and continuation of hedge accounting

The amendment provides relief from discontinuing hedge accounting when, as a result of laws and regulations, a derivative designated as a hedging instrument is novated to effect clearing with a central counterparty and specific criteria are met. The amendment had no impact on the Bank's financial statements.

IFRS 10, Consolidated Financial Statements

IFRS 10 replaces the part of IAS 27 'Consolidated and Separate Financial Statements' that deals with consolidated financial statements and SIC 12 'Consolidation-Special Purpose Entities'. Under IFRS 10, there is a new definition of control, providing a single basis for consolidation for all entities. This basis is built on the concept of power over the investee, variability of returns from the involvement with the investee and their linkage, replacing thus focus on legal control or exposure to risks and rewards, depending on the nature of the entity. The adoption of IFRS 10 had no impact on the Bank's financial statements.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. a) New and amended standards adopted by the Bank (continued)

IFRS 11, Joint Arrangements

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities- Non – monetary Contributions by Ventures' and establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. Under IFRS 11, there are only two types of joint arrangements, joint operations and joint ventures and their classification is based on the parties' rights and obligations arising from the arrangement, rather than its legal form. The equity method of accounting is now mandatory for joint ventures. The option to use the proportionate consolidation method to account for joint ventures is no longer allowed. In joint operations, each party that has joint control of the arrangement recognizes in its financial statements, in relation to its involvement in the joint operation, its assets, liabilities and transactions, including its share in those arising jointly. The adoption of IFRS 11 had no impact on the Bank's financial statements.

IFRS 10, 11 and 12 Amendments - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The amendments clarify the transition guidance in IFRS 10 and provide additional transition relief in IFRS 10, 11 and 12, requiring adjusted comparative information to be limited only to the preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, the requirement to present comparative information for periods before IFRS 12 is first applied, is removed. The adoption of the amendments had no impact on the Bank's financial statements.

IFRS 10, 12 and IAS 27 Amendments - Investment Entities

The amendments require that 'investment entities', as defined below, account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. The only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. Under the amendments an 'Investment entity' is an entity that:

- a) obtains funds from one or more investors for the purpose of providing those investors with investment management services,
- b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The amendments also set out disclosure requirements for investment entities. The amendments had no impact on the Bank's financial statements.

2.3. b) New standards and interpretations not yet adopted by the Bank

A number of new standards, amendments and interpretations to existing standards are effective after 2014, as they have not yet been early applied by the Bank. Those that may be relevant to the Bank are set out below:

IAS 1, Amendment - Disclosure initiative (effective 1 January 2016)

The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The adoption of the amendment is not expected to impact the Bank's financial statements.

IAS 16 and IAS 38, Amendments -Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016)

The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The adoption of the amendments is not expected to impact the Bank's financial statements.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. b) New standards and interpretations not yet adopted by the Bank (continued)

IAS 19, Amendment - Defined Benefit Plans: Employee Contributions (effective 1 January 2016)

The amendment clarifies the accounting for post-employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from pension expense in the year in which the related employee service is delivered, instead of attributing them to periods of employee service. The adoption of the amendment is not expected to impact the Bank's financial statements.

IAS 27, Amendment – Equity Method in Separate Financial Statements (effective 1 January 2016)

This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. The adoption of the amendment is not expected to impact the Bank's financial statements.

IFRS 9, Financial Instruments (effective 1 January 2018)

IFRS 9 replaces the guidance in IAS 39 which deals with the classification and measurement of financial assets and financial liabilities and it also includes an expected credit losses model that replaces the incurred loss impairment model used today. IFRS 9 Hedge Accounting establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The Bank is currently investigating the impact of IFRS 9 on its financial statements, which is impracticable to quantify as at the date of the publication of these financial statements.

IFRS 10, IFRS 12 and IAS 28, Amendments - Investment Entities: Applying the Consolidation Exception (effective 1 January 2016)

These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The adoption of the amendments is not expected to impact the Bank's financial statements.

IFRS 10 and IAS 28, Amendments- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 January 2016)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of the amendments is not expected to impact the Bank's financial statements.

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)

This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The adoption of the amendment is not expected to impact on the Bank's financial statements.

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2017)

The objective of the standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The adoption of the standard is not expected to have a material impact on the Bank's financial statements.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. b) New standards and interpretations not yet adopted by the Bank (continued)

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2016)

The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Definition of vesting condition in IFRS 2 "Share – based Payment";
- Accounting for contingent consideration in a business combination in IFRS 3 "Business Combinations";
- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 "Operating Segment";
- Short-term receivables and payables in IFRS 13 "Fair Value Measurement";
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 "Property, Plant and Equipment";
- Key management personnel in IAS 24 "Related Party Disclosures"; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 "Intangible Assets"

Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Scope exceptions for joint ventures in IFRS 3 "Business Combinations";
- Scope of portfolio exception in IFRS 13 "Fair Value Measurement";
- Clarifying the interrelationship between IFRS 3 "Business Combinations" and IAS 40 "Investment Property" when classifying property as investment property or owner-occupied property in IAS 40; and
- Meaning of "effective IFRSs" in IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2012-14 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Clarifying in IFRS 5 "Non-current assets held for sale and discontinued operations" that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- Adding in IFRS 7 "Financial instruments: Disclosures" specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It also clarifies that the additional disclosure required by the amendments to IFRS 7, "Disclosure – Offsetting financial assets and financial liabilities" is not specifically required for all interim periods, unless required by IAS 34.
- Clarifying in IAS 19 "Employee benefits" that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
- Clarifying in IAS 34 "Interim financial reporting" what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. b) New standards and interpretations not yet adopted by the Bank (continued)

IFRIC 21, Levies (effective 1 January 2015)

IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The adoption of the interpretation is not expected to impact the Bank's financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The financial statements are presented in RSD thousand. RSD is the Bank's functional currency. All amounts are presented in RSD thousand, unless otherwise stated.

2.4. Financial assets

The Bank has classified its financial assets in the following categories: Financial assets at fair value through profit and loss, loans and receivables, financial assets held-to-maturity; and financial assets available-for-sale. The Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit and loss

This category comprises financial assets held for trading and other financial assets classified in this category at initial recognition; including derivatives other than those used for hedging.

A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term, or for which there is a recent pattern of short-term profit taking. A derivative is also classified as held for trading where it is not designated to be used for hedging purposes.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

All loans and borrowings are initially recognized at fair value when assets are transferred to the borrower. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.4. Financial instruments (continued)

(c) Financial assets held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank was to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

Held-to-maturity securities are carried at amortised cost using the effective interest method. Amortized cost is calculated by taking into consideration all purchase discounts or premium.

d) Available for sale financial assets

Available for sale financial assets are those for which there is an intention to be held for an indefinite period, which may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices.

Regular purchases and sales of the investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets that are not carried at fair value through profit and loss.

Available for sale financial assets and financial assets at fair value through profit and loss are, following their initial recognition, stated at fair value.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and unlisted for securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs.

2.5. Derivatives

In addition to currency contracts and interest rate contracts, the Bank uses financial derivatives to protect itself from foreign exchange risk and interest rate risk. As at 31 December 2014, the Bank had open positions relating to interest rate SWAP and currency SWAP. The change in the market value of the mentioned currency and interest rate SWAPs is recorded through profit and loss.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.6. Interest income and expense

Interest income and expense for all interest-bearing financial instruments, other than those classified as available for sale or at fair value through profit and loss, are recognized in the accounts Interest Income and Interest Expense by using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written off as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loan origination fees are accrued and amortised as interest income on a straight-line basis over the loan period. The accrual of fees on a straight-line basis does not significantly differ from the effective interest approach.

2.7. Fee and commission income and expense

Fee income and expenses is recognised at the time when the invoice is paid or at the time when the service is provided. Fee and commission mainly comprise fees for payment operations services, issued guarantees and other banking services.

2.8. Dividend income

Dividend income is recognised when the right to receive payment is established.

2.9. Sale and repurchase agreements

Sale-repurchase agreements ('Repos'), are securities sold subject to repurchase agreements (reverse repo) and as such are recorded as loans and advances to other banks. The difference between the sale and the repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

2.10. Impairment of financial assets

Assets carried at amortised cost (par value)

At every balance sheet date the Bank identifies receivables for which provision will be made (calculated) on a single basis (individual evaluation – individual credit exposure). Receivables from debtors whose total debt, as at the calculation date, exceeds RSD 2.5 million are considered for individual evaluation of impairment.

The provision for other receivables within the portfolio (portfolio of small receivables or collective credit exposure) is made (calculated) on the portfolio basis (collective evaluation).

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.10. Impairment of financial assets (continued)

Small receivables are grouped on the basis of similar risk characteristics, taking into account the following:

- the type of client (natural person, entrepreneur, legal entity);
- the number of default days (not in default; payment overdue up to 30 days payment overdue between 31 - 60 days ; payment overdue between 61 - 90 days);
- The type of loan issued (housing loans, consumer and cash loans, cards, overdrafts, business cards, payment operation charges)
- Portfolio ageing structure (old portfolio -investments approved before 1 June 2008 and new portfolio - investments approved subsequent to the above date)
- - Credit rating of the legal entities' clients (1 - 7).

Provision for receivables not falling into the group of small receivables is made (calculated) on a collective basis, where:

- The Bank has made an estimate that their credit risk has not increased (no objective evidence of impairment);
- The provision has not been determined by individual basis calculation.

Individually significant credit exposures - the Bank assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset.

The criteria that the Bank uses to determine whether there is objective evidence of an impairment loss include:

- The borrower's financial position indicating significant operational problems
- Breach of contractual terms such as default or delinquency in interest or principal payments
- Restructured receivables due to financial difficulties of the borrower, resulting in a decrease in initial contractual obligations.
- Initiation of bankruptcy proceedings or other financial reorganisation of the borrower due to its the poor financial position
- The Bank is engaged in litigation proceedings against the borrower
- Evidence of a significant deterioration of the borrowers financial ability to repay the loan
- Borrower filing for bankruptcy, and
- Existence of other objective evidence that may lead to a conclusion that the Bank will not be able to collect all of its receivables;

If the Bank determines that there is no objective evidence of impairment of an individually significant asset, the Bank shall incorporate such asset into the group of financial assets with similar credit risk characteristics and shall perform an impairment test on a group basis. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment of impairment.

If the Bank determines that there is objective evidence of impairment of an individually significant asset, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

During the assessment of future cash flows, the Bank uses the current market price of the mortgage or collateral. In certain cases, expected future cash flows may be determined based on other expected receivables. Depending on the type of collateralised property (residential commercial, industrial property or land), its location, and the date of its last valuation, the calculation of impairment includes the market value with haircuts as presented in the table below:

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)**2.10. Impairment of financial assets (continued)****Residential property**

Territory	Haircuts -%
Belgrade	10%
Novi Sad	10%
Other cities with population greater than 50,000 inhabitants	10%
Other cities with population less than 50,000 inhabitants	15%
Villages and towns	20%

Commercial property

Territory	Haircuts -%
Belgrade	10% - 15%
Novi Sad	10% - 15%
Other cities with population greater than 50,000 inhabitants	20%
Other cities with population less than 50,000 inhabitants	25%

Industrial property

Type	Haircuts -%
Factories	30%
Warehouses	30%

Land

Type	Haircuts -%
Land	25%

For the mortgages the valuation of which was performed in 2007 and earlier, a 40% haircut is applied, irrespectively of the property type or location.

Expected cash flows must be discounted to their present values. As **the discount factor**, the Bank uses the initial effective interest rate when the agreed interest rate is fixed or, it uses the current interest rate, in cases where the client has contracted on a variable interest rate. Where the debtor is in financial difficulties and where the Bank has approved renegotiated repayment terms, the discount factor used is the initially agreed effective interest rate.

Expected time to collateral realisation is the time period within which the collateral is expected to be realised in order to collect the Bank's receivables through the value achieved by collateral realisation. The expected time to collateral realisation is determined by Credit departments which take into consideration factors such as:

- a) Mortgage type (depending on the law applied i.e. the Mortgage Law or the the Law on Enforcement Procedure)
- b) Validity of mortgage documents (quality, i.e. completeness of documentation owned by the Bank)
- c) Type, purpose, function and size of property secured by mortgage and its location;
- d) Supply and demand around collateralised property;
- e) Mortgage collection stage, i.e.. whether mortgage collection was initiated through a judicial or non-judicial foreclosure process or collection is expected to by exercising rights in accordance with bankruptcy proceedings;
- f) Client cooperation.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.10. Impairment of financial assets (continued)

Where deposits are used as collateral, the Credit Departments determines the expected collection time depending on the level of client cooperation with the Bank and the Bank's decision on the time when to collect past due debts from a guarantee deposit.

Exceptionally, where cash flows are expected within one year, the provision may be determined as the difference between the asset's carrying amount and the expected future cash flows.

The asset's carrying amount is reduced through the allowance account and the loss is recognised in the income statement.

For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Impairment loss is calculated as the produce of:

- credit risk exposure for each group of assets and
- the probability of default (PD) for each group.

For receivables past due up to 90 days as at the calculation date, the Bank determines the PD rate based on historical data on payments past due over 90 days. For receivables past due over 90 day as at the calculation date, a PD rate of 100% is applied.

For the purpose of determining the value of collateral, the recoverable portion is calculated by holding financial collateral (deposits, guarantees etc.) as a hundred percent recoverable whereas for collateralised property provision is calculated by using market values with hair cuts, in accordance with the Table presented under 2.10. in other words in the same manner as when provision is determined on an individual basis.

Provisions for off-balance sheet losses

Once a month, the Bank reviews the risk exposure of all off balance sheet items on an individual level, in order to determine the level of assumed risk and/or any risk increase.

Credit Departments are responsible to determine whether any of the Bank's off-balance sheet exposures should be considered risky, in other words whether any of the off-balance sheet exposures are expected to be settled by the Bank in the forthcoming period.

For off-balance sheet exposures that are considered risky, the loss provision is determined as the difference between the carrying value and the present value of expected cash flows. As a discount factor the Bank uses the rate of *penalty interest*

When determining probable off-balance sheet losses, the Bank takes into account cash flows deriving from collaterals that secure receivables. The method of calculating the present value of future cash flows is described under item 2.10.

For off-balance sheet exposures that are not considered risky, the loss provision is not calculated.

The methodology and assumptions used for estimating cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the allowance account for impaired loans. Such loans are written off once all the necessary procedures have been completed and the amount of loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is adjusted by movements in the allowance account for impaired loans. The adjustment itself is recognised in the Income statement under income from reversal of provision.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.10. Impairment of financial assets (continued)

Provision for potential losses on financial assets in accordance with the National Bank of Serbia requirements

The special provision for estimated losses under the NBS requirements is calculated in accordance with the provisions of the Decision on the Classifications of Balance Sheet Assets and Off-balance sheet Items (RS Official Gazette No. 94/11). The provisions of this decision prescribe the conditions under which the Bank is obligated to set up a special reserve fund from profit for estimated losses which is calculated as a sum of:

- 0 % of receivables classified in category A ;
- 2% of receivables classified in category B ;
- 15 % of receivables classified in category C ;
- 30% of receivables classified in category D ;
- 100 % of receivables classified in category E ;

The Bank is required to classify all receivables, which are under the above Decision considered as balance sheet assets, and off balance sheet items into categories A, B, C, D, E based on the debtors financial position and creditworthiness, his timeliness in settling obligations towards the Bank and the quality of instruments used as collateral.

The Bank is required to determine the level of required reserves for estimated losses which stands as the sum of the differences between the reserve for estimated losses calculated in accordance with the NBS Decision and the provision for balance sheet assets and off-balance sheet losses on debtor's level.

If the provision is higher than the of reserve for estimated losses calculated on debtor's level, the Bank is not obliged to create the required reserve for estimated losses.

The required reserve from profit for estimated losses on balance sheet assets and off-balance sheet items is deductible from the Bank's equity.

2.11. Intangible assets

Licences

Acquired licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

2.12. Property, plant and equipment

Fixed assets are subject to regular revaluation. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity; all other decreases are charged to the income statement.

The revaluation reserve is transferred directly to retained earnings when the surplus is realized either on the retirement or disposal of the asset or when the asset is not used by the Bank. In the latter case, the amount of the surplus realized is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.12. Property, plant and equipment (continued)

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

• Buildings	1,3%
• Computer equipment	20%
• Vehicles	20%
• Furniture and equipment	12,5%-20%
• Leasehold improvements	20%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within Other (expenses)/income, in the income statement.

The assets' residual value is the estimated amount that the Bank could obtain through disposal of asset, less any cost of sale, if the asset is old and in a condition expected at the end of its useful life. The assets' residual value is equal to zero if the Bank expects to use the asset until the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

2.13. Impairment of non-financial assets

Non-financial assets are not subject to depreciation and are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14. Investment property

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property is held for long-term rental yields and is not occupied by the Bank.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties are stated at cost less provision for impairment, where required. If any indication exists, that investment properties may be impaired, the Company estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.15. Leases

a) the Bank is the lessee

Leases entered into by the Bank are primarily operating leases in which the Bank is the lessee. The total payments made under operating leases are charged to expenses in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

a) the Bank is the lessor

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income is recognised over the term of the lease on a straight-line basis.

2.16. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with Central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short term government securities.

2.17. Provisions

Provisions for restructuring costs and legal claims are recognized when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there is a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.18. Employee benefits

a) Employee benefits

Short-term employee benefits include wages and salaries and taxes and contributions for social insurance. They are recognized as an expense in the period when they are incurred.

The Bank and its employees are obliged to pay taxes and social security contributions in accordance with applicable regulations. The Bank is not obliged to pay reimbursements to employees after retirement, which is the responsibility of the National Fund. The taxes and contributions on defined benefit obligations are expensed as incurred.

b) Retirement benefits

Under the current regulations, the Bank is obliged to pay retirement benefits or termination benefits to employees in the event of loss of working ability amounting to three average salaries in the business sector in the Republic of Serbia, according to the latest information published by a competent statistical body. These payments are recognized in the balance sheet as liabilities (discounted) in accordance with the certified actuary's valuation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income statement over the employees' expected average remaining working lives.

The actuarial assumptions used when calculating retirement benefits were as follows:

- Employee data:
- Total years of service as at 31/12/2014
- Year of birth and gender
- Number of years of remaining working lives (old-age pension, normal retirement age)
- RS mortality tables (2001-2003)
- 11.25% discount rate.
- average gross salary in RS
- Estimated salary growth rates of 4% p.a. during the whole period of time for which the funds are earmarked.

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

c) Profit-sharing and bonus plans

The Bank has the right to pay-out a portion of its profit or operating result as per its annual financial statements. The employees are entitled to a portion of the Bank's profit or operating result, as per its annual financial statements, on a straight line basis; in other words, all employees are entitled to receive the same amount of profit share.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.19. Current and deferred income tax

a) Current income tax

The current income tax charge is calculated and paid in accordance with the tax regulations applicable in the Republic of Serbia, based on the profit presented in the regulatory tax balance sheet. The Bank itself calculates its income tax, annual tax liability and tax prepayment for an upcoming year.

The 15 % Income tax (2012: 10%) is paid based on the Bank's profit disclosed in the tax balance sheet, less certain investments during the year, as presented in the annual tax balance sheet - PDP Sheet Template. In order to arrive at taxable profits, various adjustments to accounting profit are made. The Tax Balance Sheet is filed with tax authorities within 180 days after the end of the tax period for which the tax liability has been established.

b) Deferred tax

Deferred taxes are calculated on all taxable temporary differences between tax base of assets and liabilities and their carrying amounts in the Bank's financial statements. Deferred tax liabilities are recognized for all taxable temporary differences arising between the tax base of assets and liabilities as at the balance sheet date and the amounts presented for reporting purposes, which will result in future period taxable amounts.

Deferred tax assets are calculated for all deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilised.

Current and deferred taxes are recognized as income and expense and are included in the net profit for the period.

2.20. Borrowings

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income statement over the period of the borrowings using the straight-line method.

Borrowings are classified as current liabilities unless the Bank has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.21. Share capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as Other liabilities.

(a) Cost of the issue of shares

Incremental costs directly attributable to the issue of new shares or the acquisition of an entity are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on shares

Dividends from shares are recognized as liabilities in the period in which a decision on dividend distribution was made. Dividends for the year following the balance sheet date are disclosed in the note on the events after the balance sheet date.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.22. Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with contractual terms and conditions. The Bank issues such financial guarantees to banks, financial institutions and other organisations on behalf of customers as collateral for loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value at the date when they have been issued. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the amount initially recognised less cumulative amortization, and the best estimate of the expenditure required to settle any financial obligation as of the balance sheet date. These estimates are determined based on experience with similar transactions and history of past losses, as well as the management's best estimate. Any increase in the liability relating to guarantees is recorded in the Income

2.23. Segment reporting

An operating segment is a component of assets and operations engaged in providing individual products or services, which are subject to risks and returns that are different from those of other operating segments.

The Bank monitors the activities of its banking segments comprising: Retail Banking, Corporate Banking and Investment Banking segments.

The Bank's three business segments operate in and across the Republic of Serbia, therefore, segmentation based on geography is not relevant to the Bank.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management

3.1 Introduction

The Bank's activities expose it to a variety of financial risks and these activities require identifying, estimating, monitoring mitigating and managing those risks, as well as establishing an adequate risk management reporting system. The Bank manages its risks through a special risk management unit. The Bank prescribes procedures for identifying, measuring, estimating and managing risks in compliance with professional regulations, standards and professional business practice.

By its risk management policies, the Bank establishes a unique system for managing risks to which its operations are exposed.

According to the nature of its business activities, the Bank is exposed to various types of risk, such as:

- Liquidity risk
- Credit risk
- Market risk
- Financial assets and liabilities fair value risk
- Risks of exposure to one entity of group of related parties;
- Risks of investing into other entities and fixed assets;
- Risks relating to the customer's country of origin;
- Operating risk, including legal risk

3.2 Liquidity risk

Liquidity risk is the risk that the Bank may encounter difficulty in meeting the due financial liabilities, which may adversely affect the Bank's financial performance and equity.

The Bank manages liquidity risk in accordance with the Policy on liquidity risk management defining the liquidity risk management system, the competencies and responsibilities of the participants of the system, the controls that are taken for the efficient functioning of the system, the methods used to monitor the risks, as well as the liquidity management plan in times of crisis.

Liquidity risk management implies managing all assets and liabilities of the Bank, which may impact the Bank's ability to meet the liabilities as they become due.

In its operations, the Bank adheres to the key principles of liquidity risk management:

- a) liquidity management by major currencies (currencies participating in the Bank's total portfolio with over 5%, including along with the local currency (RSD) the following currencies EUR, USD, CHF);
- b) stability and diversification of funding by determining the concentration limits of different sources and regular monitoring of data relating to major depositors;
- c) creating a stock of liquid assets and a liquidity reserve
- d) addressing temporary and long-term liquidity crisis
- e) developing a Contingency Funding Plan
- f) conducting stress tests.

The Bank defines the individual and cumulative limits of a liquidity gap that looks both at the aggregate level (consolidated view), and the major currencies. The Liquidity Gap Report is prepared in accordance with the adopted methodology for liquidity gap reporting.

The table below shows assets and liabilities that are grouped into categories based on the remaining contractual maturities at the balance sheet date.

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)**3.2 Liquidity risk (continued)**

As at 31 December 2014 .

	Up to 1 months	1-3 months	3-12 months	Over 1 years	Total
ASSETS					
Cash and deposits held with the Central Bank	3,464,593				3,464,593
Loans and receivables from banks and other financial organisations	3,293,275			6,048	3,299,323
Loans and receivables from customers	2,350,205	445,763	2,004,798	9,796,311	14,597,077
Receivables arising from financial derivatives designated as hedging instruments		4,662			4,662
Intangible assets	10,171			132,255	142,426
Property, plant and equipment				507,980	507,980
Investment property				1,260,239	1,260,239
Current tax assets	1,325				1,325
Deferred tax assets					
Other assets	171,854			731,882	903,736
Total assets	9,291,423	450,425	2,004,798	12,434,715	24,181,361
LIABILITIES					
Deposits and other liabilities towards banks, other financial organisations and the Central Bank	980,443		1,355,915	5,989,702	8,326,060
Deposits and other liabilities towards customers	3,512,968	415,679	6,226,813	907,329	11,062,789
Issue of own securities and other borrowed funds				123,052	123,052
Subordinated debt				605,900	605,900
Provisions			43,892		43,892
Current tax liabilities					-
Tax liabilities					-
Deferred tax liabilities	19,544				19,544
Other liabilities	192,877	5,815	1,723	1,002	201,417
Total liabilities	4,705,832	421,494	7,628,343	7,626,985	20,382,654
Equity					
Share capital				8,426,043	8,426,043
Loss				(5,051,809)	(5,051,809)
Reserves				424,473	424,473
Total equity				3,798,707	3,798,707
Total liabilities	4,705,832	421,494	7,628,343	11,425,692	24,181,361

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)**3.2 Liquidity risk (continued)**

As at 31 December 2013 .

	Up to 1 months	1-3 months	3-12 months	Over 1 years	Total
Total assets	11,792,980	1,005,591	2,617,876	8,845,048	24,261,495
Total liabilities	3,613,359	899,204	12,711,593	2,667,234	19,891,391
Total liabilities	3,613,359	899,204	12,696,333	7,224,161	24,433,057
Total off-balance sheet items	5,851,301	62,802	460,546	508,268	6,882,917
GAP (off-balance sheet assets- liabilities)	8,151,122	99,540	(10,169,402)	1,738,158	(180,583)

Total off-balance sheet items: 20% Irrevocable commitments;

15% Guarantees and other collaterals and

20% Approved multi-purpose lines

28,499	6,847	75,685	69,552	180,583
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Liquidity is monitored on the basis of liquidity ratios defined as per local legislation but also on a "trigger" level ratios that are more strictly defined when compared to the regulatory ratios.

Not derivative cash flows

The amounts shown in the table below show the contractual undiscounted cash flows for 2014.

a) Balance sheet

As at 31 December 2013 .	Up to 1 months	1-3 months	3-12 months	Over 1 years	Total
Deposits and other liabilities towards banks, other financial organisations and the Central Bank	982,077	0	1,369,474	6,109,496	8,461,047
Deposits and other liabilities towards customers	3,610,307	432,257	6,396,950	926,613	11,366,128
Subordinated debt				742,228	742,228
Other liabilities	212,421	5,815	45,615	124,054	387,905
Total liabilities (contractual maturity dates)	4,804,805	438,072	7,812,039	7,902,391	20,957,307

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)**3.3. Credit risk**

The Bank is exposed to credit risk and the possibility of debtors not settling their contractual obligations towards the Bank when they fall due. The Bank's credit risk exposure arises mainly from its credit operations.

To maintain credit risk within acceptable parameters, the Bank:

- Reviews the debtor's creditworthiness for loans, guarantees and other products;
- Determines credit limits based on the risk assessment;

Enters into business relations with solvent clients and acquires relevant collaterals.

Clients are under continuous supervision and the exposure level is adjusted as required. Risk limits are determined based on different types of collateral.

Additionally, risk concentration by industry is continuously monitored, although limits are not set.

Risk exposure to one debtor, including banks, is subject to limitations and includes both balance sheet and off balance sheet risk exposure. The total risk exposure by client relative to limitations is considered before the transaction occurs.

The total maximum credit exposure, less collateral:

	31/12/2014	31/12/2013	01-01-2013.
Loans and advances to banks - Net	510,520	92,965	151,947
Allowance for impairment of loans and advances to banks	146,667	3,055	3,055
Total gross loans and advances to banks	657,186	96,020	155,002
Loans and advances to clients			
Retail loans and advances	5,648,957	5,441,920	5,106,748
Corporate loans and advances			
- Large enterprises	5,119,575	5,992,658	9,771,560
- SMEs	4,124,746	3,427,535	4,838,727
Total net loans and advances to clients	14,893,278	14,862,113	19,717,035
Allowance for impairment of loans and advances to clients	4,254,298	4,033,231	3,538,256
Total gross loans and advances to clients	19,147,577	18,895,344	23,255,291
Total risk bearing assets - gross	19,804,763	18,991,364	23,410,293

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)
3.3. Credit risk (continued)

The total risk bearing assets of RSD 19,804,763 thousand (31.12.2013: RSD 18,991,364 thousand; 01.01.2013: RSD 23,410,293 thousand) comprise balance sheet assets which are subject to classification under the NBS rules and regulations.

Loans and advances to clients comprise: repo loans, loans and advances to customers, interest and fee and commission receivables, securities held to maturity and a portion of other risk bearing assets.

Retail loans comprise loans to entrepreneurs

Off-balance sheet commitments

Guarantees and letters of credit are the Bank's irrevocable commitments to effect payment if customers are unable to fulfil their obligations to third parties and bear the same risk as loans.

Risk bearing off-balance sheet assets – off-balance sheet items subject to classification

	31/12/2014	31/12/2013	01/01/2013
Guarantees payable:	217,312	347,567	1,069,385
Performance bonds	265,677	197,111	486,380
Avals and acceptances	334	334	-
Letters of credit not covered	-	229	94,396
Unused commitments	825,698	637,937	1,001,727
Other off-balance sheet items that may involve payments	-	229,284	143,097
Total	1,309,021	1,412,462	2,794,985

Retail loans by type of facility:

	31/12/2014			31/12/2013			01/01/2013		
	Advances to customers	Allowance for impairment	Net	Advances to customers	Allowance for impairment	Net	Advances to customers	Allowance for impairment	Net
Cards	131,220	50,212	81,009	158,884	50,948	107,935	181,073	56,532	124,541
Consumer loans	2,791,102	675,580	2,115,522	2,747,254	624,253	2,123,002	2,569,330	612,885	1,956,445
Housing loans	2,904,347	100,362	2,803,985	2,578,666	91,290	2,487,376	2,404,999	99,119	2,305,880
Current account overdrafts	88,822	26,183	62,639	92,605	27,550	65,056	105,423	26,316	79,107
	5,915,491	852,337	5,063,154	5,577,409	794,041	4,783,369	5,260,825	794,852	4,465,973
Loans to entrepreneurs	694,300	108,497	585,803	768,911	110,359	658,552	739,499	98,724	640,775
Total retail loans and advances:	6,609,792	960,834	5,648,957	6,346,320	904,400	5,441,920	6,000,324	893,576	5,106,748

The policy of determining allowance for impairment in accordance with the Bank's internal methodology is described in Note 2.10, as well as the methodology prescribed by the NBS. The Bank's management applies the classification in accordance with the NBS rules on determining and monitoring the internal rating of loans and advances to customers and other financial assets, i.e. for monitoring the credit quality of receivables.

Loans and advances to clients and other risk bearing assets presented in the table below comprise total risk bearing assets exclusive of loans and advances to banks.

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)
3.3. Credit risk

	31/12/2014		31/12/2013		01/01/2013	
	Gross loans to clients	Impairment	Gross loans to clients	Impairment	Gross loans to clients	Impairment
Rank:						
A	9,092,721	59,183	9,182,890	65,063	13,263,176	56,785
B	2,453,640	35,790	1,758,968	46,135	2,803,615	62,890
V	708,889	48,888	688,389	30,634	581,982	33
G	937,832	104,009	1,908,073	131,102	1,616,257	92,512
D	5,954,494	4,006,429	5,357,016	3,760,297	4,990,261	3,293,465
	19,147,577	4,254,298	18,895,337	4,033,231	23,255,291	3,505,685

Bank ranking:

	31/12/2014		31/12/2013		01/01/2013	
	Gross loans to banks	Impairment	Gross loans to banks	Impairment	Gross loans to banks	Impairment
Rank:						
A	268,399	-	16,106	-	31,430	-
B	241,917	-	76,859	-	120,517	-
V	-	-	-	-	-	-
G	-	-	-	-	-	-
D	146,871	146,667	3,055	3,055	3,055	3,055
	657,186	146,667	96,020	3,055	155,002	3,055

Credit quality of portfolio (total balance sheet assets) – expressed as a percentage:

	31/12/2014		31/12/2013		01/01/2013	
	Group's share in total portfolio	Provision	Group's share in total portfolio	Provision	Group's share in total portfolio	Provision
Rank						
:						
A	47.3%	0.6%	48.4%	0.7%	56.8%	0.4%
B	13.6%	1.3%	9.7%	2.5%	12.5%	2.2%
V	3.6%	6.9%	3.6%	4.5%	2.5%	0.0%
G	4.7%	11.1%	10.0%	6.9%	6.9%	5.7%
D	30.8%	68.1%	28.2%	70.2%	21.3%	66.0%
	100%		100%		100%	

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)
3.3. Credit risk (continued)

Loans and advances:

	31/12/2014		31/12/2013		01/01/2013	
	Advances to customers	Loans to banks	Advances to customers	Loans to banks	Advances to customers	Loans to banks
Loans neither past due nor impaired (1)	6,216,432	510,520	5,726,612	92,965	8,387,465	151,947
Loans past due but not impaired (2)	1,863,356	0	2,113,186	0	3,775,356	0
Loans past due or not past due, collectively impaired (3)	4,902,847	0	4,811,638	0	5,200,280	0
Individually impaired loans (4)	6,164,941	146,667	6,243,901	3,055	5,892,190	3,055
Gross finance leases	19,147,577	657,186	18,895,337	96,020	23,255,291	155,002
Impairment	(4,254,298)	(146,667)	(4,033,231)	(3,055)	(3,538,256)	(3,055)
Net investments	14,893,278	510,520	14,862,105	92,965	19,717,035	151,947

Category explanation:

- Loans that are not past due
- Loans that are past due but collectible i.e. not impaired
- Collective impairment is determined by applying the relevant probability of default rate to unsecured portion of loan
- Loans considered uncollectible, i.e. impaired loans (loans that are more than 90 days past due and individually impaired loans)

Loans neither past due nor impaired:

Rank:	31/12/2014				31/12/2013			
	Retail	Corporate	Total advances to customers	Loans to banks	Retail	Corporate	Total advances to customers	Loans to banks
A	1,871,066	3,298,025	5,169,091	268,399	1,726,895	3,299,518	5,026,413	16,106
B	164,159	678,451	842,611	241,917	129,508	498,836	628,344	76,859
V	4,380	5,503	9,883	-	19,656	11,633	31,289	-
G	3,189	750	3,939	-	11,604	21,527	33,131	-
D	1,241	189,667	190,908	204	5,114	2,321	7,436	-
Total	2,044,035	4,172,397	6,216,432	510,520	1,892,776	3,833,835	5,726,612	92,965

Rank:	01/01/2013			
	Retail	Corporate	Total advances to customers	Loans to banks
A	1,198,676	6,773,492	7,972,168	31,430
B	30,509	292,625	323,134	120,517
V	5,688	63,749	69,437	-
G	20,751	-	20,751	-
D	1,975	-	1,975	-
Total	1,257,599	7,129,866	8,387,465	151,947

Total loans and advances comprise interest, fee and commission receivables and other risk bearing assets.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)

3.3. Credit risk (continued)

Loans past due but not impaired (100% secured loans):

	31/12/2014			31/12/2013		
	Retail	Corporate	Total	Retail	Corporate	Total
Less than 30 days past due	158,416	1,403,054	1,561,470	123,372	1,113,890	1,237,262
30-60 days past due	55,283	131,147	186,430	35,087	763,694	798,782
60-90 days past due	52,539	36,608	89,147	49,612	0	49,612
Over 90 days past due	18,694	7,616	26,309	19,526	8,004	27,530
Total	284,932	1,578,424	1,863,356	227,597	1,885,589	2,113,186

	01/01/2013		
	Retail	Corporate	Total
Less than 30 days past due		208,789	2,881,958
30-60 days past due		26,380	432,836
60-90 days past due		58,182	141,915
Over 90 days past due		13,893	11,403
Total		307,244	3,468,112

Collateral structure for loans past due but not impaired:

	31/12/2014			31/12/2013		
	Retail	Corporate	Total	Retail	Corporate	Total
Deposits	8,143	11,314	19,457	2,559	204,551	207,110
Mortgage	681,717	3,466,095	4,147,812	554,060	4,039,492	4,593,552
Fair value of collaterals	689,860	3,477,409	4,167,269	556,619	4,244,043	4,800,662

	01/01/2013		
	Retail	Corporate	Total
Deposits	61,220	831,770	892,989
Mortgage	573,101	8,594,619	9,167,721
Fair value of collaterals	634,321	9,426,389	10,060,710

Impaired loans subject to individual assessment:

	31/12/2014			31/12/2013		
	Retail	Corporate	Total	Retail	Corporate	Total
Loans subject to individual assessment:	228,592	5,936,349	6,164,941	203,349	6,040,552	6,243,901
Fair value of collaterals	164,971	14,264,052	14,429,023	158,376	13,391,453	13,549,829

	01/01/2013		
	Retail	Corporate	Total
Loans subject to individual assessment:	187,310	5,704,880	5,892,190
Fair value of collaterals	151,692	15,548,655	15,700,347

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)
3.3. Credit risk (continued)

The amounts shown in the table above represent individually impaired loans exceeding RSD 2,500 thousand for which an objective evidence of impairment was estimated. These amounts have been calculated based on the impairment test of future net cash flows.

Loans subject to individual assessment and impairment had the following structure of collaterals in 2014 :

	31/12/2014			31/12/2013		
	Retail	Corporate	Total	Retail	Corporate	Total
Deposits	0	0	0	0	0	0
Mortgage	164,971	14,264,052	14,429,023	158,376	13,391,453	13,549,829
Fair value of collaterals	164,971	14,264,052	14,429,023	158,376	13,391,453	13,549,829
Impairment	97,888	3,156,715	3,254,603	95,098	2,983,423	3,078,521
Unsecured loans	99,777	2,641,894	2,741,671	93,348	2,627,111	2,720,459
Secured loans	128,815	3,294,455	3,423,270	110,001	3,413,441	3,523,442
Total loans	228,592	5,936,349	6,164,941	203,349	6,040,552	6,243,901

	01/01/2013		
	Retail	Corporate	Total
Deposits	103	0	103
Mortgage	151,589	15,548,655	15,700,244
Fair value of collaterals	151,692	15,548,655	15,700,347
Impairment	105,004	2,527,035	2,632,039
Unsecured loans	96,889	2,086,375	2,183,264
Secured loans	90,421	3,618,505	3,708,926
Total loans	187,310	5,704,880	5,892,190

The disclosed fair value of collateral was determined by a local certified appraiser and represents the value realizable by the legal owners of the assets. Provision for impairment reflects the likelihood that the Bank will not be able to exercise their rights and recover the collateral in case of unpaid loans. Despite difficulties the Bank may have in the process of enforcing repossession of collateral, the Bank's management will vigorously pursue the outstanding debts with all possible means at their disposal.

Impaired loans subject to collective assessment:

	31/12/2014			31/12/2013		
	Retail	Corporate	Total	Retail	Corporate	Total
Loans subject to collective assessment:	4,052,232	850,615	4,902,847	4,022,606	789,032	4,811,638
Fair value of collaterals	459,530	372,825	832,355	354,770	23,547	378,317

	01/01/2013		
	Retail	Corporate	Total
Loans subject to collective assessment:	4,254,965	945,315	5,200,280
Fair value of collaterals	702,349	81,082	783,431

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)**3.3. Credit risk (continued)**

Loans subject to collective assessment and impairment had the following structure of collaterals in 2013:

	31/12/2014			31/12/2013		
	Retail	Corporate	Total	Retail	Corporate	Total
Deposits	14,720	29,624	44,344	24,468	9,417	33,885
Mortgage	444,811	343,201	788,012	330,302	14,130	344,431
Fair value of collaterals	459,530	372,825	832,355	354,770	23,547	378,317
Impairment	862,841	136,749	999,590	809,301	145,409	954,710
Unsecured loans	3,599,074	571,063	4,170,137	3,685,948	769,782	4,455,731
Secured loans	453,159	279,552	732,710	336,657	19,250	355,907
Total loans	4,915,074	987,363	5,902,437	4,022,606	789,032	4,811,638

	01/01/2013		
	Retail	Corporate	Total
Deposits	60,575	45,075	105,650
Mortgage	641,774	36,007	677,781
Fair value of collaterals	702,349	81,082	783,431
Impairment	788,572	117,644	906,216
Unsecured loans	3,552,616	864,233	4,416,849
Secured loans	702,349	81,082	783,431
Total loans	4,254,965	945,315	5,200,280

The sector concentration in the Bank's loan portfolio is presented in Note 21.

Renegotiated loans and advances to customers

Loans and advances the amounts of which have been renegotiated due to deterioration of debtor's financial position and that would otherwise be past due or impaired as at December 31 December 2014 amounted to RSD 1,642,276 thousand (31.12.2013: RSD 100,823 thousand; 01.01.2013: RSD 427,476 thousand).

Collection of past due and impaired receivables through disposal of collateral

In accordance with the Bank's policies, repossessed collateral is disposed of in the normal course of business. In this way, the outstanding receivables from customers are reduced or settled. The Bank normally does not use the repossessed assets for business purposes.

The total amount of receivables collected through court proceedings, i.e. by means of forced sale of assets pledged as collateral during 2014 amounted to RSD 516,815 thousand (2013: RSD 924,367 thousand).

3.4. Market risk

Market risk is the risk that the fair value or expected future cash flows of financial instruments will fluctuate because of changes in market variables such as interest rates and foreign exchange rates. The Bank is not exposed to the risk of changes in equity instruments price and price of goods. Except for the concentration of foreign exchange risk, the Bank has no significant concentration of market risk for other items.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)

3.4. Market risk (continued)

Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its financial position and cash flows. Interest margin may increase or decrease as a result of such changes, or generate losses in the event that unexpected movements arise. Interest rates are based on market interest rates and the Bank performs their matching on a regular basis.

The aim of risk management is to optimize net interest income and keep the market interest rates constant in accordance with the business strategy of the Bank. The Bank's management coordinates the maturity matching of assets and liabilities based on macroeconomic and microeconomic forecasts, anticipated conditions for attaining liquidity and anticipated interest rate market trends.

The Bank manages the interest rate risk in accordance with the Interest rate Risk Management policy, which defines the system and methodologies of interest rate risk management, duties and responsibilities of the system members, as well as controls that should be performed with a view to best system efficiency.

The subject of the interest rate risk management is any item from the Banking Book that may cause negative effects on the result and capital of the Bank owing to the change of the interest rate.

The Bank may be exposed to different forms of interest risk:

- Risk of time discrepancy between maturity and repricing (**Repricing risk**), i.e. Price Change Risk. This risk arises from the difference between the maturity date (for fixed rates) and the price change date (for variable rates) for the assets, liabilities and off-balance sheet items of the Bank;
- Yield curve risk - i.e. risk arising from the change of the shape and slope of the yield curve. The yield curve risk occurs when unforeseen shifts of the yield curve have adverse effects on the income or basic economic value of the Bank;
- Basis risk - as a risk to which the Bank is exposed owing to different reference interest rates at interest-sensitive positions with similar characteristics regarding maturity/repricing;
- Optionality risk - as a risk to which the Bank is exposed owing to options embedded in interest-sensitive positions (credits with a possibility of early withdrawal, different types of bonds or bills containing the option either of purchase or sale, different types of deposit facilities without maturity date, that give the deponents the right to withdraw the assets at any time, often without paying any penal).

In order to manage interest rate risk exposure the Bank uses GAP Methodology.

An analysis of the IR risk exposure comprises an analysis of the account and changes of the balance sheet assets, liabilities and off-balance sheet items i.e. derivative positions. The Bank identifies the IR exposure by detecting discrepancies between positions in significant currencies (RSD, EUR, USD, CHF), and it total for all the currencies (consolidated approach) in which the Bank conducts its business operations.

An analysis of the positions of balance sheet assets and liabilities comprises the determination of interest-sensitive items classified by period of new interest rate fixing, i.e. determination of an expected schedule of future cash flows.

An analysis of off-balance sheet items (swaps, forwards) comprises the determination of potential changes in positions resulting from the interest rate changes on the market.

An analysis of interest rates involves continuous monitoring and adjusting operations to interest rate changes on the market.

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)
3.4. Market risk (continued)

Interest rate Gap as at 31/12/2014	Up to 1 month	1-3 months	3-12 months	Over 1 year	Items that are not interest-rate sensitive	Total
ASSETS						
Cash and deposits held with the Central Bank	1,243,621				2,220,972	3,464,593
Loans and receivables from banks and other financial organisations	2,902,999				396,324	3,299,323
Loans and receivables from customers	9,811,464	3,287,948	3,208,208	1,883,862	(3,594,405)	14,597,077
Receivables arising from financial derivatives designated as hedging instruments					4,662	4,662
Intangible assets					142,426	142,426
Property, plant and equipment					507,980	507,980
Investment property					1,260,239	1,260,239
Current tax assets					1,325	1,325
Deferred tax assets						
Other assets	70,199				833,537	903,736
Total assets	14,028,283	3,287,948	3,208,208	1,883,862	1,773,060	24,181,361
LIABILITIES						
Deposits and other liabilities towards banks, other financial organisations and the Central Bank	6,535,224	1,684,571	484		105,781	8,326,060
Deposits and other liabilities towards customers	2,523,638	251,597	5,323,267	872,157	2,092,130	11,062,789
Issue of own securities and other borrowed funds					123,052	123,052
Subordinated debt			604,791		1,109	605,900
Provisions					43,892	43,892
Deferred tax liabilities					19,544	19,544
Other liabilities	1,406				200,011	201,417
Total liabilities	9,060,268	1,936,168	5,928,542	872,157	2,585,519	20,382,654
GAP (total Assets/Liabilities)	4,968,015	1,351,780	(2,720,334)	1,011,705	(812,459)	3,798,707

INTEREST RATE GAP as at 31/12/2013						
Item	Up to 1 month	1-3 months	3-12 months	Over 1 year	Total (000 RSD)	
	Cash Flow	Cash Flow	Cash Flow	Cash Flow	Total Cash Flow	
Total assets	15,069,639	1,263,867	1,774,135	2,942,142	21,049,782	
Total liabilities	(11,707,076)	(1,368,289)	(6,713,235)	(412,254)	(20,200,854)	
GAP (Assets- Liabilities)	3,362,563	(104,422)	(4,939,100)	2,529,888	848,928	

Interest rate GAP limits are defined by the Board of Directors Decision and are monitored and analysed on regular basis.

As an integral part of the interest rate risk assessment the Bank conducts stress tests of the effects of changes in interest rates. In determining exposure to interest rate risk in the banking book and interest rate risk limit, the Bank assesses the effects of IR changes on the financial result of the Bank (income statement), but also effects on the economic value of Bank capital, by applying a test - i.e. standard interest rate shock in accordance with the nature and level of risks that Bank is exposed to.

The standard interest rate shock presents positive and negative parallel shift of interest rate changes by 200 basis points (1BP = 0.01%).

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)

3.4. Market risk (continued)

Interest rate risk (continued)

In the existing IR GAP structure (observed on consolidated level which includes major currencies i.e. currencies EUR, RSD, CHF and USD) interest rate change by 200bp would change the economic value of the Bank capital by 3.57% (2013: 4.19%), i.e. the value of capital would be increased by RSD 72,851 thousand (2013: RSD 91,585 thousand).

Foreign currency risk

The Bank regularly monitors its exposure to foreign currency risk by complying with limits prescribed by the NBS, as well as internally prescribed limits. The Bank maintains its foreign currency position by granting loans with foreign currency clauses. In addition, the Bank actively manages foreign currency risk through prudent assessment of open foreign currency positions by applying foreign currency swaps and observing risk limitations prescribed by the NBS and contained in internal enactments adopted by the Bank's management.

As at 31 December 2014, the Bank was in compliance with the NBS requirements relating to foreign currency risk.

The table below summarizes exposure to foreign currency risk as at 31 December 2014. Included in the table are assets and liabilities at their carrying values denominated in relevant currencies.

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)
3.4. Market risk (continued)

As at 31 December 2014	USD	EUR	CHF	Other currencies	Total	RSD	Total
TOTAL							
ASSETS							
Cash and deposits held with the Central Bank	4,873	2,069,472	6,435	11,254	2,092,034	1,372,559	3,464,593
Loans and receivables from banks and other financial organisations	90,274	3,115,586	80,783	12,680	3,299,323	-	3,299,323
Loans and receivables from customers		10,079,677	618,871		10,698,548	3,898,529	14,597,077
Receivables arising from financial derivatives designated as hedging instruments						4,662	4,662
Intangible assets							-
Property, plant and equipment						142,426	142,426
Investment property						507,980	507,980
Current tax assets						1,260,239	1,260,239
Deferred tax assets						1,325	1,325
Other assets	10	34,472	122		34,604	869,132	903,736
LIABILITIES	95,157	15,299,207	706,211	23,934	16,124,509	8,056,852	24,181,361
Deposits and other liabilities towards banks, other financial organisations and the Central Bank		7,519,511	650,532		8,170,043	156,017	8,326,060
Deposits and other liabilities towards customers	85,781	7,513,102	45,925	3,919	7,648,727	3,414,062	11,062,789
Issue of own securities and other borrowed funds					-	123,052	123,052
Subordinated debt		605,900			605,900	-	605,900
Provisions					-	43,892	43,892
Deferred tax liabilities					-	19,544	19,544
Other liabilities	679	22,074	140	80	22,973	178,444	201,417
Total liabilities	86,460	15,660,587	696,597	3,999	16,447,643	3,935,011	20,382,654
Net foreign currency position	8,697	(361,380)	9,614	19,935	(323,134)	4,121,841	3,798,707
As at 31 December 2013.							
- Total assets	108,015	14,961,065	707,904	10,605	15,787,589	8,473,906	24,261,495
- Total liabilities	103,632	16,004,707	709,974	4,558	16,822,871	3,068,520	19,891,391
Net foreign currency position	4,383	(1,043,642)	(2,070)	6,047	(1,035,282)	5,405,386	4,370,104

The effects of a decrease in foreign exchange rates on the Bank's results are presented below:

	Open foreign currency position as at 31 December			RSD depreciation effect of 10%	RSD depreciation effect of 10%	RSD depreciation effect of 10%
	2014	2013	2012	2014	2013	2012
EUR	(361,380)	(1,043,642)	(992,334)	(30,717)	(88,710)	(89,310)
CHF	9,614	(2,070)	76	817	(176)	7
USD	8,697	4,382	(4)	739	372	-
Other currencies	19,436	3,977	19,512	1,652	338	1,756

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)

3.5. Fair value of financial assets and liabilities

The fair value of which is stated in the financial statements is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an independent transaction.

The fair value is calculated using market information available at the reporting date as well as individual evaluation Bank methods.

The fair value of a financial instrument is shown at its nominal value is approximately equal to its book value. This includes cash as well as receivables and liabilities without a defined maturity or fixed interest rate. For other receivables and liabilities, expected future cash flows are discounted to their present value using current interest rates. Bearing in mind that the variable interest rate agreed for most financial assets and liabilities of the Bank, changes in prevailing interest rates lead to changes in the agreed rates.

Quoted market prices are used for securities traded. The fair value of other securities is calculated as the net present value of expected future cash flows.

The fair value of irrevocable credit commitments and contingent liabilities are the same as their carrying values.

Evaluation of financial instruments

The Bank measures the fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market prices (unadjusted) in active markets for identical instrument.
- Level 2: Valuation techniques based on observable inputs other than quoted prices included in level 1, either directly (ie, as prices) or indirectly (ie, derived from prices). This category includes instruments that are valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques that use significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant impact on the valuation of the instrument. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair value of financial assets and financial liabilities traded in active markets is based on quoted market prices or prices quoted by dealers. For all other financial instruments the Bank determines fair value by using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparing to similar instruments for which there is no observable market price and other evaluation models. Assumptions and inputs used in valuation techniques include free from risk and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond prices and equity securities, foreign exchange rates, equity and equity-indexed prices and expected price fluctuations and correlations. The objective of valuation techniques to determine the fair value which reflects the price of the financial instrument at the reporting date, which would be defined by the market participants in the free and independent transactions

The Bank uses widely accepted models of evaluation to determine the fair value of common and simpler financial instruments, including interest rate and currency swaps that use only observable market data and require little judgment and estimates by management. Quoted prices and inputs for the models are usually available in the market for listed debt and equity securities, derivatives traded and simple derivatives as interest rate swaps.

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)**3.5. Fair value of financial assets and liabilities (nastavak)**

The availability of observable market prices and inputs the model reduces the need for estimates of management and reduces the uncertainty associated with the determination of fair value. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes caused by specific events and general conditions in future markets.

The table below analyzes financial instruments measured at fair value at the end of the reporting period, according to the level in the fair value hierarchy within which the fair value measurement placed:

31. December 2014.	Level1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives		4,662		4,662
Total assets		4,662		4,662
31. December 2013.	Level1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives		2,704		2,704
Total assets		2,704		2,704

The following table shows the fair value of financial instruments not measured at fair value and analyzes them according to the level in the fair value hierarchy within the fair value measurement placed:

	31.12.2014.		31.12.2013.	
	Book value	Fair value	Book value	Fair value
Financial (monetary) assets				
Cash and deposits held with the Central Bank	3,464,593	3,464,593	3,817,122	3,817,122
Loans and receivables from banks and other financial organisations	3,299,323	3,299,323	3,658,574	3,658,574
Loans and receivables from customers	14,597,077	10,549,935	14,514,659	11,239,625
Other assets	-	-		
Total	21,360,993	17,313,851	21,990,355	18,715,321
Financial (monetary) liabilities				
Deposits and other liabilities towards banks, other financial organisations	8,326,060	8,155,781	8,622,305	8,622,305
Deposits and other liabilities towards customers	11,062,789	11,062,789	10,857,845	10,857,845
Subordinated debt	605,900	526,516		
Total	19,994,749	19,745,086	19,480,150	19,480,150

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)**3.5. Fair value of financial assets and liabilities (nastavak)**

31.12.2014.	Fair value			Total
	Level 1	Level 2	Level 3	
Assets				
Loans and receivables from customers	-	10,549,935	-	10,549,935
Loans and receivables from banks and other financial organisations	-	3,299,323	-	3,299,323
Total	-	10,879,867	-	10,879,867
Liabilities				
Deposits and other liabilities towards banks, other financial organisations	-	8,326,060	-	8,155,781
Deposits and other liabilities towards customers	-	11,062,789	-	11,062,789
Total	-	19,388,849	-	19,218,570
31.12.2013.	Fair value			Total
	Level 1	Level 2	Level 3	
Aktiva				
Deposits and other liabilities towards customers	-	11,239,625	-	11,239,625
Deposits and other liabilities towards banks, other financial organisations	-	3,658,574	-	3,658,574
Total	-	14,898,199	-	14,898,199
Liabilities				
Deposits and other liabilities towards banks, other financial organisations	-	8,622,305	-	8,622,305
Deposits and other liabilities towards customers	-	10,857,845	-	10,857,845
Total	-	19,480,150	-	19,480,150

If it is possible, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using models of assessment, such as discounted cash flow techniques. Inputs to valuation techniques include expected credit losses over the life of the loan, interest rate, rate of advance, and the original data or data from the secondary market. For collateral-dependent thumbnails (devalued) loans, fair value is measured based on the value of the related collateral.

The fair value of deposits from banks and customers is assessed using Hg technique of discounting cash flows, applying the rates offered for deposits of similar maturities and conditions. The fair value of deposits payable on demand and deposits with maturities of less than one year the amount to be paid at the reporting date.

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)**3.5. Fair value of financial assets and liabilities (nastavak)**

The table below shows the Bank's classification of each class of financial assets and liabilities and their fair value at December 31, 2014:

2014	Held to maturity	Available for sale	Other amortized value	Total current value	Fair value
Cash and deposits held with the Central Bank	3,464,593	-	-	3,464,593	3,464,593
Loans and receivables from banks and other financial organisations	3,299,323	-	-	3,299,323	3,299,323
Loans and receivables from customers	14,597,077	-	-	14,597,077	10,549,935
Other assets	-	-	-	-	-
Total assets	21,360,993	-	-	21,360,993	17,313,851
Deposits and other liabilities towards banks, other financial organisations	-	-	8,326,060	8,326,060	8,155,781
Deposits and other liabilities towards customers	-	-	11,062,789	11,062,789	11,062,789
Other liabilities	-	-	605,900	605,900	526,516
Total liabilities	-	-	19,994,749	19,994,749	19,745,086

The table below shows the Bank's classification of each class of financial assets and liabilities and their fair value at December 31, 2013:

2013	Held to maturity	Available for sale	Other amortized value	Total current value	Fair value
Cash and deposits held with the Central Bank	3,817,122	-	-	3,817,122	3,817,122
Loans and receivables from banks and other financial organisations	3,658,574	-	-	3,658,574	3,658,574
Loans and receivables from customers	14,514,659	-	-	14,514,659	11,239,625
Other assets	-	-	-	-	-
Total assets	21,990,355	-	-	21,990,355	18,715,321
Deposits and other liabilities towards banks, other financial organisations	-	-	8,622,305	8,622,305	8,622,305
Deposits and other liabilities towards customers	-	-	10,857,845	10,857,845	10,857,845
Other liabilities	-	-	-	-	-
Total liabilities	-	-	19,480,150	19,480,150	19,480,150

The following is a description of the methodology and assumptions used to determine fair values of financial instruments that have not been recorded at fair value in the financial statements.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)

3.5. Fair value of financial assets and liabilities (nastavak)

Assets for which fair value approximates carrying value

For financial assets and liabilities that are liquid or have short-term maturities (less than one year) it is assumed that the carrying value approximates fair value. This assumption also applies to deposits on demand deposits, savings accounts without a specific maturity and financial instruments with variable rate.

Financial instruments with fixed rates

The fair value of financial assets and liabilities with fixed rates recorded at amortized cost are estimated by comparing market interest rates when they were initially recognized at current market rates offered for similar financial instruments.

The estimated fair value of deposits with a fixed rate based on the discounted cash flows using prevailing interest rates on the debt on the money market with similar credit risk and maturity.

3.6. The risks of exposure to a single party or a group of related parties

The Bank's exposure to a single party represents the total amount of receivables and off-balance sheet items relating to that party or a group of related parties (loans, investments in debt securities, equity shares, guarantees issued, avals, etc.).

The exposure risk, i.e. exposure concentration, is the Bank's exposure towards:

- One party or a group of related parties (two or more natural persons or legal entities related by shares);
- Two or more natural persons or legal entities related in the manner that deterioration or improvement of the financial position of one party affects the financial position of the other;
- A natural person who is an authorised representative of a legal entity;
- Two or more natural persons or legal entities related by their membership in legal entities' management bodies, including their respective family members;
- Family members of a natural person who are members of management bodies of two legal entities at the same time;
- A party related to the Bank (members of the Banking Group the member of which is the Bank, members of the management bodies of the Bank and of the Banking Group and their respective family members, parties with share in the capital of the Bank or the Banking Group and their respective family members, legal entities in which all the above mentioned parties own a control package).

The main goal of the exposure risk management is to eliminate the risk bearing exposure of the Bank's assets to one party, group of related parties or parties related to the Bank.

This goal can be achieved by strict compliance with and the application of the Bank's credit policy in relation to acceptance and approval of clients requests in order to identify related parties and monitor the Bank's exposure limits towards them.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)

3.6. The risks of exposure to a single party or a group of related parties (continued)

The Bank's exposure:

- Large Bank's exposure is an exposure to a single party or a group of related parties amounting to no less than 10% of the Bank's capital
- Towards a single party or a group of related parties may not exceed 25% of the capital of the Bank
- Towards a single related party to the Bank may not exceed 5% of the Bank's capital
- The total Bank's exposure to parties related to the Bank may not exceed 20% of the Bank's capital.

The total of all the Bank's exposures may not exceed 400% of the Bank's capital.

The Bank has adopted the limits defined by the NBS in accordance with the Decision on Risk Management (RS Official Gazette No. 129/2007) and operates accordingly.

3.7. The risks of investing into other entities and fixed assets

The Bank's investment risk is the risk related to the Bank's investment in a single natural person / legal entity operating outside the financial sector and the risk of the Bank's investment in fixed assets.

Managing this risk implies measuring, monitoring and controlling:

1. The amount of the Bank's investment (the Bank acquires the right to shares or share in capital) in any natural person/legal entity operating outside the financial sector that may not exceed 10% of the Bank's capital
2. The amount of the Bank's investment in its own fixed assets
3. The total amount of the Bank's investment (the total of items 1 and 2) that may not exceed 60% of the Bank's capital
4. Management Board quarterly reporting of movements in indicators of items 1 to 3
5. Management Board suggestions relating to corrective measures in order to maintain the investment risk within the prescribed limits

The Bank's investment limits:

- The Bank's investments in a single entity operating outside the financial sector may not exceed 10% of the Bank's capital; the limit relates to the investment based on which the Bank acquires the right to shares or share in capital of the entity operating outside the financial sector.
- The total amount of the Bank's investments in entities operating outside the financial sector and in fixed assets may not exceed 60% of the Bank's capital.

The Bank has adopted the limits defined by the NBS in accordance with the Decision on Risk Management (RS Official Gazette No. 129/2007) and operates accordingly.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)

3.8. Risks relating to the client's country of origin;

The risk related to the country of origin of the natural person/legal entity to which the Bank is exposed (country risk) is the risk of adverse effects on the Bank's financial results that may occur due to the Bank's inability to collect its receivables from natural person/legal entity domiciled in a foreign country due to political, economic and social conditions in that country.

The reasons that lead to country risk exposure are as follows:

- Political reasons – significant political changes in a country due to which a debtor is unable to fulfil its obligations to the Bank on a regular basis (change of government, significant political change, political turmoil, wars, catastrophes, etc.)
- Economic reasons – extremely negative economic events in a country due to which foreign debt repayment is seriously questioned or completely hindered

Country risk is reflected through:

- Risk of non-payment – relates to cases in which debtor is unable to fulfil its obligations to the Bank on a regular basis due to political and economic reasons
- Transfer risk – represents the possibility that solvent debtor from a foreign country is unable to pay its debt to the Bank in the specified currency due to certain irregularities in that country
- Guarantee risk – the risk that have occurred as a result of a guarantee issued to an entity in a foreign country for payment to be effected in a third country

The main goal of the country risk management is to protect the entire Bank's portfolio from possible risk bearing and uncollectible receivables from debtors from countries at risk.

3.9. Operational risk, including legal risk and risk of improper management of information and other technologies significant for the Bank's operations

Operational risk is defined as the risk of negative effects on the Bank's financial results and share capital arising from the employee omission, illegal acts, inadequate internal procedures and processes, inadequate management of the Bank's information and other systems and unforeseeable external events.

The Bank is obliged to identify the existing sources of operational risk as well as the potential sources of such risk that may occur as a result of introducing new products, systems or activities.

The operational risk management methodology, in view of its identification and recording of losses arising from its effects, comprises:

I Defining the Bank's lines of service – each organisation unit of the Bank needs be clearly defined, including all activities and specific actions.

II Defining the causes that lead to operational risk and can arise from or be:

1. Human factor
2. Processes
3. Systems
4. External factors

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)

3.9. Operational risk, including legal risk and risk of improper management of information and other technologies significant for the Bank's operations (continued)

III Identifying events that may cause operational risks and related losses:

1. Internal mistakes and employee abuse
2. External breach of regulations
3. Employing system and work protection omissions
4. Client relation problems
5. External factors
6. The Bank's organisation and system operation
7. Implementation of the Bank's business procedures and decisions

IV Loss category

1. Loss
2. Operating income
3. Avoided loss
4. Omitted gain

Information risks

The information technology system architecture has two functions:

- the Bank's transactions processing
- reporting to the Bank's management and management bodies

One of the most significant links in risk management is an adequate information system which should meet the following criteria:

- timeliness
- accuracy
- security and integrity
- consistency
- completeness
- relevancy

The accounting systems consist of reports on business operations, financial operations, risk management and compliance which enable the Bank's management and management bodies to coordinate the Bank's operations.

The communication systems connect the information inside the Bank and external users (regulatory bodies, auditors, shareholders and clients).

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

3. Financial risk management (continued)**3.10. Capital risk management**

The Bank's objectives when managing capital are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividends paid to shareholders, issue new shares or convert portion of liabilities to subordinated debt.

Under the NBS regulations, the Bank is required to:

- Maintain the prescribed minimum monetary share capital of EUR 10 million in RSD counter value at the NBS middle exchange rate;
- Maintain the minimum capital adequacy ratio, against the risk bearing assets, of 12%;

The Bank's Financial Control Department performs the control of capital based on the capital adequacy ratio.

	31/12/2014	31/12/2013
Basic capital	1,205,410	1,749,946
Additional capital	834,779	245,520
Total basic and additional capital	2,040,189	1,995,466
Deductible items	0	0
Equity	2,040,189	1,995,466
Total risk-bearing assets	12,043,734	11,179,215
Capital adequacy (min. 12%)	14.86	14.97

4. Critical accounting estimates and judgements

The Bank makes estimates and assumptions that will affect the reported amounts of assets and liabilities within the next financial year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Deteriorating operating conditions for borrowers may have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

The preparation of financial statements requires management to use the best estimates and reasonable assumptions that affect the application of accounting policies, the presented amounts of assets and liabilities, as well as income and expenses.

Areas that demand the greatest degree of reasoning, which may significantly affect the amounts presented in the Bank's financial statements, are presented below.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

4. Critical accounting estimates and judgements (continued)

a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the Bank, or national or local economic conditions that correlate with negative effects on the Bank's assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio that existed at the time when future cash flows were projected. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase in loan impairment losses of RSD 4,741,514 thousand (2013: RSD 4,345,115 thousand) or a decrease in loan impairment losses of RSD 4,060,119 thousand (2013: 3,727,655 thousand), respectively.

(b) Impairment of available for sale equity investments

The Bank determines whether an available for sale equity instrument is impaired when there is a significant or prolonged decline of its fair value below cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates, among other factors, regular movement in share price. The impairment may occur when there is an evidence of deterioration of the financial position of the borrower, industry performance, changes in technology and operational and financing cash flows.

(c) Provisions

Provisions are, to a large extent, a matter of judgement, particularly in terms of legal claims or other contingencies. The Bank estimates the probability of adverse events occurring as a result of past events. If the estimated probability of the event is more than 50%, the Bank makes provision for the full amount of the liability.

The Bank is rather conservative in its estimates, however due to the high degree of uncertainty, in some cases the estimate might not coincide with the possible outcome of the legal claims.

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

5. Interest income and expense

	2014	2013
Interest income		
Loans	1,393,291	1,868,774
Deposits	52,511	53,925
Securities	-	4,277
Other loans and advances	10	801
Foreign currency loans and advances	5,111	7,205
Foreign currency deposits	358	19
Other foreign currency loans and advances	-	2,881
Total:	1,451,281	1,937,882
Interest expense		
Loans	-	2,022
Deposits	186,550	169,891
Other liabilities	46,917	77,859
Foreign currency loans and advances	145,126	155,900
Foreign currency deposits	280,284	409,472
Other foreign currency liabilities	-	4,008
Total:	658,877	819,152
Net interest income	792,404	1,118,730

Interest income from loans amounting to RSD 1,393,291 thousand (2013: RSD 1,868,774 thousand) includes income from suspended interest of RSD 203,765 thousand (2013: RSD 436,779 thousand), which has been reclassified from 'Income from reversal of indirect write-off of investments, provisions and collected suspended interest' to 'Interest income and expense' as a result of changes to the Chart of Accounts and the Contents of Accounts within the Chart of Account.

Interest income

	2014	2013
Corporate	562,826	700,396
Retail	540,386	528,816
Foreign entities	2,886	7,593
The National Bank of Serbia	32,463	40,113
Entrepreneurs	83,394	99,115
Banks and other financial institutions	10,216	44,210
Retail - interest suspended	26,374	33,294
Corporate - interest suspended	169,314	400,231
Entrepreneurs - interest suspended	8,076	3,255
Public sector	15,346	80,831
Other customers		28
Total	1,451,281	1,937,882

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

5. Interest income and expense (continued)

Interest expense	2014	2013
Corporate	103,785	128,589
Retail	283,927	377,239
Entrepreneurs	6,273	1,000
Banks and other financial institutions	49,509	77,918
Public entities	5,548	25,475
Public sector	684	1,930
Foreign entities	193,013	201,775
The National Bank of Serbia	661	28
Other customers	15,475	5,198
Ukupno	658,875	819,152
Net income	792,406	1,118,730

6. Fee and commission income and expense

Fee and commission income	2014	2013
Fee and commission income	201,965	258,981
Fee and commission income in foreign currency	10,258	10,212
Total:	212,223	269,193
Fee and commission expense	2014	2013
Fee and commission expense	30,684	31,112
Fee and commission expense in foreign currency	15,136	40,589
Total:	45,820	71,701
Net interest income	166,403	197,492

Fee and commission income amounting to RSD 201,965 thousand (2013: RSD 258,981 thousand) mainly includes fees for: corporate banking services relating to payment operations amounting to RSD 67,172 thousand (2013: RSD 64,861 thousand); retail banking services amounting to RSD 54,711 thousand (2013: RSD 53,074 thousand); foreign currencies purchases from other clients amounting to RSD 18,497 thousand (2013: RSD 26,197 thousand); corporate banking services relating to avals, guarantees, letters of intent and other amounting to RSD 10,395 thousand (2013: RSD 17,090 thousand).

Fee and commission expense amounting to RSD 30,684 thousand (2013: RSD 31,112 thousand) includes: payment card operations fee and commission expense amounting to RSD 14,527 thousand (2013: RSD 15,239 thousand) and payment operation charges totalling RSD 13,302 thousand (2013: RSD 13,093 thousand).

FX Fee and commission expense equivalent to RSD 15,136 thousand (2013: RSD 40,589 thousand) includes foreign currency operations expense amounting to RSD 8,095 thousand (2013: RSD 7,509 thousand) as well as foreign payment operations fees of RSD 6,681 thousand (2013: RSD 6,431 thousand).

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

6. Fee and commission income and expense (nastavak)

	2014	2013
Income from bank charges		
- Payment card transactions	30,832	30,929
- Domestic payment operations	67,378	65,019
Fees for maintenance of guarantees	16,130	26,232
- <i>Banking services</i>	60,088	54,031
- Foreign payment operations	6,820	6,721
Other fees and commissions	4,359	43,081
- Exchange transactions	508	539
- buying and selling of foreign currencies	18,497	26,198
- Early repayment	7,611	16,443
Total income	212,223	269,193
Expense from bank charges		
- Payment card transactions	23,294	23,230
- Banking services		
- Domestic payment operations	13,302	13,093
- Foreign payment operations	6,681	6,431
- Broker services	218	143
- Other fees and commissions	1,990	27,957
- buying and selling of foreign currencies	335	847
Total expenses:	45,820	71,701
Net fee and commission income	166,403	197,492

7. Net gains/losses from hedging activities

	2014	2013
Income from revaluation of derivatives designated as hedging instruments	4,586	35,009
Expense from revaluation of derivatives designated as hedging instruments	(2,628)	(38,663)
Income from revaluation of investments, receivables and securities	1,899	2,131
Net gains/losses from hedging activities	3,857	(1,523)

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

8. Net income / (expense) from foreign exchange gains and losses and currency clause effects

	2014	2013
<i>Foreign exchange gains on:</i>		
Foreign currency deposits and loans	283,961	812,370
Foreign currency accounts	70,578	80,527
Derivatives transactions	45,822	36,358
Cash and deposits held with NBS	144,917	123,956
Payment card transactions	105,180	110,813
Other	174,806	134,107
Currency clause	647,150	624,148
Total	1,472,414	1,922,279
<i>Foreign exchange losses on:</i>		
Foreign currency deposits and loans	1,059,312	899,101
Foreign currency accounts	24,163	49,754
Derivatives transactions	11,900	40,760
Cash and deposits held with NBS	14,625	112,689
Payment card transactions	103,524	109,112
Other	178,074	135,599
Currency clause	60,622	562,161
Total	1,452,220	1,909,176
Foreign exchange gains / (losses), net	20,194	13,103

Net income / (expense) from foreign currency translation differences and currency clause effects amounting to RSD 20,194 thousand (2013: RSD 13,103 thousand) includes income from foreign currency clause of RSD 647,150 thousand (2013: RSD 624,148 thousand) and expenses from foreign currency clause of RSD 60,622 thousand (2013: RSD 562,161 thousand), which have been reclassified from 'Income from revaluation of assets'.

9. Other operating income

	2014	2013
Gains from sale of other loans and receivables	48,640	
Other operating income	42,753	12,161
Reversal of unused provisions for liabilities		3,203
Disposal of PPE and intangible assets	1,585	1,062
Income from reduction of liabilities	216	1,258
Surpluses	2	
Other income	4,021	4,618
Revaluation of PPE, investment property and intangible assets	188	126
Total	97,405	22,428

Other operating income comprises income from reversal of unused provision for liabilities amounting to RSD 0 thousand (2013: RSD 3,203 thousand), which has been reclassified from 'Income from reversal of indirect write-off of investments, provisions and suspended interest collected', as well as income from revaluation of PPE, investment property and intangible assets amounting to RSD 188 thousand (2013: RSD 126 thousand), which has been reclassified from 'Income from revaluation of assets'.

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

10. Net expense arising from the impairment of financial assets and off balance sheet credit exposures

	2014	2013
Indirect write-off of balance sheet items	(1.224.232)	(1.367.686)
Reversal of indirect write-off of balance sheet items	801,952	866,950
Provision for off-balance sheet items		(9.271)
Income from reversal of provision for off-balance sheet items		13,468
Write-off of uncollectible receivables	(3.282)	(1.469)
Collected written-off receivables	210	46
Total	(425.352)	(497.962)

Net expense from impairment of financial assets and off-balance sheet credit exposures comprises expense from the write-off of uncollectible receivables amounting to RSD 3,282 thousand (2013: RSD 1,469 thousand), which has been reclassified from 'Operating and other expenses', as well as income from collected receivables written-off of RSD 210 thousand (2013: RSD 46 thousand), which has been reclassified from 'Other operating income'.

Movements in allowance for impairment of balance sheet assets

	Loans to customers	Other loans and advances	Interest and fees receivable	Other receivables	Total
Opening balance 1 January	3,004,430	653,873	206,292	171,790	4,036,385
New allowances	966,910	12,353	62,789	182,180	1,224,232
Translation differences	4,529				4,529
Write off	(32.123)				(32.123)
Suspended interest provided for	(30.253)				(30.253)
Income from reversal of indirect write-off	(722.365)	(10.274)	(59.898)	(9.415)	(801.952)
	3,191,128	655,952	209,183	344,555	4,400,818

11. Wages and salaries and other personal expenses

	2014	2013
Salaries	307,430	368,207
Costs of fringe benefits	69,289	72,787
Taxes	48,147	60,881
Contributions	96,796	109,235
Temporary contract fees	1,362	9,414
Other personal expenses	6,063	6,699
Provision for retirement benefits and other provision for employee benefits	3,467	7,019
Income from reversal of provision for retirement benefits and other provision for employee benefits	(4.337)	
Total	528,217	634,242

Wages and salaries and other personal expenses comprise expenses arising from provision for retirement benefits and other provision for employee benefits amounting to RSD 3,467 thousand (2013: RSD 7,019 thousand) and income from reversal of provision for retirement benefits and other provision for employee benefits of RSD 4,337 thousand (2013: RSD 0 thousand), which have been reclassified from 'Income and expense from indirectly written-off investments and provisions'.

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

12. Amortisation/Depreciation

	2014	2013
Intangible assets	28,317	31,562
Property, plant and equipment	56,095	65,621
Total	84,412	97,183

13. Other expenses

	2014	2013
Cost of material	31,490	36,942
Cost of production services	151,712	195,661
Non-material expenses (exclusive of taxes and contributions)	246,945	223,115
Taxes	74,846	27,196
Contributions	97,633	131,526
Loss on disposal of PPE and intangible assets	13	149
Loss on disposal and write-off of PPE and intangible assets	2,835	116
Shortages or damages	77	10
Other expenses	3,848	10,907
Total	609,399	625,622

Of total production service costs amounting to RSD 151,712 thousand (2013: RSD 195,661 thousand), RSD 91,963 thousand (2013: RSD 113,035 thousand) is relative to office space rental costs of RSD 21,213 thousand (2013: RSD 35,087 thousand), sponsorship costs of RSD 17,962 thousand (2013: RSD 22,864 thousand), costs of electronic communication and automatic data processing.

Non-material costs of RSD 246,945 thousand (2013: RSD 223,115 thousand) comprise RSD 60,365 thousand (2013: RSD 38,940 thousand) which is relative to cost of deposit insurance premium; RSD 38,574 thousand (2013: RSD 38,282 thousand) which is relative to servicing fees - software maintenance; RSD 24,306 thousand (2013: RSD 21,130 thousand) which is relative to program applications maintenance; RSD 18,800 thousand (2013: RSD 19,007 thousand) which is relative to servicing fees -IT equipment.

14. Current income tax

Total tax expense comprises:

	2014	2013
Income Taxes		(34)
Loss on deferred taxes (Note 31)	(4,284)	(190,879)
Total tax income /(expense)	(4,284)	(190,913)

Detailed information on deferred taxes is presented in Note 31. The Bank's current income tax before taxes differs from the theoretical amount that would arise using the weighted average tax rate and would be as follows:

	2014	2013
Profit/(loss) before tax	(567.117)	(504.779)
Tax calculated at 15% rate	85.068	75.717
Expenses not recognized for tax purposes	9.707	(3.943)
Unrecognised tax losses	(94.775)	(71.774)
Capital gains		(51)
Tax relief on capital investments		17
Income tax presented in the income statement	-	(34)

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

15. Earnings per share

Earnings per share represent profit per unit of capital. For this reason, earnings per share is calculated as a ratio of net profit attributable to the Bank's shareholders and the weighted average number of ordinary shares outstanding during a period.

Earnings per share are presented in the table below:

Description	Movements in shares (piece)	Total no. of shares	No. of days	Weighted average no. of ordinary shares
1	2	3	4	5=(3x4)
As at 01/01/2013	11,097,112	11,097,112	365	4,050,445,880
New shares issued in 2013.	-	-	-	-
As at 31/12/2013	11,097,112	11,097,112	365	4,050,445,880
As at 01/01/2014	11,097,112	11,097,112	365	4,050,445,880
New shares issued in 2014.	-	-	-	-
As at 31/12/2014	11,097,112	11,097,112	365	4,050,445,880

	2014	2013
Weighted average no. of shares	11,097,112	11,097,112

No.	Description	2014	2013
1	Loss before tax belonging to holders of ordinary shares in RSD	(571,400,370)	(695.692.116)
2	Weighted average no. of shares	11,097,112	11,097,112
3	Earnings per share in RSD (1:2)	(51.10)	(62.69)

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

16. Cash and deposits held with the Central Bank

	31/12/2014	31/12/2013
Drawing account	1,243,622	1,239,794
Cash in hand	128,937	187,823
Interest, fee and commission receivable from cash and deposits held with the Central Bank	9	9
Cash in hand in foreign currency	206,989	234,405
Mandatory reserve held with the NBS in foreign currency	1,885,036	2,155,091
Total	3,464,593	3,817,122

The Bank calculates and sets aside the mandatory reserve held with the National Bank of Serbia in the amount and in the manner prescribed by the NBS Decision on Banks' Required Reserves Held with the National Bank of Serbia (RS Official Gazette No. 3/2011, 31/2012, 57/2012, 78/2012, 87/2012, 107/2012, 62/2013), 125/2014, 135/2014 and 4/2015).

The RSD mandatory reserve is set aside and placed on the Bank's drawing account and, therefore, it is accounted for separately. As at 31 December 2014, the calculated mandatory reserve in RSD amounted to RSD 1,348,396 thousand (31/12/2013: RSD 1,074,045 thousand; 01.01.2013: RSD 1,081,724 thousand).

The mandatory reserve held with the NBS represents the minimum RSD reserve deposits set aside in accordance with the NBS Decision and can be used for liquidity purposes, if necessary. The Bank calculates the mandatory reserve for payables relating to RSD deposits, loans and securities, as well as other RSD payables, exclusive of RSD deposits received based on the Bank's fiduciary activities the value of which does not exceed the amount of loans granted out of these deposits.

The Bank calculates the F/X mandatory reserve for payables relating to F/X deposits, loans and securities and other F/X payables, as well as other deposits, loans and other F/X assets received from abroad based on the Bank's fiduciary activities.

The F/X calculation base of mandatory reserve is the average daily balance of F/X assets presented in the Bank's books of account in the previous calendar month and the average daily book amount of F/X liabilities indexed in accordance with the currency clause.

The Bank calculates the mandatory reserves at a rate of 0 % on RSD base of liabilities with agreed maturity of over 2 years and a rate of 5 % on RSD base of liabilities with agreed maturity of up to 2 years.

The Bank calculates the mandatory reserves at a rate of 19% on foreign currency base of liabilities with agreed maturity over 2 years, rate of 50% on foreign currency base of RSD liabilities with FX clause with agreed maturity over 2 years, a rate of 26% on foreign currency base of liabilities with agreed maturity up to 2 years and rate of 50% on foreign currency base of RSD liabilities with FX clause with agreed maturity up to 2 years.

From the accounting period 18 August – 17 September 2011, only loans granted by 30 June 2011 have been taken into account when calculating the loan increase, however only by their initial maturity dates.

In addition to the calculated RSD mandatory reserve, the Bank sets aside a RSD equivalent of the portion of the calculated FX mandatory reserve, in accordance with the percent rates specified in paragraph 6 of the NBS Decision on Mandatory Reserves of Banks.

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

17. Loans receivables from banks and other financial organisations

	<u>31/12/2014</u>	<u>31/12/2013</u>
Interest receivable - loans, deposits and other advances	-	2,616
Foreign currency funds	385,395	3,205,530
Receivables on interest due - loans, deposits and other advances - F/X	43	851
Loans – liquidity and working capital	-	276,417
Overnight loans and advances - F/X	241,917	-
Other loans - FX	241,917	73,633
Other general purpose deposits - F/X	2,419,165	-
Other special purpose deposits - F/X	10,886	10,318
Covered letters of credit and other sureties - F/X	-	229
Accrued receivables for other income - loans, deposits and other advances - F/X	-	88,980
Total	<u>3,299,323</u>	<u>3,658,574</u>

Loans and receivables from banks and other financial organisations are presented as a separate balance sheet item.

Receivables for interest on loans, deposits and other advances amounting to RSD 0 thousand (31/12/2013: RSD 2,616 thousand; 01/01/2013: RSD 1,564 thousand) and receivables for calculated interest due on loans, deposits and other advances in foreign currency amounting to RSD 43 thousand (31/12/2013: RSD 851 thousand; 01/01/2013: RSD 159 thousand) have been reclassified from '**Interest, fees and commissions receivable, trade receivables, changes in the fair value of derivatives, and other receivables**' in the Balance Sheet as at 31/12/2014.

The Bank's foreign currency funds amounting to RSD 385,395 thousand (31/12/2013: RSD 3,205,530 thousand; 01/01/2013: RSD 1,160,503 thousand) have been reclassified from '**Cash and cash equivalents**' in the Balance Sheet as at 31/12/2014.

Loans granted for working capital and liquidity purposes amounting to RSD 0 (31/12/2013: RSD 276,417 thousand; 01/01/2013: RSD 289,958 thousand), overnight loans and advances in foreign currency of RSD 241,917 thousand (31/12/2013: RSD 0 thousand; 01/01/2013: RSD 0 thousand), other special purpose deposits in FX amounting to RSD 241,917 thousand (31/12/2013: RSD 73,633 thousand; 01/01/2013: RSD 0 thousand), other special purpose deposits in FX amounting to RSD 2,419,165 thousand (31/12/2013: RSD 0 thousand; 01/01/2013: RSD 0 thousand), and other special purpose deposits in FX amounting to RSD 10,886 thousand (31/12/2013: RSD 10,318 thousand; 01/01/2013: RSD 7,392 thousand) have been reclassified from '**Loans and deposits granted**' in the Balance Sheet as at 31/12/2014.

Covered letters of credit and other sureties in FX amounting to RSD 0 thousand (31/12/2013: RSD 229 thousand; 01/01/2013: RSD 18,108 thousand) have been reclassified from '**Other loans and advances**' in the Balance Sheet as at 31/12/2014.

Accrued receivables for other income calculated on loans, deposits and other advances in FX amounting to RSD 0 thousand (31/12/2013: RSD 88,980 thousand; 01/01/2013: RSD 125,577 thousand), have been reclassified from '**Other assets**' in the Balance Sheet as at 31/12/2014.

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

18. Loans and receivables from customers

	<u>31/12/2014</u>	<u>31/12/2013</u>
Receivables in RSD		
Interest receivable - loans, deposits and other advances	413,505	511,952
Interest, fee and commission receivable - loans, deposits and other advances	42,742	43,069
Allowance for impairment of interest, fee and commission receivable - loans, deposits and other advances	(207,232)	(204,272)
Interest receivable - F/X loans, deposits and other advances	1,779	6,080
Allowance for impairment of interest, fee and commission receivable - F/X loans, deposits and other advances	(739)	(695)
Loans – transaction accounts	262,921	415,377
Consumer loans	192,653	189,291
Loans – liquidity and working capital	3,939,332	3,926,956
Export loans	44,644	44,644
Investment loans	1,183,660	1,030,581
Housing loans	2,891,968	2,567,694
Cash loans	1,845,337	1,835,624
Other loans	6,404,619	6,171,075
Allowance for impairment of loans granted in RSD	(3,191,128)	(3,004,430)
Other special purpose deposits	1,603	2,093
Acceptances, avals and paid guarantees	1,319,810	1,570,857
Other advances	4,197	3,977
Allowance for impairment of other RSD loans	(655,952)	(653,873)
Accrued interest receivable calculated on loans, deposits and other advances	43,489	43,031
Loans for import of goods and services – F/X	116,652	2,178
Other loans - FX		1,146
Acceptances, avals and paid guarantees in F/X		62,906
Accrued interest receivables - loans, deposits and other advances - F/X	167	2
Accrued receivables from income stated at amortised cost calculated using the effective interest method	(56,950)	(50,604)
Total	<u>14,597,077</u>	<u>14,514,659</u>

Loans and receivables from customers comprise: receivables for interest calculated on loans, deposits and other advances - RSD 413,505 thousand (31/12/2013: RSD 511,952 thousand; 01/01/2013: RSD 471,649 thousand); interest, fee and commission receivables on loans, deposits and other advances - RSD 42,742 thousand (31/12/2013: RSD 43,069 thousand; 01/01/2013: RSD 42,764 thousand); allowance for impairment of interest, fee and commission receivables from loans, deposits and other advances - RSD 207,232 thousand (31/12/2013: RSD 204,272 thousand; 01.01.2013: RSD 174,720 thousand); and interest receivables for loans, deposits and other advances in foreign currency - RSD 1,779 thousand (31/12/2013: RSD 6,080 thousand; 01/01/2013: RSD 1,658 thousand); and allowance for impairment of interest, fee and commission receivable for F/X loans, deposits and other advances - RSD 739 thousand (31/12/2013: RSD 695 thousand; 01.01.2013: RSD 591 thousand). These receivables have been reclassified from '**Interest, fees and commissions receivable, trade receivables, changes in the fair value of derivatives, and other receivables**' in the Balance Sheet as at 31/12/2014.

Investments relating to acceptance, avals and paid guarantees amounting to RSD 1,319,810 thousand (31/12/2013: RSD 1,570,857 thousand; 01/01/2013: RSD 986,299 thousand), other receivables of RSD 4,197 thousand (31/12/2013: RSD 3,977 thousand; 01/01/2013: RSD 3,965 thousand), allowance for impairment of other loans and advances of RSD 655,952 thousand (31/12/2013: RSD 653,873 thousand; 01.01.2013: RSD (497,765) thousand), and acceptances, avals and paid guarantees of RSD 0 thousand (31/12/2013: RSD 62,906 thousand; 01/01/2013: RSD 32,807 thousand) have been reclassified from '**Other loans and advances**' in the Balance Sheet as at 31/12/2014.

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

18. Loans and receivables from customers(continued)

Accrued receivables for interest calculated on loans, deposits and other advances amounting to RSD 43,489 thousand (31/12/2013: RSD 43,031 thousand; 01/01/2013: RSD 74,969 thousand) and accrued interest receivables calculated on loans, deposits and other advances in foreign currency amounting to RSD 167 thousand (31/12/2013: RSD 2 thousand; 01/01/2013: RSD 0 thousand) have been reclassified from 'Other assets' in the Balance Sheet as at 31/12/2014.

Accrued receivables income stated at amortised cost using the effective interest method amounting to RSD (56,950) thousand (31/12/2013: RSD 50,604 thousand; 01/01/2013: RSD 58,599 thousand), have been reclassified from 'Other assets' in the Balance Sheet as at 31/12/2014 .

Movements in loans and receivables from customers during the year:

	Short term loans		Long-term loans		Total 2014	Total 2013
	In RSD	In foreign currency	In RSD	In foreign currency		
As at 1 January						
Interest and fees receivable	263,007	6,065	292,014	16	561,102	516,071
New calculation	125,155	6,501	1,119,378	2,538	1,253,572	1,529,623
Repayment	(158,378)	(10,788)	(1,184,928)	(2,553)	(1,356,647)	(1,484,592)
Accrued interest receivable calculated on loans, deposits and other advances	17,357		26,132	167	43,656	43,033
Accrued receivables income stated at amortised cost using the effective interest method			(56,950)		(56,950)	(50,604)
Allowance for impairment of interest, fees and commissions receivable	(86,881)	(739)	(120,351)		(207,971)	(204,966)
Net interest, fee and commission as at 31 December	160,260	1,039	75,295	168	236,762	348,565
Loans to customers						
As at 1 January	3,137,978	64,053	14,620,189	2,178	17,824,398	21,070,195
New loans and advances	1,314,216	40,548	12,605,818	116,719	14,077,301	14,299,845
Foreign exchange gains		27,807			27,807	709
Currency clause	58,676		588,338		647,014	626,099
Foreign exchange losses		(2,370)			(2,370)	(673)
Currency clause	(5,734)		(53,808)		(59,542)	(561,273)
Write off	(35,393)				(35,393)	(7,285)
Repayment	(1,733,832)	(130,038)	(12,405,706)	(2,244)	(14,271,820)	(17,603,219)
Allowance for impairment	(1,438,307)		(2,408,773)		(3,847,080)	(3,658,304)
Net loans and advances at 31 December	1,297,604	-	12,946,058	116,653	14,360,315	14,166,094
Loans and receivables from customers at 31 December	1,457,864	1,039	13,021,353	116,821	14,597,077	14,514,659

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

18. Loans and receivables from customers (continued)

Loans and receivables from customers by industry during the year were as follows:

	Corporate	Entrepreneurs	Retail	Foreign entities	Other customers	Total 2014	Total 2013
Interest receivable in RSD	368,674	7,480	37,350	1		413,505	511,953
Fees and commission receivable in RSD	16,259	94	1,750	19	24,621	42,743	43,069
Allowance for impairment of interest, fees and commissions receivable - RSD	(167,944)	(2,915)	(24,675)		(11,698)	(207,232)	(204,271)
Interests receivable in FX	1,675			104		1,779	6,080
Allowance for impairment of interest receivable in FX	(635)			(104)		(739)	(695)
Accrued interest receivable calculated on loans, deposits and other advances	1,008	2,289	23,587	306	16,466	43,656	43,033
Accrued receivables deemed income stated at amortised cost calculated using the effective interest method	(44,421)	(7,328)	(5,127)	(74)		(56,950)	(50,604)
Short term loans							
- in RSD	1,268,033	53,508	90,374			1,411,915	1,563,145
Long-term loans							
- in RSD	9,014,080	617,569	5,683,850	37,719		15,353,218	14,618,095
- in foreign currency	116,652					116,652	3,325
Allowance for impairment	(2,318,054)	(94,760)	(778,282)	(32)		(3,191,128)	(3,004,430)
Deposits granted							
- in RSD	1,603					1,603	2,093
Other advances							
- in RSD	1,323,711	64	232			1,324,007	1,574,834
- in foreign currency							62,906
Allowance for impairment	(655,879)	(64)	(9)			(655,952)	(653,874)
Total gross	8,924,762	575,937	5,029,050	37,939	29,389	14,597,077	14,514,659

Ageing structure of loans and deposits was as follows:

	31/12/2014	31/12/2013
Mature	3,981,945	4,267,954
Up to 1 year	4,583,943	4,213,825
Over 1 year	8,805,778	8,071,197
Loans and deposits granted, gross	17,371,666	16,552,976

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

18. Loans and receivables from customers (continued)

Matured loans and deposits

	<u>31/12/2014</u>	<u>31/12/2013</u>
Up to 2 months	109,107	438,378
2-6 months	85,055	72,193
6 months to 1 year	169,705	134,490
Over 1 year	<u>3,618,079</u>	<u>3,622,893</u>
Total	<u>3,981,946</u>	<u>4,267,954</u>

The concentration of credit risk exposure (including total loans and advances to customers and off balance sheet items) by industry is presented in the table below:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Hospitality (hotels and restaurants)	1,031,588	1,088,092
Administrative and support service activities	265,915	249,067
Agriculture, forestry and fishing	860,917	684,474
Arts, entertainment and recreation	186,764	213,151
Construction	1,931,270	2,398,872
Finance and insurance sector	658,058	629,285
Information and communication	26,106	35,874
Processing industry	4,262,578	4,117,404
Professional, scientific and technical activities	298,354	247,223
Real estate trade	576,638	172,229
Traffic and warehousing	299,419	262,059
Wholesale and retail; motor vehicle repair and maintenance	4,371,010	4,374,168
Other	6,345,168	5,931,921
Loans to customers – gross	<u>21,113,784</u>	<u>20,403,819</u>

19. Receivables arising from financial derivatives designated as hedging instruments

	<u>31/12/2014</u>	<u>31/12/2013</u>
Receivables from derivatives designated as hedging instruments	4,662	2,704
Total	<u>4,662</u>	<u>2,704</u>

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

20. Intangible assets

Cost	
As at 01/01/2012	223,193
Additions – new purchases	15,629
Transfer	536
Intangible assets in progress	10,027
As at 31/12/2012	249,385
Impairment	
As at 01/01/2012	138,150
Amortisation	31,933
As at 31/12/2012	170,083
Net book value as at 01/01/2012	85,043
Net book value as at 31/12/2012	79,302
Cost	
As at 01/01/2013	249,385
Additions – new purchases	12,581
Transfer	(10,945)
Intangible assets in progress	919
As at 31/12/2013	251,940
Impairment	
As at 01/01/2013	170,083
Amortisation	31,562
As at 31/12/2013	201,645
Net book value as at 01/01/2013	79,302
Net book value as at 31/12/2013	50,295
Cost	
As at 01/01/2014	251,940
Additions – new purchases	110,278
Transfer	(20,846)
Intangible assets in progress	31,017
As at 31/12/2014	372,389
Impairment	
As at 01/01/2014	201,645
Amortisation	28,318
As at 31/12/2014	229,963
Net book value as at 01/01/2014	50,295
Net book value as at 31/12/2014	142,426

Investments in intangible assets during 2014 mainly concerned the use of Microsoft licenses in the amount of RSD 83,441 thousand, ASEBA Tezauri Solution in the amount of RSD 14,121 thousand, Internal Corporate Portal in the amount of RSD 3,650 thousand, CDS in the amount of RSD 1,215 thousands, EMC SourceOne file systems in the amount of RSD 1,002 thousand.

The anticipated useful life of intangible assets, are regulated accounting policies and amounts to four years. Depreciation is calculated using the proportional method to allocate the cost over their estimated useful lives.

Amortisation charge amounting to RSD 28,318 thousand (2013: RSD 31,562 thousand) was stated in the income statement under Operating expenses.

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

21. Property, plant and equipment

	Buildings	Equipment and other PPE	Construction in progress	Leasehold improvements	Total
Cost					
As at 01/01/2012	486,926	426,774	2,615	60,160	976,475
Additions – new purchases	624	13,290	4,383	4,519	22,816
Transfer from CIP		3,169	(6,998)	3,829	-
Disposals	(17,773)	(4,665)	-		(22,438)
Write-offs		(28,956)		(2,696)	(31,652)
As at 31/12/2012	469,777	409,612	-	65,812	945,201
Impairment					
As at 01/01/2012	148,824	275,481	-	33,355	457,660
Depreciation	6,276	56,695	-	12,186	75,157
Disposals	(2,086)	(4,617)			(6,703)
Write-offs	-	(28,218)	-	(2,107)	(30,325)
As at 31/12/2012	153,014	299,341	-	43,434	495,789
Net book value as at 01/01/2012	338,102	151,293	2,615	26,805	518,815
Net book value as at 31/12/2012	316,763	110,271	-	22,378	449,412

	Buildings	Equipment and other PPE	Construction in progress	Leasehold improvements	Total
Cost					
As at 01/01/2013	469,777	409,612	-	65,812	945,201
Additions – new purchases	3,972	21,180	29,891		55,043
Transfer from CIP		29,891	(29,891)		-
Change of asset use	(4,140)				(4,140)
Disposals		(5,549)			(5,549)
Write-offs		(3,984)			(3,984)
As at 31/12/2013	469,609	451,150	-	65,812	986,571
Impairment					
As at 01/01/2013.	153,014	299,341	-	43,434	495,789
Depreciation	6,103	49,424	-	10,095	65,622
Change of asset use	(565)				(565)
Disposals		(5,058)			(5,058)
Write-offs	-	(3,869)	-		(3,869)
As at 31/12/2013.	158,552	339,838	-	53,529	551,919
Net book value as at 01/01/2013	316,763	110,271	-	22,378	449,412
Net book value as at 31/12/2013	311,057	111,312	-	12,283	434,652

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

21. Property, plant and equipment (continued)

	Buildings	Equipment and other PPE	Construction in progress	Leasehold improvements	Total
Cost					
As at 01/01/2014	469,609	451,150	-	65,812	986,571
Additions – new purchases	95,730	35,343	495	1,989	133,557
Transfer from CIP		495	(495)		-
Change of asset use					-
Disposals		(27,132)			(27,132)
Write-offs		(14,576)		(16,849)	(31,425)
As at 31/12/2014	565,339	445,280	-	50,952	1,061,571
Impairment					
As at 01/01/2014	158,552	339,838	-	53,529	551,919
Depreciation	6,312	45,547	-	4,236	56,095
Change of asset use					-
Disposals		(25,462)			(25,462)
Write-offs	-	(14,490)	-	(14,471)	(28,961)
As at 31/12/2014	164,864	345,433	-	43,294	553,591
Net book value as at 01/01/2014	311,057	111,312	-	12,283	434,652
Net book value as at 31/12/2014	400,475	99,847	-	7,658	507,980

Depreciation charge amounting to RSD 56.095 thousand (2013: RSD 65,622 thousand) was stated in the income statement under Operating expenses.

Investments in PPE in 2014 mainly relate to purchase of computers and other data processing equipment of RSD 34,812 thousand (31.12.2013: RSD 35,627 thousand; 01/01/2013: RSD 9,407 thousand).

The market value and the carrying value of buildings were last reconciled on 14 February 2007 based on the valuation performed on 18 September 2007 by independent valuers. Valuations were made on the basis of market prices. The valuation impaired the cost of buildings amounting to RSD 35,455 thousand, whereas revaluation reserves were reduced by RSD 33,611 thousand. In December 2014, the Bank performed revaluation of buildings. The revalued amount does not deviate significantly from the values recorded in the Bank's books of accounts, therefore, the Bank's management has decided that no value adjustments are required in the Bank's books.

Lease rentals amounting to RSD 91,963 thousand (2013: RSD 113,035 thousand) relating to the lease of property are included in the income statement.

As at 13 December 2013, the Bank changed the use of office space in the town of Paraćin, 1 Kralja Milutina St., which had been previously used for performing the Bank's operating activities, into an investment property. When transferring a property (the building) into an investment property, the Bank performed the valuation in accordance with IAS 16. The difference between the carrying amount of office space and the revalued amount was recognised in the income statement as the current period's income from changes in the value of PPE and investment property amounting to RSD 126 thousand. The office space was revalued on 14 December 2007 where its value was impaired by RSD 1,845 thousand.

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

21. Property, plant and equipment (continued)

As at 21/10/2014, the Bank changed the use of office space in Belgrade. The purpose of this property has not been established. Its address is 46 Knez Danilova st. and it was acquired by the Bank through collection of receivables for their own use. The amount of RSD 95,730 thousand was reclassified accordingly from 'Assets acquired through collection of receivables' to 'Property, plant and equipment'. As of the date the change of property use was made amortisation charge of 1.3% p.a. has been calculated in accordance with the Bank's accounting policies.

22. Investment property

	<u>31/12/2014</u>	<u>31/12/2013</u>
Investment property	1,260,239	465,986
Total	1,260,239	465,986

Repossession assets the Bank reclassified into a position of investment property for the purpose of earning income from the lease. The Bank had no subsequent investments in investment property. All operating costs are lease costs. The cost of property taxes and the costs of the transfer tax law are costs of the Bank. The net result as at 31.12.2014. is RSD 14,573 thousand.

	<i>Book value</i>	<i>Date of lease contracts</i>	<i>Total expenses</i>	<i>Revenue from the lease</i>	<i>Net result</i>
Business building at the Street Patrijarha Dimitrija, Beograd Rakovica	65.896	13.02.2014.	1.141	6.475	5.334
Residential buildings at the street Petra Kočića 25, Indija	15.000	14.02.2014.	435	660	225
Building at the street Kralja Petra br. 15 Stari grad, Beograd	234.797	24.03.2014.	6.327	4.557	(1.770)
Building in Stepojevcu	71.482	17.04.2014.	335	794	459
Business premises at the street Svetožara Markovića br. 49 Beograd	72.700	05.05.2014.	274	2.495	2.221
Kindergarden in Pančevu Kikindska street no. bb	131.405	16.05.2014.	419	4.405	3.986
Apartment with gallery, Voždovac, street Admirala Vukovića 66,	31.379	21.05.2014.	115	413	298
Business premises for storage and preservation of fruits and vegetables with packaging and processing in Šimanovci	165.094	04.08.2014.	4.737	3.300	(1.437)
Business premises, variety store, Grabovica, Valjevo	6.500	01.12.2014.	184	62	(122)
Business premises no. 1 at the Street Milutina Milankovića br.70	9.421	11.04.2013.	38	216	178
Residential premises at the Street Zelena gora no. 9, Kraljevo	2.337	01.12.2013.	9	68	59
Paraćin – reclassification from PPE	3.701	13.12.2013.	15	166	151
Gas station „EUROLUXPETROL” Bagrdan	279.661	01.08.2012.	1.119	2.806	1.687
Business complex in Leskovac, at the Street Tekstilna no. 40	85.149	26.09.2012.	341	2.909	2.568
Premises of the food and beverage industry Nova Varoš	85.717	21.12.2012.	343	1.079	736
Total	1.260.239		15.832	30.405	14.573

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

22. Investment property (continued)

The carrying value of investment property at the beginning and the end of the period

As at 01.01.2012.	-
Transfer from repossessed assets	450.527
Sale	-
As at 31.12.2012.	450.527
As at 01.01.2013.	450.527
Transfer from repossessed assets	22.276
Sale	(6.817))
As at 31.12.2013.	465.986
As at 01.01.2014.	465.986
Transfer from repossessed assets	794.253
Sale	-
As at 31.12.2014	1.260.239

The increase in investment properties in 2014 in the amount of RSD 794,253 thousands, refers to the new lease agreements.

Investment property amounting to RSD 1,260,239 thousand (31/12/2013: RSD 465,986 thousand; 01/01/2013: RSD 450,527 thousand), was valued, after initial measurement, at amortised cost. At the beginning of 2013, accounting policies were changed in order to comply with the group policy; as a result, the investment property was subsequently measured at fair value. Before the change of accounting policies, the 2012 depreciation charge amounting to RSD 1,396 thousand had been recognised as expense; in 2013, it had been recorded in the income statement as revenue. In 2013, depreciation charge of RSD 984 thousand, calculated before the change of accounting policies, was reversed.

Investment property was revalued in December 2014 by independent valuers. Valuations were made on the basis of market prices. The investment property's revalued amount does not deviate significantly from the values recorded in the Bank's books of accounts, therefore, the Bank's management has decided that no value adjustments are required in the Bank's books.

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

23. Other assets

	<u>31/12/2014</u>	<u>31/12/2013</u>
Other receivables in RSD		
Fee and commission receivables	2,169	2,234
Trade receivables		6,434
Allowance for impairment of fee and commissions receivables, trade receivables and other receivables from operations - RSD	(1,212)	(1,325)
Advances for working capital	10,872	11,302
Advances for long term investments	12,211	11,595
Receivables from employees	4,290	4,342
Receivables based on prepaid taxes and contributions		4
Other receivables from operations	252,320	211,955
Temporary accounts	636	355
Transactions in progress	6,245	5,874
Allowance for impairment of other receivables	(180,838)	(152,824)
Advances for working capital - FX	11,823	2,626
Receivables from employees - FX	7,557	7,159
Other operating receivables - FX	173,819	31,027
Transactions in progress - FX	2,252	2,539
Allowance for impairment - FX	(163,717)	(18,966)
Other investments	798	798
Other accrued expenses	9,089	10,115
Other accruals	20,671	16,291
Other accruals - FX	2,870	2,720
Funds acquired through collected receivables	731,881	1,111,685
Total	<u>903,736</u>	<u>1,265,940</u>

Other assets comprise fee and commission receivables of RSD 2,169 thousand (31/12/2013: RSD 2,234 thousand; 01/01/2013: RSD 2,402 thousand) and trade receivables of RSD 0 thousand (31/12/2013: RSD 6,434 thousand; 01/01/2013: RSD 0 thousand). These receivables have been reclassified from '**Interest, fees and commissions receivable, trade receivables, changes in the fair value of derivatives, and other receivables**' in the Balance Sheet as at 31/12/2014.

Receivables arising from FX advances for current assets amounting to RSD 10,872 thousand (31.12.2013: RSD 11,302 thousand; 01/01/2013: RSD 17,340 thousand) comprise other special purpose long-term RSD deposits held in banks - guarantee deposits for *Visa National* payment cards, which has been reclassified from 'Other special purpose deposits' within the Balance Sheet as at 31/12.2014 to '**Loans and deposits granted**'.

Other receivables from operations amounting to RSD 252,320 thousand (31/12/2013: RSD 159,966 thousand; 01/01/2013: RSD 159,966 thousand) mainly comprise receivables for calculated revaluation of short term corporate loans of RSD 67,597 thousand (31/12/2013: RSD 70,986 thousand; 01/01/2013: RSD 72,687 thousand) and receivables relating to litigations of RSD 154,892 thousand (31/12/2013: RSD 124,687 thousand; 01/01/2013: RSD 73,964 thousand).

Receivables arising from FX advances for current assets amounting to RSD 11,823 thousand (31/12/2013: RSD 2,626 thousand; 01/01/2013: RSD 9,013 thousand) mainly relate to advances made to Banka Intesa for Visa and Master card credit cards of RSD 11,823 thousand (31/12/2013: RSD 2,626 thousand; 01/01/2013: RSD 8,330 thousand).

Receivables from operations amounting to RSD 173,819 thousand (31/12/2013: RSD 31,027 thousand; 01/01/2013: RSD 31,149 thousand) relate to fee and commission receivables from sale of loans of RSD 143,816 thousand (31/12/2013: RSD 88,980 thousand; 01/01/2013: RSD 125,576 thousand) and receivables from paid guarantees and letters of credit under litigation of RSD 29,657 thousand (31/12/2013: RSD 28,108 thousand; 01/01/2013: RSD 27.882 thousand).

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

23. Other assets (continued)

Other receivables comprise other investments amounting to RSD 798 thousand (31/12/2013: RSD 798 thousand; 01/01/2013: RSD 886 thousand), which have been reclassified from 'Equity investments and available-for-sale securities' within the Balance Sheet as at 31/12/2014.

Other accruals amounting to RSD 20,671 thousand (31/12/2013: RSD 16,291 thousand; 01/01/2013: RSD 47,985 thousand) mainly comprise the NKOSK insurance premium of RSD 19,547 thousand (31/12/2013: RSD 15,201 thousand; 01/01/2013: RSD 11,200 thousand).

Overview of repossessed assets in 2014

Description of property	Book value	Date of acquisition
Porodično stambena zgrada (Pr- PK), Carić bb, Rabas, Valjevo	1.157	07.04.2014.
Njiva 4. klase, potes Rastici, površine 1 ha 33a 82m2 i njiva 4 klase, potes Rastici, površine 3 ha 75 a 45m2, Lipolist, Šabac	3.561	11.04.2014.
Stambeni objekat br. 8 pov. 53m2, koji se nalazi u ul Venac Slobode br.2		
Arandelovac kao i nepokretnost - stambeni objekat br. 9 pov. 29m2 koji se nalazi u Arandelovcu	4.533	30.04.2014.
Posebni deo objekta k.br.37,poslovni prostor(prodavnica) broj posebnog dela 9, površine 81kvm, Velika Plana 1 posebni deo stambeno-poslovnog objekta - poslovni prostor trgovine8prodavnica), broj posebnog dela 5, broj ulaza 1, površine 112 kvm, Veliko Orašje, objekat-zgrada trgovine, površine 115 kvm, Radovanje.	21.000	27.06.2014.
Zemljište pod zgradom - objektom površine od 0.00.85ha, zemljište pod zgradom- objektom površine od 0.01.41ha, zemljište pod zgradom-objektom površine od 0.02.75 ha, zemljište uz zgradu-objekat površine od 0.05.00 ha i ostalo veštački stvoreno nepl.zemljište površine 0.10.13ha. Porodično-stambena zgrade PR+SP.	41.966	30.06.2014.
Zgrada poslovnih usluga, zgrada poslovnih usluga -salon ambulanta i auto servis, Mišar, Šabac		
Poslovni prostor trgovine - prodavnica, priručni i veći magacin u prizemlju u okviru objektabr.1.poslovne stambene zgrade Valjevo u ul Marka Kraljevića	6.239	10.07.2014.
Stan broj 7 na prvom spratu površine 63,03m2 sa pripadajućim prostorom u okviru stambeno-poslovnog objekta Valjevo u ul. Karađorđevoj	3.668	10.07.2014.
Kuća broj 482 sa kućištem i dvorištem, površine 1 ar i 75m2 Ripanj	6.055	19.09.2014.
Stan broj 2, površine 68m2, na prvom spratu, broj ulaza 1 u ul. Suvoborska br 44 Valjevo	5.590	22.09.2014.
Stambeni objekat u Zaječaru, u.l Hajduk Veljkova br. 132 Zaječar	961	15.10.2014.
Nepokretnost u Krnješevcima - Zemljište pod zgradom -pov. 1a 19m2, ul Vojnička 68: - Zemljište pod zgradom pov. 6a 13m2, ul Vojnička; - Zemljište pod zgradom pov. 17a 31m2, ul. Vojnička; - Zemljište uz zgradu povr. 8a 32m2, ul Vojnička: - Njiva 4. klase povr. 15a 93m2, ul Vojnička kao i ostale zgrade - Upravna zgrada broj zgrade 1 - pov.222m2, ul. Vojnička 68: Poslovna zgrada za koju nije utvrđena delatnost-poslovno-pomoćni objekat broj zgrade 2-pov.566m2 u ul. Vojnička; - Ostale zgrade-broj zgrade-3-povr. 1677m2 u ul Vojnička	59.000	21.10.2014.
Stambeno poslovna zgrada u ul. Omladinska br.1 Kraljevo	331.055	19.11.2014.
Zemljište u građevinskom području (tri njive), Inđija	13.578	19.11.2014.
Nepokretnost i zemljište, Osečina	99	19.11.2014.
Jednosoban stan, površine 31m2 u ul Karađorđeva. broj ulaza 15, broj zgrade 1, Kruševac	2.718	24.11.2014.
Stambeno poslovna zgrada u Uskočkoj ulici Šabac	5.381	01.12.2014.
Porodično stambena zgrada, ul Jordana Stajića Valjevo i zemljište pod zgradom i pašnjak 1. klase	854	01.12.2014.
Poslovno stambena zgrada - poslovni prostor, dvosoban stan, petosoban stan i dve parcele u Kostojevići, Bajina Bašta	7.136	04.12.2014.
Pokretne stvari - oprema za proizvodnju voćnih sokova i nektara, Stara Pazova	14.940	11.12.2014.
Ukupno	529.491	

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

23. Other assets (continued)

Overview of repossessed assets in the previous year

Opis imovine	Knjigovodstvena vrednost	Datum sticanja
Zemljište, zajedno sa izgrađenom vikendicom zasadam i bunarom, Knjaževac	187	08.02.2000.
Magacin Mionica	1.958	07.07.2011.
Porodično stambeni objekat Užice	2.530	01.11.2011.
Kuća u Grabovcu	1.556	07.05.2012
Poslovna zgrada i građevinsko zemljište, Vrbas	506	18.05.2012.
Hotel ART u izgradnji Aranđelovac	108.347	18.06.2012.
Zgrada sa dvorištem u Kuršumlji	1.560	08.08.2012.
Zgrada poslovnih usluga "Orahov hlad" Valjevo	6.099	28.09.2012.
Poslovni prostor u objektu u izgradnji u ul. Paje Jovanovića br. 6 Beograd	5.098	28.09.2012.
Zgrada poljoprivrede-hladnjače, površina od 12.86 ari, Arilje	21.935	16.10.2012
Porodična stambena zgrada zemljište pod zgradom i uz zgradu Hilendarska br.1 Majur, Šabac	2.773	07.11.2012.
Vikend kuća Vrbica, zemljište 0,0585 ha	2.397	27.12.2012.
Porodična stambena zgrada u Boru ul. Branislava Milenkovića 11	4.065	21.03.2013.
Dvosoban stan broj 10 na prvom spratu broj 1 ul. Kosovska br.4 ukupne površine 66m2, Vrnjačka Banja	3.814	01.04.2013.
Zemljište i nepokretnost, Ljig	725	30.04.2013.
Porodično stambena zgrada i zemljište pod zgradom-objektom, površine 214 m2 i 2 voćnjaka 3.klase 1713 m2 . Čačak	1.085	10.06.2013.
Porodično stambena zgrada, ul. Novosadska, zemljište pod zgradom-objektom 84m2 i zemljište uz zgradu-objekat površine 03 ara 60m2, Inđija	814	23.08.2013.
Poslovni prostor za koji nije utvrđena delatnost-dupleks (podrum i prizemlje), u ul.Ljiljane Krstić be.27f u Zemun Polju (Beograd),	36.941	26.12.2013.
Ukupno	202.390	

24. Deposits and other liabilities towards banks, other financial organisations and the Central Bank

	31/12/2014	31/12/2013
Transaction deposits	95,053	114,649
Other deposits	60,000	
Interest on loans, deposits and other financial liabilities	150	
Fee and commission on loans, deposits and other financial liabilities	814	915
Transaction deposits - FX	1,046	582
Loans deposits - FX	1,259,481	1,193,713
Other deposits - FX	880,912	252,577
Borrowings - FX	6,019,449	6,926,819
Deferred interest on loans, deposits and other financial liabilities	9,155	133,050
Total	8,326,060	8,622,305

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

24. Deposits and other liabilities towards banks, other financial organisations and the Central Bank (nastavak)

Loan deposits denominated in foreign currency amounting to RSD 1,259,481 thousand (31/12/2013: RSD 1,193,713 thousand; 01/01/2013: RSD 1,627,595 thousand) mainly relate to deposits of the Bank of Cyprus Public Co Ltd. of RSD 1,258,997 thousand (31/12/2013: RSD 1,193,713 thousand; 01/01/2013: RSD 1,621,141 thousand) or EUR 10,409 thousand (31/12/2013: EUR 10,409 thousand; 01.01.2013: 0 thousand) with the following structure:

Contract date	Currency	In F/X	In RSD	Maturity date	Interest rate %
26/10/2011	EUR	1,536,185.43	185,814	11/03/2023	2.0820
26/10/2011	EUR	1,707,659.03	206,556	11/04/2023	2.0820
29/12/2011	EUR	758,000.00	91,686	25/04/2016	2.0820
29/12/2011	EUR	550,000.00	66,527	25/05/2020	2.0850
29/12/2011	EUR	1,099,000.00	132,933	25/05/2020	2.0850
20/09/2012	EUR	1,583,561.00	191,545	21/05/2018	2.0240
20/09/2012	EUR	3,174,117.00	383,936	11/03/2023	2.0240
Total EUR	EUR	10,408,522.46			
Total RSD			1,258,997		

Within other deposits, RSD 880,912 thousand (31/12/2013: RSD 252,577 thousand; 01/01/2013: RSD 0 thousand) relates to deposits of the Cyprus Popular Bank Public Co Ltd. amounting to CHF 5,965 thousand (31/12/2013: CHF 2,700 thousand; 01/01/2013: CHF 0 thousand) and EUR 2,324 thousand (31/12/2013: EUR 0 thousand; 01/01/2013: 0 thousand) with the following structure:

Contract date	Currency	In F/X	In RSD	Maturity date	Interest rate %
24/01/2014	CHF	700,000.00	70,383	07/01/2015	1.9790
04/06/2013	CHF	500,000.00	50,274	07/01/2015	1.9790
15/10/2013	CHF	1,000,000.00	100,547	07/01/2015	1.9790
24/01/2014	CHF	500,000.00	50,274	07/01/2015	1.9790
13/01/2014	CHF	500,000.00	50,274	07/01/2015	1.9790
06/01/2014	CHF	700,000.00	70,383	07/01/2015	1.9790
06/01/2014	CHF	300,000.00	30,164	07/01/2015	1.9790
08/01/2014	CHF	500,000.00	50,274	07/01/2015	1.9790
21/01/2014	CHF	215,000.00	21,618	07/01/2015	1.9790
13/05/2014	CHF	300,000.00	30,164	08/01/2015	1.9920
13/05/2014	CHF	250,000.00	25,137	08/01/2015	1.9920
13/05/2014	CHF	500,000.00	50,274	08/01/2015	1.9920
27/08/2014	EUR	2,324,337.65	281,148	08/01/2015	2.0220
Total CHF	CHF	5,965,000.00			
Total EUR	EUR	2,324,337.65			
Total RSD			880,912		

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

24. Deposits and other liabilities towards banks, other financial organisations and the Central Bank (nastavak)

Foreign currency borrowings amounting to RSD 6,019,449 thousand (31/12/2013: RSD 6,926,819 thousand; 01/01/2013: RSD 7,293,960 thousand) relate to borrowings from the Cyprus Popular Bank Public Co Ltd. of EUR 49,349 thousand (31/12/2013: EUR 57,349 thousand; 01/01/2013: EUR 58,082 thousand) and CHF 500 thousand (31/12/2013: CHF 3,765 thousand; 01/01/2013: CHF 7,315 thousand). The terms and conditions of the borrowings are presented in the table below:

Contract date	Currency	In F/X	In RSD	Maturity date	Interest rate %
14.08.2009	EUR	39,081,632.60	4,727,248	22/01/2016	2.0250
28.12.2012	EUR	6,000,000.00	725,750	30/06/2015	2.0820
28.12.2012	EUR	4,267,401.00	516,178	30/09/2015	2.0820
07/12/2011	CHF	500,000.00	50,274	09/11/2015	2.0754
Total EUR	EUR	49,349,033.60			
Total CHF	CHF	500,000.00			
Total RSD			6,019,449		

25. Deposits and other liabilities towards customers

	31/12/2014	31/12/2013
Transaction deposits	1,693,636	885,944
Savings deposits	536,337	481,520
Loan deposits	37,718	30,136
Special purpose deposits	29,192	6,180
Other deposits	1,101,357	1,173,823
Other financial liabilities	2,916	3,099
Interest on loans, deposits and other financial liabilities	985	1,776
Fee and commission on loans, deposits and other financial liabilities	267	349
Deferred interest, deposits and other financial liabilities	11,654	12,679
Transaction deposits - FX	982,066	575,988
Savings deposits - FX	6,218,387	6,747,744
Foreign currency loans deposits	224,268	588,773
Special purpose deposits - FX	3,871	74,387
Other deposits - FX	166,935	179,418
Other financial liabilities in FX	7,291	6,990
Interest on loans, deposits and other financial liabilities in FX	16	
Deferred interest on FX loans, deposits and other financial liabilities	45,893	89,039
Total	11,062,789	10,857,845

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

25. Deposits and other liabilities towards customers (continued)

	Corporate	Entrepreneurs	Public sector	Retail	Foreign entities	Other clients	Total 2014	Total 2013
Transaction deposits								
- in RSD	1,406,354	92,059	1,664	131,588	6,846	55,125	1,693,636	885,944
- in foreign currency	231,572	9,621		457,565	283,149	159	982,066	575,988
Savings deposits								
Short term deposits:								
- in RSD				536,087			536,087	481,002
- in foreign currency				5,749,262	159,458		5,908,720	6,747,744
Long term deposits:								
- in RSD				250			250	517
- in foreign currency				309,667			309,667	
Loan deposits								
Short term deposits:								
- in RSD	136						136	136
- in foreign currency				17,152			17,152	413,769
Long term deposits:								
- in RSD	30,145			7,437			37,582	30,000
- in foreign currency	50,414			156,673	29		207,116	175,004
Special purpose deposits								
Short term deposits:								
- in RSD	1,158						1,158	5,068
- in foreign currency	1,346				209	653	2,208	73,011
Long term deposits:								
- in RSD	28,034						28,034	1,112
- in foreign currency	937	726					1,663	1,376
Other deposits								
Short term deposits:								
- in RSD	991,523	860	1			108,973	1,101,357	1,173,824
- in foreign currency	76,040					89,383	165,423	179,418
Long term deposits:								
- in foreign currency	1,512						1,512	
Total	2,819,171	103,266	1,665	7,365,681	449,691	254,293	10,993,767	10,743,913
Other financial liabilities								
- in RSD				2,916			2,916	3,099
- in foreign currency	7,291						7,291	6,990
Interests payable								
- in RSD	202					783	985	1,776
- in foreign currency	16						16	
Fees and commissions payable								
- in RSD						267	267	349
Deferred interest on loans, deposits and other financial liabilities								
- in RSD	7,087	9		4,346		212	11,654	12,679
- in foreign currency	733			44,835	245	80	45,893	89,039
Total	15,329	9		52,097	245	1,342	69,022	113,932
Total deposits and other liabilities	2,834,500	103,275	1,665	7,417,778	449,936	255,635	11,062,789	10,857,845

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

25. Deposits and other liabilities towards customers (continued)

FX saving deposits relate to the following short-term retail deposits in foreign currency: FX a vista savings deposits of natural persons amounting to RSD 158,749 thousand (31.12.2013: RSD 143,741 thousand; 01.01.2013: RSD 88,494 thousand), maturities of up to one month – RSD 8,927 thousand (31.12.2013: RSD 11,443 thousand; 01.01.2013: RSD 7,309 thousand), maturities of up to three months – RSD 74,647 thousand (31.12.2013: RSD 94,001 thousand; 01.01.2013: RSD 60,240 thousand), maturities of up to four months – RSD 12,789 thousand (31.12.2013: RSD 18,564 thousand; 01.01.2013: RSD 29,014 thousand), maturities of up to six months – RSD 332,174 thousand (31.12.2013: RSD 283,526 thousand; 01.01.2013: RSD 279,823 thousand), maturities of up to nine months – RSD 55,969 thousand (31.12.2013: RSD 16,852 thousand; 01.01.2013: RSD 15,750 thousand) and FX short-term deposits of natural persons with maturities of up to one year – RSD 5,106,006 thousand (31.12.2013: RSD 6,019,823 thousand; 01.01.2013: RSD 5,766,303 thousand).

Long term FX savings deposits with maturities of 13 months amount to RSD 847 thousand (31.12.2013: RSD 0 thousand; 01.01.2013: RSD 0 thousand) and of 15 months amount to RSD 308,821 thousand (31.12.2013: RSD 0 thousand; 01.01.2013: 0 thousand).

FX short-term deposits of foreign entities relate to a vista savings deposits amounting to RSD 14,425 thousand (31.12.2013: RSD 13,914 thousand; 01.01.2013: RSD 12,173 thousand), maturities of up to three months – RSD 2,601 thousand (31.12.2013: RSD 2,482 thousand; 01.01.2013: RSD 2,468 thousand), maturities of up to six months – RSD 302 thousand (31.12.2013: RSD 249 thousand; 01.01.2013: RSD 9,556 thousand), and maturities of up to one year – RSD 142,131 thousand (31.12.2013: RSD 143,151 thousand; 01.01.2013: RSD 245,239 thousand).

26. Issue of own securities and other borrowed funds

	<u>31/12/2014</u>	<u>31/12/2013</u>
Non-cumulative RSD preference shares	123,052	123,052
Total	<u>123,052</u>	<u>123,052</u>

In 2007, the Bank reclassified non-cumulative preference shares from equity to other liabilities whereas in 2014 it reclassified them from "Other Liabilities" to "Issue of own securities and other borrowed funds" due to their different legal and accounting treatment. As these shares have a fixed dividend, the auditors are of an opinion that they do not meet the equity recognition criteria prescribed by IAS 32, but meet the financial liability recognition criteria. In accordance with the above, the preference shares have been reclassified to the line item "Issue of own securities and other borrowed funds". However, from the legal aspect, these shares have elements of share capital therefore, in the capital adequacy assessment process they form part of Basic capital.

27. Subordinated debt

	<u>31/12/2014</u>	<u>31/12/2013</u>
Subordinated debt in FX	604,791	-
Accruals for interest and other expenses relating to FX subordinated debt	1,109	-
Total	<u>605,900</u>	<u>-</u>

FX subordinated debt amounting to RSD 604,791 thousand (31.12.2013: RSD 0 thousand; 01.01.2013: RSD 0 thousand) is relative to borrowings from the Bank of Cyprus Public Co Ltd. The terms and conditions of the borrowings are presented in the table below:

Contract date	Currency	In F/X	In RSD	Maturity date	Interest rate %
28/11/2014	EUR	5.000.00000	604,792	29/11/2021	2.0000
Total EUR	EUR	5,000,000.00			
Total RSD			604,792		

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

28. Provisions

	<u>31/12/2014</u>	<u>31/12/2013</u>
Provision for liabilities	10,919	10,919
Provision for other long-term employee benefits	67	67
Provision for pensions	4,804	8,323
Other provision	28,102	32,439
Total	<u>43,892</u>	<u>51,748</u>

Provision for liabilities of RSD 10,919 thousand (31.12.2013: RSD 10,919 thousand; 01.01.2013: RSD 14.122 thousand) is relative to provisions for contingent liabilities. As at 31. 12. 2013, movements within these provisions were relative to a reversal of a provision for litigations of RSD 3.203 thousand.

Provision for retirement benefits of RSD 4,804 thousand (31.12.2013: RSD 8.323 thousand; 01.01.2013: RSD 7,595 thousand) was made in accordance with IAS 19.

Other provisions of RSD 28,102 thousand (31.12.2013: RSD 32,439 thousand; 01.01.2013: RSD 29.024 thousand) are relative to a provision for annual holidays of RSD 13,103 thousand (31.12.2013: RSD 17,439 thousand; 01/01/2013: RSD 14,024 thousand) and to a provision for unidentified shareholders amounting to RSD 15,000 thousand (31.12.2013: RSD 15,000 thousand; 01/01/2013: RSD 15,000 thousand).

Movement table on provisions

	Pensions	other long-term employee benefits	Accrued expenses provision for annual vacations	For other liabilities	Accrued provisions for unidentified shareholders
As at 01.01.2014.	8.323	67	17.439	10.919	15.000
Additions	3.467	-	-	-	-
Utilized / reversal of provisions	(6.986)	-	(4.337)	-	-
As at 31.12.2014.	<u>4.804</u>	<u>67</u>	<u>13.102</u>	<u>10.919</u>	<u>15.000</u>

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

29. Deferred tax assets and liabilities

Deferred taxes are calculated on temporary differences under the liability method using the effective 15% tax rate (31.12.2013: 15%).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The Bank has implemented this method of presentation in the income statements and by doing this, it has presented net deferred tax liabilities for both years under review, i.e. for 31.12. 2014 and 31/12/2013 whereas as at 01/01/2013 it has presented deferred tax assets.

	<u>31/12/2014</u>	<u>31/12/2013</u>
Deferred tax assets	818	818
Deferred tax liabilities	<u>(20,362)</u>	<u>(16,078)</u>
Deferred tax assets - net effect	<u>(19,544)</u>	<u>(15,260)</u>

Movements in deferred tax assets and liabilities are presented in the table below:

	<u>Tax credit - PPE</u>	<u>Tax credit - losses</u>	<u>Tax credit - IAS 19</u>	<u>Tax depreciation</u>	<u>Total</u>
As at 31 December 2012	<u>59,208</u>	<u>127,614</u>	<u>818</u>	<u>(12,022)</u>	<u>175,618</u>
Charged (credited) to income statement	(59,208)	(127,614)	-	(4,056)	(190,878)
As at 31 December 2013	<u>0</u>	<u>0</u>	<u>818</u>	<u>(16,078)</u>	<u>15,260</u>
Charged (credited) to income statement				(4,284)	(4,284)
As at 31 December 2014	<u>0</u>	<u>0</u>	<u>818</u>	<u>(20,362)</u>	

30 Other liabilities

	<u>31/12/2014</u>	<u>31/12/2013</u>
Other liabilities in RSD		
Trade payables	16,896	25,065
Customer prepayments	342	188
Liabilities from profit	5,009	5,009
Other operating liabilities	30,804	28,215
Transactions in progress	24,805	27,304
Temporary accounts		5
Cost of temporary service agreements	1,817	1,860
Other liabilities toward employees	816	886
VAT	5,679	2,060
Liabilities for other taxes and contributions	17,781	3,825
Accrued expenses:	60,988	
Accrued interest income	3,609	3,584
Accrued other income	5,187	4,482
Other accruals	4,711	14,190
Trade payables - FX	1,380	1,099
Other operating liabilities - FX	17,890	16,864
Transactions in progress - FX	790	325
Interim FX accounts		32,742
Other accruals - FX	2,913	2,760
Total	<u>201,417</u>	<u>170,463</u>

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

31. Equity

The Bank presents within Equity its share capital, share premium, current year profit/loss, prior periods profit/loss, reserves created from profit, other reserves, revaluation reserves, and unrealised loss on available-for-sale securities.

As at 31 December 2014, the Bank's equity comprised:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Share capital – ordinary shares (Note 33a)	5,548,557	5,548,557
Share premium (Note 33a)	2,877,486	2,877,486
Profit for the year		
Loss for the year	(571.399)	(508.868)
Prior years loss	(4.480.410)	(3.971.544)
Reserves from profit (Note 33c)	103,228	103,228
Other reserves	48,445	48,445
Revaluation reserve arising from revaluation of intangible and fixed assets	272,478	272,478
Revaluation reserve based on revaluation of available-for-sale securities	551	551
Unrealised losses on available-for-sale securities	(229)	(229)
Total	<u>3,798,707</u>	<u>4,370,104</u>

Movements in equity are presented in the table below:

	Share capital	Share premium	Profit	Loss	Reserves created from profit	Rev. reserves for property	Rev. reserves for securities	Total
As at 01/01/2013	5,548,557	2,877,486	9,955	(3.794.670)	151,673	272,478	408	5,065,887
Rev. reserve due to change in the value of AFS securities							(60)	(60)
Unrealised losses on share in the equity of other financial institutions							(26)	(26)
Prior period profit transferred to accumulated loss			(9.955)	9,955				0
Loss for the year, net				(695.697)				(695.697)
As at 01/01/2014	5,548,557	2,877,486	0	(4.480.412)	151,673	272,478	322	4,370,104
Loss for the year, net				(571.397)				(571.397)
As at 31/12/2014	5,548,557	2,877,486	0	(5.051.809)	151,673	272,478	322	3,798,707

	31/12/2014		31/12/2013	
	Share capital	% of equity	Share capital	% of equity
Laiki Bank	5,492,833	99.00	5,492,707	98.99
Total	5,492,833	99.00	5,492,707	98.99
Other	55,724	1.00	55,850	1.01
Total share capital	5,548,557	100.00	5,548,557	100.00

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

31 Equity (continued)

a) Share capital and share premium

Laiki Bank is the owner of 99.00% of the Bank's share capital. The total value of share capital and share premium as at 31/12/2014 amounted to RSD 8.426.043 thousand (31.12.2013: RSD 8.426.043 thousand; 01.01.2013: RSD 8.426.043).

b) Revaluation reserves

Revaluation reserves disclose the impacts of the changes in the fair values of PPE, intangible assets, equity investments and other financial instruments carried at fair value through profit or loss within revaluation reserves.

c) Reserves from profit

Reserves from profit were created for estimated losses, general banking risks and other reserves from profit in accordance with legal regulations, the Bank's Statute and other internal rules and regulations.

The difference between provisions calculated under NBS regulations and those calculated in accordance with the Bank's internal calculation methodology are stated as the missing reserve in accordance with item 3, paragraph 2, provision 4 of the Decision on the Capital Adequacy of Banks.

Total special reserves for estimated losses on balance sheet assets and off-balance sheet items amount to RSD 6,701,859 thousand (31.12.2013: RSD 6.456.503 thousand; 01.01.2013: RSD 5,964,576 thousand). Provision for balance sheet assets and off-balance sheet items classified under the Bank's internal rules and regulations amounts to RSD 4,400,818 thousand (31.12.2013: 4.036.386 thousand; 01.01.2013: RSD 3,545,507 thousand). Total special reserves from profit for estimated losses on balance sheet assets and off-balance sheet items amount to RSD 2,300,894 thousand (31.12.2013: 2.420.117 thousand; 01.01.2013: RSD 2,419,069 thousand), where balance sheet assets amount to RSD 2,269,074 thousand (31.12.2013: RSD 2,379,153 thousand; 01.01.2013: RSD 2,240,907 thousand) and off-balance sheet items amount to RSD 31,820 thousand (31.12.2013: RSD 40,964 thousand; 01.01.2013: RSD 178,161 thousand).

d) Current year's loss

The current year's loss of RSD 571,401 thousand (31.12.2013: 695.692 thousand; 01.01.2013: profit of RSD 9,955 thousand) represents the negative difference between income and expenses of the accounting period, plus the loss on the increase of deferred tax liabilities of RSD 4,284. Prior years' loss is covered in accordance with the Law, the Statute and the Founding Agreement of the Bank stipulating that the loss in the Bank's operations shall be covered in the following order:

1. From current operations income;
2. From the Bank's reserves; and
3. From the Bank's share capital (shareholders' stakes) where funds as per items 1 and 2), are insufficient.

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

32. Compliance with the indicators prescribed by the National Bank of Serbia

The Bank is obliged to operate in accordance with the provisions of the Law on Banks and other NBS regulations. As per 2014 Financial Statements, the Bank's performance indicators were as follows:

Performance indicators	Prescribed value	Achieved value 2014	Achieved value 2013
Capital adequacy	Min. 12%	14.86%	14.97%
Bank's investment	Max. 60%	24.90%	21.78%
Sum of large exposures:	Max. 400%	67.41%	35.04%
- Large exposure to a single party or a group of related parties		66.15%	31.41%
- Exposure to related parties	Max. 20%	1.26%	3.63%
Average monthly liquidity ratio:			
- in the first month of the reporting period	Min. 1.00	2.52	3.02
- in the second month of the reporting period	Min. 1.00	2.42	3.86
- in the third month of the reporting period	Min. 1.00	2.22	3.47
F/X risk indicator	Max. 20%	5.30	14.20

As shown in the above review, as at 31 December 2014, the Bank had reconciled the mentioned indicators with the requirements of the National Bank of Serbia.

33 Related party transactions

	31/12/2014		31/12/2013	
	Parent bank - Laiki	Other related parties	Parent bank - Laiki	Other related parties
Assets				
Foreign currency accounts	1,523		33,451	
Interest receivables	2,282			4,683
Interests receivable in FX	104		789	23
Fee and commission receivables				
Other operating receivables - FX	204		2,185	
Loans – transaction accounts	5,372			
Consumer loans	340			
Loans – liquidity and fixed assets				276,417
Investment loans	6,577			6,255
Housing loans	39,842			20,998
Cash loans	1,120			
Other loans	605			2,115
Other loans - FX			41,880	31,753
Accrued interest receivable calculated on loans, deposits and other investments		86		
Accrued receivables for other FX revenue				
Other accruals - FX			2,720	
Total assets	58,055		81,025	342,244

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

33 Related party transactions (continued)

	31/12/2014		31/12/2013	
	Parent bank - Laiki	Other related parties	Parent bank - Laiki	Other related parties
Liabilities				
Transaction deposits - RSD		4,653	3,382	4,001
Transaction deposits - FX		221,098	582	12,424
Savings deposits - RSD		2,272		4,462
Other deposits - RSD		2		2
Savings deposits - FX		21,529		22,176
Loan deposits - FX	1,259,480		1,193,255	391,618
Other deposits - FX		880,912	252,577	
Borrowings in FX	6,019,448			
Interim FX accounts			33,006	
Subordinated debt in FX		604,792		
Interests payable - FX		16		
Accruals for interest and other expenses relating to FX subordinated debt		1,109		
Accruals according to IRS - FX	2,913		2,760	
Total liabilities	2,913	9,015,311	1,485,562	434,683

Income and expenses from related party transactions were as follows:

	31/12/2014		31/12/2013	
	Parent bank - Laiki	Other related parties	Parent bank - Laiki	Other related parties
Expenses				
Interest expense on foreign bank borrowings in FX		144,009		
Interest expense on deposits in RSD				
Interest expense on deposits in FX		27,607		
Interest expense on deposits - natural persons				1,286
Interest expense on FX subordinated debt		1,117		
Salaries, fringe benefits and other personal expenses		58,851		46,856
Total liabilities		172,733		1,286

MARFIN BANK A.D. BEOGRAD
Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

33 Related party transactions (continued)

Foreign exchange losses	31/12/2014		31/12/2013	
	Parent bank - Laiki	Other related parties	Parent bank - Laiki	Other related parties
Foreign exchange losses on IRS		180		
Foreign exchange losses on FX Spot		64		
Foreign exchange losses on foreign bank deposits in FX		1,968		
Foreign exchange losses on foreign bank borrowings in FX		386,287		
Foreign exchange losses on loans to the parent bank in FX		74,003		
Total liabilities		462,502		

Income	31/12/2014		31/12/2013	
	Parent bank - Laiki	Other related parties	Parent bank - Laiki	Other related parties
Interest income from foreign bank deposits in FX		48		
Interest income from loans with currency clause				37
Interest income from loans in RSD				43,282
Interest income from loans - natural persons				1,401
Gains from sale of investments		48,640		
Total liabilities		48,688		44,720

Foreign exchange gains	31/12/2014		31/12/2013	
	Parent bank - Laiki	Other related parties	Parent bank - Laiki	Other related parties
Foreign exchange gains from IRS		177		
Foreign exchange gains from FX Spot		3		
Foreign exchange gains from foreign bank deposits in FX		39,918		
Foreign exchange gains from foreign bank borrowings in FX				
Foreign exchange gains from loans to the foreign banks in FX		2,400		
Total liabilities		42,498		

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

33 Related party transactions (continued)

The tables above present balance sheet assets and liabilities and income and expenses arising from other related party transactions with: Laiki Factors & Forfaiters branch office, Laiki Factors & Forfaiters SA. Greece, Bank of Cyprus LTD, Tessar inclusive of natural persons.

As at 31 December 2014 the Bank granted loans to its directors and members of the Managing board and the Executive Board:

	<u>31/12/2014</u>	<u>31/12/2013</u>
<i>Loans to directors and management</i>		
<i>At 1 January</i>	56.307	39.331
<i>Loans granted during the year</i>	20.874	26.571
<i>Repayments during the year and revaluation of loans and advances</i>	(6.538)	(3.124)
<i>Interest income</i>	2.126	1.691
<i>Collected interest</i>	(2.126)	(1.691)
Closing balance	<u>70.643</u>	<u>62.778</u>

In 2014 and 2013, no provision was required for loans granted to Bank directors.

Management fees

In 2014, gross salaries pertaining to Executive Board Members amounted to RSD 23,332 thousand (31.12.2013: RSD 22.183 thousand).

34. Reconciliation of receivables and payables

The Bank reconciled its financial investments, receivables and payables with its debtors and borrowers as required by Article 18, paragraph 1 of the Law on Accounting.

In 2014, the Bank had unreconciled receivables and payables, under Article 18, paragraph 4 of the Law on Accounting, relating to its client, Robne kuće Beograd d.o.o, namely, payables to the Bank amounting to EUR 5.000, and receivables from the Bank amounting to EUR 7.069,95.

Other unreconciled receivables and payables are immaterial.

35. Operating analysis by segments

The Bank monitors the movements of its assets and liabilities and generates income and expenses from activities in the following operating segments:

- Corporate Banking – operations with government agencies and companies
- Retail Banking - operations with natural persons and entrepreneurs, and
- Financial market – investment banking, interbanking operations, operations with international financial institutions.

Other activities of the Bank relate to activities and services that do not qualify for segment reporting.

The basis for segmentation was the Bank's internal organisational structure by cash generating units presented above.

The Bank had no overflow of income and expenses between segments.

MARFIN BANK A.D. BEOGRAD**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in RSD thousand, unless otherwise stated)

35 Operating analysis by segments (continued)

Segment performance for the year ended 31 December 2014, was as follows:

	Corporate banking	Retail banking	Investment banking	Other activities	Total
Total segment revenue	876,352	369,454	-	(195,198)	1,050,608
Revenue from external clients	644,332	298,694	-	(221,796)	721,231
Revenue from other segments	232,020	70,760	-	26,598	329,377
Allowance for impairment	(347,817)	(72,634)	-	(4,902)	(425,353)
Administrative expenses	(81,053)	(293,373)	-	(733,535)	(1,107,961)
Depreciation	(3,825)	(19,563)	-	(61,024)	(84,412)
Income before tax	443,657	(16,115)	-	(994,659)	(567,117)
Income Taxes	-	-	-	-	-
Gain from deferred tax assets	-	-	-	(4,284)	(4,284)
Net income/loss for the year	443,657	(16,115)	-	(998,942)	(571,401)
Assets	9,520,164	5,082,167	-	9,579,030	24,181,361
Liabilities	3,491,740	7,604,656	-	9,286,258	20,382,654

Segment performance for the year ended 31 December 2013:

	Corporate banking	Retail banking	Investment banking	Other activities	Total
Total revenue / expense	782,093	407,896	-	(279,695)	910,294
Revenue/expense from external clients	564,752	302,925	-	(185,726)	681,951
Revenue/expense from other segments	217,341	104,971	-	(93,969)	228,343
Allowance for impairment	(12,174)	(42,189)	-	(9,211)	(63,575)
Administrative expenses	(23,489)	(427,878)	-	(802,948)	(1,254,315)
Depreciation	(84)	(35,375)	-	(61,724)	(97,183)
Profit/loss before tax	746,346	(97,546)	-	(1,153,578)	(504,779)
Income Taxes	-	-	-	(34)	(34)
Gain from deferred tax assets	-	-	-	(190,879)	(190,879)
Net income/loss for the year	746,346	(97,546)	-	(1,344,491)	(695,692)
Assets	7,959,974	7,038,140	-	9,212,777	24,210,891
Liabilities	968,570	9,895,819	-	8,976,398	19,840,787

MARFIN BANK A.D. BEOGRAD

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in RSD thousand, unless otherwise stated)

36 Foreign exchange rates

The official exchange rates for key currencies used in the translation of balance sheet items are presented in the table below:

	<u>31/12/2014</u>	<u>31/12/2013</u>	<u>01/01/2013</u>
EUR	120.9583	114.6421	113.7183
USD	99.4641	83.1282	86.1763
CHF	100.5472	93.5472	94.1922

37 Events after the balance sheet date

As of the balance sheet date through to and by the date of these financial statements, no events have occurred which could have any significant impact on the 2014 financial statements.

Person responsible for the preparation of the financial statements

Jelly



Legal Representative of the Bank