

OUR COMMITMENT



Our Commitment is Our Strength

2008 was a year that posed significant challenges to the global economy, to the financial services industry and to our business.

To date, our business model remains sound, and our outlook is positive for our future operations.

We remain positive because we know that we can count on our greatest strength. It is our solid and rigorous commitment - to our customers, to our people, to our investors, to the communities we serve, to our core values, to culture, to quality in everything we do, and to the sustainable success of our enterprise.

Every day we renew that commitment through the efforts and expertise of more than 174,000 people in 22 countries.

That is why this year's Annual Report features the photographs and words of UniCredit Group employees. No one could express our commitment more eloquently than the men and women who live it every day.

They speak to you from our branches and offices across Europe. Each message is different. Each expresses what commitment means to them, to their customers, and to their colleagues every single working day.

We feel that their words, their ideas truly capture the spirit of UniCredit Group - the spirit of commitment, our greatest strength.

«A client started up an international business venture, but he was worried about how to manage all his banking activities from Italy. In just a couple of days, we had gotten in touch with our colleagues in Germany and Austria and we had set up what was needed. Professionalism and an international network are our values for business sustainability.»

Marco Scarrico
Italy



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Bank Director's report

Dear clients, shareholders and business partners,

I take unhidden pleasure and satisfaction in presenting to you this Report of UniCredit Bank d.d. Mostar for 2008. In the following pages you will find a confirmation of the leading position of the first true BiH bank which, this year again, with its impressive business result and power of over 800.000 clients strengthened its leading position in the banking market of Bosnia and Herzegovina (BiH). The role of our clients is even more important as we achieved such enviable business results owing to our partnership with them.

There is yet another successful, but demanding year behind us. The integration of two banks, both UniCredit Group members, which started in 2006, was finalized in early March 2008 upon the merger of HVB Central Profit Bank and UniCredit Zagrebačka banka. The goal was to create a new bank that would offer ever better quality business conditions to its clients. Thereupon, the Bank was created able to offer to its clients in the BiH market more than ever, the bank which, despite big challenges, achieved excellent results; this only provides us with an incentive to start this new year – 2009 being even stronger and more powerful. The integration also allowed for continuity of quality business operations with all segments of clients at which our employees retained their right to work with equal opportunities for development and progress. Modernization of the existing information system was carried out with a view of further implementation of a unique business philosophy and developing values that will be recognised by our clients, shareholders and business partners in this unique group. By investing into this new system we can offer the same type of services to the clients operating in various

countries and to unify business processes. The BiH clients now have an opportunity to use the facilities offered by UniCredit Bank beyond the borders of our country in more than 20 countries in which our Group operates.

Our dedicated work over the past year did not remain unnoticed. Many rewards testify to that:

- Award of Consultancy House Revicon and the regional magazine Prizma for the Best Manager,
- Award by the Independent Agency for selection and promotion of the managers of BiH, South-eastern and Central Europe for the Best Manager and Most Successful Bank in the region,
- Golden BAM for the highest rate of return on equity (ROE) and
- The title of the most optimal employer in BiH.

As to international awards, one of the leading financial –business magazines for the region of Central and South-eastern Europe, Finance Central Europe, bestowed three awards on us:

- For the banker of the year in BiH,
- For the best bank in BiH, and
- For the best bank in BiH by gross profit.

In addition, for the second year in a row, the reputable international magazine for custody services "Global Custodian" ranked us as the best bank for custody services in the capital market of BiH in 2008. However, the award I would especially emphasize is the award for the Bank of the Year by the respectable financial magazine The Banker published by Financial Times. All of this is just a recognition of our endeavours in offering supreme services to our clients which is confirmed

by the opinion of both domestic and foreign clients. All these awards are at the same time awards to our clients for our joint success as without the best clients there would be no best bank. At the same time this is also an incentive and motivation for our future dedicated work and maintaining the values and quality created for our clients.

As for the financial result, over the past year the profit before taxation amounted to 40.5 million BAM and total revenues in the amount of 190.6 million BAM. Assets reached the amount in excess of 3.3 billion BAM. We also saw the growth of gross loans in the amount of 246,149 million BAM which is the growth by 11.69%. Of this amount, physical persons were extended facilities in the amount of 1,263,847 million BAM and legal entities 1,087,356 million BAM. Total deposits amounted to 2.4 billion BAM.

In 2008 we also demonstrated we are the leading bank in retail business as only the best is good enough for over 800,000 of our clients. The leading position was, among other things, enhanced by the service model of work which has been in application for five years already securing a segment approach to each client according to the client's requirements and possibilities and with directly assigned bank advisers and personal bankers as focal points for the business relationship. The Bank's eminent reputation also takes credit for this as this reputation is constantly upgraded and improved based on trust, quality of business operations and responsibility to our clients.

The past year was successful for our Corporate Division as well. It was marked by additional improvements to lending activity and a continuation of the growth of the number of users of our products and services. Our network of 10 organized business



centres is one of the major driving forces in effective servicing of our clients who were extended loans in excess of 600 million BAM and issued approximately 140 million BAM in guarantees last year.

We are also proud of our Financial Market Division, our "market maker" that last year supported the first issue of bonds of UniCredit Bank d.d. carried out in a public quotation via Sarajevo Stock Exchange when we collected 100 million BAM.

In the area of risk management, our activities in the past year were oriented towards quality identification, prevention and optimization of the Bank's exposure to credit risk and the market risk management, in particular that of interest rate risk due to significant fluctuations of international referent interest rates and commercial business conditions in the local market. When it comes to operational risk management, the compliance with the applicable local regulations was executed and development of the system of

Bank Director's report (continued)

indicators of operating risk. The Bank is fast approaching the accomplishment of Basel II principles through the UniCredit Group standards.

The largest banking group in CEE supports UniCredit Bank. With over 30 years of experience in the region of CEE, UniCredit Group is capable of providing solutions "tailored" according to the client's requirements and through UniCredit Bank it offers the easiest way to international capital markets. Our affiliation with this unique network gives us right to consider UniCredit Bank as a bank that may bring about high quality solutions for our clients and partners and the top notch products and services to the local market along with the best opportunities for providing incentive to the development of the community in which we operate. Our most relevant values are presented in the endeavours of our professional and dedicated staff in the entire group and country, towards creating today a better future by activating a strong human and social potential of our local community and strengthening optimism of our clients and partners. By living the values contained in our Integrity Charter: Fairness, Transparency, Respect, Reciprocity, Freedom to Act and Trust, our employees participate in the creation of a better future for every client of ours. To our clients, we truly want to be the Bank that will, with its success and quality, transform uncertainty into security and to remain the leading bank in this market in the ear of sustainable creation of new values for all stakeholders in this society.

UniCredit Bank is also member of two card networks (Visa and MasterCard) and as such it was confirmed as the best player in card operations in BiH with more than 480.000 issued cards. In comparison to 2007, the network of ATMs and number of POS devices

were increased based on which this Bank has assumed yet another leading position in Bosnia and Herzegovina.

At the end of the last year, the Bank had 95 branches in the territory of BiH and apart from lending, guarantee, letter of credit and deposit products intended for corporate clients and savings and lending products for retail clients, it offered the use of SMS services, standing order, Western Union and MoneyGram services as well as the money market and internet banking services.

The Bank continued its good co-operation with international financial institutions such as USAID¹, KfW², EFSE³, EBRD⁴, DEG⁵, Bank Pekao, World Bank, USAID Guarantee Fund, EIB⁶ and many others. We have been also using the funds from a credit line of International Financial Cooperation (IFC).

Keeping in line with global processes of development and liberalization of national markets, UniCredit Group continues with the improving of its operations in all the countries where present through its member banks. The Group operates in 22 countries with the strongest presence in Italy, Austria and Germany where more than 180,000 employees provide services to more than 40 million clients in 10,000 branches. In Bosnia and Herzegovina, two member banks of UniCredit Group operated - UniCredit Bank d.d. Mostar and UniCredit Bank Banja Luka a.d.

In the course of 2009, UniCredit Bank is going to remain an essential driving force of growth and economic development of Bosnia and Herzegovina as a developing country. By developing the economy of this country it is our objective to secure a better life for each citizen. There are many challenges awaiting us and there are many tasks set before us. However, we do believe in a long-

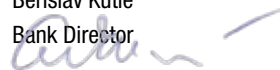
term and consistent work, knowledge, skill and commitment of all the employees of this institution and the position of our Bank which is completely oriented toward our clients whom I express the most sincere gratitude along with all our shareholders and business partners for their trust shown to us daily. My special thanks go to all the employees of UniCredit Bank for their conscientious and professional approach to work and wholehearted contribution to the overall success of the Bank.

In accordance with this Bank's business tradition we shall continue working on the implementation of our unique business philosophy, developing values. recognised by our clients, shareholders and business partners, as we believe that only by doing so we will be able to upgrade the brand of UniCredit Group which daily strengthens optimism and creates a better future for its clients even today.

We are going to achieve our visions; we are going to implement new ideas and to take even a more productive approach to our business. !

I am certain you are going with us!

Berislav Kutle
Bank Director



1. US Agency for International Development
2. Kreditanstalt für Wiederaufbau
3. European Fund for Southeast Europe
4. European Bank for Reconstruction and Development
5. Deutsche Investitions- und Entwicklungsgesellschaft mbH
6. European Investment Bank

«We are the people who determine our future. There is no doubt that the atmosphere of our Group and beneficial relationships with our clients depend on us. To achieve this, we should stand by our moral and professional convictions and also consider our people's opinions. When we commit ourselves to that principle, then we will succeed at everything we do.»

Julia Shagova
Russian Federation



Economic environment in BiH

In business sense, 2008 shall not be remembered as good year. In that context, we specifically need to emphasize the first significant temptation which occurred for BiH banking sector. At the beginning of October, when global financial crisis first arrived, citizens as well as companies, motivated by previous negative experiences related to failure of banks and saving deposits, began withdrawal of their saving deposits from local commercial banks. For only one month 800 million BAM of deposits was withdrawn, bringing commercial banks into bad position. Thanks to the fact that the local banks were isolated from world banking markets, and oriented towards the local market, the banking sector managed to escape direct consequences of global financial crisis which spread over the Western world. However, the crisis did come to the real sector of BiH economy, negatively affecting all economic indicators. Additional circumstances which contributed to avoiding the financial crisis were conservative business policies of BiH banks, as well as measures brought by the Central Bank of BiH. Intervention of Central Bank, which brought decision to decrease obligatory reserve from 18% to 14% (from 1. January 2009 and differentiating rate; rate of 10% shall be applied for deposits with maturity longer than one year) and decision according to which all new credit lines for commercial banks coming from abroad shall not be included into basis for calculation of obligatory reserves, helped banks regarding the additional liquidity. Significant and unnecessary reforms of public sector were performed during the last few years, and chances for fiscal sustainability were improved after both entities made important steps towards balancing of budget, even though the process of institution development on the state level carries new fiscal challenges.

Successful collecting of revenues from Value Added Tax (VAT) during the last three years enables the BiH state to consider decreasing of other taxes which are burdening the companies. From 1 January 2008, the new Corporate Income Tax Law came into force in FBiH, which decreased the tax rate from 30% to 10%, and which was supposed to create approximately the same conditions for all legal entities, no matter in which BiH entity the companies are performing their business activities. The application of new Personal Income Tax Law shall come into force with 1 January 2009.

According to the information from Labour and Employment Agency of BiH, as at 31. December 2008, 483,121 person were recorded as unemployed, which, comparing to the data from 30. November 2008, represents a decrease of 3,461 person, or 0.72%, comparing to the data as at 30. November 2008. According to these data, the unemployment rate is 40.4%. According to the survey on labour force in BiH for 2008, which was conducted in accordance with the methodological rules and principles of International Labour Organisation and requirements of Eurostat, actual number of employed persons was 890 thousand, while in 2007 we had 849 thousand of employed persons. Number of unemployed persons in 2008 was 272 thousand, and 347 thousand in the previous year.

According to these data, which are also including grey economy, unemployment rate for 2008 was 23.4%.

Annual increase of average salaries in the third quarter of 2008 is extremely high (more than 18%) and uneven, because in RS it is 30.9%, 16.1% in FBiH, and 6.7% in District Brcko. Average monthly net salary per employed person for November 2008 in BiH was 776 BAM.

During the first nine months of 2008, the growth of industrial production in Federation of BiH was continued, and it recorded an increase of 6.5%, when compared to the same period in 2007.

During the first nine months of 2008, the growth of industrial production in Republika Srpska recorded increase of 8%, when compared to the same period in 2007.

When it comes to index of growth of industrial production in first nine months of 2008, Republika Srpska recorded continuous growth when compared to the same period of 2007, and Federation of BiH recorded a slight decrease only in March 2008⁷.

During 2008, BiH recorded total export in the amount of 6.7 billion BAM, and import in the total amount of 16.3 billion BAM.

Major contribution to the increase of export in the second quarter of 2008, has been realised through the trade with: Switzerland, Serbia, Montenegro and Germany. Countries which contributed to the increase of import were: Croatia, Serbia, Montenegro, Germany and Hungary.

7. Biten 3,CBBIH , september 2008.

Economic environment in BiH (continued)

Macroeconomic indicators				
	2005	2006	2007	2008
Real GDP (%)	3.9	6.7	6.8	5.8*
Index of industrial production – FBiH	6.1	7.5	8.6	6.5**
Index of industrial production – RS	19.8	19.1	1.4	8.0**
Inflation (%)	4.3	6.0	4.9	3.8
Export (mil BAM)	3,783	5,164	5,936	6,712
Import (mil BAM)	11,178	11,389	13,898	16,286
Currency BAM / EUR	1.96	1.96	1.96	1.96
Registered unemployment (%)***	44.1	44.5	44.0	40.4%***

Source: Central Bank of BiH, Agency for statistics of BiH, Federal institute for statistics, Republic institute for statistics of RS, Labour and employment agency of BiH

* Real GDP for 2008 according to the macroeconomic projections of UniCredit Group

** Index of industrial productions in 2008 relates to the period from January-September 2008.

*** Rate of unemployment in 2008 relates to November 2008.

Gospodarsko okru`enje u BiH (nastavak)

Financial system and monetary regulations

Financial system of Bosnia and Herzegovina has a relatively complicated structure because of complicated structure of the state, where some institutions are under jurisdiction of both entities and one District, and other institutions are under jurisdiction of the state, whose budget is loaded partially directly and partially indirectly from the above mentioned institutions.

Monetary policy of Bosnia and Herzegovina is strictly under responsibility of the Central Bank of BiH, and its independency and restrictions on financing real sector are defined by the law. Bosnia and Herzegovina is in the currency board regime, with fixed exchange rate to EURO.

For ten years of operating in BiH, the Central Bank managed to accomplish its main goal, which is maintenance of monetary and fiscal stability in the country, including stability of prices. This was achieved by consistent implementation of monetary policy through the currency board arrangement.

Convertible mark is a stable currency in relation to EURO and it has full confidence of citizens, with full convertibility of the currency in BiH and broader, and every BAM in circulation has fully coverage in convertible foreign currency.

Last year was characterized by the slow trends on both domestic stock exchanges. Number of transactions and total value of turnover were decreased for 2/3 in respect to the previous year, while market capitalisation was decreased at half in respect to 2007. Last year, the UniCredit Bank successfully performed its first emission of bonds (100,000 bonds at the price of 1,000 BAM per one

bond) via public offer of Sarajevo Stock Exchange.

Banking sector

Commercial banks in Bosnia and Herzegovina are regulated by entity's laws on banks, and their work is supervised by entity's banking agencies. According to the data received from entity's banking agencies as at 30 September 2008, in Federation of BiH 20 banks had the banking licence, two banks less than at the end of 2007: HVB Central Profit Banka d.d. Sarajevo was merged to UniCredit Zagrebačka banka d.d. Mostar on 29. February 2008 (the new name of the bank is UniCredit Bank d.d. Mostar), and special law was used to regulate the establishment and work of Razvojna banka FBiH, Sarajevo, the legal successor of Investicijska banka FBiH d.d, Sarajevo from 1 July 2008.

In this period (12. September 2008) the Banking Agency of FBiH issued a resolution which ended the process of temporary Management in Privredna banka d.d. Sarajevo, while UNA banka d.d. Bihać and Hercegovačka banka d.d. Mostar were under temporary Management.

As at 30 September 2008, 10 banks in Republika Srpska had the banking licence.

In 2008, the banks continued expanding the network of their organisational parts. Banks from Federation BiH opened 68 new organisational parts, which, when compared to 31. December 2007 when banks had 569 organisational parts, represents an increase of 11.95%

In 2008, the banking sector continued with positive changes, further stabilisation, strengthening, growth and development.

The main features of banks' business activities were: mild growth and development financed mostly from deposits and loan assets, increase of foreign banks share and concentration of the most important balance categories (market share, loans, deposits and savings, capital and profit) in four major banking groups, satisfactory liquidity measured by basic indicators of bank's exposure to this risk, further growth of profits, mild growth of loans and relatively good indicators of quality of assets on the system level, but with the trend of mild downfall. By joining the international financial business activities and markets, the banks shall, in the future, be more exposed to the market risks: interest risk, currency risk, price risk, as well as risk of indebtedness, which will require further strengthening of the capital base of banks.

Andre Nolting
Germany

«I think that we are always close to our customers. Even more so if the markets are difficult, as last year. We organized events for our customers to discuss the situation in the financial markets. We keep our promise always to be there - especially in times of need.»

Business Description

The bank operates as an authorised business bank in Bosnia and Herzegovina.

Through business network of 95 branches in almost all major cities and places in Bosnia and Herzegovina, the bank daily services over 800 thousand clients. Through direct distribution channels, internet banking, ATM machines in country (169), over 5,110 POS installations and 480,000 issued debit and credit cards we are the best seller of credit business services in Bosnia and Herzegovina and SMS service. With high level of service quality and work based on most contemporary

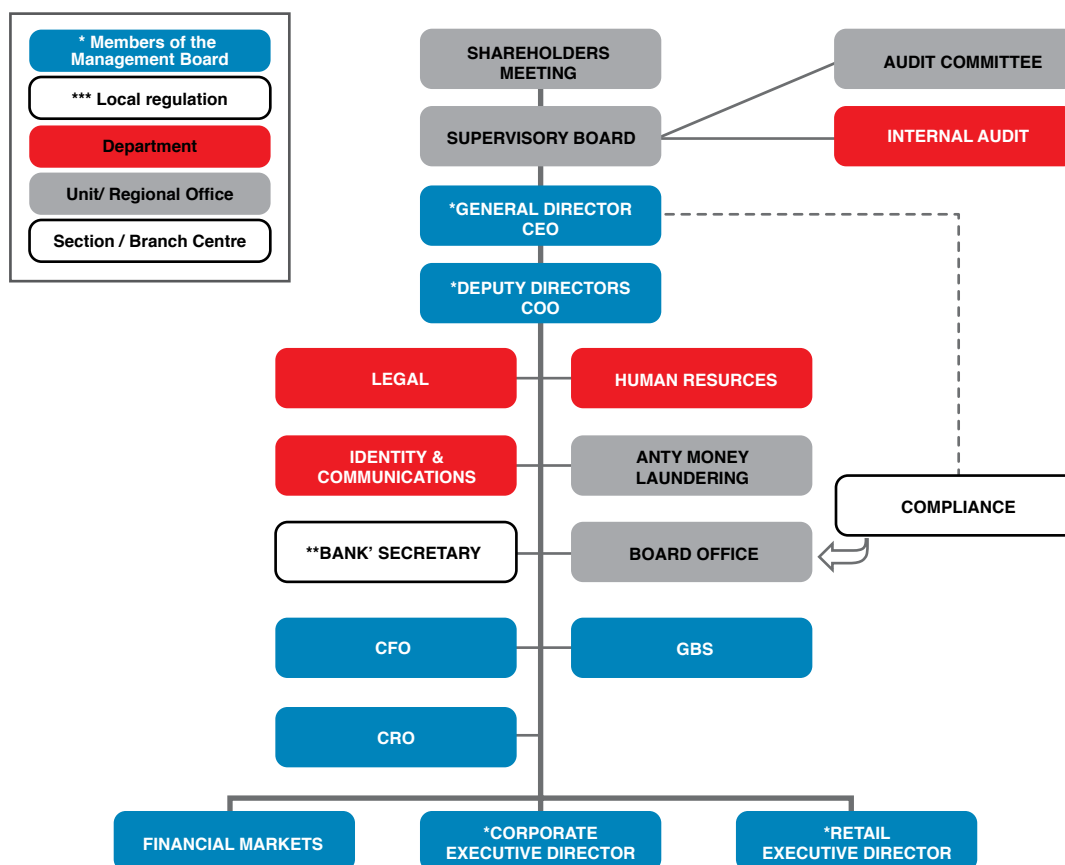
banking standards, wide offer of products and services is at disposal to citizens, companies, banks and other financial institutions, foreign legal entities, state and public institutions. The Bank is a member of two credit card networks VISA and MasterCard, and has corresponding relations with most respected world banks as well as developed cooperation with foreign financial institutions such as: EBRD, KfW, USAID, EFSE, DEG, World Bank, USAID Guarantee Fund, EIB (European Investment Bank) and others. Also, the Bank uses assets from the credit line with International Financial Cooperation (IFC).

Bank can proudly emphasize correct and partner relationship with regulatory bodies, such as: the CBBiH, Federal Banking Agency, RS Banking Agency and other active participants of financial market in Bosnia and Herzegovina.

For a long range of years Bank has insured deposits with Deposit insurance agency of Bosnia and Herzegovina.

At the end of 2008, the Bank had 1, 418 employees, and as guarantor for high service quality toward clients, stands the fact that over 63% of employees work directly with clients, while remaining part are employees

The organizational structure of UniCredit bank as at 31. December 2008 – Key organizational units of the Bank.



Business Description (continued)

that do not have direct contact with client, but are also oriented to the Bank service improvement.

Corporate Division

The main feature of business model Sector of corporate banking UniCredit Bank is a segmental approach to a client, in a way that different clusters of clients are established, consisting of clients with similar characteristics, preferences, and market position. With implementation of this unique service model, relationship manager is available for each client, with whom client is serviced through whole course with Bank.

Corporate Division is organised through: large system segment and medium enterprise segment that service clients through ten business centres.

These segments are defined by the amount of total profit realized by the client in the previous financial year.

Other criteria which are used to determine segmentation of business entities are: ownership of a company (state ownership or private ownership) and the fact that a company belongs to a group of companies organised as related parties, which are forming the total income of the Group.

Large system segment includes:

- Clients, who according to enclosed financial reports in last year had total income of ≥ 30 million BAM (for Groups, the total income of ≥ 40 million BAM);
- Government institutions, country and state administrative bodies, institutions financed by the state/canton, banks, insurance companies, non-banking financial institutions,

municipalities of canton Sarajevo, cross border clients (who are categorised in Large system segment on the basis of the amount of total income), multinational companies, embassies, consulates and non-residents.

Large system segment is organised through three business centres (BC):

- BC for large companies Mostar,
- BC for large companies Sarajevo and
- BC for authorities and public institutions.

Through these business centres Bank territorially covers whole BiH and daily services over 1,000 clients, large enterprises.

Medium enterprises segment includes:

- corporate clients, which according to enclosed financial reports in last year had total income between 3 to 30 million BAM;
- Municipalities (except for municipalities of Canton Sarajevo) and all institutions that are established by the municipality, or that are under its jurisdiction (local Communities, centres for social work, Red Cross etc.), educational institutions (schools, universities etc.), cross border clients (who are categorised in Medium system segment on the basis of the amount of total income) and non-residents.

Within the Medium enterprises segment there are:

Lower Mid enterprises: Total income from 3 to 10 million BAM

Upper Mid enterprises: Total income from 10 to 30 million BAM

Medium enterprises segment is organised through seven offices (BC):

- BC Mostar,
- BC Sarajevo,
- BC Republika Srpska,
- BC Una-Sana region,
- BC Srednja Bosna,
- BC Sjeveroistočna BiH and
- BC Zapadna Hercegovina.

Through these business centres, Bank territorially covers whole BiH and daily service over 3,000 clients, medium enterprises.

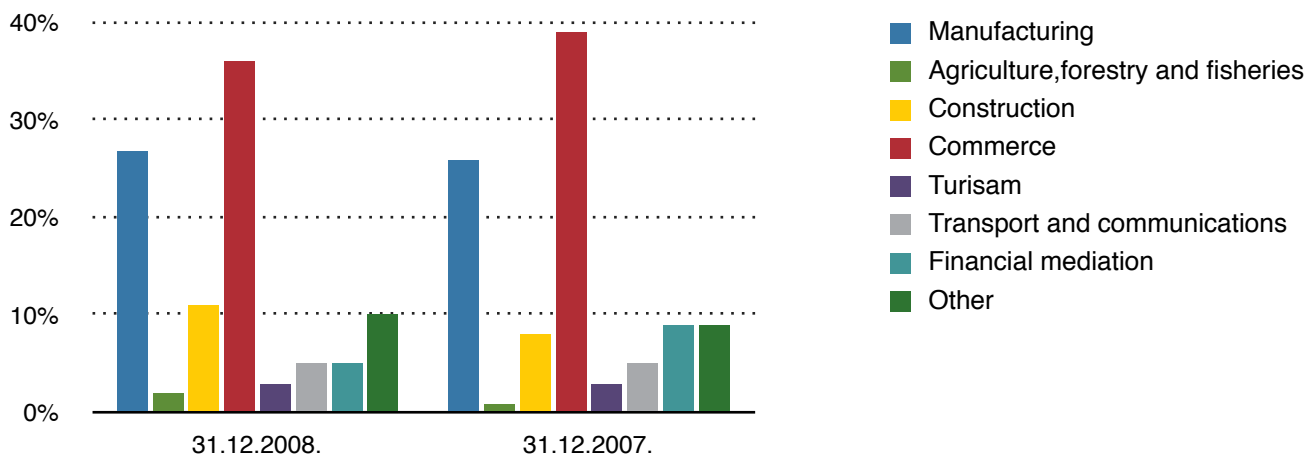
As one of the major parts of Corporate division is Department for product management, whose major task is introduction of new products, as well as development of present products for legal entities. Apart from dealing with financing products, transaction products and marketing, this department also monitors macroeconomic environment, and the position of the Bank on the market. The Department monitors the entire process of defining products for the target group of clients.

In 2008, the corporate banking sector continued the activities of improving lending activities, and it continued to record growth in number of users of its products and services with wide range of short term and long term financing products, deposits, payment and card products, financial and advisory support to development of clients business, on basis of individual approach. Enabled by strong distribution channels, our network of organized business centers represents one of the major elements for providing effective services to our clients. In 2008, Corporate Division beside other products, approved over 600 million BAM loans and issued about 140 million BAM guarantees.

Retail Division

Business Description (continued)

Analysis of Corporate Loans by sectors (%)



Retail division is responsible for servicing individual clients and small enterprises, as well as managing selling network and direct distribution channels. Managing the business relations with individuals of the mass market segment, as well as managing the selling network and direct distributions channels is the responsibility of Family banking department. Personal and enterprise banking department is in charge for segment of the high quality individual clients and segment of small enterprises. More than 800 thousand clients are in the jurisdiction of this Division.

In accordance with the Bank's organization, which is totally client orientated, the adequate service models have been implemented. For mass market segment clients service model "account manager" has been introduced and for high quality retail clients a service model "personal banking officers" having clients' personalized portfolios. For small entrepreneurs the Bank applies unique service model on BiH banking market – officer for personal and enterprise banking. This service model is responsible for managing servicing clients from the segment of small enterprises as legal entities, and also for offering banking

services to the owners of small enterprises as individual clients. These service models ensure management of whole business relation with clients of a certain segment.

The selling network is divided into 11 regional offices, which are afterwards divided into branches, covering the whole territory of BiH. At the end of 2008, the Bank had 95 branches. Development of direct distribution channels has been continuous and 23 new ATM machines have been installed. With a total number of 169 ATM machines and almost 500 thousand credit cards issued, Bank is the market leader in this segment of business activity.

Besides two business segments within the Retail Division, Commercial Sale Support Department has been introduced. Its main duty is development and managing new products, Bank's services, which are provided for individual clients and small enterprises. During 2008 this Department redefined terms for Retail loan financing and implemented range of successful commercial activities by which Bank presented itself as modern financial institution, adjustable to client's

needs in all life situations. One of such activities was "DOM SWEET DOM" campaign for selling of housing loan, and activities offering replacement loan. Also, there were activities related to collection of restricted deposits, where more favorable saving interest rates were offered to the clients. As first Bank that introduced package account JES in the market, last year we had around 10,000 of new users of this product. In addition, as the answer to clients' requests and demands, new products are implemented: cash loans for purchase of vehicles in the scope of "Renault" financing. For 2009, there are several commercial activities planned, as well as introduction of new products, such as m-banking- mobile banking.

Client-oriented organization, introduction of new service models, development of direct distribution channels and new products and services of the Bank, created basis for realization of ambitious commercial and financial plans in the following years. The goal is to achieve the best results when it comes to our clients' opinion of our services when compared to the competition on the local market, and to become market leader when it comes to development of bank products and

Business Description (continued)

services, and hence the Bank with the highest average number of products per active client on the local market.

Financial markets

Sector of Financial markets represents organization unit of UniCredit bank dd, where supply and demand are connected with different form of financial instruments. Through sector of Financial markets clients are connected with domestic and international markets. Business of Financial markets in 2008 was influenced by situation on a global market, which influenced at reducing of investors activities at market of Bosnia & Herzegovina.

Sector is divided into three units: Department of trading, Department for sales of the treasury products and Department for Jobs guardians and the depository.

The Department of trading has maintained the position of "market makers" in the domestic market through a partnership that provides to local banks in the field of foreign exchange business and money market.

The Department for sales of the treasury products is primarily oriented towards the clients, legal entities, which provides financial support to business activities. Special expansion in 2008 have had products FX Forward and FX Time Option in form of increased number of users.

UniCredit Bank d.d. is licensed for dealing of custody jobs at the area of Bosnia & Herzegovina and for depository jobs and depository fond jobs at market of Federation B&H, which are done through Department Business of guardian and depository. Thanks

to unique network of UniCredit Group, the biggest bank group in Central and Eastern Europe, UniCredit Bank d.d. provides many regular guardian services and services which are based on clients requests. Department is serving domestic and international institutional investors and other corporate. In year 2008, UniCredit Bank d.d. was ranked from international magazine "Global Custodian" as the best bank for guardian services at market of Bosnia & Herzegovina.

Sector of Financial markets in 2008 has support first emission of bonds of UniCredit Bank d.d., which was accomplished by tender on a Sarajevo stock exchange in amount of 100.000 issued bonds, nominal value of 1,000 BAM. Emission was entirely successful and amount of total assets is 100,000,000 BAM and will be spent for financing banks activities in coming period.

Financial and operational review

With February 29, 2008 HVB CPB d.d. Sarajevo has been joined to Unicredit Zagrebačka banka d.d. Mostar, who become the legal successor under the name Unicredit Zagrebačka banka d.d. Mostar. Net income of HVB CPB d.d. Sarajevo in first two months of year 2008 is included Banks financial statements in reserve, like retained

earnings, which is acquired through acquisition process, and is directly recognised in Bank capital and like that is not included in Profit and Loss. In addition comparative data in financial statements are not changed for acquisition effects than showed only financial informations of UniCredit Zagrebačka banka

d.d. Mostar for year 2007.

In the below mentioned financial overview and comments, in order of comparability, for year 2008 is included result of first two months of HVB – CPB, and for year 2007. are expressed data of both banks.

Financial indicators		
	2008.	2007.
	'000 BAM	'000 BAM
Total income	190,617	194,679
Profit before provisions	57,281	70,245
Profit before taxation	40,544	51,917
Profit after taxation	32,650	44,714
Share capital and reserves	338,130	305,793
Deposits received	2,416,977	2,798,924
Total assets	3,300,883	3,561,820

Performance indicators		
Capital adequacy	14.8%	15.0%
Total operating expenses to total income ratio	69.9%	63.9%
Return after taxation on average capital and reserves (ROE)	10.1%	15.8%
Return before taxation on average total assets (ROA)	1.2%	1.6%

Structure of Income and expenses

In structure of income and expense, net interest income represents 65.2% (2007. 67.5%). Net fee and commission income with 25.0% (2007. 24.4%) and other income 9.8% (2007: 8.1%)

Net interest income

Net interest income in 2008. amounted to 124.3 million BAM representing an decrease of 5.4 % compared to the previous year.

Financial and operational review

(continued)

Average annual interest rates for the year 2008

	Interest bearing assets	Interest bearing liabilities
Banks	2.15%	3.92%
Corporate	7.09%	1.77%
Retail	8.70%	2.24%
Securities	4.96%	-
Credit lines	-	5.66%
Borrowings	6.15%	-

Within Banks is included obligatory reserve, cash reserves, placements and loans to other banks and current accounts of the banks. Interest income decreased by 1.1% compared to previous year, and interest expense increased by 6.1% as a result of growth of interest rates.

Net fee and commission income

Net fee and commission income is on level of the previous year and amounts to 47.6 million BAM.

Bank's clients have strongly increased usage of e-banking, which have positive effect on reduction of fee and commission expenses of domestic and ino money transactions.

Income from business cards is constantly growing, as a result of a growth in the number of issued cards and performed transactions, which reflects on Bank's leading position in business card operations in BiH market.

Other income

Other income in the amount of 18.8 million BAM recorded increase in amount of 19.4% in comparison to the end of the previous year. Income by free assignation of shares amounted 6,460 thousands BAM.

Operating expenses

Operating expenses in the year 2008 were below planned for 1.7%. The realisation level in 2008 was above the realisation

level in 2007 for 7.15%, mainly as a result of integration process with HVB-CPB bank. Total operating expenses amounted to 133.3 million BAM.

Bank plans and monitors costs' realisation on a monthly basis, which allows good managing

and control of Bank's costs. Compared to the previous year, staff costs increased for 6.1% because of growth of number of employees.

Operating expenses

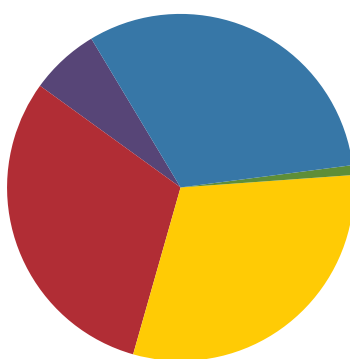
	2008 in		2007 in		Growth in %
	000'BAM	Structure %	000'BAM	Structure %	
Staff costs	53,799	40.35%	50,723	40.76%	6.06%
Functional costs	57,304	42.98%	54,087	43.47%	5.95%
Deposit insurance	5,645	4.23%	5,268	4.23%	7.15%
Depreciation	16,588	12.44%	14,356	11.54%	15.55%
Total	133,336	100.00%	124,434	100.00%	7.15%

Financial and operational review

(continued)

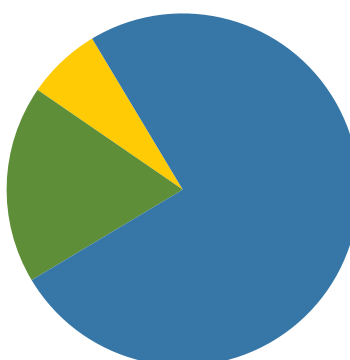
Impairment provisions

Total impairment provisions amounted to 16.7 million BAM and in comparison to year 2007, they are lower for 8.7%. Collection of receivables classified in E category from previous years amounted to 15.1 million BAM in 2008. Impairment provisions by loans of costumers are 10.2 million BAM higher then in the year 2007 and amounted to 18.2 million BAM. Other provisions of the Bank are for 11.7 million BAM lower than the level of the previous year because of real estate collection for bed receivables (3 million BAM) and because of lower impairment provisions by court proceedings.



STRUCTURE OF EXPENDITURES

- Interest expense 35,01%
- Fee and commission expenses 1,01%
- Direct costs 22,94%
- Operating costs 33,91%
- Provisions 7,14%



STRUCTURE OF INCOME

- Interest income 75,02%
- Fee and commission income 18,16%
- Other 6,82%

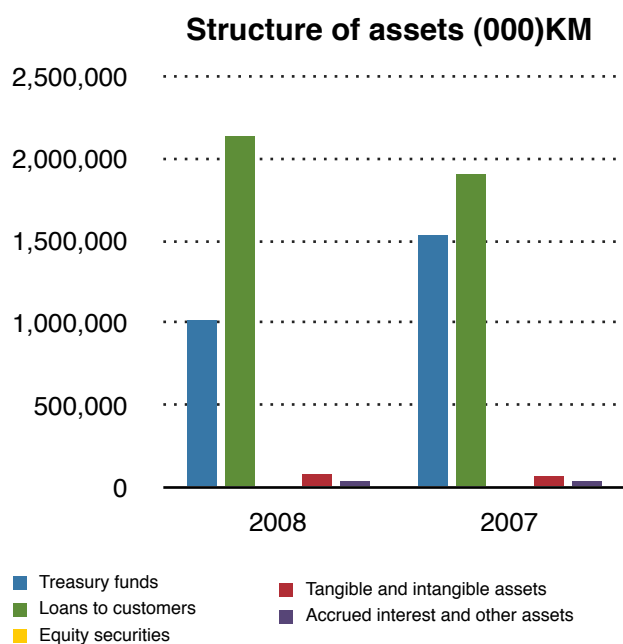
Balance sheet

At the end of the 2008, Bank's balance sheet was on the level of 3,300.8 million BAM, representing an decrease of 7.3% in comparison to the previous year.

In Bank's assets and liabilities short-terms assets are predominant. Foreign currency assets represent 66.7% of the total balance sheet. Foreign currency liabilities represent 56.8% of the total balance sheet.

Assets

The structure of assets and trends in 2008 and 2007 are presented in the chart (right).



Financial and operational review

(continued)

Treasury funds

Funds managed by the Bank's treasury are decreased by 33.2% during the year, and therefore 31% of the Bank's assets at the end of year has been directed to placements to the banks, debt securities, and account with the CBBiH, including obligatory reserve and

cash funds (2007: 43%). Decrease in respect to the previous year achieved all funds in authority of Treasury funds, while funds placed in obligatory reserve with the CBBiH increased by 8 p.p. The Bank maintained level of liquidity and has been in

line with all limits set by the CBBiH during this year.

The structure of funds governed by treasury is presented in the following table:

	31 December 2008	31 December 2007
Cash funds	29.4%	31.0%
Obligatory reserve with CBBiH	38.2%	30.2%
Placement and loans to other banks	32.0%	38.5%
Debt securities	0.4%	0.3%
Total	100.0%	100.0%

Loans to customers

Trend of growth in loans to customers continued in 2008. Net loans to customers at year end amounted to 2,140.6 million BAM, which represent annual growth of 233.2 million BAM (12.2%).

Net loans to customers represent 64.8% of total Bank's assets. Participation in total loans is in favour of retail loans (56%).

Provisions of loans given to clients decreased for 0.4% in comparison to the end of 2007

and percentage of provisions in gross loans amounted to 9%.

In 2008, gross loans to corporate customers achieved higher growth (20.4%) than growth in retail loans (5.2%).

Compared to the previous year, percentage of gross retail loans in total portfolio decreased from 57.1% to 53.8% at the end of this year. Long-term non-specific loans (59.8%) and housing loans (27.3%) represented the main part of total retail loans. The Bank has

a leading position in housing loans in the BiH market.

Other loans, like consumer loans, loans by current accounts made to 12.9% of loans portfolio. Gross corporate loans increased by 20.4% while their level in total portfolio increased from 42.9% on 46.3% on the end of this year.

Long term loans has slightly decreased (2.3%) compared to previous year and represent 75% of total gross loans.

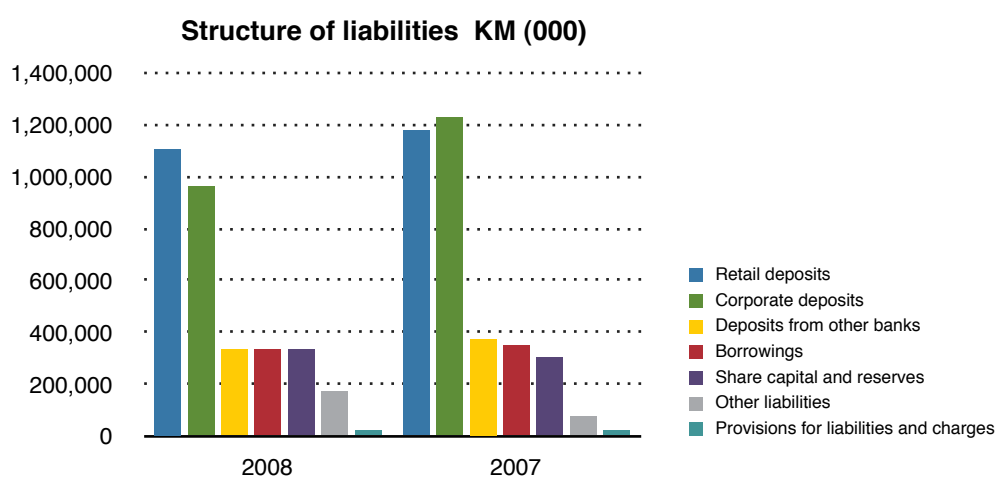
	2007	2008	Change %
Gross loans			
Corporate customers	903,322	1,087,356	20.40%
Retail customers	1,201,732	1,263,847	5.20%
Total	2,105,054	2,351,203	11.70%
Provisions			
Corporate customers	142,006	144,707	1.90%
Retail customers	55,623	65,877	18.40%
Total	197,629	210,584	6.60%
Net loans			
Corporate customers	761,316	942,649	23.80%
Retail customers	1,146,109	1,197,970	4.50%
Total	1,907,425	2,140,619	12.20%

Financial and operational review

(continued)

Liabilities

The changes in the liability structure and trends in 2008 are presented in the chart below:



Current accounts and customer deposits

At the year end, total deposits amounted to 2,076.7 million BAM, representing an decrease of 14.1%. Deposits of costumers in domestic currency make 47.8% (2007: 53.6%). Retail deposits at the end of year make 53.6% of total Bank's deposits. During the year 2008 retail deposits decreased BAM 73.1 mil (6.2%). Within total retail deposits, term deposits represent 48%.

During the year corporate deposits are decreased by 268.9 million BAM (21.8%), and they level in total deposits of costumers

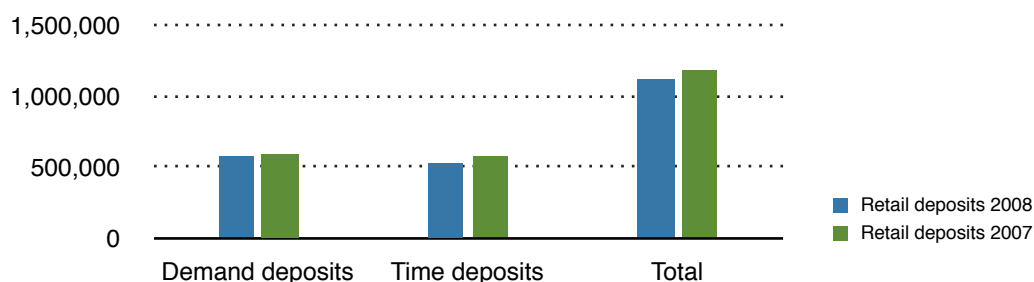
amounts 46.4%. Corporate deposits amounted to 963.2 million BAM.

Now we have trends of decrease demand deposits, which share in total corporate deposits amounts 68.1% and decrease of funds of term deposits which share in total corporate deposits amounts 31.9%. Ratio of demand deposits and term deposits is on the level from previous year.

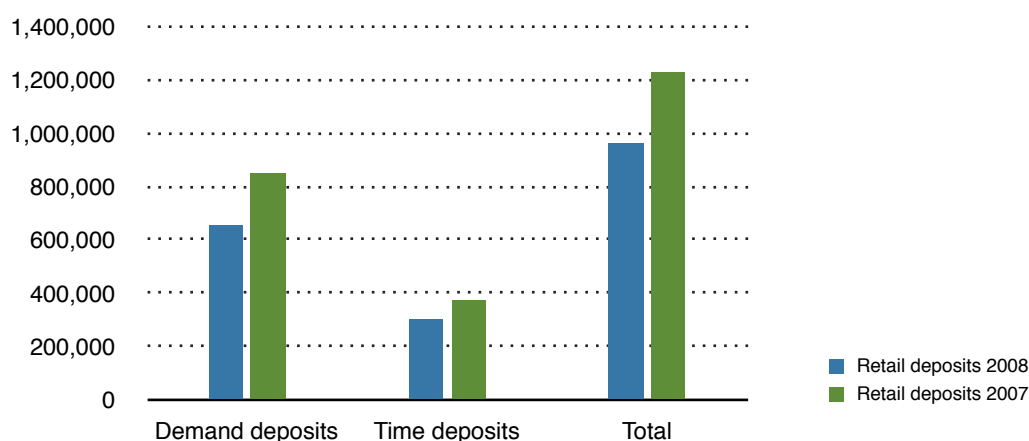
The deposits from other banks achieved decrease compared to year 2007 amounted to 10.4% and at end of year amounted 340.3 million BAM, which is mainly a consequence of events on global financial markets in last quarter of year 2008.

Financial and operational review (continued)

Structure of retail deposits



Structure of corporate deposits



Borrowings

Borrowings amounted to 340.6 million BAM which is compared to the previous year lower by 3.1%.

The Bank uses borrowings from Investment Bank of the FBiH, KfW, EBRD, USAID, Bank Pekao, DEG, EFSE, HBOR, LDP and EIB.

Largest credit line is long term credit line from the Bank Pekao in the amount of 237.2 million BAM, which includes subordinated debt in amount of EUR 20 million. In total Bank's funds, borrowings represent 10.3% which is the same level like in previous year.

Share capital and reserves

The Bank's equity amounts 338.1 million BAM, which represents increase of 32.2 million BAM in comparison to the end of 2007.

Basic effects are realised net profit for the current year in amount of 32.5 million BAM reduced for treasury shares expense.

Management and organisation

In accordance with the provisions of the Law on business companies, the Law on banks and provisions of the Bank's Statute, Bank has the Shareholders Assembly, the Supervisory Board and the Management Board.

Shareholders Assembly

The Shareholders Assembly is the highest governing body of the Bank. The Shareholders Assembly consist of the shareholders of the Bank.

The audited financial statements will be recommended for adoption at the

Shareholders Assembly.

As at 31 December 2008 the Bank had 54 shareholders. The largest shareholder is Zagrebacka banka d.d. Zagreb possessing 65.587% of the shares.

The shareholders' capital of the Bank amounted to 119,195,000 BAM and consists of 119,011 ordinary shares of the series "A", which have a nominal value of 1,000 BAM per share and 184 preferred cumulative shares of the series "D", which have a nominal value of 1,000 BAM per share.

Ordinary share of the series "A" provides for the right to one vote in the Shareholders

Assembly, right to manage the Bank in the manner as defined by the Statute, right to participate in the Bank's profit and other rights defined by the Statute and the Law, and preferred cumulative share of the series "D" provides for the right of first collection of dividends from Bank's income according to nominal value of share, and right of first collection in case of bankruptcy or liquidation of Bank from undistributed part of volume of bankruptcy or liquidation.

Ownership structure

Ownership structure						
O.N.	Ownership structure as at December 31, 2008	Number of ordinary shares	Number of preferred shares	Total shares	Total nominal value	%
1	ZAGREBAČKA BANKA d.d. Zagreb	78,176	0	78,176	78.176.000	65.587%
2	BANK AUSTRIA CREDITANSTALT AG	28,903	176	29,079	29.079.000	24.396%
3	INTERNATIONAL FINANCE CORPORATION	6,831	0	6,831	6.831.000	5.731%
4	UNICREDITO ITALIANO S.p.A.	3,900	0	3,900	3.900.000	3.272%
5	MARKO ČORLUKA	534	0	534	534.000	0.448%
6	TRANSMADRID S.A.	134	0	134	134.000	0.112%
7	UNICREDIT BANK d.d.	76	5	81	81.000	0.068%
8	BOSNA OSIGURANJE d.d. Sarajevo	72	0	72	72.000	0.060%
9	RAIFFEISEN BANK d.d. BiH	61	0	61	61.000	0.051%
10	BAZ d.o.o. Mostar	54	0	54	54.000	0.045%
11	PRODUKCIJA d.o.o. Mostar	34	0	34	34.000	0.029%
12	MIROSLAV JELČIĆ PURKO	30	0	30	30.000	0.025%
13	VOKIĆ TRADE d.o.o. Grude	27	0	27	27.000	0.023%
14	VJEKOSLAV FILIPOVIĆ	22	0	22	22.000	0.018%
15	DACA - COMMERCE d.o.o. Mostar	20	0	20	20.000	0.017%

16	KORAK d.o.o.	20	0	20	20.000	0.017%
17	HYP0-ALPE-ADRIA-BANK d.d. Mostar	16	0	16	16.000	0.013%
18	B-TANK d.o.o. Posušje	14	0	14	14.000	0.012%
19	SLOBODAN KOŽUL	14	0	14	14.000	0.012%
20	JOSIP VUKO	13	0	13	13.000	0.011%
21	MARINA SMITAL	10	0	10	10.000	0.008%
22	ZEC BRANISLAV	8	0	8	8.000	0.007%
23	SWISSING Sarajevo	5	0	5	5.000	0.004%
24	KLAS d.d. Sarajevo	4	0	4	4.000	0.003%
25	ETRUSKA CO Sarajevo	2	0	2	2.000	0.002%
26	GENERAL MARKET Sarajevo	1	1	2	2.000	0.002%
27	GIANFRANCO NESSI	2	0	2	2.000	0.002%
28	MIL EXPORT d.o.o. Novi Travnik	2	0	2	2.000	0.002%
29	SARAJEVO OSIGURANJE d.d., Filijala Travnik	2	0	2	2.000	0.002%
30	VISPAK d.d. prehrambena industrija Visoko	2	0	2	2.000	0.002%
31	AA KAPITAL BROKERS d.d. Bihać	1	0	1	1.000	0.001%
32	AGARICIUS Sarajevo	0	1	1	1.000	0.001%
33	AMALDIN Sarajevo	1	0	1	1.000	0.001%
34	BERKUN Sarajevo	1	0	1	1.000	0.001%
35	CERIK Sarajevo	1	0	1	1.000	0.001%
36	EGALIN Sarajevo	1	0	1	1.000	0.001%
37	GENERAL TRADING Sarajevo	1	0	1	1.000	0.001%
38	GORAN PRODANOVIĆ	1	0	1	1.000	0.001%
39	HASAN PRELIĆ	1	0	1	1.000	0.001%
40	HORS djl Sarajevo	1	0	1	1.000	0.001%
41	HUBIJER Sarajevo	1	0	1	1.000	0.001%
42	INTERGLAS d.o.o. Sarajevo	1	0	1	1.000	0.001%
43	IVAN BEGIĆ	1	0	1	1.000	0.001%
44	IVAN BILINOVAC	1	0	1	1.000	0.001%
45	JUGRIM d.o.o. Sarajevo	0	1	1	1.000	0.001%
46	FADIL JAHIĆ	1	0	1	1.000	0.001%
47	LA PRIMAVERA Sarajevo	1	0	1	1.000	0.001%
48	LAČEVIĆ SZTR Sarajevo	1	0	1	1.000	0.001%
49	LOB-KOMERC Sarajevo	1	0	1	1.000	0.001%
50	LOVEX Sarajevo	1	0	1	1.000	0.001%
51	SEAD DIZDAREVIĆ	1	0	1	1.000	0.001%
52	SIMENS d.o.o. Sarajevo	1	0	1	1.000	0.001%
53	STIPO FRANČIĆ	1	0	1	1.000	0.001%
54	TRIŠNIK d.o.o. Jajce	1	0	1	1.000	0.001%
TOTAL:		119.011	184	119,195	119,195,000	100%

Supervisory Board

The Supervisory Board governs the business operations of the Bank, determines business policy and issues general decrees of the Bank. The Supervisory Board consists of 7 members elected by the shareholders at the Shareholders Assembly session for the period of 4 years.

Management Board

The Management Board governs and organises Bank's work and is responsible for legal compliance with accepted business policy.

The Management Board is appointed by the Supervisory Board for a period of 4 years, with the previously obtained approval from the FBA.

Audit Committee

The Audit Committee supervises the operations of the Internal Audit Department, as well as the implementation and engagement of an external auditor firm which performs the audit of the annual financial statements. The members of the Audit Committee are appointed by the Supervisory Board for a period of 4 years.

Responsibilities of the Management for the preparation of financial statements

The Management is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Bank and of the results of its operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. Management has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

The Management is responsible for selecting suitable accounting policies to conform to applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Management Board is responsible for the submission to the Supervisory Board of its annual report on the Bank together with the annual financial statements, following which the Supervisory Board is required to approve the annual financial statements for submission to the General Assembly of Shareholders for adoption.

Financial statements at pages from 28 to 86 were approved by the Management on 18 February 2009, and are signed, on behalf of the Bank, by:

Berislav Kutle
Bank Director



Draga Letica
CFO



Independent auditor's report

To the shareholders and Board of directors of UniCredit Bank d.d. Mostar

We have audited the accompanying financial statements of UniCredit Bank d.d. Mostar („the Bank“) which comprise the balance sheet as of 31 December 2008 and the income statement, 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 the provisions of the Law on Banks (Official Gazette of the Federation of Bosnia and Herzegovina, no. 33/98, 32/00, 48/01, 41/02, 58/02, 28/03 and 19/03) and the Law on Accounting and auditing of the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of Bosnia and Herzegovina, no. 32/05). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 and the provisions of the Decision on the Minimum of Scope, Form and Contents of Programmes and Reports of the Economic and Financial Audit of Banks (Official Gazette of the Federation of Bosnia and Herzegovina, no. 3/03 and 64/03). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement, including

the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to preparation and fair presentation of the entity's financial statements in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 financial statements present fairly, in all material respects the financial position of UniCredit Bank d.d. as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Banks and the Law on Accounting and auditing of the Federation of Bosnia and Herzegovina

PricewaterhouseCoopers d.o.o. Sarajevo
Sarajevo, 19 February 2009



Ernst Jürgen Rohde
Germany

«**A** good customer relationship is about more than just the volume of business. I am not satisfied until my clients recognize me and my company as their preferred business partner. This recognition I have to earn every day anew.»

«**B**ased on my experience, I am convinced of the importance of long-lasting customer relationships. The roots of my success are anchored in deep customer satisfaction, followed with a steadily growing confidence in myself, my personal competence and my ability to find the right solutions.»

Sandra Stigger
Austria



Income statement

For the year ended 31 December 2008

	Note	2008	2007
		BAM'000	BAM'000
Interest income	6	191,471	125,812
Interest expense	7	(76,042)	(48,011)
Net interest income		115,429	77,801
Commission and fee income	8	47,311	32,613
Commission and fee expense	9	(2,284)	(1,088)
Net commission and fee income		45,027	31,525
Other operating income	10	17,941	9,206
Total income		178,397	118,532
Operating expenses	11	(124,880)	(74,761)
Profit before provisions		53,517	43,771
Impairment provision	16 , 18(b)	(16,262)	(799)
Other provisions	12	1,257	(8,183)
Profit before income tax		38,512	34,789
Income tax	13	(7,708)	(5,041)
Net profit for the year		30,804	29,748
Earnings per share	30	0.272	0.263

The notes on pages 33 to 86 form an integral part of these financial statements.

Balance sheet

As at 31 December 2008

	Note	2008	2007
		BAM'000	BAM'000
Assets			
Cash reserves	14	300,603	324,221
Obligatory reserve with the central bank	15	390,588	276,404
Placements with, and loans and advances to other banks	16	326,706	262,715
Debt securities	17	4,735	4,540
Loans and advances to customers	18	2,140,619	1,204,524
Corporate profit tax prepayment		1,790	7,110
Accrued interest and other assets	19	47,244	29,355
Associates and other equity securities	20	4,233	2,025
Property and equipment	21	55,199	35,923
Intangible assets	22	29,166	12,053
Total assets		3,300,883	2,158,870
Liabilities			
Current accounts and deposits from banks	23	340,300	205,341
Current accounts and deposits from customers	24	2,076,677	1,516,649
Borrowings	25	340,629	188,436
Accrued interest and other liabilities	26	79,952	54,191
Bonds issued	27	100,000	
Provisions for liabilities and charges	28	25,190	16,569
Net deferred tax liability	29	5	15
Total liabilities		2,962,753	1,981,201
Equity			
Share capital	30	119,195	83,182
Fair value reserve		43	132
Retained earnings		218,892	94,355
Total equity		338,130	177,669
Total liabilities and equity		3,300,883	2,158,870

The notes on pages 33 to 86 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2008

	Share capital	Treasury shares	Fair value reserve	Retained earnings	Total
	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000
BALANCE AS AT 1 JANUARY 2008	83,182	-	132	94,355	177,669
Merger with HVB CPB as at 29 February 2008 (Note 2)	54,070	-	-	75,899	129,969
Capital denomination	(18,057)	-	-	18,057	-
Purchase of treasury shares	-	(223)	-	-	(223)
Change in fair value of financial assets available for sale	-	-	36	-	36
Other (overbooking)	-	-	(192)	-	(192)
Foreign exchange difference on non-monetary financial assets available for sale	-	-	57	-	57
Deferred tax for sale financial assets available	-	-	10	-	10
Net losses not recognised in the income statement	-	-	(90)	-	(90)
Net profit for the year	-	-	-	30,804	30,804
Total recognised income for 2008	-	-	(90)	30,804	30,714
BALANCE AS AT 31 DECEMBER 2008	119,195	(223)	43	219,115	338,130
Balance as at 1 January 2007	83,182	-	143	64,902	148,227
Change in fair value of financial assets available for sale	-	-	(35)	-	(35)
Foreign exchange difference on non-monetary financial assets available for sale	-	-	(22)	-	(22)
Deferred tax (Note 28)	-	-	46	-	46
Net losses not recognised in the income statement	-	-	(11)	-	(11)
Net profit for the year	-	-	-	29,748	29,748
Dividends paid	-	-	-	(295)	(295)
Total recognised income for 2007	-	-	(11)	29,453	29,442
BALANCE AS AT 31 DECEMBER 2007	83,182	-	132	94,355	177,669

The notes on pages 33 to 86 form an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2008

	2008	2007
	BAM'000	BAM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Interest receipts	183,011	124,619
Commission and fee receipts	47,160	32,502
Interest payments	(66,238)	(48,521)
Commission and fee payments	(2,221)	(1,142)
Administration expenses	(94,640)	(62,089)
Receipts from trading activities	15,239	4,293
Other receipts	4,455	2,601
Net cash from operating activities	86,766	52,263
(INCREASE)/DECREASE IN OPERATING ASSETS		
Placements with other banks (including obligatory reserve with the central bank)	141,043	(90,674)
Loans and advances to customers	(236,821)	(211,036)
Debt securities	(23)	4,144
Associates and other equity securities	(4,334)	(10)
Other assets	12,013	(2,324)
Net cash used for operating assets	(88,122)	(299,900)
(INCREASE)/DECREASE IN OPERATING LIABILITIES		
Demand deposits	(160,849)	13,372
Savings and time deposits	(193,048)	274,710
Debt securities	100,000	-
Borrowings	(16,768)	(10,716)
Other liabilities	(21,914)	2,515
Net cash used for operating liabilities	(292,579)	279,881
NET CASH INFLOW FROM OPERATING ACTIVITIES BEFORE TAXATION	(293,935)	32,244
Income tax paid	(2,434)	(9,245)
NET CASH INFLOW FROM OPERATING ACTIVITIES	(296,369)	22,999

The notes on pages 33 to 86 form an integral part of these financial statements.

Statement of cash flows (continued)

For the year ended 31 December 2008

		2008	2007
	Note	BAM'000	BAM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(27,249)	(18,315)
Net cash used in investing activities		(27,249)	(18,315)
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Net income from selling of treasury shares		6	-
Dividends paid		-	(295)
Net cash from/ (used in) financing activities		6	(295)
NET CASH INFLOW		(323,612)	4,389
Effect of foreign exchange rate changes		145	25
Net (decrease)/ increase in cash and cash equivalents		(323,467)	4,414
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		324,221	319,807
Increase in cash and cash equivalents upon merger with HVB CPB as at 29 February 2008		299,849	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	300,603	324,221

The notes on pages 33 to 86 form an integral part of these financial statements.

Notes to financial statements

1. General information

UniCredit Bank d.d. Mostar (the Bank) provides retail, corporate banking and investment banking services in Bosnia and Herzegovina.

The Bank is a joint stock company and is incorporated and domiciled in the Federation of Bosnia and Herzegovina. The address of its registered office is as follows Kardinala Stepinca bb, Mostar, Bosnia and Herzegovina.

The majority shareholder of the Bank is Zagrebačka banka d.d., Zagreb, Croatia, while the ultimate parent is UniCredito Italiano S.p.A., Milan, Italy.

These financial statements have been approved for issue by the Management on 13 February 2009.

Members of the Supervisory Board as at 31 December 2008 were:

1.	Franjo Luković	Chairman	Zagrebačka banka d.d. Zagreb
2.	Sanja Rendulić	Member	Zagrebačka banka d.d. Zagreb
3.	Christian Suppanz	Member	Zagrebačka banka d.d. Zagreb
4.	Miljenko Živaljić	Member	Zagrebačka banka d.d. Zagreb
5.	Marko Remenar	Member	Zagrebačka banka d.d. Zagreb
6.	Marco Iannaccone	Member	UniCredit Bank Austria AG, Wien
7.	Friederike Kotz	Member	UniCredit Bank Austria AG, Wien

Management Board members as at the 31 December 2008 were:

1. Berislav Kutle, Bank Director; (CEO)
2. Zvonimir Jurjević, Deputy of Managing Director; (COO)
3. Ivan Vlaho, Executive Director of Retail Division;
4. Sanel Kusturica, Executive Director of Division for Corporate banking;

Members of the Audit Committee as at 31 December 2008 were:

1.	Danimir Gulin	Chairman
2.	Milan Ujević	Member
3.	Marijana Brcko	Member
4.	Christian Pieschel	Member
5.	Angelika Glavanovits	Member

Notes to financial statements (continued)

1. General information (continued) a) Merger with HVB CPB

On 29 February 2008, HVB Central Profit banka d.d. Sarajevo ("HVB CPB") merged with UniCredit Zagrebačka banka d.d. Mostar, who became the legal successor, under the name of UniCredit Bank d.d. Mostar (the Bank).

In exchange for HVB CPB ordinary shares the Bank issued in total 35,829 ordinary shares, series A and 184 preference cumulative shares, series D, with a nominal value of BAM 1 thousand. Net profit of HVB CPB for the first two months of 2008 was included in the Bank's financial statements through retained earnings that is equity, and as such was not included in profit for the period of the Bank.

Furthermore, the Bank did not restate comparative information to account for the merger. Comparative information included in these financial statements for 2007 relates to UniCredit Zagrebačka banka d.d. Mostar.

	1 January to 29 February 2008	1 January to 29 February 2008	1 January to 29 February 2008
	UniCredit Zagrebačka banka	HVB CPB	UniCredit Bank
INCOME STATEMENT			
Interest income	21,287	14,919	36,206
Interest expense	(8,720)	(6,073)	(14,793)
NET INTEREST INCOME	12,567	8,846	21,413
Commission and fee income	5,909	2,642	8,551
Commission and fee expense	(118)	(87)	(205)
NET COMMISSION AND FEE INCOME	5,791	2,555	8,346
Other operating income	1,174	820	1,994
TOTAL INCOME	19,532	12,221	31,753
Operating expenses	(15,561)	(8,456)	(24,017)
PROFIT BEFORE PROVISIONS	3,971	3,765	7,736
Impairment provisions	918	(1,265)	(347)
Other provisions	(718)	(467)	(1,185)
PROFIT BEFORE INCOME TAX	4,171	2,033	6,204
Income tax	(835)	(187)	(1,022)
NET PROFIT FOR PERIOD	3,336	1,846	5,182

Notes to financial statements (continued)

1. General information (continued) a) Merger with HVB CPB (continued)

	29 February 2008	29 February 2008	1 March 2008
	UniCredit Zagrebačka banka	HVB CPB	UniCredit Bank
BALANCE SHEET			
Assets			
Cash reserves	195,260	76,849	272,109
Obligatory reserve with the central bank	343,312	223,000	566,312
Placements with, and loans and advances to other banks	264,492	319,905	584,397
Debt securities	4,603	-	4,603
Loans and advances to costumers	1,231,933	715,363	1,947,296
Corporate profit tax prepayment	8,316	-	8,316
Accrued interest and other assets	26,494	12,095	38,589
Associates and other equity securities	2,019	166	2,185
Property and equipment	35,395	10,952	46,347
Intangible assets	12,432	13,465	25,897
Total assets	2,124,256	1,371,795	3,496,051
LIABILITIES			
Current accounts and deposits from banks	201,517	170,966	372,483
Current accounts and deposits from costumers	1,483,266	869,356	2,352,622
Borrowings	188,164	168,961	357,125
Accrued interest and other liabilities	53,043	26,866	79,909
Provisions for liabilities and charges	17,241	5,614	22,855
Net deferred tax liability	15	-	15
Tax income liability	-	63	63
Total liabilities	1,943,246	1,241,826	3,185,072
EQUITY			
Share capital	83,182	54,070	137,252
Fair value reserve	132	-	132
Retained earnings	97,696	75,899	173,595
TOTAL EQUITY	181,010	129,969	310,979
TOTAL LIABILITIES AND EQUITY	2,124,256	1,371,795	3,496,051

Furthermore, the Bank did not restate comparative information to account for the merger. Comparative information included in these financial statements for 2007 relates to UniCredit Zagrebačka banka d.d Mostar.

For information purposes pro-forma income statement and balance sheet for the year ended 31 December 2008 and 2007 for "merged" Bank are included below:

Notes to financial statements (continued)

General information (continued) a) Merger with HVB CPB (continued)

	2008	2007
	BAM'000	BAM'000
Interest income	206,390	208,687
Interest expense	(82,115)	(77,372)
NET INTEREST INCOME	124,275	131,315
Commission and fee income	49,953	50,504
Commission and fee expense	(2,371)	(2,853)
NET COMMISSION AND FEE INCOME	47,582	47,651
Other operating income	18,761	15,713
TOTAL INCOME	190,618	194,679
Operating expenses	(133,336)	(124,434)
PROFIT BEFORE PROVISIONS	57,282	70,245
Impairment provision	(17,527)	(8,589)
Other provisions	790	(9,739)
PROFIT BEFORE INCOME TAX	40,545	51,917
Income tax	(7,895)	(7,203)
NET PROFIT FOR THE YEAR	32,650	44,714

	2008	2007
	BAM'000	BAM'000
Cash reserves	300,603	475,182
Obligatory reserve with the central bank	390,588	461,779
Placements with, and loans and advances to other banks	326,706	589,998
Debt securities	4,735	4,540
Loans and advances to customers	2,140,619	1,907,425
Corporate profit tax prepayment	1,790	9,583
Accrued interest and other assets	47,244	37,286
Associates and other equity securities	4,233	2,191
Property and equipment	55,199	47,688
Intangible assets	29,166	26,148
TOTAL ASSETS	3,300,883	3,561,820
Current accounts and deposits from banks	340,300	380,179
Current accounts and deposits from customers	2,076,677	2,418,745
Borrowings	340,629	351,608
Accrued interest and other liabilities	79,952	82,482
Debt securities	100,000	-
Provisions for liabilities and charges	25,190	22,999
Net deferred tax liability	5	14
TOTAL LIABILITIES	2,962,753	3,256,027
Share capital	119,195	137,252
Fair value reserve	43	133
Retained earnings	218,892	168,408
TOTAL EQUITY	338,130	305,793
TOTAL LIABILITIES AND EQUITY	3,300,883	3,561,820

Notes to financial statements (continued)

2. Financial crisis impact

The ongoing global liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere.

Thanks to the fact that the local banks are isolated from the global markets, and that their main focus is on the local market, banking sector in Bosnia and Herzegovina ("BiH") has managed to escape the direct consequences of the global financial crisis.

Conservative business policies of the Bank, as well as strict regulations of the Banking agency, and measures brought by the CB BiH contributed to the amortisation of the negative effect of the crisis on banks' liquidity.

However, during the last quarter of 2008, BiH also experienced deposit withdrawals by clients of commercial banks, as a result of the growing client's lack of confidence in the stability of banking system, which is even more enhanced due to the fact that the state did not resolve issues related to debt from savings prior to 1992.

Impact on liquidity risk

The financial crisis has impacted the Bank's balance sheet, due to withdrawal of deposits. This volume of deposits at year end is lower than planned for 2008. Loans to deposits share increased in the last quarter from 81.96% (30 September 2008) to 92.39% (31 December 2008).

In order to manage liquidity on a daily basis, the Management of the Bank has established the daily monitoring and reporting on all changes that have an impact on the liquidity position and daily monitoring of regulatory and other indicators of liquidity.

Based on regulatory requirements the Bank reports on a weekly basis on liquidity gap based on remaining maturities. The Bank also prepares six-month liquidity plans, on a monthly basis.

At the beginning of the last quarter of 2008, Liquidity Alert Task Force

was established for monitoring of liquidity based on Group request. The aim was to establish a team for monitoring and preparation of daily liquidity reports. Once the Group assessed that the situation is under control, the daily reporting requirement was changed to weekly reporting. It is submitted to the department for management of assets and liabilities of Bank Austria.

Despite the crisis, the Bank had satisfactory liquidity throughout the period, exceeding the limit prescribed by the local regulator.

The Bank will continue managing its liquidity, using day-to-day information, in relation to all changes that directly affect the liquidity, deciding on the scope of the optimal liquidity, and making projections of liquidity in accordance to local regulations.

Impact on credit risk

In 2008, the Bank has maintained its conservative and prudent policy for lending, despite the fact that UniCredit Group members in Bosnia and Herzegovina merged. Long-term experience, training and education of employees in order to achieve excellence in lending activities, had a direct impact on the continuous reduction of the share defaulting loans, while indirectly minimizing the overflowing effects of the financial crisis in the global markets on the markets in Bosnia and

Herzegovina, what occurred in the last quarter of 2008.

Although the impact of the financial crisis cannot be foreseen or protected against, the Bank has taken a series of increased activities in the direction of monitoring the quality of the existing portfolio of the

Notes to financial statements (continued)

2. Financial crisis impact (continued) Impact on credit risk (continued)

Bank's retail and corporate clients, making management and monitoring of risks a part of daily tasks for managers for business relations, with continued active involvement from experts for monitoring, restructuring and monitoring of the quality of the portfolio placements.

One of these measures is the Program for monitoring of liquidity, which increases the focus on risk control and takes advantage of the opportunity of strengthening the business relationship with the client in a time of tightened market trends and unstable business activities. At the initial stage, the program included 50 corporate clients, representing Bank's most significant exposures, with the aim of monitoring the clients' liquidity in order to respond timely and jointly to any liquidity issues, and at the same time, to generate new opportunities for new forms of business activities in these market conditions.

The Bank also increases regular monitoring process that includes control of the loan portfolio of corporate clients, showing first signs of warning factors in their business activities, and as such included in the watch list.

In addition to this, the Bank continues with its regular review of each corporate client, at least once a year, during which on the basis of the client's financial statements evaluates creditworthiness of the client, assigns internal ratings, and analyzes the current status of the approved transaction.

For retail clients, the Bank uses a wide range of systems and tools that include daily monitoring of overdue receivables and timely response in order to prevent possible further deterioration. Given that the economy in Bosnia and Herzegovina will not remain without negative consequences of the recession on the global markets, the Bank actively monitors the operations of the largest corporate clients, who are employers of individual retail clients and of whose liquidity largely depends the quality of that part of the portfolio of retail persons.

The existing collateral policy of the Bank is considered to be restrictive and conservative. However such policy has now revealed to be optimal protection for the Bank.

For lower exposures, the Bank requires mandatory collateral, usually immaterial. For higher exposures and longer payment periods, the Bank usually takes collateral that is significant in value.

As a rule, due to the recession, real estate market along with the stock exchange is the first to feel the oscillations. This is also happening in Bosnia and Herzegovina.

Since the Bank's portfolio secured by shares is negligible, and the Bank does not offer margin-call placements, placements portfolio is not influenced by movements in stock exchange indices in Bosnia and Herzegovina.

The situation with mortgaged property market value is more complex, as market values are decreasing. However the Bank is not exposed to significant risk, due to its conservative approach to estimating market values of collaterals in the past. The Bank usually uses services of ZANE BH d.o.o., member of Zagrebačka banka Group, for valuation purposes. Their main characteristic is a conservative approach to property valuation. The Bank considers that, in the current circumstances, appraised value of such property is not significantly different from its market value. As an additional security, the Bank's policy requires 3-year re-valuation of mortgaged property.

Notes to financial statements (continued)

2. Financial crisis impact (continued) Impact on credit risk (continued)

It is important to emphasize that the clients have recognized former conservative standards as positive signs of business activities of the Bank, because they recognized the real basis for continued stability and security of business activities of the Bank. Also, despite the complexity of economic situation in the world and Bosnia-Herzegovina, the Bank had no need for significant strengthening of criteria in approving placements, so that long-standing

clients of the Bank have not noticed any difference compared to the business activities of the Bank in prior years.

Impact on market risk

When it comes to operations with financial institutions, a response to new global financial crisis, whose effects began to have an impact on the banking sector in Bosnia and Herzegovina in the second half of 2008, was organized in several stages at the Bank level.

The first measures were taken at the request of Bank Austria Group at the end of the third quarter of 2008, introducing daily monitoring and reporting on business transactions with banking clients that have been identified as risky business activities. The information received on a daily basis includes changes, emergency situations for specific financial institutions and high-risk countries, as well as possible suggestions of measures that should be taken at the Group level. This practice is continuous.

During the same period, at the level of all Group members, including the Bank, the Banks and Financial Institutions Task Force was established with the aim of ensuring more effective communication from the Group to Group members. Over time, this way of communication has become constant in reports and analysis of the position of clients - banks, the Group evaluated as risky business activities (15th and 30th every month). During the same period, at the end of the third quarter of 2008 at the level of Bank Austria Group a protocol for safe settlement, i.e. FI / Banks – Radar Screen, was established in order to define the process for determining which financial institutions are taken into consideration for constant supervision and implementation of protocols for safe settlement with such institutions. The same document is used for internal ranking of banking clients with which the Bank is conducting business transactions, regardless of the settlement.

Notes to financial statements (continued)

3. Significant accounting policies

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

a) Basis for the preparation of financial statements and Accounting Method

Under the Law on Accounting and auditing of the Federation of Bosnia and Herzegovina, the books of accounts are kept and financial statements are prepared in accordance with accounting standards which are in the process of being harmonised with International Financial Reporting Standards (IFRS), and in accordance with the regulations of the Banking Agency of the Federation of Bosnia and Herzegovina (FBA).

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings and securities held for trading at fair value through profit or loss.

In accordance with the Law on Accounting and Auditing of the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of Bosnia and Herzegovina, No. 32/05), International Financial Reporting Standards (IFRS), which are translated into Croatian by the authorized accounting body, are applied in the Federation of Bosnia and Herzegovina.

The Bank applies all the IFRS and the amendments and interpretations which were published by the International Federation of Accountants (IFAC) and the International Accounting Standards Board (IASB) and translated into Croatian in the Federation of Bosnia and Herzegovina as of 31 December 2005.

In exception to the above standards, the Bank's Financial Statements as at 31 December 2008 and 31 December 2007 have been prepared in accordance with the Law on Banks (Official Gazette of the Federation of Bosnia and Herzegovina, no. 33/98, 32/00, 48/01, 41/02, 58/02, 28/03 and 19/03) and the regulations of the FBA which, in certain cases, is not in accordance with the IFRS.

Most significant exceptions to the IFRS are the following:

The Bank does not apply the provisions of IAS 39 with regard to the measurement and recognition of impairment provision for loans to customers and other financial assets, which is determined in accordance with the effective Law on Banks and regulations of the Banking Agency (Note 4);

According to the above decision, the Bank calculates provision for risky off balance sheet items in accordance with the FBA regulations, regardless of whether impairment indicators exist (Note 4);

The presentation in the Balance Sheet and Income Statement does not fully comply with the requirements of IAS 1, since the presentation is adjusted to the chart of accounts effective in the Federation of Bosnia and Herzegovina;

Accrued interest and due interest are presented under 'Accrued interest and other assets' (Note 19) and 'Other liabilities' (Note 26) in accordance with the local chart of accounts.

Notes to financial statements (continued)

3. Significant accounting policies (continued)

a) Basis for the preparation of financial statements and Accounting Method (continued)

IFRS 7 'Financial instruments: Disclosures' – introduced new disclosures for the improvement of information on financial instruments. The standard requires the disclosure of qualitative and quantitative information on risk exposure arising from financial instruments, including minimum disclosures on credit risk, liquidity risk and market risks, and sensitivity analyses to market risks. It replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and requirements related to disclosures previously required by IAS 32 'Financial Instruments: Disclosure and Presentation'.

The financial statements of the Bank are presented in Convertible Marks (BAM, thousands).

The Bank has not applied the following standards, amendments and interpretations, which are effective and not relevant for the Bank's operations: IFRS 6, IFRS 8, IAS 1 (Amended), IAS 23 (Amended), IAS 27 (Amended), IFRS 3 (Amended), IFRIC 4, IFRIC 5, IFRIC 6, IFRIC 7, IFRIC 8, IFRIC 9, IFRIC 10, IFRIC 11, IFRIC 12 IFRIC 13, IFRIC 14

Management Board consider that this standards, additions and interpretations will not have effects on financial reports.

The Bank has not early adopted standards, amendments and interpretations effective for periods beginning on or after 1 January 2009.

The preparation of financial statements under IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the group's accounting policies. 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 4.

b) Functional and presentation currency

The Bank's financial statements are presented in Convertible Marks ("BAM"), which is the functional currency. Amounts are rounded to the nearest thousand (unless otherwise stated).

The Central Bank of Bosnia and Herzegovina ("CBBH") has implemented a currency board arrangement aligning BAM to EUR at an exchange rate of EUR 1: BAM 1.95583, which prevailed throughout 2008 and 2007.

c) Interest income and expense

Interest income and expense are recognised in the income statement as they accrue, taking into account the estimated effective yield of the asset or liability or an applicable floating rate, except for interest on non-performing assets, which is suspended and recognised when collected. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. Origination fees are included in the estimation of effective interest.

Notes to financial statements (continued)

3. Significant accounting policies (continued)

d) Commission and fee income

Commission and fee income comprises mainly fees receivable from customers for guarantees, letters of credit, domestic and foreign payments, card business and other services provided by the Bank, where the fee is credited to income when the related service is performed

Other financial liabilities comprise current and deposit accounts and borrowings.

Recognition

Loans and receivables and financial liabilities are recognised when advanced to borrowers or received from lenders. The Bank recognises financial assets available for sale on the date at which it commits to purchase the asset.

e) Foreign currency

Transactions in foreign currencies are translated into BAM at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into BAM at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except in the case of differences arising on non-monetary financial assets available for sale, which are recognised in equity.

Measurement

a) Loans and receivables

Loans and receivables are initially measured at their fair value. After initial recognition, the Bank measures loans and receivables at amortised cost using the effective interest method.

f) Financial instruments

Classification

The Bank classifies its financial instruments in the following categories: loans and receivables; available-for-sale financial assets; and other financial liabilities. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payables that are not quoted in an active market. Loans and receivables arise when the Bank provides money to a debtor with no intention of trading with the receivable and include loans to, and receivables from banks and customers.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Financial assets designated as available for sale are intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates, or equity prices. Available-for-sale financial assets include debt and equity securities.

Notes to financial statements (continued)

Significant accounting policies (continued)

f) Financial instruments (continued)

b) Available-for-sale financial assets

Financial assets available for sale are measured initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Subsequent to initial recognition all available-for-sale financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot otherwise be reliably measured is stated at cost, including transaction costs, less impairment losses.

c) Other financial liabilities

Other financial liabilities are initially measured at their fair value. After initial recognition the Bank measures other financial liabilities at amortised cost using the effective interest method.

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in a fair value reserve within equity, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Interest calculated using the effective interest method is recognised in the income statement. Foreign exchange differences on equity instruments are part of the fair value of these instruments and are recognised in equity. Dividends on available-for-sale equity instruments are recognised in the income statement when the Bank's right to receive payment is established.

Impairment of financial assets

The Bank is obliged to review financial assets at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Loans and advances are presented net of impairment provisions for uncollectibility. Specific impairment provisions are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances.

Impairment allowances are also made for unidentified risks on a portfolio basis. Increases in the impairment loss account are recognised in the income statement.

When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly. If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or provision is reversed through the income statement.

Notes to financial statements (continued)

3. Significant accounting policies (continued)

f) Financial instruments(continued)

Derecognition

A financial asset is derecognised (in full or part) when the Bank loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. The Bank derecognises financial liabilities only when the financial liability ceases to exist, i.e. when it is discharged, cancelled or has expired. If the terms of a financial liability change, the Bank will cease recognising that liability and will instantaneously recognise a new financial liability, with new terms and conditions.

Available-for-sale assets that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date at which the Bank commits to sell the assets, or to transfer to other legal subject, therefore at the day of contract, and recognises the right from buyer.

Loans and receivables are derecognised on the day that they are transferred by the Bank.

g) Associates

Investments in associates are stated at cost less impairment losses.

h) Property and equipment

Property and equipment is measured at cost less accumulated depreciation or impairment losses.

Subsequent costs are included in the asset's carrying amount or are 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 other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values, using prescribed rates, as follows:

	%	Useful life (years)
Buildings	2.0	50
Computers, ATMs and EFT POS equipment	25.0 – 30.0	3.3 – 4
Furniture and equipment	10.0 – 20.0	5 – 10
Motor vehicles	20.0	5
Other	12.3 – 20.0	5 – 8

Notes to financial statements (continued)

3. Significant accounting policies (continued)

i) Intangible assets

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the income statement.

Intangible assets are measured at cost less accumulated depreciation or impairment losses.

Amortisation is provided on all intangible assets except assets in the course of construction on a straight line basis at prescribed rates designed to write off the cost over the estimated useful lives of the assets. The following annual rates are used:

	%	Useful life (years)
Software	20.0	5
Leasehold improvements	20.0	5

Amortisation method, useful lives and residual values are reassessed, if it is necessary at the reporting date.

j) Income tax

The income tax charge is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred taxes are calculated by using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured by using the tax rates expected to apply to taxable profit in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities in the balance sheet. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each balance sheet date, the Bank reassesses unrecognised potential deferred tax assets and the carrying amount of recognised deferred tax assets.

Notes to financial statements (continued)

3. Significant accounting policies (continued)

k) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of other assets is the greater of their value in use and their fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been an indication that the impairment loss may have decreased and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) Provisions

Provisions for liabilities and charges are maintained at the level that the Bank's management considers sufficient for absorption of incurred losses. The management determines the sufficiency of provisions on the basis of insight into specific items, current economic circumstances, risk characteristics of certain transaction categories, as well as other relevant factors.

Provisions are cancelled only for originally recognised provisioning costs. If the outflow of economic income for liability remuneration is not probable any more, provisioning is cancelled.

m) Share capital

Share capital and reserves

Share capital comprises ordinary shares (ordinary and preference) and is stated in BAM at nominal value. Any profit for the year after appropriations is transferred to reserves.

Treasury shares

When the Bank purchases its equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Dividends

Dividends on ordinary and preference shares are recognised as a liability in the period in which they are approved by the Bank's shareholders.

Notes to financial statements (continued)

3. Significant accounting policies (continued)

n) Off-balance sheet commitments and contingent liabilities

In the ordinary course of business, the Bank enters into credit-related commitments which are recorded in off-balance-sheet accounts and primarily comprise guarantees, letters of credit and undrawn loan commitments and card limits. Such financial commitments are recorded in the Bank's balance sheet if and when they become payable.

o) Managed funds for and on behalf of third parties

The Bank manages funds for and on behalf of corporate and retail clients. These amounts do not represent the Bank's assets and are excluded from the balance sheet. For the services rendered the Bank charges a fee.

p) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

Notes to financial statements (continued)

4. Significant accounting estimates and judgements

The Bank makes estimates and assumptions about uncertain events, including estimates and assumptions about the future. Such accounting assumptions and estimates are regularly evaluated, and are based on historical experience and other factors such as the expected flow of future events that can be rationally assumed in existing circumstances, but nevertheless necessarily represent sources of estimation uncertainty. The estimation of impairment losses in the Bank's credit risk portfolio represents the major source of estimation uncertainty. This and other key sources of estimation

Impairment losses on loans and receivables

The Bank monitors the creditworthiness of its customers on an ongoing basis. The need for impairment of the Bank's on- and off-balance-sheet credit risk exposure is assessed on a monthly basis.

uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Significant judgements made in determining the most appropriate methodology for estimating the fair value of financial instruments carried at fair value are also described below.

Impairment losses are made mainly against the carrying value of loans and advances to corporate and retail customers (summarised in Note 18), and as provisions for liabilities and charges arising from off-balance-sheet risk exposure to customers, mainly in the form of guarantees and documentary credits (summarised in Notes 12 and 28). Impairment losses are also considered for credit risk exposures to banks, and for other assets not carried at fair value, where the primary risk of impairment is not credit risk.

	Notes	2008 BAM'000	2007 BAM'000
Summary of impairment losses for customers			
Impairment losses on loans and advances to customers	18	210,584	134,924
Provisions for off-balance-sheet exposure	28	25,190	8,050
Total		235,774	142,974

Financial assets carried at amortised cost

The Bank first assesses whether objective evidence of impairment exists individually for assets that are individually significant (mainly corporate exposures and retail exposures above BAM 20 thousand) and collectively for assets that are not individually significant (mainly retail exposures below BAM 20 thousand). However, assets assessed individually as unimpaired are then included in groups of assets with similar credit risk characteristics. These portfolios are then assessed collectively for impairment.

The Bank estimates impairment losses in cases where it judges that the observable data indicates the likelihood of a measurable decrease in the estimated future cash flows of the asset or portfolio of assets. Such evidence includes delinquency in payments or other indications of financial difficulty of borrowers; and adverse changes in the economic conditions in which borrowers operate or in the value or enforceability of security, where these changes can be correlated with default.

Notes to financial statements (continued)

4. Significant accounting estimates and judgements (continued)

Impairment losses on loans and receivables (continued)

The Bank takes into consideration the combined effect of several events when assessing impairment and uses its experienced judgement in cases where the observable data required to estimate impairment is limited. In estimating impairment losses on items individually or collectively assessed as impaired, the Bank also has regard to the ranges of impairment loss prescribed by the Banking Agency based on the age of overdue amounts.

At the year end, the gross value of specifically impaired loans and advances, and the rate of impairment loss recognised, was as follows:

	2008			2007		
	Corporate	Retail	Total	Corporate	Retail	Total
Gross value of exposure	125,695	52,091	177,286	92,069	24,666	116,735
Impairment rate	94.59%	74.82%	88.79%	94.46%	77.84%	90.95%

Each additional increase of one percentage point in the impairment rate on the gross portfolio identified above as impaired at 31 December 2008 would lead to the recognition of an additional impairment loss of BAM 1,773 thousand.

The Bank also recognises impairment provisions on performing loans with delays in repayment of up to 90 days, at rates prescribed by the Banking Agency, in the range of 5% to 15%. The amount of impairment losses at 31 December 2008, recognised for performing loans and advances with repayment delays of up to 90 days, amounted BAM 4,268 thousand.

In addition to specifically identified losses on impaired loans, and in addition to the impairment losses recognised on performing loans as described above, the Bank also seeks to recognise impairment losses which are known to exist at the balance sheet date, but which have not yet been specifically identified. In estimating unidentified impairment losses existing in collectively assessed portfolios, the Bank uses the impairment loss rate of 2% prescribed by the Banking

Agency to be calculated on all credit risk exposures except those carried at fair value, including off-balance-sheet amounts (including undrawn lending and credit card commitments). Amounts assessed as impaired on an individual basis are excluded from this calculation.

The amount of impairment losses at 31 December 2008, estimated on a portfolio basis as described above amounted to BAM 54,284 thousand of the relevant on and off-balance-sheet exposure. Total of these portfolio based impairment losses amounted to 2.44% of loans and advances to customers and to 1.97% of on and off-balance-sheet exposure, in both cases net of amounts individually assessed as impaired.

Notes to financial statements (continued)

4. Significant accounting estimates and judgements (continued) Fair value of treasury bills

The Bank determines the fair value of treasury bills using an internal model which considers their remaining maturity and the latest available auction prices of equivalent instruments. These assets are

classified as financial assets available for sale. As at 31 December 2008, the Bank hold treasury bills issued by the Republic of Croatia in the amount of BAM 4,735 thousand.

5. Segment reporting

Business segments are as follows:

- "Retail" segment includes individuals and small businesses
- "Corporate" segment includes all other legal entities
- "Investment banking" segment includes Financial markets ("MIB") and Asset and liability management (ALM)
- segment "Other"

Balance sheet by segments					
31. DECEMBER.2008	Retail	Corporate	Investment banking	Other	Total
Segment assets	1,380,209	760,410	924,128	230,113	3,294,860
Investment in associates and subsidiaries	-	-	-	4,233	4,233
Income tax prepayments	-	-	-	1,790	1,790
Total assets	1,380,209	760,410	924,128	236,136	3,300,883
Segment liabilities	1,270,533	803,871	680,929	207,416	2,962,749
Deferred tax liability*	-	-	-	5	5
Total liabilities	1,270,533	803,871	680,929	207,421	2,962,754
31.12.2007	Retail	Corporate	Investment banking	Other	Total
Segment assets	863,412	341,112	808,599	136,850	2,149,973
Investment in associates and subsidiaries	-	-	-	1,787	1,787
Income tax prepayments	-	-	-	7,110	7,110
Total assets	863,412	341,112	808,599	145,747	2,158,870
Segment liabilities	1,055,247	467,410	389,277	69,252	1,981,186
Deferred tax liability	-	-	-	15	15
TOTAL LIABILITIES	1,055,247	467,410	389,277	69,267	1,981,201

Notes to financial statements (continued)

5. Segment reporting (continued) Income statement by segments

Income statement by segments					
31.December.2008	Retail	Corporate	Investment banking	Other	Total
Net Interest and similar income	71,634	27,050	14,137	2,608	115,429
Net Fee and commission income	31,000	15,289	(1,262)	-	45,027
Dividend income	-	21	-	-	21
Net gains or losses on financial instruments at fair value through profit or loss and foreign exchange trading	5,215	2,363	1,478	(121)	8,935
Net gains or losses from investment securities	-	-	-	6,488	6,488
Balance of other operating income	1,561	819	71	46	2,497
Net trading and other income	6,776	3,203	1,549	6,413	17,941
Operating income	109,410	45,542	14,424	9,021	178,397
Operating expenses	(90,202)	(26,156)	(1,291)	(7,231)	(124,880)
Impairment losses and provisions	(8,318)	(4,128)	-	(2,559)	(15,005)
Segment result	10,890	15,258	13,133	(769)	38,512
Income tax expense	-	-	-	(7,708)	(7,708)
Profit for the period	10,890	15,258	13,133	(8,477)	30,804
31.12.2007	Retail	Corporate	Investment banking	Other	Total
Net Interest and similar income	52,728	16,147	8,630	296	77,801
Net Fee and commission income	21,790	10,226	(345)	(146)	31,525
Dividend income	-	2	-	-	2
Net gains or losses on financial instruments at fair value through profit or loss and foreign exchange trading	4,721	1,512	(125)	43	6,151
Balance of other operating income	1,418	618	-	829	2,865
Net trading and other income	6,139	2,132	(125)	872	9,018
Operating income	80,657	28,505	8,160	1,022	118,344
Operating expenses	(41,961)	(8,713)	(1,058)	(22,841)	(74,573)
Impairment losses and provisions	(980)	(1,624)	-	(6,378)	(8,982)
Segment result	37,716	18,168	7,102	(28,197)	34,789
Income tax expense	-	-	-	(5,041)	(5,041)
Profit for the period	37,716	18,168	7,102	(33,238)	29,748

Notes to financial statements (continued)

6. Interest income

a) Analysis by source

Total interest income is derived from the following sources:		
	2008	2007
	BAM'000	BAM'000
Individuals	104,378	69,397
Companies	55,826	30,662
Banks and other financial institutions	26,688	22,837
Government and public sector	4,579	2,916
	191,471	125,812

Included within interest income from banks and other financial institutions is interest income earned on obligatory reserve balances with the central bank.

b) Analysis by product

Interest income is analysed by banking product as follows:		
	2008	2007
	BAM'000	BAM'000
Loans and advances to customers	164,542	102,739
Placements with, and loans and advances to other banks	14,320	11,969
Obligatory reserves with the central bank	11,288	10,868
IRS services	1,080	-
Debt securities	241	236
	191,471	125,812

Notes to financial statements (continued)

7. Interest expense

a) Analysis by recipient

Total interest payable is analysed by recipient as follows:		
	2008	2007
	BAM'000	BAM'000
Banks and other financial institutions	36,212	17,899
Individuals	23,294	18,551
Government and public sector	8,453	4,722
Companies	8,083	6,705
Other organisations	-	134
	76,042	48,011

b) Analysis by product

Total interest payable is analysed by banking product as follows:		
	2008	2007
	BAM'000	BAM'000
Current accounts and deposits from individuals	23,177	18,551
Borrowings	19,416	11,312
Other current accounts and deposits from customers	16,516	10,983
Current accounts and deposits from banks	14,900	6,585
Debt securities	1,373	-
IRS services	522	-
Other	138	580
	76,042	48,011

Notes to financial statements (continued)

8. Commission and fee income

	2008	2007
	BAM'000	BAM'000
Fee income from customers' debit and credit cards	18,718	12,265
Fee income from processing of domestic payment transactions	11,317	4,477
Fee income from processing of international payment transactions	7,664	6,607
Fee income from guarantees and letters of credit	4,957	3,331
Other fee income	4,655	5,933
	47,311	32,613

9. Commission and fee expense

	2008	2007
	BAM'000	BAM'000
Fee expense from processing of international payment transactions	1,408	268
Fee expense from processing of domestic payment transactions	57	304
Other fee expense	819	516
	2,284	1,088

10. Other operating income

	2008	2007
	BAM'000	BAM'000
Foreign exchange trading gains	9,527	6,151
Net realised gain from financial instruments available for sale	6,488	-
Income from expenses recharged to clients	231	182
Rental income	79	196
Dividend income	21	-
Other operating income	1,595	2,677
	17,941	9,206

Notes to financial statements (continued)

11. Operating expenses

	2008	2007
	BAM'000	BAM'000
Other administration and marketing	51,556	26,782
Personnel	50,958	34,341
Depreciation and amortisation	15,488	7,703
Savings deposit insurance	5,344	3,496
Government contributions (excluding those related to personnel)	1,062	1,475
Net foreign exchange losses from translation of monetary assets and liabilities	-	23
Other expenses	472	941
	124,880	74,761

Personnel costs includes:

1. BAM 8,661 thousand of defined pension contributions paid into the State pension plan (2007: BAM 5,187 thousand).
2. BAM 1,766 thousand in respect of the remuneration of the Management Board and other executive management members (2007: BAM 1,264 thousand).
3. BAM 4,594 thousand of bonuses (2007: BAM 3,236 thousand), as well as
4. BAM 638 thousand of provision for long-term bonus plan payable to Management (2007: BAM 638 thousand).

12. Other provisions

The charge to the income statement in respect of non-loan provisions is analysed as follows:

	2008	2007
	BAM'000	BAM'000
Guarantees and letters of credit	1,019	1,805
Litigation risks	759	6,419
Other assets	(3,035)	(41)
	(1,257)	8,183

Notes to financial statements (continued)

13. Income tax

Income tax charged in the income statement comprises current tax only. Deferred tax is recognised only in equity.

a) Income tax expense recognised in the income statement

	2008	2007
	BAM'000	BAM'000
Profit before tax	38,512	34,789
Disallowed items	38,967	8,947
Excluded income, that was not recognised as expense in prior years	(401)	-
Tax basis	77,078	43,736
Income tax at 10% (2007: 30%)	7,708	13,121
Reinvestment allowance	-	(8,727)
Under provision of tax from previous periods	-	647
Income tax charge for the year	7,708	5,041

b) Reconciliation of the income tax expense

	2008	2007
	BAM'000	BAM'000
Profit before tax	38,512	34,789
Tax calculated at rate of 10% (2007: 30%)	3,851	10,437
Expenses not deductible for tax purposes	856	2,246
Provisions not deductible for tax purposes	3,041	438
Reinvestment allowance	-	(8,727)
Excluded income, that was not recognised as expense in prior years	(40)	-
Under provision of tax from previous periods	-	647
Income tax expense	7,708	5,041
Average effective income tax rate	20%	14.5%

Notes to financial statements (continued)

14. Cash reserves

	2008	2007
	BAM'000	BAM'000
Cash in hand	98,372	59,003
Items in the course of collection	132	277
Current accounts with other banks	40,812	28,068
Giro account with central bank	161,287	236,873
	300,603	324,221

15. Obligatory reserve with the Central Bank Bosnia and Herzegovina

The obligatory reserve represents amounts required to be deposited with the central bank. Since 1 January 2008 obligatory reserve requirement represented 18% of average ten-day demand and time deposits and borrowed funds, irrespective of currency, and since 1 November 2008 the rate was changed to 14%.

16. Placements with, and loans and advances to, other banks

	2008	2007
	BAM'000	BAM'000
Placements with banks	327,147	263,160
	327,147	263,160
Provisions	(441)	(445)
	326,706	262,715

Placements with other banks at 31 December 2008 included BAM 4,188 thousand charged as collateral to secure the Bank's liabilities to Visa and MasterCard in respect of credit card operations (2007: BAM 3,626 thousand).

Notes to financial statements (continued)

16. Placements with, and loans and advances to, other banks (continued)

Movement in provision is as follows:		
	2008	2007
	BAM'000	BAM'000
As at 1 January	445	2.033
Net charge to income statement	(4)	-
Write offs	-	(1.588)
As at 31 December	441	445

17. Debt securities

Debt securities in the amount of BAM 4,735 thousand (31 December 2007: BAM 4,540 thousand) relate to treasury bills of the Republic of Croatia, and are classified as financial assets available for sale.

Notes to financial statements (continued)

18. Loans and advances to customers

a) Analysis by product

	2008	2007
	BAM'000	BAM'000
Companies		
in BAM and BAM linked to foreign currencies	974,420	495,650
in foreign currency	112,936	65,892
GROSS COMPANIES	1,087,356	561,542
Provisioning	(144,707)	(98,998)
NET COMPANIES	942,649	462,544
Individuals		
in BAM and BAM linked to foreign currencies	1,262,387	770,004
in foreign currency	1,460	7,902
GROSS INDIVIDUALS	1,263,847	777,906
Provisioning	(65,877)	(35,926)
NET INDIVIDUALS	1,197,970	741,980
GROSS LOANS	2,351,203	1,339,448
Provisions	(210,584)	(134,924)
NET LOANS	2,140,619	1,204,524
PROVISIONS AS A PERCENTAGE OF GROSS LENDING TO CUSTOMERS	8.96%	10.07%

Included in loans granted to individuals is BAM 1,161,051 thousand of loans (2007: BAM 722,818 thousand), and in corporate loans BAM 555,372 thousand which have a counter value in EUR (2007: BAM 307,974 thousand), determined upon original disbursement.

Repayments of principal and interest payments are determined with reference to this EUR counter value and are paid in the BAM equivalent translated at the rate applicable at the date of payment.

Notes to financial statements (continued)

18. Loans and advances to customers (continued)

Provision for impairment

The bad and doubtful debt expense disclosed in the income statement arises from the following movements in provisions for bad and doubtful loans and advances to customers and placements with other banks:

	Retail	Corporate	Total
	BAM '000	BAM '000	BAM '000
Balance as at 1 January 2008	35,926	98,998	134,924
Net charge to income statement	8,935	7,331	16,266
Transfer from HVB CPB as of 29 February 2008	20,350	43,520	63,870
Transfers from other assets and loan fees	734	-	734
Write offs	(68)	(5,100)	(5,168)
Foreign exchange differences	-	(42)	(42)
BALANCE AS AT 31 DECEMBER 2008	65,877	144,707	210,584
Balance as at 1 January 2007	33,789	106,345	140,134
Net charge to income statement	2,439	(1,639)	800
Write offs	(330)	(5,681)	(6,011)
Foreign exchange differences	28	(27)	1
BALANCE AS AT 31 DECEMBER 2007	35,926	98,998	134,924

Notes to financial statements (continued)

18. Loans and advances to customers (continued)

a) Concentration of credit risk by industry

The Bank's loan portfolio as at 31 December 2008, net of provisions, is analysed by industry in the table below:

	2008	2007
	'000 BAM	'000 BAM
Wood and paper	71,595	30,946
Food and drink	71,464	8,364
Metal industries and engineering	43,310	20,821
Electricity, gas and water	22,979	10,575
Electrical and optical equipment	20,649	13,573
Chemicals	19,527	19,251
Textiles and leather	12,570	4,924
Tobacco	81	854
Other manufacturing	32,753	2,160
Manufacturing	294,928	111,468
Retail and wholesale trade	343,228	193,744
Construction	107,045	34,058
Financial intermediaries	49,604	44,558
Transport and communications	46,131	18,309
Hotels and restaurants	32,195	5,799
Real estate business	17,726	16,050
Agriculture, forestry and fisheries	15,260	7,527
Central and local government and defence	10,697	12,546
Education and other public services	1,463	12,225
Health and social care	1,098	570
Other	23,274	5,690
Total corporate lending	942,649	462,544
Housing loans	334,253	234,208
Other loans to individuals	863,717	507,772
Total lending to individuals	1,197,970	741,980
Total lending	2,140,619	1,204,524

Notes to financial statements (continued)

19. Accrued interest and other assets

	2008	2007
	'000 BAM	'000 BAM
Receivables in respect of customers' debit and credit cards	19,545	19,397
Accrued interest – not due	10,286	384
Accrued interest – due	4,831	6,811
Accrued fees	677	526
Other assets	17,891	12,439
Impairment allowance	(5,986)	(10,202)
	47,244	29,355

Movement in impairment allowance:

	2008	2007
	'000 BAM	'000 BAM
As at 1 January	10,202	14,590
Transfer from HVB CPB as of 29 February 2008	2,403	-
Net charge to income statement	(3,035)	(41)
Transfer from other assets on loans	(57)	-
Amounts written off	(3,531)	(4,347)
Foreign currency differences	4	
As at 31 December	5,986	10,202

20. Associates and other equity securities

	2008	2007
	'000 BAM	'000 BAM
Associates	1,787	1,787
Other equity securities	2,446	238
	4,233	2,025

Associates represent the Bank's equity investment in UPI Poslovni sistem d.d. As at 31 December 2008, the Bank held 48.8% of the share capital in UPI Poslovni sistem d.d. (2007: 48.8%). Other equity securities are classified as available for sale.

Notes to financial statements (continued)

21. Property and equipment

	Land and buildings	Computers, equipment and motor vehicles	Assets in progress	Total
2008	BAM '000	BAM '000	BAM '000	BAM '000
Cost or valuation				
As at 1 January 2008	21,377	44,635	2,461	68,473
HVB CPB 29 February 2008	6,060	13,958	261	20,279
Additions	-	-	17,126	17,126
Transfer	614	9,907	(10,521)	-
Disposals and write offs	(7)	(2,037)	-	(2,044)
As at 31 December 2008	28,044	66,463	9,327	103,834
Depreciation				
As at 1 January 2008	4,327	28,223	-	32,550
HVB CPB 29 February 2008	1,637	7,637	-	9,274
Charge for the year	548	7,862	-	8,410
Disposals and write offs	-	(1,599)	-	(1,599)
As at 31 December 2008	6,512	42,123	-	48,635
Net book value				
As at 31 December 2008	21,532	24,340	9,327	55,199
As at 1 January 2008	17,050	16,412	2,461	35,923

Assets in progress at year end represent equipment and motor vehicles not yet put into use

Notes to financial statements (continued)

21. Property and equipment (continued)

2007	Land and buildings BAM '000	Computers, equipment and motor vehicles BAM '000	Assets in progress BAM '000	Total BAM '000
Cost or valuation				
As at 1 January 2007	20,613	38,610	533	59,756
Additions	-	-	10,323	10,323
Transfer	934	7,461	(8,395)	-
Disposals and write offs	(170)	(1,436)	-	(1,606)
As at 31 December 2007	21,377	44,635	2,461	68,473
Depreciation				
As at 1 January 2007	3,968	24,469	-	28,437
Charge for the year	385	4,942	-	5,327
Disposals and write offs	(26)	(1,188)	-	(1,214)
As at 31 December 2007	4,327	28,223	-	32,550
Net book value				
As at 31 December 2007	17,050	16,412	2,461	35,923
As at 1 January 2007	16,645	14,141	533	31,319

Assets in progress at year end represent equipment and motor vehicles not yet put into use.

Notes to financial statements (continued)

22. Intangible assets

	Software	Leasehold improvements	Other intangible assets	Assets in progress	Total
2008	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
Cost or valuation					
As at 1 January 2008	2,056	13,587	1,303	6,140	23,086
HVB CPB as at 29 February 2008	18,060	7,993	411	546	27,010
Additions	-	-	-	10,726	10,726
Transfer	10,060	2,960	1,156	(14,176)	-
Disposals and write offs	-	(4)	-	-	(4)
As at 31 December 2008	30,176	24,536	2,870	3,236	60,818
Amortisation					
As at 1 January 2008	1,190	9,803	40	-	11,033
HVB CPB as at 29 February 2008	10,988	2,478	79	-	13,545
Charge for the year	3,312	3,438	328	-	7,078
Disposals and write offs	-	(4)	-	-	(4)
As At 31 December 2008	15,490	15,715	447	-	31,652
Net book value					
As at 31 December 2008	14,686	8,821	2,423	3,236	29,166
As at 1 January 2008	866	3,784	1,263	6,140	12,053

Assets in progress at year end represent leasehold improvements and software.

Notes to financial statements (continued)

22. Intangible assets (continued)

	Software	Leasehold improvements	Other intangible assets	Assets under course of construction	Total
2007	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
Cost or valuation					
As at 1 January 2007	1,926	12,458	98	461	14,943
Additions	-	-	-	8,955	8,955
Transfer	637	1,129	1,205	(2,971)	-
Disposals and write offs	(507)	-	-	(305)	(812)
As at 31 December 2007	2,056	13,587	1,303	6,140	23,086
Amortisation					
As at 1 January 2007	1,578	7,566	20	-	9,164
Charge for the year	119	2,237	20	-	2,376
Disposals and write offs	(507)	-	-	-	(507)
As at 31 December 2007	1,190	9,803	40	-	11,033
Net book value					
As at 31 December 2007	866	3,784	1,263	6,140	12,053
As at 1 January 2007	348	4,892	78	461	5,779

Assets in progress at year end represent leasehold improvements and software.

Notes to financial statements (continued)

23. Current accounts and deposits from banks

	2008	2007
	BAM'000	BAM'000
Demand deposits		
- in BAM	7,146	1,547
- in foreign currency	4,716	365
Term deposits		
- in BAM (including BAM linked to foreign currencies)	2,010	17
- in foreign currency	326,428	203,412
	340,300	205,341

24. Current accounts and deposits from customers

	2008	2007
	BAM'000	BAM'000
Individuals		
Foreign currency current accounts, savings accounts and term deposits	684,350	604,654
BAM current accounts, savings accounts and term deposits (including BAM linked to foreign currencies)	429,149	315,508
	1,113,499	920,162
Companies		
Demand deposits		
- in BAM (including BAM linked to foreign currencies)	504,950	285,360
- in foreign currency	150,953	96,649
Term deposits		
- in BAM (including BAM linked to foreign currencies)	121,741	109,267
- in foreign currency	185,534	105,211
	963,178	596,487
	2,076,677	1,516,649

Deposits from individuals include BAM 5,208 thousand (2007: BAM 16,790 thousand) and deposits from companies include BAM 58,678 thousand (2007: BAM 68,611 thousand) linked to EUR under

a currency clause whereby payment is transacted in BAM equivalent amounts translated at the rate applicable at the date of payment.

Notes to financial statements (continued)

25. Borrowings

	2008	2007
	BAM'000	BAM'000
Foreign banks	279,729	157,883
Domestic banks	13,634	1,289
Other sources	47,266	29,264
	340,629	188,436

Other sources include subordinated debt in the amount of BAM 39.2 million from a related party (2007: BAM 19.6 million).

26. Accrued interest and other liabilities

	2008	2007
	BAM'000	BAM'000
Interest payable – not yet due	16,478	6,201
Deferred income	14,723	9,530
Credit card payables	5,364	2,633
Interest payable – due	474	1,255
Other liabilities	42,913	34,572
	79,952	54,191

27. Bonds issued

During 2008, the Bank issued bonds in the amount of BAM 100,000 thousand, at nominal value of BAM 1 thousand. These bonds mature in five years, and are bearing interest at the rate of 6-month EURIBOR + 1% p.a.

Notes to financial statements (continued)

28. Provisions for liabilities and charges

	Total	Provisions for off-balance-sheet items	Provisions for litigation risks
	BAM'000	BAM'000	BAM'000
Balance as at 1 January 2008	16,569	8,050	8,519
Transfer from HVB CPB as of 29 February 2008	7,114	5,051	2,063
Net charge to income statement	1,777	1,019	758
Provisions used during the year	(180)	-	(180)
Overbooking on interest	(137)	(137)	-
Foreign currency differences	47	47	-
Balance as at 31 December 2008	25,190	14,030	11,160

	Total	Provisions for off-balance-sheet items	Provisions for litigation risks
	BAM'000	BAM'000	BAM'000
Balance as at 1 January 2007	8,881	6,255	2,626
Net charge/(credit) to income statement	8,224	1,805	6,419
Provisions used during the year	(526)	-	(526)
Foreign exchange loss	(10)	(10)	-
Balance as at 31 December 2007	16,569	8,050	8,519

Provisions for off-balance-sheet exposure and provisions for litigation risks are recognised in other provisions in the income statement (Note 12)

Notes to financial statements (continued)

29. Net deferred tax liability Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2008	2007
	BAM'000	BAM'000
Deferred tax assets		
Fair value reserve	4	4
Deferred tax liabilities		
Fair value reserve	(9)	(19)
Net deferred tax liability	(5)	(15)

Movements in temporary differences and components of deferred tax assets and deferred tax liabilities, all recognised in equity, are as follows:

	Deferred tax assets	Deferred tax liability	Net deferred tax asset / (liability)
As at 1 January 2008	4	(19)	(15)
Changes in brought forward deferred tax balances due to changes in tax rate	1	6	7
Foreign currency difference	-	-	-
Changes in the fair value of available-for-sale financial assets, recognised in equity	(1)	(15)	(16)
MasterCard Shares write offs	-	19	19
As at 31 December 2008	4	(9)	(5)

	Deferred tax assets	Deferred tax liability	Net deferred tax asset / (liability)
As at 1 January 2007	3	(64)	(61)
Foreign currency difference	(2)	43	41
Changes in the fair value of available-for-sale financial assets, recognised in equity	-	2	2
Realisation of fair value changes previously recognised in equity	3	-	3
As at 31 December 2007	4	(19)	(15)

Notes to financial statements (continued)

30. Share capital

	31 December 2008		
	Class A	Class D	Total
	Ordinary shares	Preference shares	
	'000 BAM	'000 BAM	'000 BAM
Balance	119,011	184	119,195
Nominal value (BAM)	1,000	1,000	1,000
Number of shares	119,011	184	119,195

Earning per share is presented below. Comparatives, have been modified retroactively in accordance with IAS 33 requirements.

	2008	2007
	BAM'000	BAM'000
Net profit for year	30,804	29,748
Weighted average number of ordinary shares during the period	113,224	113,224
Earnings per share	0.272	0.263

31. Commitments and contingencies

The aggregate amounts of outstanding guarantees, letters of credit and undrawn loan commitments at the year end were:

	2008	2007
	BAM'000	BAM'000
Undrawn lending commitments	392,350	256,089
BAM guarantees	179,973	37,941
Foreign currency guarantees	84,363	82,432
Foreign currency letters of credit	13,235	16,770
	669,921	393,232

Notes to financial statements (continued)

32. Related party transactions

The Bank is a member of the UniCredit Group (“UCI”). The key shareholders of the Bank are Zagrebacka banka d.d. with holdings of 65.59% (2007: 93.98%) and Bank Austria Credit Anstalt with 24.4% (2007: 4.68%). The bank considers that it has an immediate related party relationship with its key shareholders and their subsidiaries; its subsidiaries and associates; Supervisory Board members, Management Board members and other executive management (together “key management personnel”); close family members of key management personnel; and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members.

Receivables from UCI group members as at 31 December 2008 amounted to BAM 113,622 thousand (2007: BAM 58,964 thousand), while liabilities to related parties amounted to BAM 638,885 thousand (2007: BAM 307,285 thousand).

Income from UCI group members in year 2008 includes interest income of BAM 4,841 thousand (2007: BAM 766 thousand), by securities available-for-sale BAM 6,522 thousands and other income of BAM 13 thousand (2007: fee income of BAM 83 thousand).

Expenses payable to UCI group members in 2008 include interest of BAM 30,496 thousand (2007: BAM 11,994 thousand) and fees of BAM 247 thousand (2007: BAM 184 thousand), and other administrative expenses of BAM 5,834 thousand (2007: BAM 726 thousand).

The remuneration of management personnel is disclosed in Note 11.

Transactions with related parties are part of regular business activities, and include deposits and foreign currency transactions, conducted according to market conditions and using market interest rates.

33. Risk management

The Bank’s risk management is conducted through a system of policies, programs, procedures and approved limits, which are continually upgraded in accordance with changes in legislation, changes in business activities based on market trends and development of new products, as well as through the adoption of standards of UniCredit Group in terms of risk management.

Supervisory Board and Management Board of the Bank prescribe risk management principles and adopt internal acts, covering risk management.

The Bank started the Basel II implementation project, based on Group requirements. The first stage of the project (implementation of Standard approach) ended on 1 March 2008, when Bank transferred to a new IT platform CORE02, which is adjusted with requirements of Standard approach.

Major risks that the Bank is facing are: credit risk, liquidity risk, market risk and operational risk.

Notes to financial statements (continued)

33. Risk management (continued)

Credit risk

The Bank is exposed to credit risk that can be defined as a possibility that the client will not fulfil (some) of its obligations defined in loan agreements, which may result in a financial loss for the Bank. Credit risk exposure is managed in accordance with the Bank's programs and policies currently in force, as well as other internal acts prescribed by the Supervisory Board and the Management Board. Credit risks are managed very carefully, in a way that credit exposure by portfolio and by client, as well as by groups of related entities is checked against set limits.

The limits of credit risks are determined in relation to the base capital of the Bank.

Management of credit risks is organized through four organizational units, lead by the Chief Executive of Risk department.

1. Approval of credit risks
2. Monitoring of credit risks
3. Management of defaulting receivables, and
4. Controlling of credit risks.

Measurement of credit risk

Internal acts for management of credit risk of the Bank fully comply with legal requirements, in a way that limits are established and that compliance with those limits is monitored.

The following factors are taken into account for credit risk measurement: 1) risk of loss related to insolvency of the debtor and risk of loss related to the change in client risk rating, 2) credit exposure, including balance sheet and off-balance sheet positions of the Bank and 3) value of collateral.

Business units of the Bank, which are in direct contact with clients, are responsible for primary assessment of credit risk.

Within Risk department, a function for Approval of credit risk has been established, which approves suggested lending requests, according to assumptions, conditions and internal acts. The purpose of this function is to manage credit risk aiming at minimising credit risk expenses at the Bank level, through assessment of credit risk at the very inception of credit portfolio exposure.

The Bank is also using tools, for assessment of credit risk. These tools combine qualitative and quantitative factors.

Notes to financial statements (continued)

33. Risk management (continued)

Measurement of credit risk (continued)

The service line of Monitoring of credit risks is established, focusing at control of loan portfolio, in order to reduce credit risk and improve the quality of credit portfolio of the Bank, through timely identification of potentially risky clients, and structural, targeted management of business relationship with risky clients.

Through control and analysis of credit risk exposure based on existing loan placements to Bank's clients, based on existing policies, standardised procedures and methods and standards of UCI Group, the possible losses for the Bank are being limited and reduced, in order to manage efficiently individual impairment allowances.

Service line of Management of doubtful receivables through maximizing possibilities for successful charge of doubtful receivables from Bank's debtors, quality support to legal function related to court proceedings of clients and cost efficient management of real-estate which are taken over as doubtful receivables, continually contribute to the efficient management of non-income portfolio of the Bank.

Risk exposure control and policies

for minimizing its effects

The Bank is managing, limiting and controlling credit risk concentrations, wherever such risks exist, especially when it comes to specific clients and/or groups, and industry sectors.

The Bank organizes different levels of credit risk, which can arise from restricting the amount of risk undertaken in relation to one borrower or group, or banks of borrowers, and industry segments. Such risks are monitored on a regular basis (once a month) and the reports are sent to the Credit committee of the Bank.

Exposure to credit risk is also managed by conducting regular analysis of solvency of current and future borrowers, or their ability to fulfil liabilities related to payment of interest rates and capital, and through changes in credit restrictions, where needed.

In order to minimize the risks from lending activities, as well as from operations with guarantees and credentials, the Bank is using the current Policy of instruments for insurance of Bank claims, adopted by the Supervisory board of the Bank. The above mentioned Policy also establishes rules for treatment of specific collaterals, in the process credit risk approval.

The choice of instruments for ensuring Bank claims depends on:

The assessment of client's quality

Risk evaluation of the lending activities

Evaluation of the value of the offered collaterals

External regulations

Collaterals of the Bank can be divided on basic and additional instruments.

Notes to financial statements (continued)

33. Risk management (continued)

Risk exposure control and policies for minimizing its effects (continued)

Basic collaterals of the Bank are:

- private blank bill of exchange
- contractual authorization for collection of receivables from all accounts of the clients
- compliance on confiscation of employee benefits, verified by the competent authority (physical persons)

Additional collaterals are:

1. mortgages on:
 - real estate
 - movables
 - inventories
 - rights
 - securities
2. bank guarantees
3. corporate guarantees/legal entities guarantees
4. state guarantees
5. guarantees of local administration units
6. Letter of Intent/Comfort/Awareness
7. cash deposits
8. collateral on investments in monetary funds
9. collateral on stakes in investment funds
10. vinculated life insurance policies
11. insurance claim policies
12. guarantees from physical persons.

In order to decrease the risk of marketability of collaterals, the Bank is conducting formal and vital analysis and assessments of each collateral, separately, where the special attention is being paid to possible legal assumptions on ownership of collateral, and the assessment of real marketability (the value) of collateral being done.

The procedures for analysis and evaluation of collaterals are being

conducted by persons who are in charge of business relations with clients, or in dealing with citizens, persons who are conducting the procedure of processing of applications with the evaluation of authorized evaluator.

Received borrowing liabilities

Primary goal is to ensure availability of assets according to the clients' needs. Guarantees and credentials bear the same amount of credit risk as loans. Collaterals for guarantees and credentials – that represent the written obligation of the Bank, in the name of the client who authorized a third party to withdraw Bank's assets to the certain amount, under certain conditions - are subject to regulations of Policy of collaterals of Bank claims.

Notes to financial statements (continued)

33. Risk management (continued)

Risk exposure control and policies for minimizing its effects (continued)

Received credit liabilities represent unused, approved amounts of loans, guarantees or credentials. When it comes to the credit risk from received borrowing liabilities, the Bank has potential exposure to the loss in the amount of total unused received liabilities. However, the potential amount of the loss is smaller than the total amount of the unused received liabilities, since the majority of received liabilities depend on maintaining the specific lending standards by the clients.

Provisioning policies

- The Bank applies its internal acts and proscribes procedures and regulations that are used for provisions for receivables from:
- industry companies
- banks and financial institutions
- public sector, government agencies, cantons, municipalities and local administration
- the state of BiH (Federation BiH, RS, Brčko district) and funds
- foreign states
- entrepreneurs and independent professions
- physical persons-citizens

in business activities where the Bank accepts the credit risk.

When identifying clients, the Bank applies the principles of the related party relations, in accordance with current internal acts of the Bank that regulate the relationship between related parties and determines consolidated credit risk. The total exposure to credit risk is the total amount of all receivables to all members of related party.

The receivables include receivables based on:

- all kind of loans
- received guarantees, credentials and other off-balance liabilities
- given deposits
- investments in investment portfolio of borrower securities
- other risky assets
- interests

and all other receivables which lead to credit risk.

Notes to financial statements (continued)

33. Risk management (continued)

Risk exposure control and policies for minimizing its effects (continued)

The table below shows the percentage of the Bank's on- and off-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

FBA rating	2008		2007	
	Loans (%)	Impairment provision (%)	Loans (%)	Impairment provision (%)
A	86.47%	19.64%	88.56%	18.23%
B	5.96%	5.40%	2.73%	3.08%
C	0.76%	2.77%	0.78%	2.72%
D	0.77%	4.88%	0.68%	3.96%
E	6.03%	67.32%	7.25%	72.01%
Total:	100.00%	100.00%	100.00%	100.00%

Credit risk exposures relating to on-balance sheet assets and off-balance sheets items are as follows:

	2008	2007
On-balance sheet assets:		
Current accounts with CBBH and other Banks	202,231	265,218
Obligatory reserve with CBBH	390,588	276,404
Loans to and receivables from banks	327,147	263,160
Loans to and receivables from customers	2,351,204	1,339,448
Available-for-sale financial assets	4,735	4,540
Other assets	55,020	46,668
Off-balance sheet items:		
Financial guarantees	264,336	120,372
Letters of credit	13,235	16,770
Undrawn lending commitments and other credit related liabilities	392,350	256,089
As at 31 December	4,000,846	2,588,669

Risk from operating activities

Risk from operating activities represents the possibility for the loss of the Bank, and the occurrence of negative effects on Bank's equity, due to the inadequate internal systems, procedures and controls, weaknesses and mistakes in accomplishing the business activities, illegal activities and other external elements that can cause the Bank

to operate with the loss. Definition of risk from operating activities includes the legal risk and the risk of compliance with the regulations, while the strategic risk, risk from business activities, and reputation risk are not included. Risk from operating activities is present in all business activities of the Bank, and it differs from all other types of risk the Bank is exposed to, since it is not received by the Bank directly, in exchange for the expected profit.

Notes to financial statements (continued)

33. Risk management (continued)

Risk from operating activities (continued)

In order to maintain optimal management over risk from operating activities, the Bank has created its own system, based on standards and principles defined by the local regulator, the Group, the Basel agreement, and EU guidelines.

The system includes collection of data on damages from risk from operating activities, conducting of the scenario analysis, assessment of risk from operating activities during introduction of a new product or project, allocation of regulatory equity for absorbing risk from operating activities, development of policies, processes and instruments for management, measurement and control of the risk from operating activities, proposing of measures for avoidance and mitigation of discovered risks from operating activities, including the risk transfer through the insurance, and reporting to the Management of the Bank.

Liquidity risk

Liquidity risk arises from the funding of the Bank's activities and management of its positions. The Bank consolidates its operations in respect of liquidity risk in accordance with applicable regulations and internal policies aimed at the maintenance of liquidity reserves, adjustment of assets and liabilities in accordance with defined policies and limits of Bank Austria and Zagrebačka banka Group.

The Bank has access to various funding sources, including different types of deposits from citizens and legal entities, borrowings and share capital. These sources increase the flexibility of funding sources, decrease dependence on one source and generally ensure better management of financing cost.

Management of provisions for liquidity on a daily basis is the responsibility of the ALM Board, which ensures that client requirements are always fully met, and it is trying to keep a balance between continuity of financing and flexibility through the use of sources with different maturity dates.

Short-term liquidity requirements are planned on a monthly basis, during a six-month period and are being monitored and adjusted daily.

The process of liquidity management also includes maintenance of liquidity indicators and development of additional liquidity plans. Daily monitoring of short term liquidity calculation in accordance with Group instructions towards defined regulations is in the domain of market risks.

Foreign exchange rate risk

Exposure to currency risk arises from credit, deposit-taking and trading activities and is controlled on a daily basis in accordance with legal and internal limits of Bank Austria and Zagrebačka banka for each currency, as well as in total amounts for assets and liabilities denominated in or linked to foreign currencies.

Daily monitoring of foreign exchange rate risk in accordance with Group instructions complied with defined regulations in order to monitor movements in the conversion accounts for each currency and is in the domain of market risks.

Notes to financial statements (continued)

33. Risk management (continued)

Interest rate risk

The Bank's activities are affected by changes in interest rates depending on when interest bearing assets and liabilities mature, or how their interest rates are changed, at different times or in different amounts

The Risk Management department uses Value-at-Risk method to monitor exposure to market risk, change in basic point value and alarming level of loss in order to monitor daily adjustment of business operations within the limits set by the Bank Austria and Zagrebačka banka Group. Exposure to the market risk is also monitored through inconsistency of assets and liabilities.

Capital Management

Bank's goals from capital management, which is a broader notion than shareholder's equity shown at the balance, are as follows:

- reconciliation with demands for capital, determined by regulators of banking markets where Bank's units are operating
- maintenance of Bank's ability to continue its further business activities (going concern concept) so it could ensure further income to its shareholders, as well as benefits to all interested parties, and
- maintenance of strong basic capital which could support development of business activities.

Bank is monitoring capital adequacy using techniques that are based on regulations prescribed by the Federal Banking Agency, who collects necessary information in quartile periods. The Federal Banking Agency demands the following: (a) to maintain the minimum level of Bank's net capital, (b) to maintain indicators of total net capital and risk weighted assets on minimum required level of 12%

Bank's net capital for monitoring adequacy by FBA methodology consists of:

1. Bank's basic capital: shareholder's capital in regular and long term shares reduced for book value amounts of treasury stock and intangible assets, agios, retained profit and reserves made during distribution of retained profit.
2. Bank's additional capital: shareholder's capital in long term shares based on monetary payments, general reserves for coverage of credit loss for bank's assets estimated as good quality assets, calculated profit in current year revised and confirmed by the external auditor.

Risk weighted assets are being measured on the basis of hierarchy of four risk ponders, which are being classified according to client's nature, and nature of certain assets, and which reflect the related estimate of credit risk, taking into consideration all appropriate guarantees or deposits. Off balance exposure in weighting has got conversion coefficients so that the volatile nature of potential loss can be shown. By FBA methodology, net capital of the Bank is decreased for the value of non material assets and increased for the value of general reserves for credit loss of good quality assets and subordinated debt.

Notes to financial statements (continued)

33. Risk management (continued)

Capital Management (continued)

The content of Bank's net capital and indicators for the years ending 31 December is given in the table below. During those two years, The

Bank and some of its business units have fulfilled all external capital demands which are applicable in their case.

	2008	2007
Bank's basic capital		
Share capital	119,011	83,182
Proper treasury shares	(81)	-
Emission agios	48,282	-
Legal and statutory reserves	119,696	64,799
Retained earning without current year's result	18,363	-
Intangible assets	(29,166)	(12,053)
Total basic capital	276,105	135,928
Additional capital of the bank		
General reserves	54,284	32,187
Priority shares paid in money	184	-
Revised profit	30,804	29,748
Subordinated debt and long term liabilities	39,117	24,058
Total additional capital of the bank	124,389	85,993
Net capital of the bank	400,494	221,921
Risk weighted assets:		
Credit risk weighted assets	2,265,351	1,320,729
Other weighted assets	387,915	200,875
Total risk weighted assets	2,653,266	1,521,604
Capital adequacy rate	14.81%	14.58%

Net capital in 2008 has been increased due to included net audited profit for the year 2008 and merger of capital of HVB CPB. Risk weighted assets have been increased due to increase in placements based on increase of available funding sources from clients and banks.

Notes to financial statements (continued)

34. Maturity analysis

The table below analyses the assets and liabilities of the Bank at 31 December 2008 into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date except debt securities available for sale which

have been classified in accordance with their secondary liquidity characteristics as maturing within one month, and equity securities expected to be realised in one to five years time.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000
Assets						
Cash reserves	300,603	-	-	-	-	300,603
Obligatory reserve with the central bank	390,588	-	-	-	-	390,588
Placements with other banks	322,492	-	4,188	-	26	326,706
Debt securities	4,735	-	-	-	-	4,735
Loans and advances to customers	136,621	139,042	545,760	977,348	341,848	2,140,619
Corporate profit tax prepayment	-	1,790	-	-	-	1,790
Accrued interest and other assets	45,751	47	471	975	-	47,244
Associates and other equity securities	-	-	-	4,233	-	4,233
Tangible and intangible assets	-	-	-	-	84,365	84,365
Total assets	1,200,790	140,879	550,419	982,556	426,239	3,300,883
Liabilities and equity						
Current accounts and deposits from banks	11,861	1	211,274	117,164	-	340,300
Current accounts and deposits from customers	1,309,137	149,195	362,652	244,683	11,010	2,076,677
Borrowings	127	18,282	133,054	123,038	66,128	340,629
Accrued interest and other liabilities	41,386	2,913	16,975	12,500	6,178	79,952
Issued debt securities	-	-	-	100,000	-	100,000
Provisions for liabilities and charges	14,140	-	1,026	10,024	-	25,190
Net deferred tax liability	-	5	-	-	-	5
Share capital and reserves	-	-	-	-	338,130	338,130
Total equity and liabilities	1,376,651	170,396	724,981	607,409	421,446	3,300,883
Maturity gap	(175,861)	(29,517)	(174,562)	375,147	4,793	-
As at 31 December 2007	971,349	85,082	295,153	558,147	249,139	2,158,870
Total assets	914,102	137,371	471,257	417,394	218,746	2,158,870
Total equity and liabilities	57,247	(52,289)	(176,104)	140,753	30,393	-

Notes to financial statements (continued)

35. Interest rate reprising, gap analysis and amounts subject to fixed interest rates

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following table presents the estimate of the interest rate risk for the Bank as at 31 December

2008 and is not necessarily indicative of the positions at other times. The table provides some indication of the sensitivities of the Bank's earnings to movements in interest rates. Earnings will also be affected by the currency of the assets and liabilities.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total	Amounts subject to fixed rates
	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000
Assets								
Cash reserves	202,099	-	-	-	-	98,504	300,603	-
Obligatory reserve with the central bank	390,588	-	-	-	-	-	390,588	390,588
Placements with other banks	326,680	-	-	-	26	-	326,706	162,527
Debt securities	4,735	-	-	-	-	-	4,735	4,735
Loans and advances to customers	1,570,153	88,620	439,889	36,641	5,316	-	2,140,619	126,701
Corporate profit tax prepayment	-	-	-	-	-	1,790	1,790	-
Accrued interest and other assets	-	-	-	-	-	47,244	47,244	-
Associates and other equity securities	-	-	-	-	-	4,233	4,233	-
Tangible and intangible assets	-	-	-	-	-	84,365	84,365	-
Total assets	2,494,255	88,620	439,889	36,641	5,342	236,136	3,300,883	684,551
Liabilities and equity								
Current accounts and bank deposits	298,264	-	30,175	-	-	11,861	340,300	2,000
Current accounts and deposits from customers	1,662,263	30,582	35,831	113,995	10,424	223,582	2,076,677	201,342
Borrowings	127	192,162	131,658	12,623	4,059	-	340,629	20,841
Accrued interest and other liabilities	-	-	-	-	-	79,952	79,952	-
Issued debt securities	-	60,000	40,000	-	-	-	100,000	-
Provisions for liabilities and charges	-	-	-	-	-	25,190	25,190	-
Net deferred tax liability	-	-	-	-	-	5	5	-
Share capital and reserves	-	-	-	-	-	338,130	338,130	-
Total equity and liabilities	1,960,654	282,744	237,664	126,618	14,483	678,720	3,300,883	224,183
Interest rate risk	533,601	(194,124)	202,225	(89,977)	(9,141)	(442,584)	-	460,368
As at 31 December 2007								
Total assets	1,946,196	9,166	22,829	30,093	4,839	145,747	2,158,870	611,701
Total equity and liabilities	1,523,593	101,043	141,399	97,342	13,608	281,885	2,158,870	165,434
Interest rate risk	422,603	(91,877)	(118,570)	(67,249)	(8,769)	(136,138)	-	446,267

Notes to financial statements (continued)

35. Interest rate reprising, gap analysis and amounts subject to fixed interest rates (continued)

The following table presents the estimate of future cash flows for the Bank's liabilities as at 31 December 2008.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000
Liabilities						
Current accounts and bank deposits	11,861	1	216,289	126,074	-	354,225
Current accounts and deposits from customers	1,319,917	151,680	376,415	273,488	15,013	2,136,513
Borrowings	128	14,751	135,657	127,789	64,352	342,677
Subordinated debt	-	4,026	4,142	13,146	31,665	52,979
Issued debt securities	-	-	-	-	132,364	132,364
Other liabilities	-	271	11,264	5,431	6,178	23,144
Total liabilities	1,331,906	170,729	743,767	545,928	249,572	3,041,902

The Bank did not disclose comparatives for 2007 as it is impracticable to do so.

36. Effective interest rates

The table below presents the weighted average effective yields of the financial instruments for the reporting period:

	Effective interest rate	
	31 December 2008	31 December 2007
	%	%
Cash reserves	2.53	3.73
Obligatory reserve with the central bank	1.00	1.01
Treasury bills	4.96	4.34
Placements with, loans and advances to other banks	2.98	4.33
Loans and advances to customers	8.02	8.42
Current accounts and deposits from other banks	3.92	5.92
Current accounts and deposits from customers	2.01	2.08
Borrowings	5.66	5.59
Securities	6.15	-

Notes to financial statements (continued)

37. Foreign exchange positions

The Bank had the following foreign exchange positions as at 31 December 2008:

	EURO BAM'000	EURO linked BAM'000	EURO total BAM'000	USD BAM'000	Other foreign currencies BAM'000	BAM BAM'000	Total BAM'000
Assets							
Cash reserves	39,608	-	39,608	9,526	27,381	224,088	300,603
Obligatory reserve with central bank	-	-	-	-	-	390,588	390,588
Placements with other banks	187,465	-	187,465	139,241	-	-	326,706
Debt securities	-	-	-	-	4,735	-	4,735
Loans and advances to customers	85,053	1,694,635	1,779,688	53	-	360,878	2,140,619
Corporate profit tax prepayment	-	-	-	-	-	1,790	1,790
Accrued interest and other assets	451	10,077	10,528	199	1	36,516	47,244
Associates and other equity securities	-	-	-	2,230	-	2,003	4,233
Tangible and intangible assets	-	-	-	-	-	84,365	84,365
Total assets	312,577	1,704,712	2,017,289	151,249	32,117	1,100,228	3,300,883
Liabilities and equity							
Current accounts and bank deposits	331,145	-	331,145	-	-	9,155	340,300
Current accounts and deposits from customers	840,377	63,886	904,263	146,659	33,800	991,955	2,076,677
Borrowings	338,059	-	338,059	-	-	2,570	340,629
Accrued interest and other liabilities	15,332	609	15,941	2,207	95	61,709	79,952
Debt securities	-	100,000	100,000	-	-	-	100,000
Provisions for liabilities and charges	2,457	1,088	3,545	710	33	20,902	25,190
Net deferred tax liability	-	-	-	-	-	5	5
Share capital and reserves	-	-	-	-	-	338,130	338,130
Total equity and liabilities	1,527,370	165,583	1,692,953	149,576	33,928	1,424,427	3,300,883
Net foreign exchange position	(1,214,793)	1,539,129	324,336	1,673	(1,811)	(324,198)	-
As at 31 December 2007							
Total assets	224,178	963,839	1,188,017	100,383	31,820	838,650	2,158,870
Total equity and liabilities	1,077,913	95,856	1,173,769	100,513	31,354	853,234	2,158,870
Net foreign exchange position	(853,735)	867,983	14,248	(130)	466	(14,584)	-

Notes to financial statements (continued)

38. Fair values of financial assets and liabilities

Fair value represents the amount for which an asset could be exchanged or a liability settled on an arm's length basis.

Financial instruments available for sale are presented at fair value. Loans and receivables are measured at amortised cost less allowance for impairment.

The following summarises the major methods and assumptions used in estimating the fair value of financial instruments.

Loans and advances

The fair value of loans and advances is calculated based on discounted expected future principal and interest cash flows. Loan repayments are assumed to occur at contractual repayment dates, where applicable. Expected future cash flows are estimated considering credit risk and any indication of impairment which is determined in accordance with impairment provisioning requirements as prescribed by the Banking Agency. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans. Under assumption of a market interest rate of 8.70% p.a. for retail and 7.09% p.a. for corporate (2007: overall rate 8.11% p.a.), expected future cash flows on loans and advances to companies with fixed interest rate are discounted to present value. Lombard loans, where the Bank earns an interest margin of 3% per annum, are excluded from the calculation. Based on the above assumptions, management has estimated a fair value of loans and advances to companies of BAM 942,570 thousand (2007: BAM 463,656 thousand), which is BAM 208 thousand higher than their carrying value (2007: BAM 240 thousand lower than their carrying value). Management has estimated, on the same basis, a fair value of loans and advances to retail customers of BAM 1,198,175 thousand (2007: BAM 740,683 thousand), which is BAM 334 thousand higher than their carrying value (2007: BAM 475 thousand lower than their carrying value).

Placements to banks

Placements to banks mostly represent overnight deposits and as such there is no significant difference between the fair value of these deposits and their carrying value.

Bank and customer deposits

For demand deposits with no defined maturities, fair value is taken to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values. Under assumption of an average market interest rate on long term corporate and retail deposits of 5.98% p.a. and 5.19% p.a. respectively (2007: overall rate of 4.8% p.a.), taking into account latest market developments, expected future cash flows on long term corporate and retail deposits with fixed interest rates are discounted to present value. Deposits linked to lombard loans are excluded from the calculation.

Notes to financial statements (continued)

38. Fair values of financial assets and liabilities (continued)

Bank and customer deposits (continued)

Based on the above assumption, management has estimated a fair value of current accounts and deposits from corporate clients of BAM 962,934 thousand, which is BAM 244 thousand lower than their carrying value and from retail customers of BAM 1,113,368 thousand, which is BAM 131 thousand lower than their carrying value (2007: deposits from customers of BAM 1,515,900 thousand, which is KM 749 thousand lower than the carrying value).

As most of the Bank's deposits with banks are given with variable rate, being the market rate, there is no significant difference between the fair value of these deposits and their carrying value.

Borrowings

Most of the Bank's long-term debt has no quoted market prices and fair value is estimated as the present value of future cash flows, discounted at the interest rate available at the balance sheet date to the Bank for new debt of similar type and remaining maturity. Management has estimated that the carrying value of borrowings is not significantly different from their fair value.

Urska Kolar Stuklek
Slovenia

«Any offering or proposal I prepare for customers or colleagues is always checked by my conscience. I ask myself, “Have I considered all options? Is this the best solution?” I can only commit to my customers and colleagues if the proposal would satisfy me were I standing in their shoes.»»



Financial reports prepared in the form prescribed by the Federal Banking Agency

These financial statements comprise the income statement for the year ended 31 December 2008 and the balance sheet as at 31 December 2008 prepared in the form prescribed by the "Decision on minimum volume, form and contents of programmes and reports on economic and financial audit" from 29 January 2003 and the Amended Decision from 19 December 2003.

Profit and Loss as at 31 December 2008	2008	2007
	BAM'000	BAM'000
Interest income and interest expense		
Interest income and similar income		
Interest bearing deposits with deposit institutions	25,605	22,837
Loans and leasing	161,462	96,806
Debt securities held until maturity	3	35
Equity securities	-	-
Receivables for payments made for off balance sheet exposure	-	19
Other interest income and similar income	7,524	6,677
Total interest income and similar income	194,594	126,374
Interest expense and similar expenses		
Deposits	54,578	36,034
Borrowings from other banks	-	-
Borrowings-due	-	-
Borrowings	16,347	8,700
Subordinated debts	3,055	1,309
Other interest expenses and similar expenses	1,909	
Total interest expense and similar expenses	75,889	46,043
Net interest income and similar income	118,705	80,331
Operating income		
Income from FX trade gains	9,090	7,025

Fee income from lending activities	2,418	1,548
Fee income from off balance sheet items	4,978	3,331
Fee for services provided	42,131	25,104
Income from trading activities	-	2
Other operating income	23,244	19,316
Total operating income	81,861	56,326
Non-interest expenses		
Business and direct expenses		
Provision for credit risk and potential credit and other losses	32,617	22,204
Other business and direct expenses	16,839	11,372
Total business and direct expenses	49,456	33,576
Operating expenses		
Personnel costs	50,353	34,341
Renting costs, other fixed charges and utilities	48,466	22,515
Other operating expenses	13,779	12,083
Total operating expenses	112,598	68,939
Total non-interest expenses	162,054	102,515
Profit before tax	38,512	34,142
Taxation	7,708	4,394
Net profit	30,804	29,748

Balance as at 31 December 2008

	2008	2007
	BAM'000	BAM'000
Assets		
Cash reserves and deposits with financial institutions	1,013,683	859,563
Cash and non interest bearing accounts and deposits	98,504	59,281
Interest bearing deposits	915,179	800,282
Debt securities for trading	4,735	4,540
Placements with banks	26	150
Loans, receivables from leasing and due debts	2,209,447	1,242,292
Loans	2,174,640	1,194,934
Receivables from leasing	156	-
Due debts and receivables from leasing	34,651	47,358
Debt securities held to maturity	-	-
Business premises and other fixed assets	84,660	48,270
Other real estates	88	89
Equity investments	4,235	2,025
Other assets	61,203	44,483
Less: Provisions for possible losses	(69,434)	(38,103)
Provisions for loans, receivables from leasing and due debts	(66,926)	(36,327)
Provisions for other assets except provisions for loans, receivables from leasing and due debts	(2,508)	(1,776)
Total assets	3,308,643	2,163,309
Liabilities		
Deposits	2,416,976	1,721,990
Interest bearing deposits	2,181,533	1,693,049
Non-interest-bearing deposits	235,443	28,941
Due debts	91	91
Guarantees called up	91	91
Borrowings	301,513	164,377
With remaining maturity up to 1 year	143,640	16,414
With remaining maturity over 1 year	157,873	147,963
Subordinated debts and subordinated bonds	39,117	24,058
Other liabilities	212,760	75,064
Total liabilities	2,970,457	1,985,580

Capital and reserves		
Permanent preferred shares	184	-
Ordinary shares	119,011	83,182
Share premium	48,282	-
On permanent preferred shares	88	-
On ordinary shares	48,194	-
Retained profits and capital reserves	138,059	64,799
Other capital	32,650	29,748
Total shareholders' funds	338,186	177,729
Total liabilities and funds employed	3,308,643	2,163,309

Bank's management

BERISLAV KUTLE	Bank Director CEO, president of Management Board
ZVONIMIR JURJEVIĆ	Deputy Director COO, member of Management Board
IVAN VLAHO	Executive Director of Retail, member of Management Board
SANEL KUSTURICA	Executive Director of Corporate, member of Management Board
DRAGA LETICA	Finance director CFO
ZRINKA MATANOVIC	Risk Director CRO
ZDRAVKO PLANINIC	Director of GBS
ALEK BAKALOVIC	Director of Finance market

Addresses and Telephone Numbers

Management	
<hr/>	
Kardinala Stepinca bb, Mostar	
Telephone	00387 (0) 36 312 112
<hr/>	
Fax	00387 (0) 36 312 123
<hr/>	
Informations	00387(0) 36 312 112
	00387(0) 36 312 116
	00387(0) 36 312 117
<hr/>	
Retail	00387 (0) 36 312 112
<hr/>	
Corporate Banking	00387 (0) 33 253 708
<hr/>	
Finance managment	00387 (0) 36 312 112
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Risk Management	00387 (0) 36 312 112
<hr/>	
Finance market	00387 (0) 33 253 708
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Business Network of UniCredit Bank

Name of Branch offices/Address	Telephone
REGIONAL OFFICE MOSTAR	
Branch office 1 in Mostar, Kardinala Stepinca bb, 88000 Mostar	036 312 112
Branch office 2 in Mostar, Dubrovačka 4, 88000 Mostar	036 325 702
Branch office 3 in Mostar, Mostarskog bataljona 4, 88000 Mostar	036 501 412
Branch office 5 in Mostar, Kardinala Stepinca bb, 88000 Mostar	036 333 900
Branch office 6 in Mostar, Lacina 5, 88000 Mostar	036 502 300
Branch office in Čapljina, Augusta Šenoa bb, 88300 Čapljina	036 810 712
Branch office in Stolac, Hrvatskih branitelja bb, 88360 Stolac	036 853 306
Branch office in Neum, Dr. Franje Tuđmana bb, 88390 Neum	036 880 149
Branch office in Čitluk, Broćanski trg bb, 88260 Čitluk	036 642 929
Branch office in Međugorje, Međugorje bb, 88266 Međugorje	036 650 862
Branch office in Konjic, Maršala Tita bb, 88400 Konjic	036 725 205
REGIONAL OFFICE ŠIROKI BRIJEG	
Branch office in Grude, Franje Tuđmana br. 124, 88340 Grude	039 660 123
Branch office 1 in Široki Brijeg, Fra. Didaka Buntića 13, 88220 Široki Brijeg	039 700 212
Branch office 2 in Široki Brijeg, Fra Didaka Buntića bb, 88220 Široki Brijeg	039 703 963
Branch office in Ljubuški, Kralja Zvonimira bb, 88320 Ljubuški	039 831 340
REGIONAL OFFICE BOSNA NE	
Branch office in Orašje, Treća ulica bb, 76270 Orašje	031 712 944
Branch office in Odžak, Titova 17, 76290 Odžak	031 762 437
Branch office in Doboј, Kralja Dragutina 2a, 74000 Doboј	053 241 111
Branch office in Brčko, Trg mladih 1, 76120 Brčko	049 216 626
Branch office 1 in Brčko, Bulevar mira 5, 76120 Brčko	049 233 770
Branch office in Bijeljina, Svetog Save br 38, 76300 Bijeljina	055 225 080
REGIONAL OFFICE LIVNO	
Branch office in Livno, Kralja Tvrtka bb, 80101 Livno	034 201 072
Branch office in Tomislavgrad, Brigade Kralja Tomislava, 80240 Tomislavgrad	034 352 138
Branch office in Posušje, Fra Grge Martića 28, 88240 Posušje	039 680 940
REGIONAL OFFICE SREDNJA BOSNA BOSNA	
Branch office in Vitez, Petra Krešimira IV, 72250 Vitez	030 713 606
Branch office in Vitezu, Branilaca starog Viteza bb, 72250 Vitez	030 790 622
Branch office in Uskoplju, Bana Jelačića bb, 70240 Uskoplje	030 494 181
Branch office in Turbet, Bosanska 70d, 72283 Turbe	030 532 044
Branch office in Donji Vakuf, Slavna brdska 770, 70220 Donji Vakuf	030 205 551

Branch office in Novoi Travnik, Kralja Tvrtka bb, 72290 Novi Travnik	030 790 622
Branch office in Fojnica, Mehmeda Spahe 18, 71270 Fojnica	030 547 020
Branch office in Travnik, Bosanska 123, 72270 Travnik	030 547 017
Branch office in Travnik, Bosanska 56, 72270 Travnik	030 518 611
Branch office in Jajce, Hrvoja Vukčića Hrvatinića bb, 70101 Jajce	030 654 560
Branch office in Rama, Kralja Tomislava bb, 88440 Rama	036 771 061
Branch office in Bugojno, Zlatnih ljiljana bb, 70230 Bugojno	030 251 993
Branch office in Bugojno, Bosanska bb, 70230 Bugojno	030 259 570
Branch office in Kiseljak, Josipa Bana Jelačića bb, 71250 Kiseljak	030 877 122
REGIONAL OFFICE ZENICA	
Branch office in Žepče, Stjepana Tomaševića bb, 72230 Žepče	032 880 785
Branch office in Visoko, Alije Izetbegovića 39, 71300 Visoko	032 730 310
Branch office in Visoko, Branilaca 20a, 71300 Visoko	032 730 060
Branch office in Zenica, Školska bb, 72000 Zenica	032 449 346
Branch office 1 in Zenica, Londža 79, 72000 Zenica	032 406 086
Branch office 2 in Zenica, Bulevar Kralja Tvrtka I 17, 72000 Zenica	032 444 660
Branch office in Kakanj, Zgoščanska bb, 72240 Kakanj	032 557 215
Branch office in Tešanj, Titova bb, 74260 Tešanj	032 665 169
Branch office in Jelah, Titova bb, 74264 Jelah	032 664 426
Branch office in Breza, Bosanskih Namjesnika 118, 71370 Breza	032 783 292
Branch office in Zavidovići, Patriotske lige 1, 72220 Zavidovići	032 878 163
Branch office in Vareš, Put mira 5, 71330 Vareš	032 843 063
Branch office in Olovo, Husein kapetana Gradaševića bb, 71340 Olovo	032 825 188
Branch office in Maglaj, Viteška bb, 74250 Maglaj	032 609 811
REGIONAL OFFICE BIHAĆ	
Branch office in Bihać, Ulica V. Korpusa bb, 77000 Bihać	037 223 051
Branch office 1 in Bihać, Trg slobode 7, 77000 Bihać	037 229 270
Branch office in Velika Kladuša, Maršala Tita 23, 77230 Velika Kladuša	037 770 104
Branch office in Cazin, Bosanskih Šehida bb, 77220 Cazin	037 514 969
Branch office 1 in Cazin, Cazinskih brigada bb, 77220 Cazin	037 515 012
Branch office in Bosanska Krupa, Slavne brigade 511, 77240 Bosanska Krupa	037 471 694
Branch office 1 in Sanski Most, Trg oslobodilaca bb, 79260 Sanski Most	037 688 545
REGIONAL OFFICE SARAJEVO STARI GRAD	
Branch office 1 in Sarajevo, Maršala Tita 48, 71000 Sarajevo	033 253 375
Branch office 3 in Sarajevo, Zagrebačka 2-4, 71000 Sarajevo	033 253 973
Branch office 4 in Sarajevo, Alipašina 45a, 71000 Sarajevo	033 443 106
Branch office 5 in Sarajevo, Fra. Grge Martića 2, 71000 Sarajevo	033 237 845
Branch office 6 in Sarajevo, Branilaca Sarajeva 20, 71000 Sarajevo	033 285 726
Branch office 11 in Sarajevo, Gajev trg 2, 71000 Sarajevo	033 251 950
Branch office 12 in Sarajevo, Zelenih beretki 24, 71000 Sarajevo	033 253 767

Branch office 13 in Sarajevo, Branilaca grada 53, 71000 Sarajevo	033 221 700
Branch office 14 in Sarajevo, Maršala Tita 13, 71000 Sarajevo	033 201 981
Branch office 15 in Sarajevo, Bolnička 25, 71000 Sarajevo	033 218 201; 033 297 705
Branch office 16 in Sarajevo, Fra Anđela Zvizdovića 1, 71000 Sarajevo UNITIC	033 252 280
REGIONAL OFFICE NOVO SARAJEVO	
Branch office 2 in Sarajevo, Zmaja od Bosne 14C, 71000 Sarajevo	033 250 421
Branch office 7 in Sarajevo, Trg ZAVNOBIH-a 21, 71000 Sarajevo	033 776 132
Branch office 8 in Sarajevo, Mala Aleja 28, 71210 Ilidža	033 774 140
Branch office 9 in Sarajevo, Hifzi Bjelevca 82, 71000 Sarajevo	033 765 050
Branch office 10 in Sarajevo, Rajlovačka bb, 71000 Sarajevo	033 234 783
Branch office 17 in Sarajevo, Dr.Fetaha Bećirbegovića 23A, 71000 Sarajevo (OTOKA)	033 721 800
Branch office 18 in Novo Sarajevo, Zmaja od Bosne 74, 71000 Sarajevo	033 657 127; 033 659 704
Branch office 19 in Sarajevo, Mustafe Kamarića 5, 71000 Sarajevo	033 454 181
Branch office in Vogošća, Igmanska 60, 71320 Sarajevo	033 476 361
Branch office in Ilidža, Mala Aleja 10, 71210 Ilidža	033 627 937
Branch office u+in Hadžići, Hadželi bb, 71240 Hadžići	033 475 390
Branch office 21 in Sarajevo (Avaz), Džemala Bijedića 185, 71000 Sarajevo	033 788 825/830
REGIONAL OFFICE TUZLA	
Branch office 1 in Tuzla, Džafer Mahala 53-55, 75000 Tuzla	035 259 059; 035 259 019
Branch office 2 in Tuzla, Armije BiH 3, 75000 Tuzla	035 306 478; 035 306 474
Branch office 3 in Tuzla, Aleja Alije Izetbegovića 10, 75000 Tuzla	035 302 470
Branch office in Gradačac, Ulica šehida 1, 76250 Gradačac	035 817 714
Branch office in Lukavac, Kulina Bana bb, 75300 Lukavac	035 550 331
Branch office in Gračanica, 22 Divizije bb, 75320 Gračanica	035 700 501
Branch office in Srebrenik, 21 Srebreničke Brigade, 75350 Srebrenik	035 647 025
Branch office in Živinice, Ulica Oslobođenja bb, 75270 Živinice	035 740 086
Branch office in Kalesija, Trg šehida bb, 75260 Kalesija	035 610 110
REGIONAL OFFICE BANJA LUKA	
Branch office in Banja Luka, I Krajiškog korpusa 6, 78000 Banja Luka	051 348 063
Branch office 1 in Banja Luka, Veselina Masleše 10, 78000 Banja Luka	051 224 850
Branch office in Laktaši, Karađorđeva bb, 78252 Laktaši	051 530 662/663
Branch office in Prijedor, Znanstvena bb, 79101 Prijedor	052 234 258