For whatever life brings

2010 Annual Report

Everyone knows that life can be surprising. Many of these surprises are good things. Some are not so good. That is why people need their bank to be a reliable partner, helping them to deal with *whatever life brings*.

Because this year's report is inspired by real life, its graphics portray some of life's more pleasant aspects, as well as a few of its less enjoyable features. Thus, the images present a range of contrasts, and our cover offers up a kaleidoscope of moments drawn from daily life.

That is simply how life works. From the exciting to the ordinary, from the expected to the unanticipated, life is always changing and makes demands on all of us.

And UniCredit is here to lend a hand.

Our job is about more than offering products and managing transactions. It is about understanding the needs of our customers as individuals, families and enterprises.
Our goal is to deliver solutions for the everyday issues that people face. This means providing them with concrete answers – day by day, customer by customer, need by need.

2010 Annual Report

For whatever life brings

Contents

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over translation.

Director's report

Berislav Kutle, Director

Dear customers, shareholders and business partners,

It is with great pleasure and pride that I present to you UniCredit Bank d.d. Mostar Annual report for 2010

The year behind us was another challenging and difficult, but successful year. It was the year in which we achieved extremely good performance results in the given macro-economic environment. In the complex social and political situation in Bosnia and Herzegovina (BIH), we managed to recognise opportunities and transform them into our advantages, while you recognised this step forward and I am grateful for it. I would like to point out that our people are our greatest advantage and value. On one side, qualified individuals functionally organised in teams, which are difficult to be copied, and on the other side, customers for whom the Bank exists in the first place. Quality of this relationship is what keeps the Bank at the top of BIH banking.

In 2010, BIH economy was characterised by moderate recovery rate. Positive economy growth last year was a result of external effects and expanding potentials at foreign markets.

Poor domestic demand was reflected in low production potential in the industry sector as well as low personal consumption, while there was no production diversification due to great percentage of low-technology semi-fabricated products import. There was no growth of real wages, with extremely high unemployment rate.

In such complex situation of forming new government, further consolidation efforts were required from the fiscal policy in the Federation of BIH (FBIH) and Republic of Srpska (RS), as well as elimination of structural shortcomings in order to achieve the challenging target budget deficit of 3% GDP in 2011.

Despite of the previous recession and early post-recession period, UniCredit Bank contributed greatly to creating positive internal atmosphere in order to enable local companies to respond to competition challenges in global markets. In challenging market conditions, the Bank managed to increase the volume of its business through growth of assets and loans. By its business philosophy and performance, the Bank followed the trends inherent to developed European economies, thus enabling sufficiency and availability of loans for corporate and retail customers in BIH.

We confirmed mutual trust and quality relations with the widest customer base in the country. Membership in UniCredit Group additionally contributed to Bank stability and strength, and in 2010 we continued intensifying our position of a reliable business partner for individuals, corporate and government institutions.

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The Bank proved to be the market leader in most of key indicators, with the strategy plan of taking the top position in all qualitative parameters.

Despite of system limitations of the banking industry economic environment, in 2010 the Bank generated net profit in the amount of BAM 31.7 million or 7.8% above 2009 The growth of Bank's net profit was a result of long-term self-sustainable growth and development of the Bank. It was a direct consequence of better quality cost management (decrease of operative expenses by 4.4%), on one side, and increase of performance quality in relations with customers, on the other side.

Gross operating profit amounted to BAM 67.9 million and it was 27.1% above last year, which was contributed by annual growth of Bank revenues, with simultaneous efficient cost management.

Contrary to market contraction trends, Bank's assets were increased by 4.4% to BAM 3,602.7 million. Aggregate volume of net loans reached BAM 2,111.4 million, representing 4.2% growth compared to the year before. On the other side, aggregate deposits from customers amounted to BAM 2,647.3 million, with considerable annual growth of 15.4%.

The total capital of the Bank amounted to BAM 399.4 million or 8.3% more than last year. High level of security of the Bank's performance was confirmed through the capital adequacy ratio of 15.8%.

Key segments results

Retail banking

In BIH market, the Bank was distinguished by a wide range of quality products and services, but also by keeping focus on the customer and his/her requirements.

By our unique service quality system we monitor and improve our customers' satisfaction on regular basis. In 2010 customer satisfaction research, our result was excellent with 95 points, and thus we established new market benchmark.

We maintained our leading position in innovative products by upgrading the unique service of mobile banking m-ba in the market. Today, our customers are able to carry out their financial transactions and receive banking information via their mobile devices, any time, any place, regardless of their mobile operator.

Furthermore, on a daily basis our customers recognise advantages of JES! account package, UniCredit Bank d.d. universal product, which offers, next to banking products and services, a range of non-banking services thus enriching and simplifying their daily life and business. At the end of the year, there were over 90,000 satisfied customers of JES! account package.

In card-related business, even greater service quality standards were established. The focus was on creating top-quality products and innovative solutions tailor-made to satisfy our customers' requirements, such as Golden Visa Card and MasterCard Gift Card. Golden Visa Card was created for affluent segment customers, primarily private banking customers, and it represents a prestigious and modern payment model adjusted to their requirements and life-style. By this new card product we strive to meet financial requirements of this target segment and to offer extra benefits of a series of non-banking services. MasterCard Gift Card is a perfect gift for family members, friends and business partners. The card is recognised internationally and it may be used for shopping at any point of sale in the country and abroad containing MasterCard label.

The Bank operates the widest network of ATMs throughout BIH. 215 ATMs offer customers 24/7 efficient and easy access to their accounts, while we also provide services to almost 969,000 customers via 93 branches (retail and corporate).

Corporate banking

In corporate banking segment, in 2010, UniCredit Bank continued with extraordinary performance results, thus confirming its leadership position in BIH market.

Reacting promptly to growing financing requirements and finding adequate business solutions, through our sales network of 10 business centres, last year we approved over BAM 685 million worth loans, almost BAM 170 million worth guarantees, and over BAM 33 million worth letters of credit. The above-mentioned volumes were realised due to successful acquisition of new customers, whereas at the same time cooperation with existing customers was intensified.

With strong support from our parent company - UniCredit Group - through improving our product and service offer, our advisory role at customers' disposal, as well as our service quality, we kept supporting our corporate customers to maintain their business volumes in the challenging and dynamic market conditions.

Financial markets and investment banking

BIH capital market is recovering at a slower pace, compared to other European, regional and global markets. Liquidity of both BIH Stock Exchanges in 2010 was below the volumes realised in previous years.

In 2010, UniCredit Bank financial markets and investment banking introduced new products and services for its customers within investment banking unit. In April 2010, UniCredit Bank d.d. obtained the first licence in BIH as the Bank agent and underwriter in securities issuing and trading. New products and services are aimed to provide customers with necessary finance resources through capital markets and to enhance our customers' business. Further to capital market products, corporate finance and structural financing products are available to our customers.

The corporate treasury desk, as one of the leading players in BIH money market, was oriented primarily to corporate customers, providing them with financial support in order to minimise FX and interest-related risks through a wide range of products and services.

By timely reaction and adaptation to new market situation in 2009, caused by global recession, the net result in 2010 of corporate treasury desk was better and with increased number of customers compared to 2009

The above-mentioned activities reflected the strategy and mission of the financial markets and investment banking to take the leading position among institutions in BIH capital and money markets.

Risks

2009 was the year of the unprecedented GDP drop, as a result of the financial crisis effects, while in 2010 GDP was growing. However, in 2010, certain effects of the financial crisis in the market, which had the greatest impact to decrease of domestic consumption, affected the loan portfolio quality. Operating in such environment forced us to put additional focus on early identification of potential risk sources in all business segments. Additional efforts were made in the field of carrying out customer's due diligence when approving each facility, daily customer monitoring through introducing new criteria of recognising potentially risk-bearing facilities, as well as additional measures of identified risky customers' recovery through rescheduling and workout, as well as fraud preventing.

Further delayed effects of the financial crisis are expected in the first half of 2011, while full recovery is expected in 2012, according to which we will channel our activities.

Key segments results (CONTINUED)

UniCredit Group

There is the largest banking group in CEE behind UniCredit Bank. With more than 30 years of experience in CEE, UniCredit is able to provide tailor-made solutions designed to meet customers' requirements and via UniCredit Bank it provides the customers with the easiest access to international capital markets. Belonging to this unique network make us the Bank, which may offer quality solutions for all our customers and partners, state-of-the-art products and services, as well as the best opportunities for encouraging development of our community. Our greatest values are presented through efforts of our professional and committed staff throughout the Group and the country to create better future even today via activating powerful human and social potentials of our local community and empowering optimism of our customers and partners. Living through the values contained in our Integrity Charter - Fairness, Transparency, Respect, Reciprocity, Freedom and Trust - our employees participate in creating better future for every customer of ours. For our customers we really want to be the Bank which, through its success and quality, transforms uncertainty into security and we want to keep our leading position in this market in sustainable new value creating for all society members.

Following global processes, development and liberalisation of national markets, UniCredit continues improving its business in all countries, where it operates through its member banks. The Group is present in 22 European countries, with the international network in 50 other markets, 9,600 branches and over 162,000 employees as of 30 June 2010 In 2010, there were two banks operating as Group members in Bosnia and Herzegovina - UniCredit Bank d.d. Mostar and UniCredit Bank a.d. Banja Luka.

2011 expectations

Challenges ahead for the region's banking industry include growing national and international regulatory pressures. In the short term, concerns are related to the strong focus on regulating the FX business, as well as the implementation of overly demanding levies on banks. In the medium term the challenge is Basel III implementation.

Risk appetite is one thing which will make the difference between winners and losers. Availability of capital and funding, the widest network with strong positioning in the most dynamic markets in the region and good capacity to leverage on Group competences are the basis for future success of the entire UniCredit.

In the period ahead, UniCredit Bank will remain a reliable partner, committed to customer's needs and focused on achieving excellence in service quality. In 2010, we have confirmed our position of the market leader in net profit and total capital, while in 2011 we are planning to strength further all positions.

We will continue working on developing staff-customer relations quality, keeping our focus on the customer and delivery of top-quality service. In future, like always before, we will remain focused on BIH economic growth, striving to ensure better quality of living to every citizen of the country.

Finally, I would like to thank all our customers, shareholders and business partners for their loyalty and trust given to us. I would also like to express my special gratitude to UniCredit Bank employees for their excellent team-work, commitment and enthusiastic contribution to the Bank's successful performance.

Berislav Kutle
Director

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Economic environment in BIH

Economic environment

Open character of Bosnia and Herzegovina economy is reflected in high share of foreign trade compared to nominal GDP, but with twice larger value of import than export of goods, being mostly low technology semi-fabricated products. In such context, notable recovery of EU economy, which is indisputably led by Germany, has created fundamental preconditions for economy revival in Central, Eastern and South-East Europe. Despite of difficulties in financing debts of the countries with accumulated debtor problems, due to positive trend of private consumption and favourable conditions in financial markets, further recovery of core European markets is expected.
CEE economy systems get positive impulses from such developments, although their economy models, based on double deficit policy - fiscal and current account balance of foreign payments deficits - as well as great dependence on foreign investments, impose the need to change and foster their internal production potentials. Common projection for all countries of the region, including those which remained in recession during 2010, is that they should report positive economy growth rates next year.

Macroeconomic situation

Gross domestic product: after recession characterised last year, features of 2010 overall economy developments were marked by new signs of slight economic recovery. Drivers of 0.5% real growth have to be attributed to external factors and EU markets growing absorption potential of (BIH) low technology level industry products. On the other side, there is still notable absence of internal elements to stimulate growth, while private consumption remains below the pre-recession time.

Consumer prices: external factors, mostly oil price growth in the global market, as well as administrative control of prices in the country, resulted in leaving the deflation cycle, which was present one year ago, and caused a positive consumer price average growth rate of 2.0% in 11 months of 2010 Poor domestic demand was reflected in anaemic character of personal consumption as a result of labour market developments and tendency of both gross and net salaries of employees, including real drop of their value.

Industry production: estimation saying that 2010 was determined by early indicators of recovery through growing, but poorly differentiated, industry production, was marked by data on its structure and tendency. Compared to the previous year, industry production in FBIH was increased by 4.2%, while in RS by slightly more 5.0%.

Foreign trade, current account and balance of payment: positive trend of industrial activities is reflected in foreign trade related data, where during 11 months of 2010, the value of export was growing at annual rate of 28.2%, and import 9.7%. The key contribution to BIH export was provided by base metals, oil derivatives and coke, but again it is with minor share in the overall product export. Despite of poor domestic demand and low private consumption, great volume of electrical power and industrial raw-material import produced current account deficit projection in the value of 6.5% of GDP.

Stand-by arrangement with IMF: IMF Mission and BIH Government agreed on the set of economic policies for the purpose of closing the second audit of the Stand-by arrangement. IMF Executive Board approved withdrawal of the new tranche in the amount of SDR 118.37 million (EUR 132.8 million), out of which SDR 38.82 million (EUR 40 million) was accepted for payment, whereas the aggregate amount of undisbursed tranches reached the value SDR 338.2 million (EUR 379.4 million). Therefore, the total withdrawn amount is smaller than the approved amount, which resulted from cancellation of funds withdrawal intended for increasing FX reserves, due to impossible

Key macroeconomic indicators of BIH

	2007	2008	2009	2010F
Nominal GDP (EUR billion)	21.8	24.7	24.0	**24.6**
Population (thousand)	3,847	3,850	3,842	**3,843**
GDP per capita (BAM)	5,652	6,420	6,245	**6,405**
Real GDP (annual %)	6.8	5.4	-2.9	**0.5**
Consumer prices (annual %)	4.9	3.2	0.0	**2.3**
Average	1.5	7.4	-0.4	**2.1**
Average monthly wage (annual %)	9.8	16.4	8.4	**1.0**
Unemployment rate (officially registered) %	42.9	40.3	41.5	**43.0**
State-level budget balance (% of GDP)	-0.1	-0.4	-4.7	**-4.5**
Current account balance (% of GDP)	-10.4	-15.1	-7.5	**-6.5**
FDI (% of GDP)	13.5	5.7	1.5	**0.0**
FX reserves (BAM billion)	6.7	6.3	6.2	**6.3**
EUR/BAM exchange rate	1.96	1.96	1.96	**1.96**
1M EURIBOR eop	4.7	3.0	0.5	**0.7**
Average	4.1	4.3	0.9	**0.6**

Sources: BIH Statistics Agency, CBBH, UniCredit Research, Chief Economist Projection for CEE (2010)

implementation of monetary policy non-conventional instruments by the ultimate monetary authority in BIH.

State-level budget: in the segment of fiscal measures, it is necessary to make consolidation efforts and neutralise structural inefficiencies in order to reach the budget deficit target of - 3% in 2011. Taking into consideration that after October general elections, the process of establishing state and entity-level governments has been prolonged considerably, achieving the target budget deficit will be more than challenging, while the value of 2010 budget deficit should amount to 4.5% of GDP.

UniCredit projections: it is expected that next year will bring further tendency of gradual economic recovery of BIH with almost 2% real growth of GDP, which is still below domestic economy potentials and despite of recession average values of the real economy growth. The major drivers of the economic activity growth are imported from foreign markets with positive influence to industry production, but with absence of internal structural elements, which would stimulate increase of economic activities. Structural problems in the labour market will remain a burden for enhancing private consumption and general macroeconomic developments, although further into the next year negative effects from the labour market should fade away. Aspects of the widest monetary aggregate developments suggest the projected economy growth in 2011, which exceeds to a certain extent the stagnation level of 2010 growth.

Banking system monetary framework

Monetary policy: The Currency board is characterised by solid stability, with successful overcoming of external economic and financial shocks. Application of this simple in principle and restrictive monetary policy results in fixed FX rate of EUR 1 = BAM 1.95583. Respecting the fact of limited instruments of this monetary regime, it should be pointed out that the central monetary institution executes its obligations by applying the obligatory reserve policy to the commercial banking sector, which is the only traditional instrument in its jurisdiction.

Obligatory reserve: relatively liberalised framework of the obligatory reserve is reflected in application of differentiated rates, without any changes in 2010 The obligatory reserve rate was 14% on short-term deposits (maturity up to one year), and 7% on deposits over one year, whereas foreign credit lines and development-purpose deposits were excluded from this obligation. Further monetary framework relaxation measures have been introduced in early 2011, by passing a decision on reducing the obligatory reserve on deposits up to one year from 14% to 10%.

Banking industry

BIH financial system and banking industry role: BIH financial system is undoubtedly banking oriented with dominant share of banking assets in the overall financial industry assets. The latest available data suggest that banks accounted for 82.1% of the financial sector's total assets, followed by leasing companies with 6.4% and micro-credit organizations with 4.3%. Such banking dominance is supported also by poorly developed domestic capital market, which was characterised, in 2010 as well, by low liquidity and drop of trading volume and stock exchange indices. Therefore, the volume of Sarajevo Stock Exchange was decreased by 50.5% and amounted to BAM 108.6 million, while Banja Luka Stock Exchange volume dropped by 2.4% to BAM 176.2 million.

Regulatory framework and liquidity: despite of well developed regulation and supervision of the banking sector, application of the existing restrictive regulatory standards of banking liquidity in FBIH requires their full adjustment to modern EU and regional market settings. In the conditions of non-existing money market instruments, by improving these business standards it would be possible to invest surplus banks' liquidity (liquidity makes 27.8% of the total banking assets) into long-term facilities, thus stimulating further loans to retail and corporate sectors as well as accelerated economic recovery. At the same time, the loan to deposit ratio would be enhanced (89.9% in September 2010), while dependence on external funding resources would be decreased, since they are subject to economic cycles.

Key developments in the banking industry: BIH banking sector structure and conservative business philosophy resulted in successful amortisation of economic shocks. However, decrease of corporate sector revenues and growing unemployment caused progressive increase of non-performing loans and erosion of bank profitability, especially of those with poor loan portfolio structure and insufficient resource capacities to respond to growing business systemic risks. Despite of high capitalisation of the overall banking system, negative performance results of some banks generated requirements for further capital infusions or acquisitions, consequently capital infusions were carried out in several banks in order to comply with legal requirements. In late September 2010, there were 30 banks active in BIH, out of which 20 in FBIH and 10 in RS, while 2 banks were under provisional administration.

Core developments in the banking sector still indicate that there are effects, which characterise the recession and early post-recession economic cycle. Nevertheless, the banking sector is safe, which is also proved by the capital adequacy rate of 15.7% at the state level. Developments in the segment of deposits showed dual characters, while retail deposits were growing (9.1% annual), corporate deposits were dropping (4.9% annual). The total banking assets were reduced by 0.9% compared to the end of 2009, mostly due to drop off share of foreign investment portfolio, i.e. decrease of deposits and loans by non-residents. Banking sector loans achieved a slight recovery at a still stagnating growth rate of 1.1%, whereas the corporate portfolio was increased by 1.9% and the retail portfolio by 0.1%. In the first nine months, there was a notable growth of loan provisioning by 51.2% compared to the same period last year, but the acceleration intensity was slowing down compared to the first half of the year (55.3%). However, still strong growth of bad and doubtful loans finally resulted in aggregate banking sector loss of BAM 77.2 million as of end September 2010, which was BAM 13.4 million more than as of end June 2010 (19 banks achieved positive, while 11 negative net result).

Projection of 2011 basic developments: next year should bring improvement of the banking business system framework, which will generate increase of lending activities, as well as growth of deposits in the banking sector, especially with payment of further IMF tranches. Undoubted safety of the overall system is confirmed by capital adequacy, which should remain above 15%, whereas negative performance of certain banks will require capital infusions and possible acquisitions and/or mergers. Due to their pro-cyclical character, following deep recession and post-recession implications to banking industry profitability this year, banking performance results should see improvement through gradual reducing of commercial banks' NPL portfolio, compared to the previous period, as well as development of the regulatory framework in view of strict liquidity rules relaxation.

For whatever life brings

Description of activities

The Bank is a licenced commercial bank headquartered in Bosnia and Herzegovina.

Through its wide and well positioned network, consisting of 93 branches and 11 subsidiaries in almost all major centres of Bosnia and Herzegovina, the Bank serves almost 969,000 customers on daily basis.

Furthermore, the Bank provides its customers with products and services via direct channels of distribution, e.g. Internet and mobile banking, ATMs (215) and POS terminals installed with Bank's business partners (over 5,000). With almost half a million issued cards, the Bank is the market leader in this business segment.

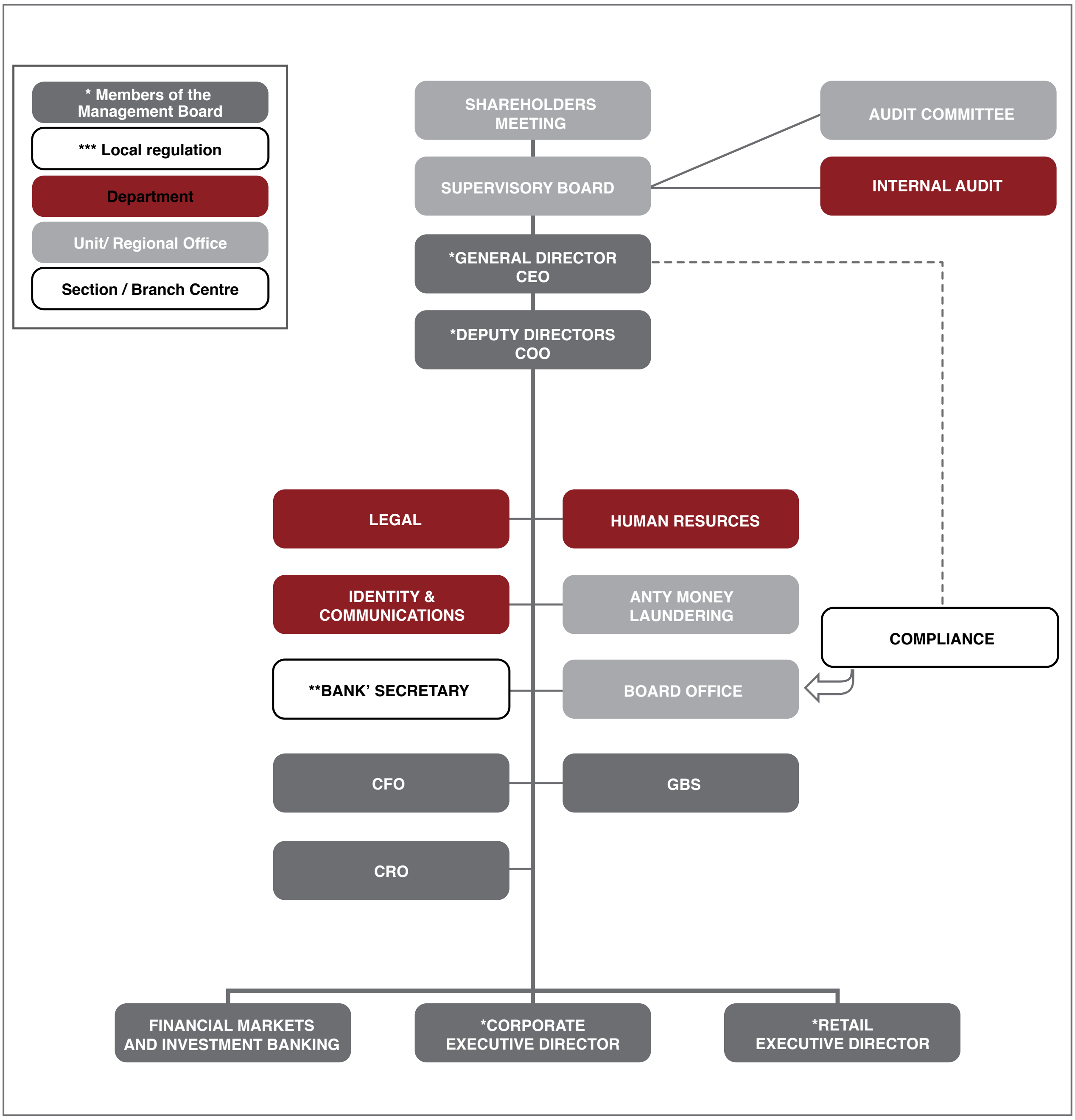
With the high quality service and applying state-of-the-art banking standards, the Bank offers a wide product range to retail, corporate, banks and other financial institutions, foreign companies, as well as government and public institutions.

The Bank is a member of two card networks (Visa and MasterCard), it has correspondent relations with first-class banks worldwide and well-developed business relations with foreign financial institutions, such as USAID[1], KfW[2], EFSE[3], EBRD[4], DEG[5], WB[6], EIB[7], etc. Furthermore, the Bank is using a credit line with IFC8.

The Bank is proud of its fair and partner relationship with the regulators, such as CBBIH, Deposit Insurance Agency, Banking Agency of the Federation of Bosnia and Herzegovina, RS Banking Agency, as well as other active players in the financial market of Bosnia and Herzegovina.

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 World Bank
7 European Investment Bank
8 International Finance Corporation

UniCredit Bank organisational structure as of 31 December 2010 - key operative units of the Bank:



In late 2010, the Bank had 1,362 employees, whereas it should be pointed out that, as a guarantee of the high-quality service for customers, more than 60% of the total number of employees provided direct service to customers, while the rest of them, though not in direct contact with customers, were also focused on improving the Bank's efficiency in service providing.

Corporate banking

The business model of UniCredit Bank corporate banking sector is characterized by a segment-based approach i.e. clustering of customers with similar features, preferences and market position, which are assigned a special service model with specially educated relationship managers.

The Sector consists of the Key accounts segment and Mid accounts segment, which establish and maintain business relationship with customers through ten business centres. Segments are defined according to the level of total revenues generated in the preceding business year.

Other segmentation criteria include the type of ownership (state- or private-owned) and membership in a group of related companies (in which case segmentation depends on the total revenues of the group).

Key accounts segment includes:

- Companies with the aggregate revenues ≥ BAM 30 million (for groups: ≥ BAM 40 million)
- Governmental institutions, state, cantons, institutions financed by the state and cantons, banks, insurance companies, non-banking financial institutions, Canton Sarajevo municipalities, foreign customers (classified into Key Accounts segment based on their total revenues), multinational companies, embassies, consulates, and non-residents.

Key accounts segment consists of three business centres (BCs) :

- BC key accounts Mostar,
- BC key accounts Sarajevo, and
- BC state administration and public institutions.

Through these business centres, the Bank covers the entire BIH and runs day-to-day business relationship with around 750 key account customers9 .

Mid account segment is further divided into:

- Companies with the aggregate revenues between BAM 3 million and BAM 30 million
- Municipalities (except municipalities of Canton Sarajevo, who fall under the responsibility of Key accounts segment) and all institutions set up by municipality or belonging to its competence (local communities, social care centres, Red cross and similar), educational institutions (schools, faculties and similar), foreign customers (classified into Mid account segment based on the aggregate revenues), and non-residents.

Mid account segment is further divided into:

- *Lower mid* companies: Revenues from BAM 3 million to BAM 10 million
- *Upper mid* companies: Revenues from BAM 10 million to BAM 30 million

Mid Accounts Segment operates through seven business centres (BCs):

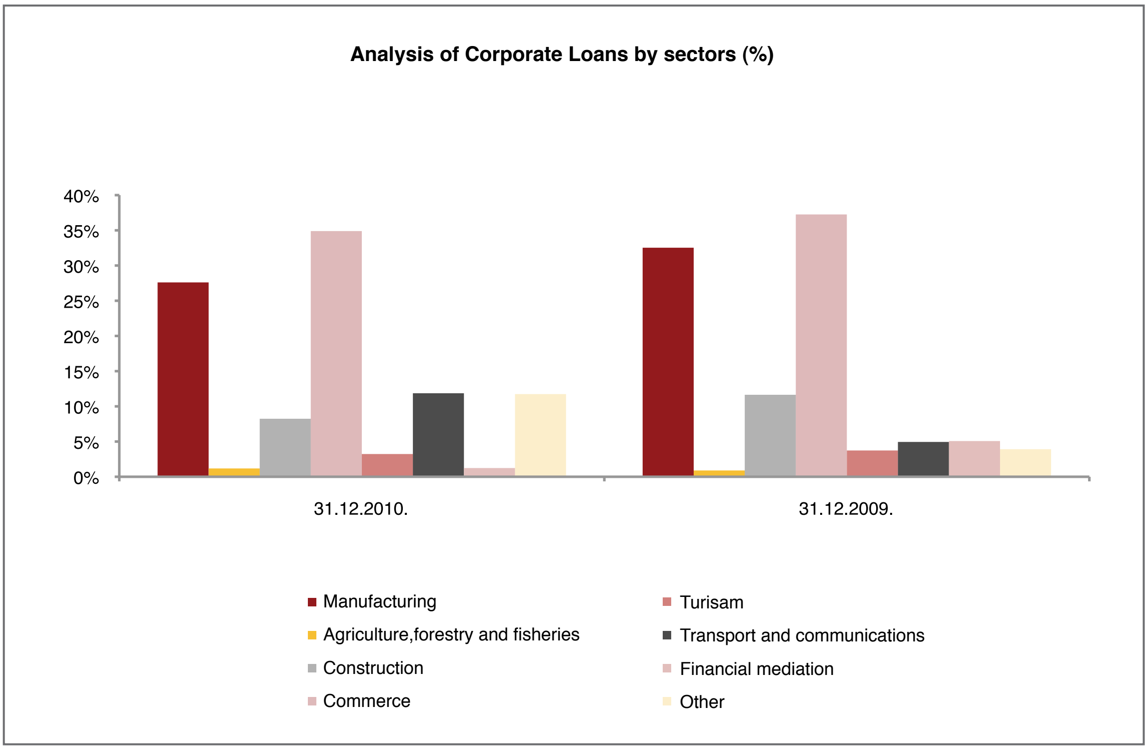
- BC Mostar
- BC Sarajevo
- BS Republic of Srpska
- BC Una-Sana Region
- BC Central Bosnia
- BC North-East Bosnia
- BC West Herzegovina

Through these business centres, the Bank covers the entire BIH and runs day-to-day business relationship with around 3,000 mid account customers[10].

In 2010, corporate banking sector continued enriching its credit operations and increasing the number of customers through short- and long-term financing, deposit operations, payment transactions and card products, as well as financial and advisory support to the customers' business growth, all on the basis of individual, customer-oriented approach. Helped by strong electronic channels of distribution, our network of well-organized business centres represents one of the key driving forces for efficient servicing of customers. Besides other products, we point out that corporate banking sector approved over BAM 685 million of loans and issued around BAM 170 million worth of guarantees during 2010

9 The number of accounts also includes sub-accounts certain customers hold based on the ownership structure.

10 The number of accounts also includes sub-accounts certain customers hold based on the ownership structure.



Retail banking

Retail banking is responsible for the business relationship with individuals and small enterprises as well as for operation of the sales network and direct channels of distribution. Management of the business relationship with mass market individuals and operation of the direct channels of distribution falls within the competence of the family banking segment. At the same time, the responsibility for affluent individuals and small business customers belongs to the segment of private and small business banking. Overall, Retail banking has a portfolio of more than 900,000 customers. In that sense, and consistent with the Bank's organization, which is primarily customer-oriented, retail banking applies appropriate service models.

Mass market customers are serviced by family bankers while affluent segment includes the model of private bankers with personalized portfolios.
When it comes to small business customers, the Bank applies a unique service model in the BIH market – private and small business banker. This service model is responsible for managing business relationship with small businesses, as legal entities, as well as for providing banking services to their owners, as individuals. The abovementioned service models ensure adequate management of the entire business relationship with customers of the respective segments.

The business network is divided into 11 subsidiaries, which are further split into agencies located throughout Bosnia and Herzegovina. At the end of the year, the Bank had the total of 93 branches. 2010 also saw continued expansion of the direct channels of distribution. As a consequence, we now operate 215 ATMs i.e. the biggest ATM network in the country. We are also leaders in terms of the number of issued cards as well as the volume of the Internet banking services sold to individuals.

Besides the two business segments, retail banking also has two product-development organizational units (customer consumption financing and retail product management), which main tasks include development and management of Bank's products and services intended for individuals and small businesses.

In 2010, these two units redefined the conditions of loans for individuals and carried out a series of successful commercial campaigns through which the Bank presented itself as a modern financial institution adaptable to customers' needs in all situations. In addition to that, and as a response to the customers' needs and requirements, the Bank also introduced new products – Gold VISA and MasterCard Gift Card.

Apart from enhancing the service quality through permanent staff training, retail banking also focused on controlling the service quality by means of mystery shopping and customer satisfaction surveys. The results of the mentioned activities suggest improvements in all business areas and clearly outline the priorities in the coming period.

Application of the customer-oriented approach, introduction of new service models, expansion of direct channels of distribution, development of new products and services, and advancement of the service quality helped the Bank create preconditions for achievement of ambitious commercial and financial plans in the years to come.

Financial markets and investment banking

Financial markets and investment banking represents an organizational unit of UniCredit Bank d.d. where supply of different financial instruments meets their demand. From that aspect, it serves as a link between customers in the local and foreign markets of money and capital. Sector's 2010 operations were affected by global developments which caused a decline of investment activities in Bosnia and Herzegovina.

The sector is divided into three units: Trading, Corporate treasury desk and Investment banking.

Trading has preserved the position of a local market-maker through partnership offered to local banks in the area of money market and FX operations. In 2010, Trading focused on FX, money market and fixed income products by establishing new functions and tools that will ensure its better work.

Corporate treasury desk is primarily oriented toward providing financial support to legal entities. In 2010, BIH experienced a decline in the economic activity and trade exchange, caused by the global recession and drop in the cross-border remittances (which are an important factor of the BIH macroeconomic position). Nevertheless, corporate treasury sales managed to keep up the 2009 trend of expansion and increased the sale of the products such as FX forward and FX time option. This was also accompanied by introduction of new products aimed at satisfying the customers' needs and minimizing the risk.

Investment banking is a new organizational unit, set up in 2010 UniCredit Bank d.d. is the only bank in BIH licensed to act as Agent and underwriter in the issue of securities. Investment banking serves a variety of customers, such as state, entity and local government institutions as well as local and foreign companies from different branches of industry.
In 2010, investment banking and financial markets took part in the syndicated BAM 60 million loan to the public company *Railways of the Federation of Bosnia and Herzegovina Ltd*, intended for the customer's business consolidation. UniCredit Bank d.d. led the consortium of banks in the capacity of the Syndicated loan agent. In addition, it was also the biggest individual creditor.

The abovementioned activities reflect the sector's strategy as well as its objective of preserving the leading role in the BIH of money and capital market.

Apart from enhancing the service quality through permanent staff training, the Bank also focused on controlling the service quality by means of mystery shopping and customer satisfaction surveys. The results of the mentioned projects suggest improvements in all business areas and clearly outlines the priorities in the coming period.

For whatever life brings

Financial overview and business performance

Financial overview and business performance

Financial information	2010 BAM '000	2009 BAM '000
Total income	188,624	180,669
Profit before impairment and other provisions	67,943	53,453
Profit before tax	36,616	34,456
Profit after tax	31,653	29,367
Equity	399,355	368,730
Loans to customers	2,111,426	2,026,438
Deposits from customers and banks	2,775,555	2,626,122
Total assets	**3,602,689**	**3,451,801**
Performance indicators		
Capital adequacy	15.8%	15.3%
Operating expenses in total income	64.0%	70.4%
Return on equity	8.2%	8.3%
Return on assets	1.0%	1.0%

Business performance of UniCredit Bank d.d.

In 2010, the Bank generated BAM 36.6 million of profit before tax, which represents an annual increase of 6.3%. The profit of the current period amounts to BAM 31.7 million or 7.8% more than in the previous year.

Total balance sheet value rose by 4.4%, amounting to BAM 3,602.7 million at year end.

Structure of the Bank's income

Bank's 2010 income is 4.4% up on the previous year, as a result of an increase in the net interest (decrease of the interest debt) and non-interest income.
Net interest income makes up 66.7% of the Bank's total income (vs. 67.4% from 2009); net income from fees participates with 26.9% (vs. 26.0% from 2009) while other income account for 6.4% (vs. 6.6% from 2009).

Net interest income

The 2010 net interest income amounts to BAM 125.8 million, which is 3.3% up on the previous year. The increase mainly reflects a 14.7% annual reduction of the interest debt.

Presented below is the overview of average annual interest rates in 2010

Overview of average annual interest rates in 2010

	Earning assets	Earning liabilities
Banks	0.36%	2.30%
Corporate	6.19%	1.73%
Retail	9.93%	2.74%
Securities	1.72%	-
Credit lines	-	2.82%
Bonds	-	2.22%
Subordinated debt	**-**	**3.04%**

Banks include obligatory and cash reserves with CBBIH as well as loans to and placements with other banks.
The biggest interest rate changes include the increase of average interest rates under loans to retail customers (9.92% vs. 9.07% in 2009) and decrease of average interest rates on corporate deposits (1.73% vs. 2.15% in 2009). This caused an increase of the Bank's 2010 net interest income as well as a decrease of the interest rates on funds with banks (obligatory reserves, cash reserves, loans extended to other banks), with an average of 0.36% (vs. 0.54% in 2009) due to a drop in the level of EURIBOR and O/N rates, which partly reduced the net interest income.
Average interest rate on retail loans to rose by 0.9pp, whereby the interest rate on corporate loans to fell by 0.1pp annual.
Compared to 2009, interest income and interest expenses dropped by BAM 6.6 million and BAM 10.6 million, respectively. Combined, this resulted in a BAM 4 million annual increase of the total net interest income.

Neto prihod od naknada i provizija
Net fee and commission income

The 2010 net fee and commission income totalled BAM 50.8 million – 8.0% above the last year level – with a positive contribution of all fee types. In that sense, the most significant income refers to card operations, thanks to the increase in the number of the cards issued and transactions conducted as well as the extensive POS and ATM network, which is reflected in the Bank's leading position in the local card market. Other income includes current account maintenance fees, product package fees, other fees, as well as foreign payment fees.

Income from sale of financial assets and other operating income

The 2010 sales and other operating income totals BAM 12.1 million, which is slightly (1.2%) up on the previous year. Sales income raised by BAM 1.5 million annual while other operating income fell by BAM 1.3 million.

Operating Expenses

The 2010 operating expenses amount to BAM 120.7 million or 5.1% down on 2009, as a result of good cost management.

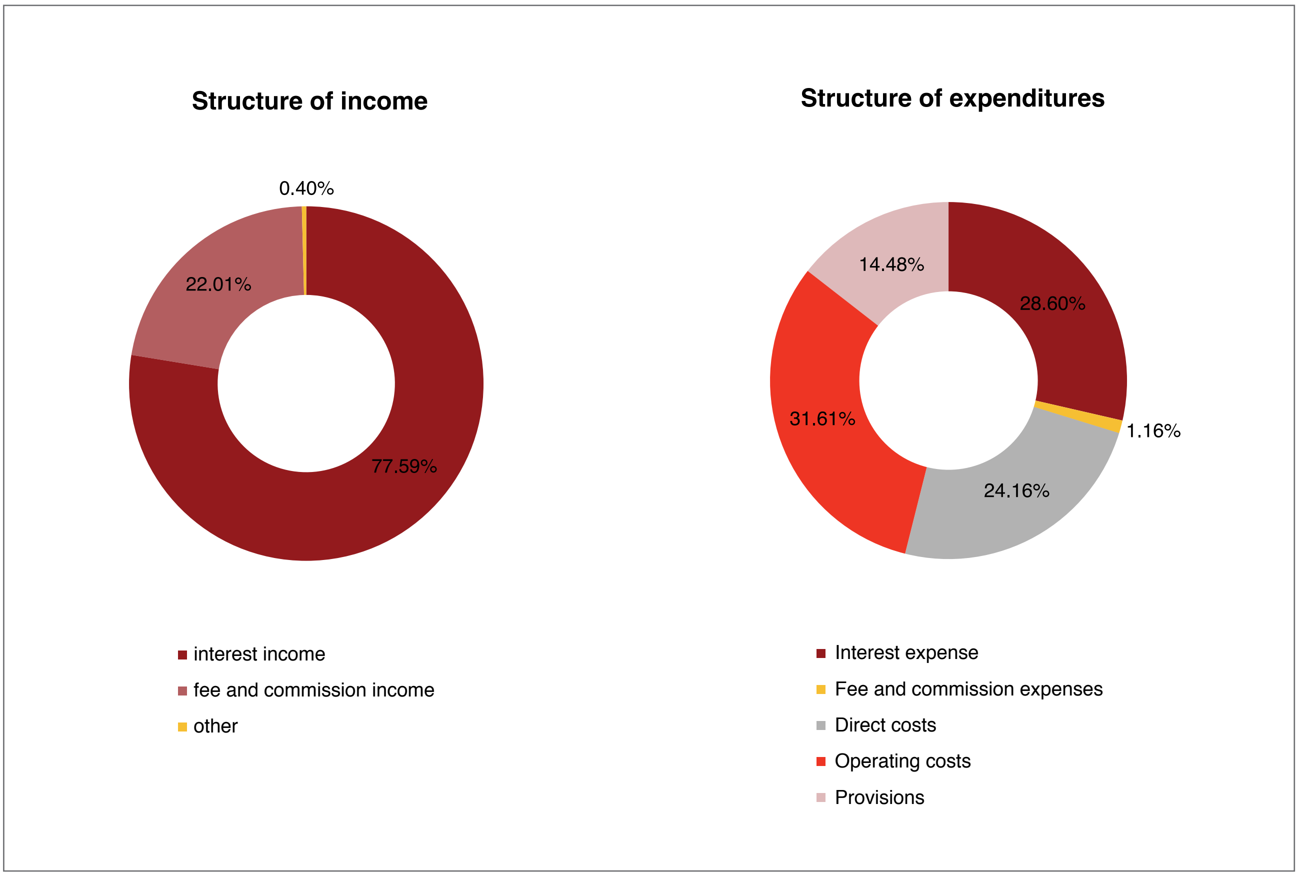
Compared to 2009, the biggest savings were achieved in the area of HR expenses (3.2%) and functional expenses (7.8% – with savings in almost every cost category).

Operating Expenses

	2010	Structure	2009	Structure	Growth rate
Expenses	**u BAM '000**	**%**	**u BAM '000**	**%**	**%**
HR expenses	52,283	43.32%	54,013	42.45%	-3.21%
Functional expenses	45,905	38.03%	49,768	39.12%	-7.77%
Deposit insurance	5,798	4.81%	5,224	4.11%	10.99%
Depreciation	16,695	13.84%	18,211	14.32%	-8.33%
TOTAL	**120,681**	**100.00%**	**127,216**	**100.00%**	**-5.14%**

Impairment losses and provisions

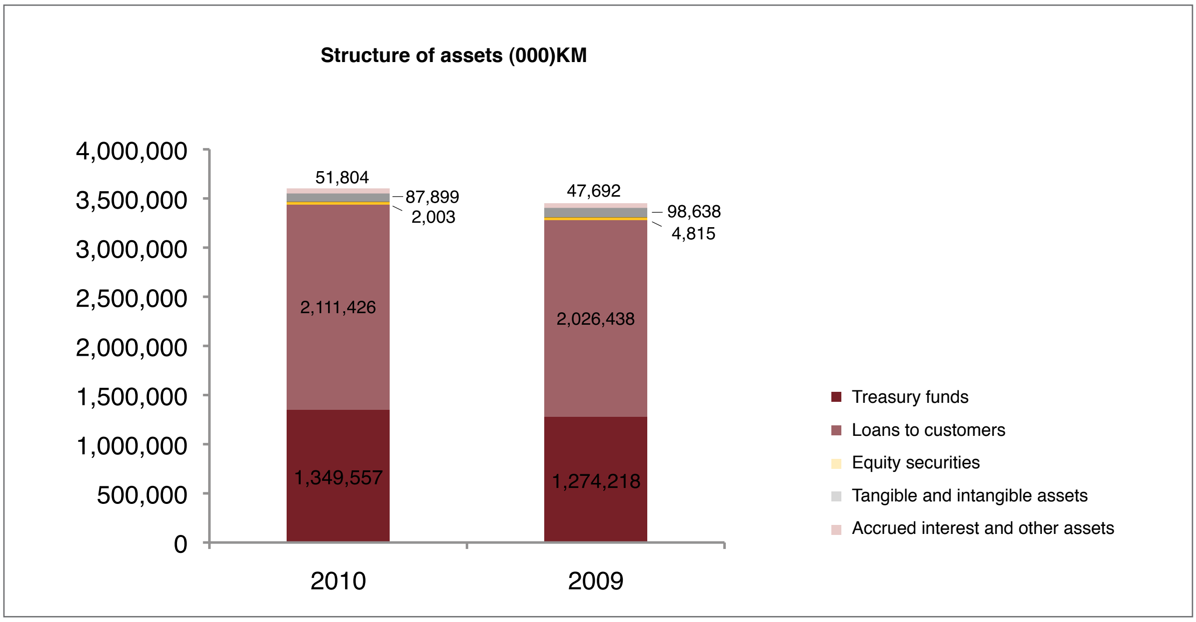
Total impairment losses and provisions amount to BAM 31.3 million, which is 64.9% up on 2009.
Impairment losses and provisions under customers' loans total BAM 29.2 million 2010 costs include general loan loss provisions in the amount of BAM 3.1 million, as a result of the loan volume increase in 2010, as well as special loan loss provisions for corporate portfolio (BAM 19.8 million) and retail portfolio (BAM 6.3 million). Compared to 2009, these costs were increased by BAM 6.3 million, out of which BAM 6 million represents general provision and 0.3 million specific provision.
Other impairment losses and provisions amount to BAM 2.1 million, whereas off-balance sheet exposures participating with BAM 0.2 million, litigation and claims with BAM 0.3 million, other assets with BAM 0.7 million, and fixed assets with BAM 0.9 million. Impairment losses and provisions are BAM 6 million above the 2009 level due to increase of provisions for off-balance exposures (BAM 1.3 million), litigation and claims (BAM 3.7 million positive effect in 2009), and fixed assets (BAM 0.9 million).



Balance sheet

At the end of 2010, Bank's total assets amounted to BAM 3,602.7 million, which is 4.4% more than previous year.
A more significant increase could not be achieved mainly because of the global crisis and its effect on the BIH's overall economy, worsening of situation in the industrial and banking sector, and a decreased demand for credit products. Nonetheless, 2010 still saw a mild economic recovery, which also included a slight increase of the credit activity.

Assets



The above chart shows the assets structure as well as trends in 2009 and 2010

Funds of the assets and liabilities management ("ALM")

The ALM funds increased by 5.9% compared to 2009, whereby 37.5% of the Bank's year-end assets referred to facilities granted to banks, debt securities, and account held with CBBIH, including obligatory reserve and cash in hand (which is 0.5pp up on 2009). We note an annual increase of all positions in the competence of ALM, except placements with and loans to other banks, which dropped by 25.6% annual, mostly due to a BAM 124 million decrease of term deposits at foreign banks.

Debt securities available for sale grew by BAM 34.9 million as a result of the EUR 19.5 million investment in high-rating EU state bonds from January 2010

Throughout the year, the Bank maintained a liquidity position well above the statutory limits.

The following table gives the structure of funds in the competence of ALM:

	31 December 2010	31 December 2009
Cash reserves	46%	37.8%
Obligatory reserve with CBBIH	24.1%	23.7%
Placements with and loans to other banks	26.8%	38.1%
Debt securities	3.1%	0.4%
TOTAL	**100%**	**100%**

Loans to customers

Loans to customers grew in 2010, despite the economic slowdown and deterioration of the market's credit activity. Net loans total BAM 2,111.4 million, which represents an annual increase of BAM 85 million (4.2%).
In the structure of Bank's total assets, net loans to customers participate with 58.6%. They mostly include retail loans (58.4%). Impairment losses and provisions for total net loans amount to 11.8% of the portfolio (0.4pp up on the previous year). Gross loans provisions amount to 10.5%.

Compared with 2009, the 2010 gross loans to customers rose by 5.1% and 4.2%, respectively.

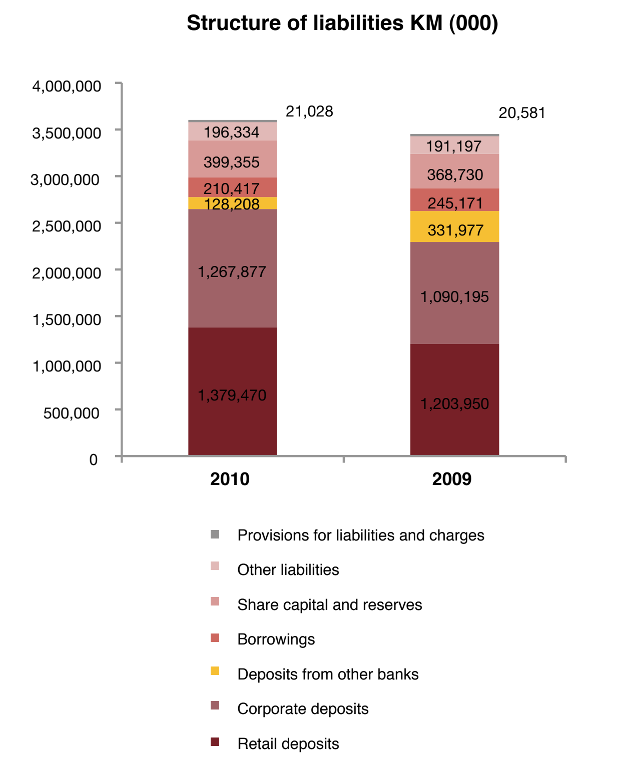
Participation of retail gross loans in the total loan portfolio shrank from 55.8% in 2009 to 55.5% in 2010 The biggest part of the overall retail portfolio refers to long-term all-purpose loans (55.8%), followed by long-term housing loans (25.5%).

Other facilities, such as consumer loans and current account overdrafts make up 18.7% of the loan portfolio, whereby the biggest annual increase (of 31.7%) relates to current accounts.
We point to an annual growth in the volume of gross corporate loans, as well as a 0.2pp increase of their participation in the total loan portfolio.
Long-term loans account for 75.3% of the total gross loans to customers, which is 0.6pp down on the previous year.

	2010	2009	Change %
Gross loans			
Corporate	1,049,334	998,206	5.12%
Retail	1,310,900	1,258,504	4.16%
TOTAL	**2,360,234**	**2,256,710**	**4.59%**
Impairment losses and provisions			
Corporate	170,521	159,100	7.18%
Retail	78,287	71,172	10.00%
TOTAL	**248,808**	**230,272**	**8.05%**
Net loans			
Corporate	878,813	839,106	4.73%
Retail	1,232,613	1,187,332	3.81%
TOTAL	**2,111,426**	**2,026,438**	**4.19%**

Liabilities

Changes in the structure of liabilities and the 2010 trends are showed in the following chart.

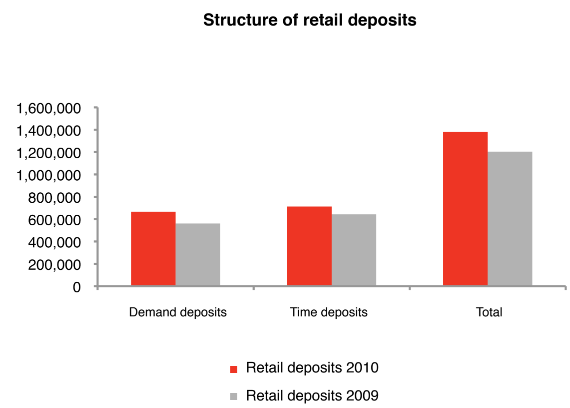


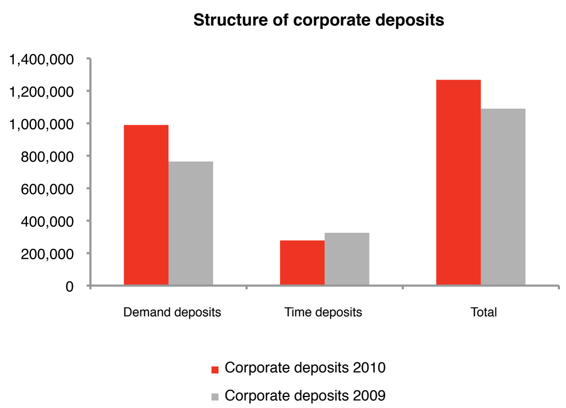
Current accounts and deposits from customers

Deposits from customers continued to grow in 2010, reaching the year-end level of BAM 2,647.3 million, which is 15.4% up on 2009 Local currency deposits make up 46.1% of the total deposit portfolio (vs. 43.7% in 2009).
Retail deposits account for 52.1% of the total year-end deposit portfolio. In annual terms, their volume rose by BAM 175.5 million (i.e. 14.6%). These deposits are split into term (51.7%) and demand deposits (48.3%). Compared to 2009, deposit structure changed in favour of demand deposits, which increased by 1.7pp.

Corporate deposits rose by BAM 177.7 million (16.3%) and amount to BAM 1,268 million or 47.9% of the total deposits from customers. In terms of structure, they are divided into demand (78.1%) and term deposits (21.9%). Compared to 2009, the deposit ratio shifted in favour of demand deposits, which rose by 7.9pp.

Banks' deposits total BAM 128 million, which is 61.4% less than in 2009 This came mainly from a decrease in foreign banks' deposits (i.e. return of Group's funding due to increase of deposits from customers, which served to cover the growing credit activity).





Borrowings

Compared to 2009, the borrowings decreased by BAM 26.8 million (12.5%), while subordinated debt declined by BAM 7.8 million (25.0%).
The Bank used credit funds from FBIH Development Bank (LDP and IBF), KfW, EBRD, Bank Pekao, DEG, EFSE, Croatian Bank for Reconstruction and Development, and EIB.
In 2010, the Bank entered into a new EUR 5 million agreement with EBRD Energy Efficiency. At the same time, the Bank also repaid on schedule EUR 8 million worth of loans to the creditor Bank Austria.
The subordinated debt at the end of 2010 amounts to EUR 12 million (regular repayment of EUR 4 million in 2009).
Credit lines make up 6.1% of the Bank's overall sources of financing, which is 1.1pp down on the previous year.

Equity

Bank's equity totals BAM 399.4 million or BAM 30.6 million more than at the end of 2009

For whatever life brings

Management and organisation

Pursuant to the provisions of the Law on Companies, Law on Banks, and the Statute, Bank's managing bodies comprise: General meeting of shareholders, Supervisory board and Management board.

General meeting of shareholders

General meeting of shareholders is the Bank's supreme managing body. General meeting of Shareholders consists of Bank's shareholders.
Audited financial statements will be sent to the General meeting of shareholders for approval.
As of 31 December 2010, the Bank had 53 shareholders, the biggest of them being Zagrebačka banka d.d. Zagreb with 78,176 shares, which represents an equity stake of 65.5866%.
Bank's shareholders' equity is established at the level of BAM 119,195,000 and it is divided into: 119,011 ordinary "A" class shares (with the face value of BAM 1,000 per share) and 184 preferred cumulative "D" class shares (with the face value of BAM 1,000 per share).
An ordinary "A" class share gives its holder the right to have one vote at the General meeting of shareholders, the right to participate in the Bank's management as provided by the Statute, the right to participate in the Bank's profit in proportion to the face value of the share, as well as other rights foreseen by the Statute and the law.
A preferred cumulative "D" class share gives its holder the right of priority collection of dividend from the Bank's profit in proportion to the face value of the share as well as the right of priority collection in case of the Bank's bankruptcy or liquidation from the unallocated part of the bankrupt's or liquidation estate.

Ownership structure as of 31 December 2010

	Shareholder	Number of ordinary "A" class shares	Number of preferred cumulative "D" class shares	Total number of shares	Par value (BAM)	Total par value (BAM)	%
1	Zagrebačka banka d.d. Zagreb	78,176	0	78,176	1,000	78,176,000	65.5866%
2	UniCredit Bank Austria AG	28,903	176	29,079	1,000	29,079,000	24.3962%
3	International FinanceCorporation (IFC)	6,831	0	6,831	1,000	6,831,000	5.7309%
4	UniCredit, Societa' per Azione	3,900	0	3,900	1,000	3,900,000	3.2719%
5	Marko Ćorluka	534	0	534	1,000	534,000	0.4480%
6	Transmadrid s.a.	134	0	134	1,000	134,000	0.1124%
7	UniCredit Bank d.d.	76	5	81	1,000	81,000	0.0680%
8	BSO d.d. Sarajevo	72	0	72	1,000	72,000	0.0604%
9	Raiffeisen Bank d.d. Bosna i Hercegovina*	61	0	61	1,000	61,000	0.0512%
10	BAZ d.o.o. Mostar	54	0	54	1,000	54,000	0.0453%
11	Produkcija d.o.o. Mostar	34	0	34	1,000	34,000	0.0285%
12	Jeličić - Purko Miroslav	30	0	30	1,000	30,000	0.0252%
13	Vokić trade d.o.o. Grude	27	0	27	1,000	27,000	0.0227%
14	Vjekoslav Filipović	22	0	22	1,000	22,000	0.0185%
15	Hypo-Alpe-Adria-Bank d.d. Mostar*	24	0	24	1,000	24,000	0.0201%
16	Daca - commerce d.o.o. Mostar	20	0	20	1,000	20,000	0.0168%
17	Korak d.o.o.	20	0	20	1,000	20,000	0.0168%
18	B-tank d.o.o. Posušje	14	0	14	1,000	14,000	0.0117%
19	Slobodan Kožul	14	0	14	1,000	14,000	0.0117%
20	Josip Vuko	13	0	13	1,000	13,000	0.0109%
21	Marina Smital	10	0	10	1,000	10,000	0.0084%

Ownership structure as of 31 December 2010

	Shareholder	Number of ordinary "A" class shares	Number of preferred cumulative "D" class shares	Total number of shares	Par value (BAM)	Total par value (BAM)	%
22	Swissing Sarajevo	5	0	5	1,000	5,000	0.0042%
23	Klas d.d.Sarajevo	4	0	4	1,000	4,000	0.0034%
24	Etruska Co Sarajevo	2	0	2	1,000	2,000	0.0017%
25	General market Sarajevo	1	1	2	1,000	2,000	0.0017%
26	Gianfranco Sergio Emilio Nessi	2	0	2	1,000	2,000	0.0017%
27	MIL export d.o.o. Novi Travnik	2	0	2	1,000	2,000	0.0017%
28	Sarajevo osiguranje d.d. agency Travnik	2	0	2	1,000	2,000	0.0017%
29	Vispak d.d. prehrambena industrija Visoko	2	0	2	1,000	2,000	0.0017%
30	AA kapital brokers d.d. Bihać	1	0	1	1,000	1,000	0.0008%
31	Agaricius Sarajevo	0	1	1	1,000	1,000	0.0008%
32	Amaldin Sarajevo	1	0	1	1,000	1,000	0.0008%
33	Berkun Sarajevo	1	0	1	1,000	1,000	0.0008%
34	Cerik Sarajevo	1	0	1	1,000	1,000	0.0008%
35	Egalin Sarajevo	1	0	1	1,000	1,000	0.0008%
36	General trading Sarajevo	1	0	1	1,000	1,000	0.0008%
37	Goran Prodanović	1	0	1	1,000	1,000	0.0008%
38	Remis d.o.o. Visoko	1	0	1	1,000	1,000	0.0008%
39	Hors d.j.l. Sarajevo	1	0	1	1,000	1,000	0.0008%
40	Hubijer Sarajevo	1	0	1	1,000	1,000	0.0008%
41	Interglas d.o.o. Sarajevo	1	0	1	1,000	1,000	0.0008%
42	Ivan Begić	1	0	1	1,000	1,000	0.0008%
43	Ivan Bilinovac	1	0	1	1,000	1,000	0.0008%
44	Jugrim d.o.o. Sarajevo	0	1	1	1,000	1,000	0.0008%
45	Mersiha Karkelja	1	0	1	1,000	1,000	0.0008%
46	La Primavera Sarajevo	1	0	1	1,000	1,000	0.0008%
47	Lačević s.z.t.r. Sarajevo	1	0	1	1,000	1,000	0.0008%
48	LOB-komerc Sarajevo	1	0	1	1,000	1,000	0.0008%
49	Lovex Sarajevo	1	0	1	1,000	1,000	0.0008%
50	Sead Dizdarević	1	0	1	1,000	1,000	0.0008%
51	Siemens d.o.o. Sarajevo	1	0	1	1,000	1,000	0.0008%
52	Stipo Frančić	1	0	1	1,000	1,000	0.0008%
53	Trišnik d.o.o. Jajce	1	0	1	1,000	1,000	0.0008%
	TOTAL	**119,011**	**184**	**119,195**	**1,000**	**119,195,000**	**100%**

Supervisory board

Supervisory board supervises Bank's operations and work of the Management board, shapes business policy, passes Bank's general internal documents, issues business and other policies and procedures and decides on the issues foreseen by law, Statute and Bank's other rules.
Supervisory board consists of seven members elected to a four-year term by shareholders at the Meeting of Bank's shareholders.

Members of the Bank supervisory board as of 31 December 2010

1.	Franjo Luković	Chairman	Zagrebačka banka d.d., Zagreb
2.	Sanja Rendulić	Deputy Chairman	Zagrebačka banka d.d., Zagreb
3.	Miljenko Živaljić	Member	Zagrebačka banka d.d., Zagreb
4.	Tomica Pustišek	Member	UniCredit Bank Austria AG, Vienna
5.	Marko Remenar	Member	Zagrebačka banka d.d., Zagreb
6.	Claudio Cesario	Member	UniCredit Bank Austria AG, Vienna
7.	Friederike Kotz	Member	UniCredit Bank Austria AG, Vienna

Management board

Management board organizes the work and manages Bank's operations. It is responsible for the legality of the business activities and implementation of the business policy.
Management board consists of chief executive officer (CEO), chief operating officer (COO) and executive directors. Management board is appointed by Supervisory board to a four-year term, with prior consent of the Banking Agency of the Federation of Bosnia and Herzegovina.

As of 31 December 2010, Bank management board comprised the following members:

1. Berislav Kutle, Chief executive officer (CEO)
2. Boris Bekavac, Chief operating officer (COO)
3. Hrvoje Lovrić, Executive director for retail banking
4. Alek Bakalović, Executive director for corporate banking
5. Gordan Pehar, Chief financial officer (CFO)
6. Dalibor Ćubela, Chief risk officer (CRO)

Audit committee

Audit committee oversees the work of Internal audit as well as implementation and engagement of an external auditor to carry out the audit of annual financial statements. Audit committee has five members appointed to a four-year term by Supervisory board.

As of 31 December 2010, Audit committee comprised the following members:

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

Responsibilities of the Management and Supervisory Boards for the preparation and approval of the annual 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 legal requirements 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 36 to 109 were authorised by the Management Board on 18 February 2011 for issue to the Supervisory Board, and are signed below to signify this, on behalf of the Bank, by:

Berislav Kutle Director	Gordan Pehar Chief Financial Officer

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over translation.

Independent auditor's report to the shareholders of UniCredit Bank d.d.

We have audited the accompanying financial statements of UniCredit Bank d.d. ("the Bank"), which comprise the balance sheet as at 31 December 2010 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations of the Banking Agency of the Federation of Bosnia and Herzegovina and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the accounting regulations of the Banking Agency of the Federation of Bosnia and Herzegovina.

KPMG B-H d.o.o. za reviziju 18 February 2011
Registered auditors
Fra Anđela Zvizdovića 1
71000 Sarajevo
Bosnia and Herzegovina

On behalf of KPMG B-H d.o.o. za reviziju:

Manal Bećirbegović
Director

Senad Pekmez
FBIH registered auditor
Licence number: 3090044102/10

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For whatever life brings

Income statement

Income statement

For the year ended 31 December

	Note	2010 BAM '000	2009 BAM '000
Interest income	*5*	187,701	194,300
Interest expense	*6*	(61,887)	(72,520)
Net interest income		**125,814**	**121,780**
Fee and commission income	*7*	53,259	48,999
Fee and commission expense	*8*	(2,505)	(2,019)
Net fee and commission income		**50,754**	**46,980**
Dividend income	*9a*	9	29
Net gains and losses on financial instruments at fair value through profit or loss and result from foreign exchange trading and translation of monetary assets and liabilities	*9b*	9,719	8,258
Net gains from investment securities	*9c*	1,359	624
Other operating income	*9d*	969	2,998
Total operating income		**188,624**	**180,669**
Operating expenses	*10*	(120,681)	(127,216)
Profit before impairment and other provisions		**67,943**	**53,453**
Impairment losses on loans and receivables	*15, 17b*	(29,179)	(22,839)
Other impairment losses and provisions	*11*	(2,148)	3,842
Profit before tax		**36,616**	**34,456**
Income tax expense	*12*	(4,963)	(5,089)
Profit for the period		**31,653**	**29,367**
Earnings per share (BAM)	*29*	266.14	246.92

The notes on pages 42 to 109 form an integral part of these financial statements.

Balance sheet

Balance sheet

As at 31 December

	Note	2010 BAM '000	2009 BAM '000
Assets			
Cash reserves	*13*	621,329	481,513
Obligatory reserve with CBBIH	*14*	326,453	301,700
Placements with and loans to banks	*15*	361,022	485,057
Available-for-sale debt securities	*16a*	40,742	5,841
Financial assets at fair value through profit or loss	*16b*	11	107
Loans to customers	*17*	2,111,426	2,026,438
Income tax prepayments		1,605	2,668
Accrued interest and other assets	*18*	50,199	45,024
Associates and other equity investments	*19*	2,003	4,815
Property and equipment	*20*	66,073	72,056
Intangible assets	*21*	21,826	26,582
Total assets		**3,602,689**	**3,451,801**
Liabilities			
Current accounts and deposits from banks	*22*	128,208	331,977
Current accounts and deposits from customers	*23*	2,647,347	2,294,145
Financial liabilities at fair value through profit or loss	*16b*	9	123
Borrowings	*24a*	186,938	213,755
Subordinated debt	*24b*	23,470	31,293
Accrued interest and other liabilities	*25*	95,337	91,055
Issued debt securities (bonds)	*26*	100,000	100,000
Provisions for liabilities and charges	*27*	21,028	20,581
Deferred tax liability	*28*	997	142
Total liabilities		**3,203,334**	**3,083,071**
Equity			
Issued share capital	*29*	119,195	119,195
Treasury shares		(81)	(81)
Share premium		48,317	48,317
Fair value reserve		248	1,276
Reserves		231,676	200,023
Total equity		**399,355**	**368,730**
TOTAL LIABILITIES AND EQUITY		**3,602,689**	**3,451,801**

The notes on pages 42 to 109 form an integral part of these financial statements.

Statement of changes in equity

Statement of changes in equity

	Issued share capital BAM'000	Treasury shares BAM'000	Share premium BAM'000	Fair value reserve BAM'000	Reserves BAM'000	Total BAM'000
Balance as at 1 January 2010	**119,195**	**(81)**	**48,317**	**1,276**	**200,023**	**368,730**
Change in fair value of AFS financial assets	-	-	-	185	-	185
Transfer to income statement on disposal of AFS financial assets *(Note 9c)*	-	-	-	(1,359)	-	(1,359)
Foreign exchange difference on non-monetary AFS financial assets	-	-	-	32	-	32
Deferred tax on AFS financial assets *(Note 28)*	-	-	-	114	-	114
Net gains recognised directly in equity	-	-	-	(1.028)	-	(1.028)
Net profit for the period	-	-	-	-	31,653	31,653
Total recognised income for 2010	-	-	-	(1,028)	31,653	30,625
Balance as at 31 December 2010	**119,195**	**(81)**	**48,317**	**248**	**231,676**	**399,355**
Balance as at 1 January 2009	**119,195**	**(81)**	**48,317**	**43**	**170,656**	**338,130**
Change in fair value of AFS financial assets	-	-	-	1,943	-	1,943
Transfer to income statement on disposal of AFS financial assets *(Note 9c)*	-	-	-	(624)	-	(624)
Foreign exchange difference on non-monetary AFS financial assets	-	-	-	51	-	51
Deferred tax on AFS financial assets *(Note 28)*	-	-	-	(137)	-	(137)
Net gains recognised directly in equity	-	-	-	1,233	-	1,233
Net profit for the period	-	-	-		29,367	29,367
Total recognised income for 2009	-	-	-	1,233	29,367	30,600
Balance as at 31 December 2009	**119,195**	**(81)**	**48,317**	**1,276**	**200,023**	**368,730**

The notes on pages 42 to 109 form an integral part of these financial statements.

Statement of cash flows

Statement of cash flows

For the year ended 31 December

	2010	2009
	BAM '000	BAM '000
Cash flow from operating activities		
Interest receipts	187,364	195,959
Fee and commission receipts	53,201	49,187
Interest payments	(58,820)	(70,335)
Fee and commission payments	(2,525)	(2,007)
Paid operating expenses	(106,285)	(100,467)
Net receipts from trading activities	9,716	8,202
Net receipts from investment securities	1,359	624
Other receipts	969	2,998
Net cash inflow from operating activities before changes in operating assets and liabilities	*84,979*	*84,161*
(Increase)/decrease in operating assets		
Placements with and loans to banks (including obligatory reserve with CBBIH)	111,887	(71,466)
Loans to customers	(116,100)	89,868
Debt securities available for sale	(34,723)	661
Equity securities available for sale	1,655	(1,152)
Other assets	(3,381)	(105)
Net (increase)/decrease in operating assets	*(40,662)*	*17,806*
Increase/(decrease) in operating liabilities		
Demand deposits	226,533	102,753
Savings and time deposits	(91,397)	107,620
Borrowings and subordinated debt	(34,640)	
Other liabilities	4,959	1,786
Net increase in operating liabilities	*105,455*	*116,578*
Net cash inflow from operating activities before income taxes paid	**149,772**	**218,545**
Income taxes paid	(2,931)	(5,967)
Net cash inflow from operating activities	**146,841**	**212,578**

The notes on pages 42 to 109 form an integral part of these financial statements.

Statement of cash flows (CONTINUED)

For the year ended 31 December

	Note	2010	2009
		BAM '000	BAM '000
Cash flow from investing activities			
Purchase of property and equipment		(9,804)	(32,674)
Dividend receipts		9	29
Net cash outflow from investing activities		*(9,795)*	*(32,645)*
Cash flows from financing activities			
Net receipts from sale of treasury shares from previous periods		-	-
Net cash flow from financing activities		-	-
Net cash inflow		**137,046**	**179,933**
Effect of foreign exchange rate changes on cash and cash equivalents		2.770	977
Net increase in cash and cash equivalents		139,816	180,910
Cash and cash equivalents at the beginning of the period		**481,513**	**300,603**
Cash and cash equivalents at the end of the period	*13*	**621,329**	**481,513**

The notes on pages 42 to 109 form an integral part of these financial statements.


For whatever life brings

Notes to financial statements

Reporting entity

UniCredit Bank d.d. ("the Bank") is a joint stock company incorporated and domiciled in the Federation of Bosnia and Herzegovina. The registered office is at Kardinala Stepinca bb, Mostar. The Bank is a member of Zagrebačka banka Group and UniCredit Group, and provides services in Bosnia and Herzegovina. The Bank provides full range of services, including retail, corporate banking and investment banking services.

1 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are summarised below. The principal accounting policies are applicable to all reporting periods in these financial statements. Where specific accounting policies of the Bank are aligned with accounting principles set out in International Financial Reporting Standards ("IFRS"), references may be made to certain Standards in describing the accounting policies of the Bank. Unless otherwise stated, these references are to Standards applicable at 31 December 2010

A) Statement of compliance

The financial statements have been prepared in accordance with accounting regulations of the Banking Agency of the Federation of Bosnia and Herzegovina ("the Agency"). Under the Law on Accounting and Auditing of the Federation of Bosnia and Herzegovina ("FBIH"), the applicable accounting standards are IFRS, translated into Croatian by the authorized accounting body. The Bank's operations are also subject to the Banking Law and other by-laws and regulations of the Agency. These financial statements have been prepared in accordance with these banking regulations. The accounting regulations based on which these financial statements have been prepared differ from IFRS both in terms of presentation and in terms of recognition and measurement. In order to improve the quality of the financial reporting the Bank also applies certain other IFRS and amendments and interpretations, published by the International Federation of Accountants ("IFAC") and the International Accounting Standards Board ("IASB") and effective on 31 December 2010, although not yet translated.

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

- The Bank calculates impairment losses for financial instruments, in particular loans and receivables, in accordance with the effective regulations of the Agency. The Agency requires banks to recognise, in the income statement, collective impairment provisions on otherwise unimpaired risk positions at a prescribed rate of 2%.

Recognition of specific impairment losses calculated in accordance with the Agency requirements is analysed in detail in notes 3a and 32.1.

- Suspended interest represents the accrued uncollected interest on assets which are classified as impaired assets. Upon reclassification from interest earning to impaired assets, the Bank reverses the full amount of the accrued uncollected interest in the income statement, and ceases to accrue any further interest in the balance sheet (suspended interest is recorded off balance sheet) until collected in cash from the borrower. This policy is not in accordance with IAS 18 "Revenue" and IAS 39 "Financial Instruments: Recognition and Measurement" which require interest income on impaired financial assets to be recognized using the effective interest rate method.

- In accordance with the reporting for the Agency and the parent bank, the Bank does not comply with formats of principal financial statement prescribed by IAS 1 (Revised) "Presentation of financial statements", effective for IFRS financial statements for annual periods beginning from 1 January 2009 The Bank kept presenting the balance sheet (did not apply statement of financial position), income statement and statement of changes in equity (did not apply statement of comprehensive income nor the new format of statement of changes in equity).

This English version is a translation of the official statutory financial statements prepared in Croatian.
These financial statements were authorised for issue by the Management Board on 18 February 2011 for approval by the Supervisory Board.

1 Principal accounting policies (nastavak)

B) Basis of preparation

These financial statements are prepared on a historical or amortised cost basis, except for financial assets and liabilities at fair value through profit or loss and financial assets available for sale which are stated at fair value and buildings which are stated at revalued amortised cost.

C) Use of estimates and judgements

Preparation of financial statements in accordance with the accounting regulations of the Agency requires the use of certain critical accounting judgements. It also requires Management to make judgements, estimates and assumptions that affect the application of accounting policies of the Bank. Areas that require significant judgement or complexity and areas where estimates and judgements have a significant impact on the financial statements are discussed in Note 3.

D) Functional and presentation currency

The Bank's financial statements are presented in Convertible Marks ("BAM"), which are also the functional currency. Amounts are rounded to the nearest thousand (unless otherwise stated).
The Central Bank of Bosnia and Herzegovina ("CBBIH") has implemented a currency board arrangement aligning BAM to EUR at an exchange rate of EUR 1: BAM 1.95583, which prevailed throughout 2010 and 2009

2 Specific accounting policies

A) 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.

B) Fee and commission income and expense

Fee and commission income and expense mainly comprise fees and commissions related to credit card business, the issue of guarantees and letters of credit, domestic and foreign payments and other services, and are recognised in the income statement upon performance of the relevant service.

2 Specifične računovodstvene politike (NASTAVAK)

C) Net gains and losses on financial instruments at fair value through profit or loss and result from foreign exchange trading and translation of monetary assets and liabilities and net gains from investment securities

Net gains and losses on financial instruments at fair value through profit or loss and result from foreign exchange trading include gains earned from foreign exchange trading and realised and unrealised gains and losses from derivative financial instruments. Net gains and losses from the translation of monetary assets and liabilities denominated in foreign currency are also classified in this category.
Net gains from investment securities include realised net gains from sale of financial assets available for sale.

D) Foreign currency

Transactions in foreign currencies are translated into BAM at the exchange rate prevailing 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. Non-monetary assets and liabilities in foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction and are not retranslated at the balance sheet date.

E) Financial instruments

Classification
The Bank classifies its financial instruments in the following categories: loans and receivables, financial assets available for sale, financial assets and financial liabilities at fair value through profit or loss, and other financial liabilities. Management determines the classification of financial instruments at inception and reevaluates initial classification at the balance sheet date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivable arise when the Bank provides money directly to a debtor with no intention of trading with the receivable. Loans and receivables are included in placements with and loans to banks and loans to 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 classified 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.

2 Specific accounting policies (CONTINUED)

E) Financial instruments (CONTINUED)

Financial assets and financial liabilities at fair value through profit or loss have two sub-categories: financial instruments held for trading (including derivatives), and those designated by management as at fair value through profit or loss at inception. A financial instrument is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, for the purpose of short-term profit-taking, or designated as such by management.

Other financial liabilities comprise all financial liabilities which are not held for trading or designated at fair value through profit or loss and include current accounts and deposits, issued debt securities and borrowings.

Recognition
Loans and receivables and other financial liabilities are recognised when advanced to borrowers or received from lenders.
Financial assets available for sale and financial assets and financial liabilities at fair value through profit or loss are recognised on the trade date.

Measurement

a) Loans and receivables
Loans and receivables are initially recognised at fair value. After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment.

b) Available-for-sale financial assets
Available-for-sale financial assets 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 available-for-sale financial assets are measured at fair value, except for equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, stated at cost, including transaction costs, less impairment.

c) Financial assets and liabilities at fair value through profit or loss
Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. All transaction costs are immediately expensed. Subsequent measurement is also at fair value.

d) Other financial liabilities
Other financial liabilities are initially measured at fair value. Subsequent to initial recognition the Bank measures other financial liabilities at amortised cost using the effective interest rate method.

Recognition of gains and losses on subsequent measurement

Gains and losses from changes in the fair value of available-for-sale financial assets are recognised directly in the fair value reserve within equity until derecognition or impairment, when the cumulative amount previously recognised in equity is transferred to income statement. Interest income calculated using the effective interest rate method is recognised in the income statement.

2 Specific accounting policies (CONTINUED)

E) Financial instruments (CONTINUED)

Foreign exchange gains and losses on available-for-sale equity instruments are part of the fair value of these instruments and are recognised in equity. Dividend income on equity securities is recognised in the income statement when the right to receive payment has been established.

Gains and losses arising from a change in the fair value of financial assets or financial liabilities at fair value through profit or loss are recognised in the income statement.

Impairment of financial assets

a) Financial assets carried at amortised cost
The Bank is obliged to review financial assets at each balance sheet date to determine whether there is objective evidence of impairment with respect of the Agency specific requirements. If any such indication exists, the asset's recoverable amount is estimated. Loans to customers and placements with and loans to banks are presented net of impairment allowance to reflect their estimated recoverable amount. Specific impairment provisions are made against the carrying amount of loans and receivables 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 at the rate of 2%.
Increases in the impairment allowance are recognised in the income statement.

When a loan is assessed to be uncollectible, and 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 reversal of impairment loss is recognised in the income statement.

b) Financial assets carried at cost
These include equity securities classified as available for sale for which there is no reliable measure of fair value. The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

An impairment loss is calculated as the difference between the carrying amount of the financial asset and the present value of expected future cash inflows discounted by the current market required return for similar financial assets. Impairment losses on such instruments, recognised in the income statement, are not subsequently reversed through the income statement.

Derecognition
A financial asset is derecognised (in full or in part) when the Bank loses control over the contractual rights on the 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.
Financial assets available for sale and financial assets and financial liabilities designated at fair value through profit or loss are derecognised on the trade date.

Loans and receivables and other financial liabilities are derecognised on the date that they are transferred by the Bank or when the liability ceases to exist.

2 Specific accounting policies (CONTINUED)

E) Financial instruments (CONTINUED)

Fair value measurement principles
The Bank determines the fair value of treasury bills using an internal valuation model which considers their remaining maturity and the latest available auction prices of equivalent instruments. Treasury bills are classified as financial assets available for sale.
The fair value of non-exchange-traded derivatives is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties. The fair value of foreign government debt securities classified as available for sale traded on an active market is based on closing bid prices at the balance sheet date for these securities. If the market for a financial asset is not active, the Bank establishes fair value by using valuation techniques.

Specific instruments

a) Derivative financial instruments

The Bank uses derivative financial instruments to hedge economically its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. The Bank does not hold or issue derivative financial instruments for speculative trading purposes. All derivatives are classified as financial instruments at fair value through profit or loss.

Derivative financial instruments including foreign exchange forward contracts and interest rate swaps are initially recognised and subsequently measured at their fair value in the balance sheet. Fair values are obtained from financial discounted cash flow models. All derivatives are presented as financial assets at fair value through profit or loss when their fair value is positive and as financial liabilities at fair value through profit or loss when it is negative.

b) Cash and cash equivalents

For the purpose of preparation of the cash flow statement, item cash and cash equivalents comprise balance sheet category Cash reserves that include cash in hand, items in the course of collection and current accounts.

c) Placements with and loans to banks

Placements with and loans to banks are classified as loans and receivables and are carried at amortised cost less any impairment losses.

d) Loans to customers

Loans to customers are presented net of impairment allowances to reflect the estimated recoverable amounts.

e) Equity securities

Equity securities are classified as available for sale and carried at fair value, unless there is no reliable measure of the fair value, in which case equity securities are stated at cost, less any impairment.

2 Specific accounting policies (CONTINUED)

E) Financial instruments (CONTINUED)

f) Debt securities

Debt securities are classified as available for sale and carried at fair value.

g) Investments in associates

Investments in associates are accounted at cost less impairment.

h) Issued debt securities

Bonds issued by the Bank are classified as other liabilities and are initially recorded at fair value. Subsequent to initial recognition they are stated at amortised cost. Any premium or discount on issue would be debited or credited to interest expense on an effective interest rate basis.

i) Current accounts and deposits from banks and customers

Current accounts and deposits are classified as other liabilities and initially measured at fair value less attributable transaction costs, and subsequently stated at their amortised cost using the effective interest rate method.

j) Borrowings and subordinated debt

Interest-bearing borrowings and subordinated debt are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, these are stated at amortised cost on an effective interest rate basis.

k) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

F) Property and equipment

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

2 Specific accounting policies (CONTINUED)

F) Property and equipment (CONTINUED)

Depreciation is provided on all assets except for land and assets not yet brought into use on a straight-line basis at prescribed rates designed to write off the cost to estimated residual value over the estimated useful life of the asset. The estimated economic lives in years are as follows:

	2010	2009
Buildings	50	50
Computers, ATMs EFT POS equipment	4 – 5	4 – 5
Office furniture and other equipment	5 – 10	5 – 10
Motor vehicles	5	5
Other	5 – 10	5 – 10

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and included in the income statement as other operating income or expense.

G) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses.
Intangible assets except for intangible assets not yet brought into use are amortised on a straight-line basis over their estimated useful economic lives in years as follows:

	2010	2009
Software	5	5
Leasehold improvements over the lease period	depending on the lease period	5

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

H) Non-current assets and disposal groups classified as held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Bank's accounting policies. Thereafter, the assets (or disposal group of assets and liabilities) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in income statement. Gains are not recognised in excess of any cumulative impairment loss.

2 Specific accounting policies (continued)

I) 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 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 for indications of potential impairment.

J) Impairment of non-financial assets

Carrying amount of intangible assets not yet brought into use and intangible assets that have an indefinite useful life, are tested for impairment and their recoverable amount estimated whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, or at least annually.

Other non-financial assets (other than deferred tax) are tested on impairment at each balance sheet date. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of non-financial assets is the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). 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 or cash-generating unit.

An impairment loss is reversed if 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.

2 Specific accounting policies (CONTINUED)

K) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made, or as required by law in the case of provisions for unidentified losses on of off-balance-sheet credit risk exposures.

Provisions for liabilities and charges are maintained at the level that the Bank's management considers sufficient for absorption of 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 released only for such expenditure in respect of which provisions are recognised at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

L) Share capital

Share *capital*
Issued share capital represents the nominal value of paid-in ordinary and preferred shares classified as equity and is denominated in BAM.

Treasury shares
When the Bank purchases its own equity instruments (treasury shares), the consideration paid is deducted from equity until the shares are cancelled. When such shares are subsequently sold or reissued, any consideration received, net of transaction costs, is included in equity.

Reserves
Any profit for the year retained after appropriations is transferred to reserves.

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.

M) Off-balance-sheet commitments and contingent liabilities

In the ordinary course of business, the Bank enters into credit related commitments which are recorded off-balance-sheet and primarily comprise guarantees, letters of credit, undrawn loan commitments and credit card limits.

N) Managed funds for and on behalf of third parties

The Bank manages funds for and on behalf of corporate and retail customers. 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.

2 Specific accounting policies (CONTINUED)

O) Segment reporting

Business segment is a distinguishable component of the Bank that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. Geographical segment is engaged in providing products or services within a particular economic environment distinguished from other segments engaged in providing products or services within other economic environments. The Bank has identified four primary segments: Retail, Corporate including government, Investments and Corporate centre. The primary segmental information is based on the internal reporting structure of business segments. Segmental result is measured by applying internal transfer prices (Note 4).

P) Employee benefits

a) Pension obligations
For defined contribution plans, the Bank pays contributions to state-owned institutions and obligatory pension funds managed by state-owned management companies. The contributions are recognised as employee benefit expense as they accrue.

b) Long-term employee rewards
Participants of scheme for long-term employee rewards of every cycle of "Long-term incentive plan" are defined based on clear criteria of contribution to the Bank's long-term sustainable and increasing profitability. The expense is recognised in the income statement as earned by participants.

c) Other employee benefits
Liabilities based on other long-term employee benefits, such as jubilee awards and statutory termination benefits, are recorded as net present value of the liability for defined benefits at the balance sheet date. The projected credit unit method is used for the calculation of the present value of the liability. Market yield on government bonds on the balance sheet date, in currency and in terms that correspond to the currency and other terms of liabilities under these benefits, is used as a discount rate.

R) Earnings per share

The Bank presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

S) Leased assets

Leases in terms of which the Bank as a lessee assumes substantially all the risks and rewards of ownership are classified as finance leases. At the balance sheet date, the Bank did not have any finance leases. All other leases are operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

T) Financial reporting framework in 2011

In order to comply with the changes in relevant regulatory requirements the Bank will, starting from 2011, prepare financial statements in accordance with International Financial Reporting Standards. The most important changes relate to the presentation, increased number of disclosures and valuation of the loans to customers portfolio.

2 Specific accounting policies (CONTINUED)

U) Financial crisis impact

Characteristics of overall economic trends during 2010 are marked out with early signs of economic recovery. In this context, incentives to slower growth of economic activities can mainly be found in external factors, associated with significant growth rates of exports of goods, as a result of increased absorption potential of the European Union market for generally low level domestic industrial products. On the other hand, in strengthening of economic relations a lack of internal structural elements is notable, while personal consumption still remains at levels below pre-recession time. The decrease in corporate revenues and increasing unemployment affects progressive increase in non-performing loans and erosion of profitability of the local banking market. Nevertheless, the safety of the banking system is estimated as high and capital adequacy ratio measured at the level of the banking sector in BIH is 15.7%. The following year should be characterized with improvement in banking system framework. Therefore after the deep recession and post-recessionary implications, the profitability of the banking sector is expected to improve as well as the sector performance through the gradual reduction of non-performing loans.

Impact on credit risk

In 2010, the Bank maintained its conservative lending policy. Strict application of the policy during the previous years, turned out to be the adequate approach to credit risk management especially in a time of crisis.

The Bank has established daily monitoring the quality of the existing portfolio of the Bank's retail and corporate loans as well as monitoring of groups of related exposures.
The existing collateral policy of the Bank is considered to be reasonable protection for the Bank. For lower exposures, the Bank by its policies requires appropriate mandatory collateral instruments, usually collection enforcement instruments, while for larger exposures and longer repayment periods, the Bank usually takes mortgage over property.
The Bank usually uses services of ZANE BH d.o.o., a member of Zagrebačka banka Group, for real estate valuation purposes.
Although the impact of the financial crisis cannot be fully foreseen or mitigated, the Bank has taken and continues to undertake a series of activities strongly focused in the direction of monitoring the quality of the existing retail and corporate portfolio, making daily risk management and monitoring performed by relationship managers, with continued active involvement from restructuring and credit risk monitoring experts.

Impact on market risk

With regards to operations with financial institutions the Bank continued to collect information on unusual movements and emergency situations for individual financial institutions and high-risk countries in the period of the global financial crisis as well as during the current year. Amendments of limits and other details in operations with counterparties are agreed and communicated locally and in cooperation with the Group.

V) Legal and statutory reserve

Legal reserve is created in accordance with the Company Law of the Federation of Bosnia and Herzegovina, which requires 10% of the profit for the year to be appropriated to this reserve until reaching 25% of issued share capital. If the statutory reserve does not reach 25% of issued share capital within 5 business years, a joint stock company is required to increase its appropriations to this reserve to 20% of its profit for the year at the end of the fifth and any following business years until reaching 25% of the issued share capital. This reserve can be used for covering current and prior year losses.
Under the Banking Law as lex speciales there is no requirement for banks in BIH to form such a reserve nor on their proportion to total equity. Accordingly and in line with the Agency interpretation, banks have no obligation to allocate part of the profit to legal reserve.
Existing legal reserve is created by the decisions on appropriation of profit of the merged HVB CPB bank in previous years, and is presented in the balance sheet and statement of changes in equity within reserves.

3 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 lending portfolio represents the major source of estimation uncertainty. This and other key sources of estimation uncertainty, that have a significant risk of causing a possible material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

a) Impairment losses on loans and receivables

The Bank monitors creditworthiness of its customers on an ongoing basis. The need for impairment of the Bank's on- and off-balance-sheet credit risk exposures is assessed on a monthly basis. Impairment losses are made mainly against the carrying value of loans to corporate and retail customers (summarised in Note 17), and as provisions for liabilities and charges arising from off-balance-sheet risk exposure to customers, mainly in the form of guarantees and letters of credit (summarised in Note 11 and Note 27). 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.

		2010	**2009**
	Note	**BAM '000**	**BAM '000**
Summary of impairment allowance			
Impairment allowance for loans to customers	*17*	248,808	230,272
Provisions for liabilities and charges	*27*	21,028	20,581
TOTAL		**269,836**	**250,853**

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 over BAM 20 thousand) and collectively for assets that are not individually significant (mainly retail exposures under BAM 20 thousand). However, assets assessed individually as unimpaired are then included in groups of assets with similar credit risk characteristics and 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 defaults.

3 Significant accounting estimates and judgements (CONTINUED)

a) 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 specific impairment loss rates prescribed by the Agency, predominantly based on the past due days.

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

			2010			2009
			BAM'000			BAM'000
	Corporate including government	Retail	TOTAL	Corporate including government	Retail	TOTAL
Gross exposure	188,032	63,437	**251,469**	172,158	55,946	**228,104**
Impairment rate	75.65%	81.26%	**77.07%**	76.46%	80.86%	**77.54%**

An increase in the impairment rate of 1pp on the gross portfolio identified above as impaired at 31 December 2010, would lead to the recognition of an additional impairment loss of BAM 2,515 thousand (*2009: BAM 2,281 thousand*).

The Bank also recognises impairment losses on performing loans with delays in repayment of up to 90 days, at rates prescribed by the Banking Agency, in the range from 5% to 15% (risk category B). The amount of impairment losses at 31 December 2010, recognised for performing loans and advances with repayment delays of up to 90 days, amounted BAM 6,219 thousand (*2009: BAM 3,864 thousand*).
In addition to specifically identified losses on impaired loans, and in addition to the impairment losses recognised on performing loans of category B as described above, the Bank also recognises 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. Amounts assessed as impaired on an individual basis are excluded from this calculation.

The amount of impairment losses at 31 December 2010, estimated on a portfolio basis as described above amounted to BAM 53,885 thousand (*2009: BAM 49,433 thousand*) of the relevant on and off-balance-sheet exposure. Total of these portfolio based impairment losses amounted to 2.46% (*2009: 2.35%*) of loans to customers and to 1.94% (*2009: 1.85%*) of on and off-balance-sheet credit risk exposure, in both cases net of amounts individually assessed as impaired.

b) Taxation

The Bank provides for tax liabilities in accordance with the tax laws of Federation of Bosnia and Herzegovina. Tax returns are subject to the approval of the tax authorities which are entitled to carry out subsequent inspections of taxpayers' records.

3 Significant accounting estimates and judgements (CONTINUED)

c) Regulatory requirements

Banking Agency of the Federation of Bosnia and Herzegovina is entitled to carry out regulatory inspections of the Bank's operations and to request changes to the carrying values of assets and liabilities, in accordance with the underlying regulations.

d) Litigations and claims

The Bank makes individual assessment of all court cases for which the value of the case is above BAM 25 thousand. All court cases below BAM 25 thousand are monitored and provided for on a portfolio basis. The initial assessment is made by the Bank's Legal Department and its adequacy is independently monitored by Risk Management.

As stated in Note 27 the Bank provided BAM 7,846 thousand (*2009: BAM 7,660 thousand*), which the management estimates as sufficient. It is not practicable for management to estimate the financial impact of changes to the assumptions based on which the management assesses the need for provisions.

4 Financial information by segment

Segments recognised for the purpose of presenting financial information by segment can be analysed as follows:

- Retail segment includes: individuals, and sole traders;
- Corporate including government segment includes: small, medium and large corporate clients, government and public sector;
- Investment segment includes trading activities ("MIB") and asset and liability management (ALM) and
- Corporate centre segment includes equity, investment in associates and other equity investments and other assets and liabilities not assigned to other segments.

Financial information by segments is prepared according to management accounting reports.
In measurement of segment results the Bank applies internal prices, based on specific prices in appropriate currency and maturity, with embedded additional adjustments.
Methodology of allocation of segmental income and is consistent with last year.

Segmental income statement

	Retail	Corporate including government	Investment	Corporate centre	TOTAL
31 December 2010	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
Net interest income	95,333	27,222	11,227	(7,968)	125,814
Net fee and commission income	35,485	16,652	(1,384)	1	50,754
Dividend income	-	-	-	9	9
Net gains from financial instruments at fair value through profit or loss, foreign exchange trading and foreign exchange differences from translation of monetary assets and liabilities	6,280	1,469	1,952	18	9,719
Net gains from investment securities	-	-	-	1,359	1,359
Other operating income	853	87	29	-	969
Total operating income	**137,951**	**45,430**	**11,824**	**(6,581)**	**188,624**
Operating expenses	(94,254)	(24,085)	(889)	(1,453)	(120,681)
Impairment losses on loans and receivables and other impairment losses and provisions	(12,272)	(16,639)	(763)	(1,653)	(31,327)
Segment result	**31,425**	**4,706**	**10,172**	**(9,687)**	**36,616**
Income tax expense	-	-	-	(4,963)	(4,963)
Profit for the period	**31,425**	**4,706**	**10,172**	**(14,650)**	**31,653**

4 Financial information by segment (CONTINUED)

31 December 2009	Retail	Corporate including government	Investment	Corporate centre	TOTAL
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
Net interest income	94,409	25,550	3,629	(1,808)	121,780
Net fee and commission income	32,200	15,593	(209)	(604)	46,980
Dividend income	-	-	-	29	29
Net gains and losses from financial instruments at fair value through profit or loss and foreign exchange trading and foreign exchange differences from translation of monetary assets and liabilities	4,992	1,502	1,763	1	8,258
Net gains from investment securities	-	-	-	624	624
Other operating income	1,201	1,699	32	66	2,998
Total operating income	**132,802**	**44,344**	**5,215**	**(1,692)**	**180,669**
Operating expenses	(91,117)	(28,594)	(1,470)	(6,035)	(127,216)
Impairment losses on loans and receivables and other impairments and provisions	(7,684)	(14,074)	-	2,761	(18,997)
Segment result	**34,001**	**1,676**	**3,745**	**(4,966)**	**34,456**
Income tax expense	-	-	-	(5,089)	(5,089)
Profit for the period	**34,001**	**1,676**	**3,745**	**(10,055)**	**29,367**

Segmental balance sheet

31 December 2010	Retail	Corporate including government	Investment	Corporate centre	TOTAL
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
Aktiva po segmentima	1,386,167	725,259	1,349,557	138,098	3,599,081
Pridružene pravne osobe i ostali vlasnički udjeli	-	-	-	2,003	2,003
Pretplaćeni porez na dobit	-	-	-	1,605	1,605
Ukupno aktiva	**1,386,167**	**725,259**	**1,349,557**	**141,706**	**3,602,689**
Obveze po segmentima	1,556,128	1,090,003	439,823	515,738	3,601,692
Odgođena porezna obveza	-	-	-	997	997
Ukupno obveze	**1,556,128**	**1,090,003**	**439,823**	**516,735**	**3,602,689**

4 Financial information by segment (CONTINUED)

31 December 2009	Retail	Corporate including government	Investment	Corporate centre	TOTAL
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
Segment assets	1,361,033	665,405	1,274,218	143,662	3,444,318
Investment in associates and other equity investments	-	-	-	4,815	4,815
Income tax prepayment	-	-	-	2,668	2,668
Total assets	**1,361,033**	**665,405**	**1,274,218**	**151,145**	**3,451,801**
Segment liabilities	1,370,340	921,410	681,554	478,355	3,451,659
Deferred tax liability	-	-	-	142	142
Total liabilities	**1,370,340**	**921,410**	**681,554**	**478,497**	**3,451,801**

5 Interest income

a) **Analysis by source**

	2010	2009
	BAM '000	BAM '000
Retail	126,014	124,096
Companies	50,451	58,355
Banks and other financial institutions	4,404	5,474
Government and public sector	6,832	6,375
	187,701	**194,300**

Banks and other financial institutions also comprise interest income on obligatory reserve at CBBIH.

5 Interest income (CONTINUED)

b) Analysis by product

	2010	2009
	BAM '000	**BAM '000**
Loans to customers	182,576	188,512
Placements with and loans to banks and cash reserves	1,809	2,415
Obligatory reserve at CBBIH	2,595	3,060
Debt securities	721	313
	187,701	**194,300**

6 Interest expense

a) Analysis by recipient

	2010	2009
	BAM '000	**BAM '000**
Banks and other financial institutions	14,055	25,672
Retail	30,784	27,884
Government and public sector	9,243	9,423
Companies	7,805	9,541
	61,887	**72,520**

b) Analysis by product

	2010	2009
	BAM '000	**BAM '000**
Current accounts and deposits - retail	30,784	27,884
Borrowings and subordinated debt	6,473	12,422
Current accounts and deposits - corporate including government	17,048	18,964
Current accounts and deposits - banks	5,359	9,880
Debt securities	2,223	3,370
	61,887	**72,520**

7 Fee and commission income

	2010	2009
	BAM '000	**BAM '000**
Credit cards	22,146	20,343
Domestic payment transactions	13,070	12,028
Foreign payment transactions	8,283	7,662
Guarantees and letters of credit	5,121	4,989
Other	4,639	3,977
	53,259	**48,999**

8 Fee and commission expense

	2010	2009
	BAM '000	**BAM '000**
Foreign payment transactions	1,410	1,258
Domestic payment transactions	588	513
Other	507	248
	2,505	**2,019**

9a Dividend income

	2010	2009
	BAM '000	BAM '000
Dividends from other equity securities	**9**	**29**

9b Net gains and losses on financial instruments at fair value through profit or loss and result from foreign exchange trading and translation of monetary assets and liabilities

	2010	2009
	BAM '000	BAM '000
Foreign exchange spot trading gains	9,263	8,219
Net gains/(losses) from FX forwards	453	(17)
Net foreign exchange gain from translation of monetary assets and liabilities	3	56
	9,719	**8,258**

9c Net gains from investment securities

	2010	2009
	BAM '000	BAM '000
Realised gain on sale of AFS financial assets	1,359	624

9d Other operating income

	2010	2009
	BAM '000	**BAM '000**
Income from expenses recharged to customers	251	284
Gain on disposal of property and rental income	52	119
Receipts from receivables previously written off and reversal of accrued expenses	323	1,249
Income from claims settled by insurance companies	45	127
Other income	298	1,219
	969	**2,998**

10 Operating expenses

	2010	2009
	BAM '000	**BAM '000**
Administration and marketing expenses	44,949	46,995
Personnel costs	52,283	54,013
Depreciation and amortisation	16,695	18,211
Savings deposit insurance expenses	5,798	5,224
Government contributions (excluding those personnel related)	751	1,110
Other expenses	205	1,663
	120,681	**127,216**

Personnel costs includes BAM 9,748 thousand of contributions with defined contribution amounts paid into the State pension plans (*2009: BAM 9,837 thousand*);

Key management remuneration:

- BAM 2,068 thousand of remuneration paid to Management Board (*2009: BAM 1,151 thousand*) and BAM 2,243 thousand to other key management personnel of the Bank (*2009: BAM 1,140 thousand*);
- BAM 3,503 thousand of bonuses (*2009: BAM 4,088 thousand*);
- BAM 567 thousand of provisions for long-term incentive plan for management (*2009: BAM 638 thousand*).

During 2010 the number of Key management and Management Board members has been increased.

11 Other impairment losses and provisions

Charge/(credit) to the income statement in respect of non-loan impairment losses and other provisions is analysed as follows:

		2010	2009
	Note	**BAM '000**	**BAM '000**
Guarantees and letters of credit	*27*	222	(1,075)
Provisions for court cases	*27*	329	(3,354)
Other assets	*18*	719	384
Impairment of property and equipment	*20*	878	203
		2,148	**(3,842)**

12 Income tax

Income tax charged in the income statement comprises current and deferred tax.

a) **Income tax expense recognised in the income statement**

	2010	**2009**
	BAM '000	**BAM '000**
Current income tax charge	3,994	5,089
Net deferred tax charge *(Note 28)*	969	-
	4,963	**5,089**

b) **Reconciliation of the income tax expense**

	2010	**2009**
	BAM '000	**BAM '000**
Profit before tax	36,616	34,456
Tax calculated at rate of 10%	3,662	3,446
Non-deductible expenses	541	665
Non-deductible provisions and write offs	127	1,067
Suspended income, not recognised as expense in prior years	(369)	(89)
Other loan losses *(Note 28)*	969	-
Reconciliation of prior year tax liability	33	-
Income tax expense	**4,963**	**5,089**
Average effective income tax rate	**13.6%**	**14.8%**

13 Cash reserves

	2010	2009
	BAM '000	**BAM '000**
Cash in hand	120,951	111,974
Items in the course of collection	89	157
Current accounts with other banks	34,790	28,395
Giro account with central bank	465,499	340,987
	621,329	**481,513**

The amount of cash reserves also represents cash and cash equivalents for the purpose of preparation of the Statement of cash flows.

14 Obligatory reserve with the Central Bank BIH

The obligatory reserve represents amounts required to be deposited with the Central Bank BIH (CBBIH). Obligatory reserve is calculated on the basis of deposits and borrowings taken regardless of the currency.

The basis for calculation excludes:

- borrowings taken from foreign entities;
- the funds from government aimed at development projects.

Obligatory reserve requirement represents:

- 14% on deposits and borrowings with maturity of up to one year (short-term deposits and borrowings)
- 7% on deposits and borrowings with maturity over one year (long-term deposits and borrowings).

Interest is earned as follows:

- for the obligatory reserve the rate is determined on the basis of average market interest rates realised by the Central Bank on overnight deposits market in the same period (0.5% until 30 June 2010 and overnight deposits rate from 1 July 2010);
- for the deposited funds exceeding the minimum requirement based on average interest rates earned by CBBIH on funds invested up to one month.

15 Placements with and loans to banks

	2010	2009
	BAM '000	BAM '000
Placements with other banks - gross	361,460	485,495
Impairment allowance	(438)	(438)
	361,022	**485,057**

Placements with other banks at 31 December 2010 included BAM 3,089 thousand pledged as collateral for the Bank's liabilities to Visa and MasterCard in respect of credit card operations (*2009: BAM 2,574 thousand*).
Loans to and receivables from banks include BAM 88,369 thousand (*2009: BAM 91,116 thousand*) of loans to and receivables from related parties.

Movement in impairment allowance for placements with and loans to banks:

	2010	2009
	BAM '000	BAM '000
As at 1 January	438	441
Net charge to income statement	-	(3)
As at 31 December	**438**	**438**

Net charge or credit to the income statement resulting from the movement in impairment allowance for placements with and loans to banks forms part of impairment losses for loans and receivables in the income statement (*Note 15b*).

16a Available-for-sale debt securities

	2010	2009
	BAM '000	BAM '000
Republic of Croatia treasury bills	1,322	5,841
Foreign government bonds	39,420	-
	40,742	**5,841**

Foreign government bonds in the amount of BAM 39,420 thousand relate to government bonds of Germany, Sweden, Netherlands and Finland.

16b Financial assets and financial liabilities at fair value through profit or loss

	2010	2010	2009	2009
	BAM '000	BAM '000	BAM '000	BAM '000
Financial assets	Nominal amount	Fair value	Nominal amount	Fair value
Derivatives classified as held for trading – OTC products				
Forward foreign exchange contracts	**217,157**	**11**	**207,080**	**107**

	2010	2010	2009	2009
	BAM '000	BAM '000	BAM '000	BAM '000
Financial liabilities	Nominal amount	Fair value	Nominal amount	Fair value
Derivatives classified as held for trading – OTC products				
Forward foreign exchange contracts	**3,112**	**9**	**4,339**	**123**

17 Loans to customers

a) Analysis by product

	2010 BAM '000	2009 BAM '000
Corporate including government		
- in BAM	987,795	932,149
- in foreign currency	61,539	66,057
Gross corporate including government	**1,049,334**	**998,206**
Impairment allowance	(170,521)	(159,100)
Net corporate and including government	**878,813**	**839,106**
Retail		
- in BAM	1,310,028	1,257,196
- in foreign currency	872	1,308
Gross retail	**1,310,900**	**1,258,504**
Impairment allowance	(78,287)	(71,172)
Net retail	**1,232,613**	**1,187,332**
Total gross loans	**2,360,234**	**2,256,710**
Impairment allowance	(248,808)	(230,272)
Net loans	**2,111,426**	**2,026,438**
Total impairment allowance as a percentage of gross loans to customer	**10.54%**	**10.20%**

In Notes 17 and 32 retail include individuals and sole traders. Included in retail loans in BAM is BAM 1,061,929 thousand of gross loans (*2009: BAM 1,113,570 thousand*), and in corporate including government BAM loans BAM 572,592 thousand (*2009: BAM 561,673 thousand*) which have EUR counter value. Repayments of principal and interest are determined with reference to the EUR counter value and are paid in the BAM equivalent translated at the rate applicable at the date of payment.

17 Loans to customers (CONTINUED)

b) Movement in impairment allowance for loans and receivables

Impairment loss on loans and receivables presented in the income statement arises from the following movements in impairment allowance for uncollectability of loans and receivables:

	Građani	Pravne osobe i država	Ukupno
	BAM '000	BAM '000	BAM '000
Balance as at 1 January 2010	71,172	159,100	230,272
Net charge to income statement	7,347	21,832	29,179
Write offs	(226)	(10,428)	(10,654)
Foreign exchange differences	(6)	17	11
Balance as at 31 December 2010	**78,287**	**170,521**	**248,808**
Balance as at 1 January 2009	65,877	144,707	210,584
Net charge to income statement	5,654	17,188	22,842
Write offs	(371)	(2,835)	(3,206)
Foreign exchange differences	12	40	52
Balance as at 31 December 2009	**71,172**	**159,100**	**230,272**

Impairment allowance for loans to and receivables from customers also includes general provision for other assets and all other items for which the general provision is created in accordance with the Agency regulations.

Net charge or credit to income statement resulting from movement in impairment allowance for loans and receivables is disclosed in the line impairment losses for loans and receivables in the income statement.

17 Loans to customers (CONTINUED)

c) Concentration of credit risk by industry

The Bank's loan portfolio as at 31 December 2010, net of provisions, is analysed by industry in the table below:

	2010	2009
	BAM '000	**BAM '000**
Manufacturing of transport vehicles and ships	4,790	10,116
Wood and paper	52,593	66,154
Food and drink	54,449	55,152
Metal and engineering	23,939	24,483
Electricity, gas and water	23,278	25,657
Electrical and optical equipment	12,529	11,951
Chemicals	22,572	17,811
Textiles and leather	2,245	6,215
Tobacco	1,277	165
Other manufacturing	44,917	55,266
Manufacturing	**242,589**	**272,970**
Retail and wholesale trade	306,665	312,632
Construction	72,439	87,854
Financial intermediaries	10,900	12,616
Transport and communications	104,247	41,512
Hotels and restaurants	28,390	31,330
Real estate business	39,345	40,267
Agriculture, forestry and fisheries	10,384	7,522
Central and local government and defence	43,861	11,117
Education and other public services	3,663	1,642
Health and social care	3,063	1,318
Other	13,267	18,326
Total other corporate including government loans	**636,224**	**566,136**
Total corporate including government loans	**878,813**	**839,106**
Housing loans	321,837	322,008
Other retail loans	910,776	865,324
Total retail loans	**1,232,613**	**1,187,332**
Total loans to customers	**2,111,426**	**2,026,438**

18 Accrued interest and other assets

	2010	2009
	BAM '000	**BAM '000**
Receivables from debit and credit cards	28,664	25,715
Accrued interest – not due	12,274	11,328
Accrued interest – due	1,514	2,123
Accrued fees	552	493
Other assets	9,545	10,008
Assets held for sale	2,995	-
Impairment allowance	(5,345)	(4,643)
	50,199	**45,024**

Movement in impairment allowance for other assets

	2010	2009
	BAM '000	**BAM '000**
As at 1 January	4,643	5,986
Net charge to income statement *(Note 11)*	719	384
Transfer to property and equipment	-	(112)
Amounts written off	(2)	(1,605)
Foreign currency differences	(15)	(10)
As at 31 December	**5,345**	**4,643**

Net charge or credit to income statement resulting from the movement in impairment allowance for other assets is presented within other impairment losses and provisions in the income statement (*Note 11*).

During the 2010, the Bank transferred from property and equipment a property held for sale to other assets. Before the reclassification, the assets carrying value was BAM 2,995 thousand. The Bank recognised an impairment loss before reclassification in the amount of BAM 878 thousand *(Note 11)*.

19 Associates and other equity investments

	2010	2009
	BAM '000	**BAM '000**
Associates	1,787	1,787
Other equity investments	216	3,028
	2,003	**4,815**

Associates represent the Bank's equity investment in UPI Poslovni sistem d.d. As at 31 December 2010, the Bank held 48.8% of the share capital in UPI Poslovni sistem d.d. (*2009: 48.8%*).

Other equity securities include investment in Bosna reosiguranje (BAM 154 thousand), Registar vrijednosnih papira FBiH (BAM 32 thousand), Sarajevo osiguranje (BAM 29 thousand) and Bamcard (BAM 1 thousand) and are classified as available for sale.

Decrease in other equity securities relates to the sale of Visa International shares during the year.

20. Materijalna imovina

2010	Land and buildings BAM '000	Computers, equipment and motor vehicles BAM '000	Assets acquired but not brought into use BAM '000	TOTAL BAM '000
Cost or valuation As at 1 January 2010	50,029	72,272	5,550	127,851
Additions	-	-	6,445	6,445
Write offs	-	(1,190)	-	(1,190)
Disposals	(176)	(419)	-	(595)
Brought into use	2,464	6,133	(8,597)	-
Transfer to other assets	(4,213)	-	-	(4,213)
Transfer from intangible assets	2,285	-	-	2,285
As at 31 December 2010	**50,389**	**76,796**	**3,398**	**130,583**
Depreciation As at 1 January 2010	**7,712**	**48,083**	**-**	**55,795**
Depreciation charge for the year	1,009	8,340	-	9,349
Write offs	(24)	(1,124)	-	(1,148)
Disposals	(49)	(334)	-	(383)
Impairment loss *(Note11)*	878	-	-	878
Transfer to other assets	(1,218)	-	-	(1,218)
Transfer from intangible assets	1,237	-	-	1,237
As at 31 December 2010	**9,545**	**54,965**	**-**	**64,510**
Net carrying amount As at 1 January 2010	**42,317**	**24,189**	**5,550**	**72,056**
As at 31 December 2010	**40,844**	**21,831**	**3,398**	**66,073**

Assets acquired but not brought into use at year end represent equipment and motor vehicles not yet put into use. Transfer to other assets relates to the building that was classified as held for sale at the year end. The Bank has recognised impairment on the asset before reclassification in the amount of BAM 878 thousand *(Note 11).*

20 Property and equipment (CONTINUED)

2009	Land and buildings	Computers, equipment and motor vehicles	Assets acquired but not brought into use	TOTAL
	BAM '000	BAM '000	BAM '000	BAM '000
Cost or valuation As at 1 January 2009	**28,044**	**66,463**	**9,327**	**103,834**
Additions	-	-	26,068	26,068
Write offs	-	(1,872)	-	(1,872)
Disposal	(204)	(55)	-	(259)
Brought into use	22,109	7,736	(29,845)	-
Transfer from other assets	80	-	-	80
As at 31 December 2009	**50,029**	**72,272**	**5,550**	**127,851**
Depreciation As at 1 January 2009	**6,512**	**42,123**	**-**	**48,635**
Transfer from/to other assets	112	-	-	112
Depreciation charge for the year	916	7,861	-	8,777
Write offs	-	(1,863)	-	(1,863)
Disposals	(31)	(38)	-	(69)
Impairment loss (Note11)	203	-	-	203
As at 31 December 2009	**7,712**	**48,083**	**-**	**55,795**
Net carrying amount As at 1 January 2009	21,532	24,340	9,327	55,199
As at 31 December 2009	**42,317**	**24,189**	**5,550**	**72,056**

Assets acquired but not brought into use at 31 December 2009 represent equipment and motor vehicles not yet put into use.

21 Intangible assets

2010	Software BAM '000	Leasehold improvements BAM '000	Other intangible assets BAM'000	Assets acquired but not brought into use BAM '000	TOTAL BAM '000
Cost or valuation					
As at 1 January 2010	**30,176**	**28,138**	**4,214**	**4,816**	**67,344**
Additions	-	-	-	3,646	3,646
Write offs	-	(679)	-	-	(679)
Brought into use	3,851	299	1,409	(5,559)	-
Transfer to property and equipment	-	(2,285)	-	-	(2,285)
As at 31 December 2010	**34,027**	**25,473**	**5,623**	**2,903**	**68,026**
Amortisation					
As at 1 January 2010	**20,652**	**19,038**	**1,072**	**-**	**40,762**
Amortisation charge for the year	3,885	2,611	850	-	7,346
Write offs	-	(671)	-	-	(671)
Transfer to property and equipment	-	(1,237)	-	-	(1,237)
As at 31 December 2010	**24,537**	**19,741**	**1,922**	**-**	**46,200**
Net carrying amount					
As at 1 January 2010	**9,524**	**9,100**	**3,142**	**4,816**	**26,582**
As at 31 December 2010	**9,490**	**5,732**	**3,701**	**2,903**	**21,826**

Assets acquired but not brought into use at year end represent leasehold improvements and software.

21 Intangible assets (CONTINUED)

2009	Software BAM '000	Leasehold improvements BAM '000	Other intangible assets BAM '000	Assets acquired but not brought into use BAM '000	TOTAL BAM '000
Cost or valuation					
As at 1 January 2009	**30,176**	**24,536**	**2,870**	**3,236**	**60,818**
Additions	-	-	-	6,850	6,850
Write offs	-	(324)	-	-	(324)
Brought into use	-	3,926	1,344	(5,270)	-
As at 31 December 2009	**30,176**	**28,138**	**4,214**	**4,816**	**67,344**
Amortisation					
As at 1 January 2009	**15,490**	**15,715**	**447**	**-**	**31,652**
Amortisation charge for the year	5,162	3,647	625	-	9,434
Write offs	-	(324)	-	-	(324)
As at 31 December 2009	**20,652**	**19,038**	**1,072**	**-**	**40,762**
Net carrying amount					
As at 1 January 2009	**14,686**	**8,821**	**2,423**	**3,236**	**29,166**
As at 31 December 2009	**9,524**	**9,100**	**3,142**	**4,816**	**26,582**

Assets acquired but not brought into use at 31 December 2009 represent leasehold improvements and software.

22 Current accounts and deposits from banks

	2010	2009
	BAM '000	BAM '000
Demand deposits		
- in BAM	2,003	871
- in foreign currency	5,706	4,677
Term deposits		
- in BAM	1,193	1
- in foreign currency	119,306	326,428
	128,208	**331,977**

Current accounts and deposits from banks include BAM 121,539 thousand due to related parties (*2009: BAM 327,243 thousand*).

23 Current accounts and deposits from customers

	2010	2009
	BAM '000	BAM '000
Retail		
Foreign currency current accounts, savings accounts and term deposits	914.876	806.849
BAM current accounts, savings accounts and term deposits	464.594	397.101
	1.379.470	**1.203.950**
Corporate including government		
Demand deposits		
- in BAM	754.355	592.272
- in foreign currency	235.241	172.367
Term deposits		
- in BAM	133.581	122.449
- in foreign currency	144.700	203.107
	1.267.877	**1.090.195**
	2.647.347	**2.294.145**

Retail deposits in BAM include BAM 1,894 thousand (*2009: BAM 2,525 thousand*); corporate including government deposits in BAM include BAM 108,287 thousand (*2009: BAM 103,038 thousand*) which have EUR counter value, with payments in BAM equivalent translated at the rate applicable at the date of payment.

24a Borrowings

	2010 BAM '000	2009 BAM '000
Foreign banks	169,819	187,904
Domestic banks	8,965	11,180
Other sources	8,154	14,671
	186,938	**213,755**

Borrowings include BAM 27,382 thousand *(2009: BAM 43,028 thousand)* of borrowings from related parties.

24b Subordinated debt

	2010 BAM '000	2009 BAM '000
Subordinated debt	**23,470**	**31,293**

The repayment of this debt is subordinated to all other liabilities of UniCredit Bank d.d.

25 Accrued interest and other liabilities

	2010 BAM '000	2009 BAM '000
Interest payable – not yet due	22,186	19,012
Deferred income	14,437	12,769
Credit card payables	6,429	4,418
Interest payable – due	93	110
Accrued expenses	13,512	15,956
Liabilities for items in the course of settlement	29,667	27,928
Other liabilities	9,013	10,862
	95,337	**91,055**

26 Issued debt securities

During 2008, the Bank issued bonds in the amount of BAM 100,000 thousand, at nominal value of BAM 1 thousand. These bonds were fully subscribed by Zagrebačka banka d.d. and mature in 2012, with six-month EURIBOR + 1% interest rate.

27 Provisions for liabilities and charges

	TOTAL	Provisions for off-balance-sheet items	Provisions for court cases
	BAM '000	BAM '000	BAM '000
Balance as at 1 January 2010	20,581	12,921	7,660
Net charge to income statement	551	222	329
Provisions used during the year	(143)	-	(143)
Foreign currency differences	39	39	-
Balance as at 31 December 2010	**21,028**	**13,182**	**7,846**

	TOTAL	Provisions for off-balance-sheet items	Provisions for court cases
	BAM '000	BAM '000	BAM '000
Balance as at 1 January 2009	25.190	14.030	11.160
Provisions used during the year	(4.429)	(1.075)	(3.354)
Provisions used during the year	(146)	-	(146)
Foreign currency differences	(34)	(34)	-
Balance as at 31 December 2009	**20.581**	**12.921**	**7.660**

Provisions for liabilities and changes are presented within other impairment losses and provisions in income statement (*Note 11*).

28 Deferred tax liability

Recognised deferred tax assets and liabilities

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)
	BAM '000	BAM '000	BAM '000
As at 1 January 2010	-	(142)	(142)
FX differences on non-monetary AFS financial assets, recognised in equity	-	(3)	(3)
Changes in the fair value of AFS financial assets, recognised in equity	-	(19)	(19)
Sale of AFS financial assets	-	136	136
Increase of deferred tax liability for other loan losses charged to income statement *(Note 12)*	-	(969)	(969)
As at 31 December 2010	**-**	**(997)**	**(997)**

	Deferred tax assets	Deferred tax liability	Net deferred tax asset/(liability)
	BAM '000	BAM '000	BAM '000
As at 1 January 2009	4	(9)	(5)
FX differences on non-monetary AFS financial assets, recognised in equity	-	(5)	(5)
Changes in the fair value of AFS financial assets, recognised in equity	(4)	(190)	(194)
Sale of AFS financial assets	-	62	62
As at 31 December 2009	**-**	**(142)**	**(142)**

29 Share capital

	31 December 2010 and 2009		
	Class A	Class D	
	Ordinary shares	Preference shares	TOTAL
Number of shares	119,011	184	119,195
Par value (BAM)	1,000	1,000	1,000
Balance ('000 BAM)	119,011	184	119,195

Earnings per share calculation is presented below.

	2010	2009
	BAM '000	BAM '000
Net profit for the period	31,653	29,367
Weighted average number of ordinary shares during the period	118,935	118,935
Earnings per share (BAM)	**266.14**	**246.92**

30 Commitments and contingencies

The aggregate amounts of outstanding guarantees, letters of credit and undrawn lending commitments at year end were as follows:

	2010	2009
	BAM '000	BAM '000
Performance guarantees	110,661	87,856
Payment and custom guarantees	137,258	152,356
Letters of credit	9,365	6,471
Undrawn lending commitments	395,880	360,598
	653,164	**607,281**

31 Related party transactions

The Bank is a member of the UniCredit Group ("UCI Group"). The key shareholders of the Bank are Zagrebačka banka d.d. with holding of 65.59% (*2009: 65.59%*) and UniCredit Bank Austria AG with 24.4% (*2009: 24.4%*). The Bank considers that it has an immediate related party relationship with its key shareholders and their subsidiaries; its 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.

Related party transactions are part of the Bank's regular operations.

Receivables from UniCredit Group members as at 31 December 2010 amounted to BAM 89,637 thousand (*2009: BAM 104,441 thousand*), while liabilities to related parties amounted to BAM 278,545 thousand *(2009: BAM 505,026 thousand)*.

Income from UniCredit Group members in 2010 includes interest income in amount of BAM 616 thousand (*2009: BAM 801 thousand*) and other income in amount of BAM 9 thousand (*2009: BAM 10 thousand*) and fee and commission income in amount of BAM 338 thousand.

Expenses towards UniCredit Group members in 2010 include interest in amount of BAM 8,821 thousand (*2009: BAM 19,737 thousand*), fees in amount of BAM 328 thousand (*2009: BAM 252 thousand*), and other administrative expenses in amount of BAM 4,074 thousand (*2009: BAM 4,112 thousand*).

The remuneration of key management personnel is disclosed in Note 10.

32 Risk management

The Bank's risk management is conducted through a system of policies, programs, procedures and approved limits, which are continuously 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 risk management standards of UniCredit Group ("the Group"). The Group has a comprehensive risk management system based on policies and procedures and set limits acceptable at the Group level.

Supervisory Board and Management Board of the Bank prescribe risk management principles and adopt risk management official policies and procedures.
In accordance with the Group requirements the Bank has implemented International standard Basel II, trough an IT platform developed on the Group level, compliant with Basel II requirements.

The most important types of risk to which the Bank is exposed are credit risk, market risks and operational risk.

32 Risk management (CONTINUED)

1 Credit risk

The Bank is exposed to credit risk, which can be defined as a possibility that the client will default on its obligations defined in loan agreements, which may result in a financial loss for the Bank. The exposure to credit risk is managed in accordance with the Bank's applicable programs and policies, as well as other internal regulations prescribed by the Supervisory Board and the Management Board. The exposure to credit risks is managed very carefully, in a way that exposures to portfolios and individual client/group exposures are reviewed on a regular basis, taking into account set limits.

The limits of credit risks are determined in relation to the Bank's tier 1 guarantee capital.

To manage the level of credit risk, the Bank deals with counterparties of good credit standing, and when appropriate, obtains collateral.

The Bank uses prudent methods and tools in the process of credit risk assessment.

Credit Risk Management is organized through 4 organizational units, managed by the Chief Risk Officer:
1 Credit Risk Underwriting
2 Credit Risk Monitoring
3 Workout, and
4 Credit Risk Controlling.

Measurement of credit risk

Internal regulations for credit risk management of the Bank are set to comply with legal and Group requirements, in a way to set the limits and to monitor compliance with these limits.

The following factors are taken into account in 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 credit risk assessment.

Credit Risk Underwriting function, a part of Credit Risk Department, verifies loan applications, in accordance with the relevant assumptions, conditions and internal regulations. The purpose of this function is to manage credit risk by aiming at minimising credit risk expenses at the Bank level, through assessment of credit risk at the underwriting stage.

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

Credit Risks Monitoring function is focused on monitoring of the loan portfolio, in order to reduce credit risk and improve the quality of the portfolio of the Bank, through timely identification of potentially risky clients, and structural, targeted management of business relationship with such clients.

32 Risk management (CONTINUED)

1 Credit risk (CONTINUED)

The control and analysis of credit risk exposure of the existing loan portfolio of the Bank's clients, based on existing policies, standardised procedures and actions as well as the Group standards, limit and reduce possible losses, which ensure efficient management of the level of specific impairment allowance.

Workout function contributes to the efficient management of non-performing loans ("NPL") by maximising the repayment of bad debts, supporting Legal department regarding legal actions taken against the clients, and cost effective management of foreclosed assets.

Key activities and measures are implemented trough:

- Client liquidity check program, which on one side increases focus on risk control and on the other, utilises the opportunity of strengthening business relationship with the client during the time of demanding market conditions and unstable business climate. During 2010 the Bank included 71.2% of the corporate portfolio in this Program with an aim of monitoring client liquidity in order to be ready for a timely joint reaction on the first signs of possible liquidity problems. This can as well be seen as an opportunity to generate new business possibilities in current market conditions;

- Watch list system, which assumes regular monitoring process, including among other things careful monitoring of the loan portfolio of corporate clients with early warning signs in their business;

- Annual client check, where the Bank continues with its regular check of all individual corporate clients, done at least once a year, during which the Bank assesses the performance of clients based on their financial statements and assigns an internal rating grade as well as an assessment of all currently approved transactions;

- Soft Collection project which is performed trough focused activities to achieve high efficiency in the monitoring of performing loans and better collection of due debts as well as better cost control within the retail portfolio. With the support of UCI BA consultants in late April 2010 the Bank prepared the "road map". The Bank has agreed on improvement areas both in terms of organization and processes and in terms of IT application capabilities. The Bank is also in the process of the reorganization of the Soft Collections Department, and development of soft collection tools by the local IT as well as selection of technological solutions of a Call Centre.

- NPL Centralisation project in which special trained staff gives special attention and monitoring to non-performing loans. Taking into account the width of change and necessary activities for implementation, the project is approached through a "Pilot", which was launched in H2 of 2010, applied to "small portfolio". From initiation of the project activities, the Bank commenced the process of centralization of retail NPL clients in a single organizational unit, bad debts management for retail portfolio ("BDM"), with continuous improvement of process and organizational separation of early and late collections. So far the Bank completed the following activities: definition of a new organizational structure and changes needed in accordance with the Group requirements, the selection of subcontracted external lawyers, the transfer of the individual cases from retail to BDM. During the period from 1 July to 31 December 2010 in total 1,804 cases from small portfolio E category were handed over to BDM, and in August 2010 the Bank commenced the transfer of cases to lawyers.

Although the local legislation does not require the Bank to comply with Basel II regulations, the Bank has established a separate body - the Basel II Committee, which analyzes all aspects of decision making related to the implementation of the entire process. In addition to methodological and technical guidelines of the Group, the Bank is working intensively on the preparation of data and reports on all the pillars of Basel II.

32 Risk management (CONTINUED)

1 Credit risk (CONTINUED)

Under the direct jurisdiction of a CRO the Bank launched a new credit fraud prevention organizational unit. Key features include activities for developing an efficient prevention system, primarily using internal resources, with lower capital investment from external suppliers ("IFOS").

- Renegotiation program, through which the Bank tries to minimise the impact of the financial crisis on its retail portfolio by identifying clients that are overdue in order to timely reduce the deterioration of this portfolio segment. This program is characterised by negotiations with selected clients, and a proactive approach trough predefined and preapproved options.

Credit risk limitation controls and credit risk mitigation policies

The Bank manages, limits and controls credit risk concentrations, wherever such risk concentration exist, especially with regard to specific clients and/or groups, and industry sectors.

The Bank sets different levels of credit risk, which are based on restricting the amount of risk assumed in relation to one borrower or group of borrowers, banks of borrowers or industry segments. Such risks are monitored on a regular basis (once a month) and the reports are presented to the Credit Committee of the Bank.

Management Board, Supervisory Board and Credit Committee are all regularly informed of any significant changes in the size and quality of the portfolio.

Exposure to credit risk is also managed by conducting regular solvency and liquidity analyses of current and potential clients, their repayment potential regarding interest and principal as well as through changes in credit limits, where needed.

In order to minimize the risks from lending activities, as well as from operations with guarantees and letters of credit, the Bank uses the applicable Collateral policy approved by the Bank's Supervisory Board. This policy also establishes rules for treatment of certain types of collaterals, in the process of credit risk underwriting.

32 Risk management (CONTINUED)

1 Credit risk (CONTINUED)

The choice of collateral instruments for covering the Bank's receivables depends on:

a) The assessment of client's quality
b) Risk evaluation of the lending product itself
c) Evaluation of the value of the offered collaterals
d) External regulations

The Bank's collateral can be divided into basic and additional instruments.

In order to decrease the risk regarding marketability of collaterals, the Bank conducts both formal and substantial analysis as well as an assessments of each collateral separately. Special attention is paid to existence of a proper deed of title, and an assessment of actual marketability of collateral as well as its value.

The verification and valuation procedures regarding collaterals are conducted by relationship managers in corporate lending and by officials processing loan applications in retail lending with an evaluation of an authorized evaluator.

Contractual loan commitments

The Bank is also exposed to credit risk trough its off-balance sheet items - contractual loan commitments, letters of credit and guarantees.

The primary goal is to ensure availability of funds in accordance with the clients' needs. Collaterals for guarantees and letters of credit, which represent the written obligation of the Bank, in the name of the client who authorizes a third party to withdraw the Bank's assets up to the certain amount and under certain conditions, are also subject to Collateral policy of the Bank.

Contractual loan commitments represent unused, approved amounts of loans, guarantees or letters of credit. When it comes to the credit risk from contractual loan commitments, the Bank has a potential credit exposure in the amount of total approved unused commitments.

32 Risk management (CONTINUED)

1 Credit risk (CONTINUED)

Provisioning policies

The Bank applies its internal regulations and sets procedures and rules, are used in setting impairment allowances for receivables from:

- companies
- banks and other financial institutions
- public sector, government agencies, cantons, municipalities and local administration
- "BIH" State (Federation "BIH", RS, Brčko district) and State funds
- foreign countries
- craftsmen and independent professions
- individuals

in business activities where the Bank accepts the credit risk.

In identification of clients, the Bank applies the related party aggregation principles, in accordance with current internal regulations of the Bank on related parties and consolidated credit risk. Total credit risk exposure is the amount of all receivables to all related members. The receivables include receivables based on:

- all types of loans
- guarantees, letters of credit and other off-balance sheet commitments
- placements with banks
- investments in a portfolio of trading and investment debt securities
- other risky assets
- interest receivable

and all other receivables which comprise an element of credit risk.

32 Risk management (CONTINUED)

1 Credit risk (CONTINUED)

Maximum exposure to credit risk relating to balance sheet assets and off-balance sheets items is as follows:

	2010	2009
	BAM '000	**BAM '000**
Balance sheet		
Current accounts with CBBIH and other banks *(Note 13)*	500,378	369,539
Obligatory reserve with CBBIH *(Note 14)*	326,453	301,700
Placements with and loans to banks *(Note 15)*	361,022	485,057
Financial assets at fair value through profit or loss *(Note 16b)*	11	107
Loans to customers *(Note 17)*	2,111,426	2,026,438
Available-for-sale debt securities *(Note 16a)*	40,742	5,841
Accrued interest *(Note 18)*	13,788	13,451
Tax prepayment	1,605	2,668
Other assets *(Note 18)*	31,730	29,907
Total balance sheet credit risk exposure	**3,387,155**	**3,234,708**
Off-balance-sheet items *(Note 30)*		
Financial guarantees	247,919	240,212
Letters of credit	9,365	6,471
Undrawn lending and similar commitments	395,880	360,598
Total off-balance sheet credit risk exposure	**653,164**	**607,281**
As at 31 December	**4,040,319**	**3,841,989**

The above table represents maximum credit risk exposure of the Bank as at 31 December 2010 and 31 December 2009, without taking into account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. For commitments maximum credit risk exposure equals to the total undrawn amounts.

32 Risk management (CONTINUED)

1 Credit risk (CONTINUED)

As shown above, 52.2% of the total maximum exposure to credit risk is derived from loans to customers *(2009: 52.7%)*, while 8.9% refers to placements with and loans to banks *(2009: 12.6%)*.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk.

Impairment losses and impairment loss policies

	2010		2009	
	BAM '000		BAM '000	
FBA rating	**LOANS**	**IMPAIRMENT ALLOWANCE**	**LOANS**	**IMPAIRMENT ALLOWANCE**
A	1,979,840	38,921	1,885,369	36,334
B	128,926	13,528	143,237	14,974
C	65,490	20,241	59,257	14,199
D	26,820	14,400	13,981	7,805
E	159,158	159,158	154,866	154,866
	2,360,234	**246,248**	**2,256,710**	**228,178**

Impairment allowance coverage of non-performing loan portfolio (C to E) is 77.1% (*2009: 77.5%*).

Impairment allowance shown in the above table includes impairment allowance on loans to customers only, and differs from the values of impairment allowance for loans and receivables (*Note 17b*) which amount to BAM 248,808 thousand (*2009: BAM 230,272 thousand*), which also include general provisions for other assets and all other items for which a general provision is formed in accordance with the Agency regulations.

32 Risk management (CONTINUED)

1 Credit risk (CONTINUED)

Loans to customers

Retail loans	2010 BAM '000	2009 BAM '000
Loans that are neither past due nor impaired *(Note 32.1.a))*	1,213,474	1,165,026
Past due loans with no specific impairment allowance *(Note 32.1.b))*	1,269	745
Performing loans impaired 5-15%	32,721	36,788
Non-performing loans (impaired loans)	63,436	55,945
Gross	**1,310,900**	**1,258,504**
Less: impairment allowance	(78,287)	(71,172)
Net	**1,232,613**	**1,187,332**
Corporate including government loans	**2010** **BAM '000**	**2009** **BAM '000**
Loans that are neither past due nor impaired *(Note 32.1.a))*	760,032	712,806
Past due loans with no specific impairment allowance *(Note 32.1.b))*	5,065	6,792
Performing loans impaired 5-15%	96,205	106,449
Non-performing loans (impaired loans)	188,032	172,159
Gross	**1,049,334**	**998,206**
Less: impairment allowance	(170,521)	(159,100)
Net	**878,813**	**839,106**

Total impairment allowance for loans and receivables is BAM 248,808 thousand (*2009: BAM 230,272 thousand*) of which BAM 207,048 thousand (*2009: BAM 191,843 thousand*) represents specific impairment allowance and the remaining amount of BAM 41,481 thousand (*2009: BAM 38,429 thousand*) represents the general provision calculated on a portfolio basis.

32 Risk management (CONTINUED)

1 Credit risk (CONTINUED)

Loans to customers (CONTINUED)

a) Loans to customers that are neither past due nor impaired

The quality of the portfolio of loans to customers that are neither due nor impaired can be assessed with reference to the internal standard monitoring system. All loans to customers that are neither due nor impaired are regularly monitored and systematically reviewed in order to identify any anomaly or warning signals.

These loans are subject to constant monitoring with the aim of a timely action based on improvement/deterioration of client risk profile.

	Retail loans					Corporate including government loans			
	Cash and consumer loans	Credit card loans and overdrafts	Housing loans	Sole traders	TOTAL	Large	Medium	Small	TOTAL
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
31/12/2010									
Standard monitoring	791,775	119,433	301,244	1,022	1,213,474	340,912	276,949	142,171	760,032
31/12/2009									
Standard monitoring	768,869	94,811	299,751	1,595	1,165,026	304,047	252,509	156,250	712,806

32 Risk management (CONTINUED)

1 Credit risk (CONTINUED)

Loans to customers (CONTINUED)

b) Past due loans with no specific impairment allowance

Loans to customers less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and receivables with customers that were past due but not impaired for the Bank were as follows:

	Retail loans					Corporate including government loans			
	Cash and consumer loans	Credit card loans and overdrafts	Housing loans	Sole traders	TOTAL	Large	Medium	Small	TOTAL
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
31/12/2010									
Past due up to 30 days	823	13	170	2	1,008	-	999	579	1,578
Past due 30 – 60 days	130	5	42	-	177	11	1,488	413	1,912
Past due 60 – 90 days	12	2	14	-	28	-	1,282	62	1,344
Past due over 90 days	20	2	34	-	56	181	-	50	231
TOTAL	**985**	**22**	**260**	**2**	**1,269**	**192**	**3,769**	**1,104**	**5,065**
Procijenjena vrijednost zaloga	161	-	190	-	351	192	731	304	1,227
31/12/2009									
Past due up to 30 days	345	15	55	1	416	409	3,347	936	4,692
Past due 30 – 60 days	53	3	61	-	117	29	-	483	512
Past due 60 – 90 days	26	3	15	-	44	-	417	129	546
Past due over 90 days	63	5	97	3	168	-	807	235	1,042
TOTAL	**487**	**26**	**228**	**4**	**745**	**438**	**4,571**	**1,783**	**6,792**
Estimated value of collateral	45	-	172	3	220	431	2,956	736	4,123

32 Risk management (CONTINUED)

1 Credit risk (CONTINUED)

Loans to customers (CONTINUED)

Gross amount of such loans is based on the management estimate adequately covered by collateral.

Estimated values of property pledged as collateral are based on valuations done by authorised surveyors/agency upon initial approval of a loan, weighted by the value of the loan in the total exposure secured by the same collateral, up to the estimated value of collateral. Value of deposits and state guarantees is weighted in the same manner up to the outstanding balance of related secured exposure. Guarantees, co-debtorship and bills of exchange are not valued in the table above although they are usually required as collateral.

The Bank takes various measures related to constant monitoring of business relations with clients, strengthened collection measures and puts additional focus on a timely restructuring of exposures to customers whose businesses is rated as sustainable.

c) Performing loans impaired 5-15%

The balance of performing loans impaired 5-15% (B graded loans) before taking into considerations the cash flows from collateral held is BAM 115,398 thousand (*2009: BAM 128,264 thousand*).

The breakdown of the net amount along with the fair value of related collateral held as security, are as follows:

	Retail loans					Corporate including government loans			
	Cash and consumer loans	Credit card loans and overdrafts	Housing loans	Sole traders	TOTAL	Large	Medium	Small	TOTAL
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
31/12/2010									
B graded loans	15,575	6,594	7,258	632	30,059	47,189	29,069	9,081	85,339
Estimated value of collateral	428	-	3,993	-	4,421	31,205	16,598	6,921	54,724
31/12/2009									
B graded loans	20,452	5,448	7,915	91	33,906	39,258	36,872	18,228	94,358
Estimated value of collateral	462	-	4,929	15	5,406	35,431	22,296	10,436	68,163

32 Risk management (CONTINUED)

1 Credit risk (CONTINUED)

Loans to customers (CONTINUED)

d) Non-performing loans (impaired loans)

Impaired loans to customers before taking into considerations the cash flows from collateral held amount BAM 57,670 thousand *(2009: BAM 51,234 thousand)*. The breakdown of the net amount of the individually impaired loans and receivables from customers by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	Retail loans					Corporate including government loans			
	Cash and consumer loans	Credit card loans and overdrafts	Housing loans	Sole traders	TOTAL	Large	Medium	Small	TOTAL
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
31/12/2010									
Impaired loans	5,090	1,525	5,118	156	11,889	29,447	11,238	5,096	45,781
Estimated value of collateral	333	-	3,430	18	3,781	25,559	6,110	4,517	36,186
31/12/2009									
Impaired loans	5,785	1,497	3,398	29	10,709	31,397	3,118	6,010	40,525
Estimated value of collateral	138	-	2,164	-	2,302	2,369	2,381	5,436	10,186

32 Risk management (CONTINUED)

2 Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of 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, matching of assets and liabilities in accordance with defined policies and limits of UniCredit Bank Austria and Zagrebačka banka.

Decision on minimum standards for banking liquidity risk management of the Banking Agency of Federation of Bosnia and Herzegovina liquidity management policy has prescribed minimum standards for the design and implementation.

According to this Act the Bank is obliged to:

1) match the remaining contractual maturities of the assets and liabilities in order to achieve:
   - at least 75% of the funds with maturity up to 180 days is covered with assets with maturity up to 180 days;
   - at least 80% of the funds with maturity up to 90 days is covered with assets with maturity up to 90 days;
   - at least 85% of the funds with maturity up to 30 days is covered with assets with maturity up to 30 days;

2. maintain average ten-day cash liquidity at the level of at least 20% of the carrying value of short-term liabilities shown at the preceding month end, and to achieve matching of cash and cash equivalents of at least 10%.

ALM Department is managing liquidity reserves on a daily basis, to enable the funding of clients needs and to ensure optimum balance between continuity and flexibility of financing use and the use of sources with different maturities.

ALM ensures compliance with the above-mentioned legislation and internal regulations of the Group. Control of daily calculations of short-term liquidity in accordance with the guidelines of the Group is in the domain of market risk.

Needs for short term liquidity are planned every month for a period of six months and controlled and matched on a daily basis.

The Bank has access to a diverse funding base including various types of retail and corporate deposits, borrowings, subordinated debt, issued debt securities and share capital. This enhances funding flexibility and limits dependence on any one source of funds as well as generally lowers the cost of funding.

The process of liquidity management also includes maintenance of liquidity indicators and development of additional liquidity plans.

32 Risk management (CONTINUED)

3 Currency risk

Exposure to currency risk arises from credit, depositary and trading activities and is controlled on a daily basis in accordance with legal and internal limits set by UniCredit Group for each currency, as well as in total amounts for assets and liabilities denominated in or linked to foreign currencies.

Daily monitoring of calculations of foreign exchange risk in accordance with the Group instructions is in compliance with defined regulations for monitoring of movements through the conversion accounts for each currency and is in the domain of market risks.

4 Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts.

The Risk Management department uses Value-at-Risk method to monitor exposure to market risk and changes in basis point value to limit the maximum interest rate risk by currencies and periods and daily monitoring of the loss alert levels. Acceptable daily limits are set by UniCredit Group. Values of these indicators show a satisfactory stability of the Bank in terms of interest rate risk as well as the balance in terms of matching of assets and liabilities. The following table presents the situation at year end.

	2010	2009
	BAM '000	BAM '000
Foreign exchange risk	(22)	(9)
Interest rate risk	(334)	(554)
Equity risk	-	-
Total VaR	**(337)**	**(553)**

32 Risk management (CONTINUED)

5 Operational risks

The Bank is subject to operational risk in all its business activities, hence attempts to implement the culture and awareness of the importance of operational risk management, through its organisational structure. The Bank established an appropriate system for recognising, measuring, grading and monitoring of operational risks, aiming at its optimum management by using positive experience of the Group regarding operational risks, standards and principles defined by the local regulator and the Basel Committee as well as its own findings based on its own experience in this area. Operational risk management is inbuilt throughout the entire organisational structure of the Bank, through regular strategic management and supervision. In this way the Bank has a special focus on continuous analysis and development of solutions to avoid, control and transfer of operational risk to third parties.

Bank uses standard procedures within its established operational risk management system, which include gathering information about events of default (including monitoring of events in which the operational risk is associated with other risks - particularly credit and market risk), monitoring key risk indicators, assessing operational risk when implementing new products or projects, scenario analysis and analysis and reporting on the Bank's exposure to operational risk, which also includes reporting on results of operational risk management.

6 Capital management

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

- compliance with capital requirements, determined by regulators of banking markets where the Bank's units operate
- maintenance of the Bank's ability to continue on a going concern basis in order to ensure return on investment to its shareholders, as well as other benefits to all stakeholders, and
- maintenance of strong capital position which could support development of business activities

The Bank is monitoring capital adequacy using techniques that are based on regulations set by the Agency, which collects required information on a quarterly basis.

Agency demands the following: (a) maintenance of the minimum level of the Bank's net capital and (b) maintenance of the ratio of total net capital and risk weighted assets on a minimum required level of 12%.

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

1 The Bank's tier 1 capital: ordinary shares reduced by of treasury shares and intangible assets, share premium, retained profit and reserves arising from distribution of retained profit
2 The Bank's tier 2 capital: preference shares (fully paid in cash), general loan loss provision for performing assets, profit for the year audited and certified by external auditor and subordinated debt.

32 Risk management (CONTINUED)

5 Operational risks (CONTINUED)

Risk weighted assets are measured on the basis of hierarchy of four risk weights, classified in accordance with the nature of certain clients and assets, which reflect the underlying estimate of credit risk, taking into consideration all appropriate guarantees or deposits. Off-balance-sheet exposure is also weighted to reflect the volatile nature of potential losses.

The Banks net equity calculated according to the Agency methodology is reduced by intangible assets and increased by a general provision for credit losses of good assets and for subordinated debt.

The composition of the Bank's net capital and ratios for the years ended 31 December 2010 and 2009 is given in the table below. During these two years, the Bank and its business units have fulfilled all external capital requirements applicable to them.

	2010	2009
	BAM '000	**BAM '000**
Tier 1 capital		
Ordinary shares	119,011	119,011
Treasury shares	(81)	(81)
Share premium	48,317	48,317
Legal and statutory reserves	200,217	171,994
Intangible assets	(21,826)	(26,581)
Total tier 1 capital	**345,638**	**312,660**
Tier 2 capital		
General provision	53,885	49,433
Preference shares	184	184
Audited profit for the year	31,653	29,367
Subordinated debt	23,470	31,293
Total tier 2 capital	**109,192**	**110,277**
Net capital	**454,830**	**422,937**
Risk weighted assets:		
Credit risk weighted assets	2,639,926	2,525,815
Other weighted assets	245,431	245,248
Total risk weighted assets	**2,885,357**	**2,771,063**
Capital adequacy rate	**15.8%**	**15.3%**

33 Maturity analysis

Tables below analyse the assets and liabilities of the Bank at 31 December 2010 and 2009 into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date except for debt securities available for sale which have been classified in accordance with their secondary liquidity characteristics as maturing within one month, as well as obligatory reserve. Equity securities, that are part of assets and liabilities which do not have contractual maturity, are classified in the maturity period of 1 year to 5 years, and all other positions over 5 years.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	TOTAL
31 December 2010	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
Assets						
Cash reserves	621,329	-	-	-	-	621,329
Obligatory reserve with CBBIH	326,453	-	-	-	-	326,453
Placements with and loans to banks	357,933	-	3,089	-	-	361,022
Available-for-sale debt securities	40,742	-	-	-	-	40,742
Financial assets at fair value through profit or loss	11	-	-	-	-	11
Loans to customers	221,797	143,231	471,742	923,831	350,825	2,111,426
Income tax prepayment	-	-	1,605	-	-	1,605
Accrued interest and other assets	49,244	167	471	317	-	50,199
Associates and other equity investments	-	-	-	2,003	-	2,003
Property and equipment and intangible assets	-	-	-	-	87,899	87,899
Total assets	**1,617,509**	**143,398**	**476,907**	**926,151**	**438,724**	**3,602,689**
Liabilities and equity						
Current accounts and deposits from banks	7,710	9,779	65,735	44,984	-	128,208
Current accounts and deposits from customers	1,776,108	143,788	395,406	285,797	46,248	2,647,347
Financial liabilities at fair value through profit or loss	9	-	-	-	-	9
Borrowings and subordinated debt	967	20,190	29,724	146,555	12,972	210,408
Accrued interest and other liabilities	58,177	852	6,854	23,551	5,903	95,337
Issued debt securities (bonds)	-	-	-	100,000	-	100,000
Provisions for liabilities and charges	677	2,853	8,678	6,419	2,401	21,028
Deferred tax liability	-	-	-	997	-	997
Equity	-	-	-	-	399,355	399,355
Total equity and liabilities	**1,843,648**	**177,462**	**506,397**	**608,303**	**466,879**	**3,602,689**
Maturity gap	**(226,139)**	**(34,064)**	**(29,490)**	**317,848**	**(28,155)**	**-**

33 Maturity analysis (CONTINUED)

31 December 2009	Up to 1 month BAM '000	1 month to 3 months BAM '000	3 months to 1 year BAM '000	1 year to 5 years BAM '000	Over 5 years BAM '000	TOTAL BAM '000
Assets						
Cash reserves	481,513	-	-	-	-	481,513
Obligatory reserve with CBBIH	301,700	-	-	-	-	301,700
Placements with and loans to banks	482,483	-	2,574	-	-	485,057
Available-for-sale debt securities	5,841	-	-	-	-	5,841
Financial assets at fair value through profit or loss	107	-	-	-	-	107
Loans to customers	186,783	121,016	507,732	891,591	319,316	2,026,438
Income tax prepayment	-	-	2,668	-	-	2,668
Accrued interest and other assets	32,420	48	1,954	10,602	-	45,024
Associates and other equity investments	2,813	-	-	2,002	-	4,815
Property and equipment and intangible assets	-	-	-	-	98,638	98,638
Total assets	**1,493,660**	**121,064**	**514,928**	**904,195**	**417,954**	**3,451,801**
Liabilities and equity						
Current accounts and deposits from banks	5,549	-	320,561	5,867	-	331,977
Current accounts and deposits from customers	1,383,948	92,373	426,999	348,110	42,715	2,294,145
Financial liabilities at fair value through profit or loss	123	-	-	-	-	123
Borrowings and subordinated debt	266	18,268	32,732	133,909	59,873	245,048
Accrued interest and other liabilities	55,310	754	7,884	21,474	5,633	91,055
Issued debt securities (bonds)	-	-	-	100,000	-	100,000
Provisions for liabilities and charges	12,977	52	1,694	5,858	-	20,581
Deferred tax liability	-	-	-	142	-	142
Equity	-	-	-	-	368,730	368,730
Total equity and liabilities	**1,458,173**	**111,447**	**789,870**	**615,360**	**476,951**	**3,451,801**
Maturity gap	**35,487**	**9,617**	**(274,942)**	**288,835**	**(58,997)**	**-**

34 Interest rate repricing, 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 2010 and 2009 and is not necessarily indicative of the positions at other times. The tables provide 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
31 December 2010	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
Assets								
Cash reserves	500,289	-	-	-	-	121,040	621,329	-
Obligatory reserve with CBBIH	326,453	-	-	-	-	-	326,453	326,453
Placements with and loans to banks	357,933	-	-	-	-	3,089	361,022	357,933
AFS debt securities	40,742	-	-	-	-	-	40,742	40,742
Financial assets at fair value through profit or loss	-	-	-	-	-	11	11	-
Loans to customers	1,497,605	97,061	443,009	66,566	7,185	-	2,111,426	242,794
Income tax prepayment	-	-	-	-	-	1,605	1,605	-
Accrued interest and other assets	-	-	-	-	-	50,199	50,199	-
Associates and other equity investments	-	-	-	-	-	2,003	2,003	-
Property and equipment and intangible assets	-	-	-	-	-	87,899	87,899	-
Total assets	**2,723,022**	**97,061**	**443,009**	**66,566**	**7,185**	**265,846**	**3,602,689**	**967,922**
Liabilities and equity								
Current accounts and deposits from banks	117,236	9,779	1,193	-	-	-	128,208	10,972
Current accounts and deposits from customers	1,971,399	110,112	291,372	208,813	44,951	20,700	2,647,347	243,388
Financial liabilities at fair value through profit or loss	-	-	-	-	-	9	9	-
Borrowings and subordinated debt	58,623	97,980	44,923	8,681	201	-	210,408	12,715
Accrued interest and other liabilities	-	-	-	-	-	95,337	95,337	-
Issued debt securities (bonds)	-	60,000	40,000	-	-	-	100,000	-
Provisions for liabilities and charges	-	-	-	-	-	21,028	21,028	-
Deferred tax liability	-	-	-	-	-	997	997	-
Equity	-	-	-	-	-	399,355	399,355	-
Total equity and liabilities	**2,147,258**	**277,871**	**377,488**	**217,494**	**45,152**	**537,426**	**3,602,689**	**267,075**
Repricing gap	**575,764**	**(180,810)**	**65,521**	**(150,928)**	**(37,967)**	**(271,580)**	**-**	**700,847**

34 Interest rate repricing, gap analysis and amounts subject to fixed interest rates (CONTINUED)

31 December 2009	Up to 1 month BAM '000	1 month to 3 months BAM '000	3 months to 1 year BAM '000	1 year to 5 years BAM '000	Over 5 years BAM '000	Non-interest bearing BAM '000	TOTAL BAM '000	Amounts subject to fixed rates BAM '000
Assets								
Cash reserves	369,382	-	-	-	-	112,131	481,513	-
Obligatory reserve with CBBIH	301,700	-	-	-	-	-	301,700	301,700
Placements with and loans to banks	485,057	-	-	-	-	-	485,057	173,334
AFS debt securities	5,841	-	-	-	-	-	5,841	5,841
Financial assets at fair value through profit or loss	-	-	-	-	-	107	107	-
Loans to customers	1,394,326	86,013	462,923	55,801	27,375	-	2,026,438	245,048
Income tax prepayment	-	-	-	-	-	2,668	2,668	-
Accrued interest and other assets	-	-	-	-	-	45,024	45,024	-
Associates and other equity investments	-	-	-	-	-	4,815	4,815	-
Property and equipment and intangible assets	-	-	-	-	-	98,638	98,638	-
Total assets	**2,556,306**	**86,013**	**462,923**	**55,801**	**27,375**	**263,383**	**3,451,801**	**725,923**
Liabilities and equity								
Current accounts and deposits from banks	303,813	-	28,164	-	-	-	331,977	-
Current accounts and deposits from customers	1,746,109	25,709	231,733	232,111	43,202	15,281	2,294,145	544,434
Financial liabilities at fair value through profit or loss	-	-	-	-	-	123	123	-
Borrowings and subordinated debt	59,692	143,667	28,973	9,939	2,777	-	245,048	16,677
Accrued interest and other liabilities	-	-	-	-	-	91,055	91,055	-
Issued debt securities (bonds)	-	60,000	40,000	-	-	-	100,000	-
Provisions for liabilities and charges	-	-	-	-	-	20,581	20,581	-
Deferred tax liability	-	-	-	-	-	142	142	-
Equity	-	-	-	-	-	368,730	368,730	-
Total equity and liabilities	**2,109,614**	**229,376**	**328,870**	**242,050**	**45,979**	**495,912**	**3,451,801**	**561,111**
Repricing gap	**446,692**	**(143,363)**	**134,053**	**(186,249)**	**(18,604)**	**(232,529)**	**-**	**164,812**

34 Interest rate repricing, gap analysis and amounts subject to fixed interest rates (CONTINUED)

The following table presents the estimate of future contractual cash flows for the Bank's interest-bearing liabilities as at 31 December 2010 and 2009:

31 December 2010	Up to 1 month BAM '000	1 month to 3 months BAM '000	3 months to 1 year BAM '000	1 year to 5 years BAM '000	Over 5 years BAM '000	TOTAL BAM '000
Liabilities						
Current accounts and deposits from banks	7,710	9,893	66,304	46,964	-	130,871
Current accounts and deposits from customers	1,776,707	145,286	405,574	327,030	69,173	2,723,770
Borrowings	2,104	16,577	30,174	136,519	14,173	199,547
Subordinated debt	-	4,130	-	22,765	-	26,895
Issued debt securities	-	311	208	104,144	-	104,663
Total liabilities	**1,786,521**	**176,197**	**502,260**	**637,422**	**83,346**	**3,185,746**

31 December 2009	Up to 1 month BAM '000	1 month to 3 months BAM '000	3 months to 1 year BAM '000	1 year to 5 years BAM '000	Over 5 years BAM '000	TOTAL BAM '000
Liabilities						
Current accounts and deposits from banks	5,572	-	323,671	5,924	-	335,167
Current accounts and deposits from customers	1,384,099	92,873	443,262	399,304	65,651	2,385,189
Borrowings	1,044	14,739	29,231	139,341	44,794	229,149
Subordinated debt	-	3,976	4,136	3,990	23,451	35,553
Issued debt securities	-	295	197	123,774	-	124,266
Total liabilities	**1,390,715**	**111,883**	**800,497**	**672,333**	**133,896**	**3,109,324**

35 Effective interest rates

The table below presents effective interest rates calculated as the weighted average interest rates:

	Effective interest rate	
	31 December 2010	31 December 2009
	%	%
Cash reserves	0.31	0.37
Obligatory reserve with CBBIH	0.41	0.64
AFS debt securities	1.72	6.49
Placements with and loans to banks	0.38	0.58
Loans and advances to customers	8.37	7.84
Current accounts and deposits from banks	2.30	2.94
Current accounts and deposits from customers	2.28	2.46
Borrowings	2.82	3.59
Subordinated debt	3.04	4.27
Issued debt securities (bonds)	2.22	3.37

36 Foreign exchange positions

The Bank had the following foreign exchange positions as at 31 December 2010 and 31 December 2009 The Bank has a number of contracts which are in domestic currency but are linked to foreign currencies. The domestic currency value of the principal balances and interest payments are therefore determined by movements in foreign currencies. These balances, which have foreign exchange risk, are included in column EURO linked.

	EURO	EURO linked	EURO total	USD	Other foreign currencies	BAM	TOTAL
31 December 2010	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
Assets							
Cash reserves	37,394	-	37,394	9,171	29,150	545,614	621,329
Obligatory reserve with CBBIH	-	-	-	-	-	326,453	326,453
Placements with other banks	220,031	-	220,031	134,607	6,384	-	361,022
AFS debt securities	39,419	-	39,419	-	1,323	-	40,742
Financial assets at fair value through profit or loss	11	-	11	-	-	-	11
Loans to customers	37,582	1,574,173	1,611,755	63	-	499,608	2,111,426
Income tax prepayments	-	-	-	-	-	1,605	1,605
Accrued interest and other assets	1,815	10,751	12,566	84	4	37,545	50,199
Associates and other equity investments	-	-	-	-	-	2,003	2,003
Property and equipment and intangible assets	-	-	-	-	-	87,899	87,899
Total assets	**336,252**	**1,584,924**	**1,921,176**	**143,925**	**36,861**	**1,500,727**	**3,602,689**
Liabilities and equity							
Current accounts and deposits from banks	125,012	-	125,012	-	-	3,196	128,208
Current accounts and deposits from customers	1,117,737	110,181	1,227,918	144,098	32,983	1,242,348	2,647,347
Financial liabilities at fair value through profit or loss	9	-	9	-	-	-	9
Borrowings and subordinated debt	208,409	-	208,409	-	-	1,999	210,408
Accrued interest and other liabilities	28,534	7,941	36,475	801	165	57,896	95,337
Issued debt securities (bonds)	-	100,000	100,000	-	-	-	100,000
Provisions for liabilities and charges	1,487	2,292	3,779	146	8	17,095	21,028
Deferred tax liability	-	-	-	-	-	997	997
Equity	-	-	-	-	-	399,355	399,355
Total equity and liabilities	**1,481,188**	**220,414**	**1,701,602**	**145,045**	**33,156**	**1,722,886**	**3,602,689**
Net foreign exchange position	**(1,144,936)**	**1,364,510**	**219,574**	**(1,120)**	**3,705**	**(222,159)**	**-**

36 Foreign exchange positions (CONTINUED)

31 December 2009	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	36,653	-	36,653	5,871	21,869	417,120	481,513
Obligatory reserve with CBBIH	-	-	-	-	-	301,700	301,700
Placements with other banks	340,451	-	340,451	142,529	2,077	-	485,057
AFS debt securities	-	-	-	-	5,841	-	5,841
Financial assets at fair value through profit or loss	107	-	107	-	-	-	107
Loans to customers	39,035	1,614,121	1,653,156	73	-	373,209	2,026,438
Income tax prepayments	-	-	-	-	-	2,668	2,668
Accrued interest and other assets	1,605	11,182	12,787	382	4	31,851	45,024
Associates and other equity investments	-	-	-	2,813	-	2,002	4,815
Property and equipment and intangible assets	-	-	-	-	-	98,638	98,638
Total assets	**417,851**	**1,625,303**	**2,043,154**	**151,668**	**29,791**	**1,227,188**	**3,451,801**
Liabilities and equity							
Current accounts and deposits from banks	331,105	-	331,105	-	-	872	331,977
Current accounts and deposits from customers	1,008,237	105,563	1,113,800	146,488	27,598	1,006,259	2,294,145
Financial liabilities at fair value through profit or loss	123	-	123	-	-	-	123
Borrowings and subordinated debt	242,777	-	242,777	-	-	2,271	245,048
Accrued interest and other liabilities	25,868	6,368	32,236	814	96	57,909	91,055
Issued debt securities (bonds)	-	100,000	100,000	-	-	-	100,000
Provisions for liabilities and charges	1,667	1,861	3,528	571	104	16,378	20,581
Deferred tax liability	-	-	-	-	-	142	142
Equity	-	-	-	-	-	368,730	368,730
Total equity and liabilities	**1,609,777**	**213,792**	**1,823,569**	**147,873**	**27,798**	**1,452,561**	**3,451,801**
Net foreign exchange position	**(1,191,926)**	**1,411,511**	**219,585**	**3,795**	**1,993**	**(225,373)**	**-**

37 Fair values of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled between knowledgeable and willing parties on an arm's length basis.

Financial instruments available for sale and at fair value through profit or loss are measured at fair value. Loans and receivables are measured at amortised cost net of provisions for impairment.

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

Loans to customers

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 the assumption of a market interest rate of 7.94% p.a. for retail and 7.78% p.a. for corporate including government (*2009: retail interest rate was 8.42% p.a., and corporate including government interest rate was 8.01% p.a.*), expected future cash flows on loans with fixed interest rate are discounted to present value. Lombard loans are excluded from the calculation. Based on the above assumptions, management has estimated a fair value of corporate loans including government of BAM 879,601 thousand (*2009: BAM 839,477 thousand*), which is BAM 788 thousand higher than their carrying value (*2009: BAM 371 thousand higher than their carrying value*). Management has estimated, on the same basis, a fair value of loans to retail customers of BAM 1,232,647 thousand (*2009: BAM 1,186,619 thousand*), which is BAM 34 thousand higher than their carrying value (*2009: BAM 713 thousand lower than their carrying value*).

Placements with and loans to banks

Placements with banks mostly represent overnight deposits, hence there is no significant difference between the fair value of these deposits and their carrying value.

Deposits from banks and customers

For demand deposits with no defined maturities, fair value is considered 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 the assumption of an average market interest rate of 3.36% on corporate including government and 3.72% on retail deposits (*2009: corporate including government of 5.08% and retail of 4.96%*) and 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.

37 Fair values of financial assets and liabilities (CONTINUED)

Deposits from banks and customers (CONTINUED)

Based on the above assumption, management has estimated a fair value of current accounts and deposits from corporate including government clients of BAM 1,267,743 thousand, which is BAM 134 thousand lower than their carrying value (*2009: BAM 1,087,760 thousand which is BAM 2,435 thousand lower than their carrying value*) and from retail customers of BAM 1,378,219 thousand, which is BAM 1,251 thousand lower than their carrying value (*2009: BAM 1,202,679 thousand, which is KM 1,271 thousand lower than the carrying value*).

Borrowings

Majority of the Bank's long-term debt has variable interest rate and its 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.

Financial statements presented in the Agency required format

These financial statements present the 2010 Income Statement and Balance Sheet as of December 31, 2010 in the format prescribed by the *Decision on the Format of Financial Statements Submitted by Banks to the Banking Agency of the Federation of Bosnia and Herzegovina (*Official Gazette of the Federation of BIH number 3/03 and 81/07).

Income statement for the year ended 31 December

	2010	2009
	BAM '000	BAM '000
Interest income and interest expense		
Interest earning and similar income		
Interest deposits with deposit institutions	3,938	5,474
Placements with banks	466	-
Loans and leasing operations	170,033	176,575
Securities held to maturity	-	-
Equity securities	-	-
Receivables for payments made for off balance sheet exposure	-	-
Other interest income and similar income	14,746	14,052
Total interest income and similar income	**189,183**	**196,101**
Interest and similar expenses		
Deposits	53,011	56,478
Borrowings from other banks	-	-
Borrowings-due	-	-
Other borrowings	5,064	10,011
Subordinated debt and subordinated bonds	1,256	1,888
Other interest and similar expenses	2,254	3,543
Total interest and similar expenses	**61,585**	**71,920**
Net interest and similar income	**127,598**	**124,181**

Income statement for the year ended 31 December (continued)

	2010 BAM '000	2009 BAM '000
Operating income		
Income from FX trade gains	9,724	8,260
Fee income from lending activities	790	792
Fee income from off balance sheet items	5,153	5,008
Fees for services provided	49,756	45,977
Income from trading activities	-	-
Other operating income	16,339	18,181
Total operating income	**81,762**	**78,218**
Non-interest expenses		
Business and direct expenses		
Provision for credit risk and potential credit and other losses	45,978	35,145
Other business related and direct expenses	19,309	17,915
Total business and direct expenses	**65,287**	**53,060**
Operating expenses		
Personnel costs	51,602	53,311
Renting costs, other fixed charges and utilities	42,919	49,173
Other operating expenses	12,936	12,399
Total operating expenses	**107,457**	**114,883**
Total non-interest expenses	**172,744**	**167,943**
Profit before tax	**36,616**	**34,456**
Income tax expense	**(4,963)**	**(5,089)**
Net profit	**31,653**	**29,367**

Balance as at 31 December

	2010	2009
	BAM '000	BAM '000
Assets		
Cash reserves and deposits with financial institutions	1,284,655	1,265,696
• Cash and non-interest earning deposits	121,039	112,131
• Interest earning deposits	1,163,616	1,153,565
Debt securities for trading	40,742	5,841
Placements with banks	21,060	-
Loans and receivables from leasing, including due debts	2,201,076	2,101,844
• Loans	2,130,867	2,052,003
• Receivables from leasing operations	132	145
• Due debts and receivables from leasing	70,077	49,696
Securities held to maturity	-	-
Business premises and other fixed assets	85,695	92,750
Other real estates	5,307	6,205
Equity investments	2,005	4,817
Other assets	56,102	55,702
Less: Provisions for possible losses	90,003	76,071
• Provisions for loans and receivables from leasing, including due debts	87,090	73,311
• Provisions for other assets except provisions for loans and receivables from leasing including due debts	2,913	2,760
Total assets	**3,606,639**	**3,456,784**
Liabilities		
Deposits	2,775,556	2,626,122
• Interest bearing deposits	2,336,206	2,345,450
• Non-interest-bearing deposits	439,350	280,672
Due debts	91	91
• Guarantees called up	91	91
Borrowings	186,937	213,755
• With remaining maturity up to 1 year	46,968	43,442
• With remaining maturity over 1 year	139,969	170,313
Subordinated debt and subordinated bonds	23,470	31,293
Other liabilities	221,202	216,650
Total liabilities	**3,207,256**	**3,087,911**

Balance as at 31 December (CONTINUED)

	2010	2009
	BAM '000	BAM '000
Equity		
Permanent preferred shares	184	184
Ordinary shares	119,011	119,011
Share premium	48,317	48,317
• On permanent preferred shares	88	88
• On ordinary shares	48,229	48,229
Retained profits and capital reserves	200,218	171,994
Other equity	31,653	29,367
Total equity	**399,383**	**368,873**
Total liabilities and equity	**3,606,639**	**3,456,784**

Management board of the Bank

BERISLAV KUTLE	Chief executive officer (CEO)
BORIS BEKAVAC	Chief operating officer (COO)
HRVOJE LOVRIĆ	Executive director for retail banking
ALEK BAKALOVIĆ	Executive director for corporate banking
GORDAN PEHAR	Chief financial officer (CFO)
DALIBOR ĆUBELA	Chief risk officer (CRO)
ALEN TARABIĆ	Head of global banking services (GBS)
ADNAN ŠEĆIBOVIĆ	Head of financial markets and investment banking

Addresses and phone numbers

Head Office	
Kardinala Stepinca b.b., Mostar	
Phone	00387 (0) 36 312 112
Fax	00387 (0) 36 356 227
Switchboard	00387(0) 36 312 112 00387(0) 36 312 116
Retail banking	00387 (0) 36 312 112
Corporate banking	00387 (0) 33 253 708
Finance management	00387 (0) 36 356 600
Risk management	00387 (0) 36 312 112
Financial markets and investment banking	00387 (0) 33 253 708


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UniCredit Bank d.d. business network as at 31 December 2010

Branch office / address	Address	Place	ZIP code	Phone
REGIONAL OFFICE BANJA LUKA				
Branch office Banja Luka	I Krajiškog korpusa 6	Banja Luka	78000	051 348 063
Branch office 1 Banja Luka	Veselina Masleše 10	Banja Luka	78000	051 224 856
Branch office Laktaši	Karađorđeva bb	Laktaši	78250	051 530 662/663
Branch office Prijedor	Zanatska bb	Prijedor	79101	052 234 258
REGIONAL OFFICE BIHAĆ				
Branch office Bihać	Ulica V. Korpusa bb	Bihać	77000	037 223 051
Branch office 1 Bihać	Trg slobode 7	Bihać	77000	037 229 270
Branch office Velika Kladuša	Maršala Tita 23	Velika Kladuša	77230	037 770 104
Branch office Cazin	Bosanskih Šehida bb	Cazin	77220	037 514 969
Branch office 1 Cazin	Cazinskih brigada bb	Cazin	77220	037 515 012
Branch office Bosanska Krupa	Slavne brigade 511	Bosanska Krupa	77240	037 471 694
Branch office 1 Sanski Most	Trg oslobodilaca bb	Sanski Most	79260	037 688 545
REGIONAL OFFICE NORTH-EAST BOSNIA				
Branch office Orašje	Treća ulica 47	Orašje	76270	031 717 706
Branch office Odžak	Titova 17	Odžak	76290	031 762 437
Branch office Doboj	Kralja Dragutina 2a	Doboj	74000	053 241 111
Branch office Brčko	Trg mladih 1	Brčko	76120	049 233 760
Branch office Bijeljina	Svetog Save br 38	Bijeljina	76300	055 225 080
REGIONAL OFFICE LIVNO				
Branch office Livno	Kralja Tvrtka bb	Livno	80101	034 200 339
Branch office Tomislavgrad	Brigade Kralja Tomislava	Tomislavgrad	80240	034 356 201
Branch office Posušje	Fra Grge Martića 28	Posušje	88240	039 685 415
REGIONAL OFFICE MOSTAR				
Branch office 1 Mostar	Kardinala Stepinca bb	Mostar (Head Office)	88000	036 356 277
Branch office 2 Mostar - Mostarka	Dubrovačka 4	Mostar (Mostarka)	88000	036 325 702
Branch office 3 Mostar - Revija	Mostarskog bataljona 4	Mostar (Revija)	88000	036 501 412
Branch office 5 Mostar (Ledara)	Kardinala Stepinca bb	Mostar (Ledara)	88000	036 333 900
Branch office 6 Mostar (Lacina)	Lacina 5	Mostar (Lacina)	88000	036 502 310
Branch office Čapljina	Augusta Šenoe bb	Čapljina	88300	036 810 712
Branch office Stolac	Hrvatskih branitelja bb	Stolac	88360	036 853 306
Branch office Neum	Dr. Franje Tuđmana bb	Neum	88390	036 880 149
Branch office Čitluk	Kralja Tvrtka 1	Čitluk	88260	036 642 929
Branch office Međugorje	Međugorje bb	Međugorje	88266	036 650 862
Branch office Konjic	Trg Državnosti bb	Konjic	88400	036 725 205

UniCredit Bank d.d. business network as at 31 December 2010 (CONTINUED)

Branch office / address	Address	Place	ZIP code	Phone
REGIONAL OFFICE NOVO SARAJEVO				
Branch office 2 Sarajevo	Zmaja od Bosne 14C	Sarajevo	71000	033 250 421
Branch office 7 Sarajevo	Trg međunarodnog prijateljstva 14	Sarajevo	71000	033 776 130
Branch office 9 Sarajevo	Hifzi Bjelevca 82	Sarajevo	71000	033 765 050
Branch office 10 Sarajevo (Rajlovac)	Rajlovačka bb	Sarajevo	71000	033 234 783
Branch office 17 Sarajevo	Dr.Fetaha Bećirbegovića 23A	Sarajevo (Otoka)	71000	033 721 800
Branch office 18 Novo Sarajevo	Zmaja od Bosne 74	Sarajevo	71000	033 657 127
Branch office 19 Sarajevo	Mustafe Kamarića 5	Sarajevo (Dobrinja)	71000	033 775 851
Branch office 20 Sarajevo (Stara Otoka)	Brčanska 14	Sarajevo (Otoka)	71000	033 721 970
Branch office 21 Sarajevo (Avaz)	Džemala Bijedića 185	Sarajevo (Avaz)	71000	033 788 825
Branch office Vogošća	Igmanska 60	Vogošća	71320	033 476 361
Branch office Ilidža	Mala Aleja 10	Ilidža	71210	033 627 937
Branch office Hadžići	Hadželi 153	Hadžići	71240	033 475 390
REGIONAL OFFICE SARAJEVO STARI GRAD				
Branch office 1 Sarajevo	Maršala Tita 48	Sarajevo	71000	033 253 375
Branch office 3 Sarajevo	Zagrebačka 2-4	Sarajevo (Kovačići)	71000	033 253 973
Branch office 4 Sarajevo	Alipašina 45a	Sarajevo (Ciglane)	71000	033 443 106
Branch office 5 Sarajevo	Fra. Grge Martića 2	Sarajevo (Katedrala)	71000	033 237 845
Branch office 11 Sarajevo	Gajev trg 2	Sarajevo	71000	033 251 950
Branch office 12 Sarajevo	Zelenih beretki 24	Sarajevo	71000	033 562 767
Branch office 13 Sarajevo	Branilaca grada 53	Sarajevo	71000	033 221 700
Branch office 14 Sarajevo	Maršala Tita 13	Sarajevo	71000	033 201 981
Branch office 15 Sarajevo	Bolnička 25	Sarajevo	71000	033 218 201
Branch office 16 Sarajevo	Fra Anđela Zvizdovića 1	Sarajevo UNITIC	71000	033 252 280
REGIONAL OFFICE CENTRAL BOSNIA				
Branch office Vitez	Petra Krešimira IV	Vitez	72250	030 713 606
Branch office 1 Vitez	Poslovni centar 96, FIS	Vitez	72250	30 718 683
Branch office Uskoplje	Bana Jelačića bb	Uskoplje	70240	030 494 181
Branch office Turbe	Bosanska 70 b.b.	Turbe	72283	030 532 044
Branch office Donji Vakuf	Slavna brdska 770	Donji Vakuf	70220	030 205 551
Branch office Novi Travnik	Kralja Tvrtka bb	Novi Travnik	72290	030 795 502
Branch office Fojnica	Mehmeda Spahe 18	Fojnica	71270	030 547 020
Branch office 1 Travnik	Bosanska 56	Travnik	72270	030 518 611
Branch office Jajce	Hrvoja Vukčića Hrvatinića bb	Jajce	70101	030 654 560
Branch office Rama	Kralja Tomislava bb	Rama	88440	036 771 061

Branch office / address	Address	Place	ZIP code	Phone
Branch office Bugojno	Zlatnih ljiljana bb	Bugojno	70230	030 251 993
Branch office 1 Bugojno	Sultan Ahmedova bb	Bugojno	70230	030 259 570
Branch office Kiseljak	Josipa Bana Jelačića bb	Kiseljak	71250	030 877 122
REGIONAL OFFICE ŠIROKI BRIJEG				
Branch office Grude	Franje Tuđmana br. 124	Grude	88340	039 660 123
Branch office 1 Široki Brijeg	Fra Didaka Buntića 13	Široki Brijeg	88220	039 700 212
Branch office 2 Široki Brijeg	Fra Didaka Buntića bb	Široki Brijeg	8822	039 703 963
Branch office Ljubuški	Kralja Zvonimira bb	Ljubuški	88320	039 831 340
REGIONAL OFFICE TUZLA				
Branch office 1 Tuzla	Džafer Mahala 53-55	Tuzla	75000	035 259 059
Branch office 2 Tuzla	Armije BiH 3	Tuzla	75000	035 306 478
Branch office 3 Tuzla	Aleja Alije Izetbegovića 10	Tuzla	75000	035 302 470
Branch office 4 Tuzla	Turalibegova br.22	Tuzla	75000	035 301 822
Branch office Gradačac	Ulica šehida 1	Gradačac	76250	035 817 714
Branch office Lukavac	Kulina Bana bb	Lukavac	75300	035 550 331
Branch office Gračanica	22 Divizije bb	Gračanica	75320	035 700 501
Branch office Srebrenik	21 Srebreničke Brigade	Srebrenik	75350	035 647 025
Branch office Živinice	Ulica Oslobođenja bb	Živinice	75270	035 740 086
Branch office Kalesija	Trg šehida bb	Kalesija	75260	035 610 110
REGIONAL OFFICE ZENICA				
Branch office Žepče	Stjepana Tomaševića bb	Žepče	72230	032 880 785
Branch office Visoko	Alije Izetbegovića 39	Visoko	71300	032 730 310
Branch office 1 Visoko	Branilaca 20a	Visoko	71300	032 730 060
Branch office Zenica	Školska bb	Zenica	72000	032 449 346
Branch office 1 Zenica	Londža 75/b	Zenica	72000	032 202 620
Branch office 2 Zenica	Bulevar Kralja Tvrtka I 17	Zenica	72000	032 444 660
Branch office Kakanj	Alije Izetbegovića bb	Kakanj	72240	032 557 215
Branch office Tešanj	Titova bb	Tešanj	74260	032 665 196
Branch office Jelah	Titova bb	Jelah	74264	032 664 426
Branch office Breza	Alije Izetbegovića 80	Breza	71370	032 783 292
Branch office Zavidovići	Pinkasa Bandta	Zavidovići	72220	032 869 200
Branch office Vareš	Put mira 5	Vareš	71330	032 843 063
Branch office Olovo	Husein kapetana Gradaševića bb	Olovo	71340	032 829 530
Branch office Maglaj	Viteška bb	Maglaj	74250	032 609 811

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