Meeting real needs with concrete solutions.

2011 Annual Report

UniCredit

Every day, life presents new challenges and opportunities. Every day, we each have a new story to tell that involves tangible needs and requires clear answers.

In this year's annual report, we illustrate our way of banking with stories of the people, businesses and institutions who use our customized solutions. You will read stories about how we worked together to promote sports in schools and how we gave a boost to long-established industrial firms by enabling them to update their machinery. You will also learn about how we have supported the development of new computer systems and have provided broad support to the green economy.

These stories were built on entrepreneurship, courageous innovation, respect for tradition, and our strong bonds with local communities.

We strongly believe that being a bank today means making a concrete difference, day in and day out, for those who have chosen to do business with us. It means facing challenges together and creating a world of new opportunities.

These are true stories - snapshots of ordinary life that shape the mosaic of our daily work. At UniCredit, we are creating a world of relationships, where our stakeholders can best meet the changing needs of the times.

2011 Annual Report

Helping homeowners save energy. And money.

Heating homes is a major factor of energy consumption. Making heating efficiency is essential to energy saving. The Federal Republic of Germany has made it compulsory for all homeowners to provide buyers and tenants with energy passes, which are valid for 10 years and forecast energy costs. The passes provide homeowners access to specialized financial products. Thanks to the *"HVB Energieausweis service"*, customers are provided with the opportunity to secure public financing and modernize their heating reduction costs. This shows how UniCredit provides customers concrete solutions to real challenges.

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.

Welcome

"Creating a socially sensitive, self-sustainable and profitable institution is our mission and we have been accomplishing it successfully."

Berislav Kutle, Director

Dear Clients, Shareholders and Business Partners,

I take special pride in presenting you the business results of UniCredit Bank d.d. ("the Bank") in 2011. The past year was extremely demanding due to the entire socio economic environment in Bosnia and Herzegovina and challenges encountered by the entire world economy. I am proud of our results and fully aware that these are the product of the teamwork of our dedicated employees and believe that their selfless commitment ensured real confidence on the part of our clients.

In 2011, Bank realised a net profit of BAM 50 million which reflects continuous growth and development in various segments of our business. A balance between efficient cost management and an efficient approach to technological modernization enabled the Bank to maintain enviable cost efficiency in 2011.

The Bank's assets have been stable at BAM 3,544 million, while total net loans reached BAM 2,231.4 million with the corresponding growth of 5% in comparison the previous year. Further, total client deposits reached BAM 2,459.6 million.

A firm capital foundation was clearly confirmed by figures demonstrating the strong capacity of the Bank. Total equity reached BAM 470.3 million, showing an increase of 12% in comparison to that of the previous year. The highest level of security of our business has been undoubtedly confirmed by the capital adequacy ratio of 17.2%.

These results have been achieved through the joint efforts of all of the Bank's employees. I believe that the quality of an individual combined with teamwork and mutual understanding are decisive factors on the development path of an organization and the achievement of commercial success, even more so in times of change and great turbulence. Therefore, the satisfaction of our employees is high on the list of our priorities in doing business.

Over the past year, we have taken a significant step forward towards the achievement of long-term self-sustainable business operations. Striving for excellence in all fields of business, orientation to and accessibility for each client are our strategic determinants – real life banking. We want to be the basic connection for building up strong economic ties for our clients both in domestic and foreign markets, thereby truly contributing to the development of our clients. Our branch network is created for our clients and this allows us to get to know them better and provide services tailored to each one of them.

The Bank has been working continuously on the development of new products and the adaptation of existing products, in relation to the demands of our market. We fine-tune our branches to our clients with an aim of creating an environment fit for the modern times we live in. We are aware of being a part of the mosaic of the recognizable UniCredit brand so, therefore, we pay special attention to strengthening the reputation of the Bank in the market.

By applying the most modern standards, the Bank has secured a more than acceptable degree of risk embedded in its portfolio. With quality solutions in the segment of portfolio monitoring, we have created a quality base for its long-term sustainability and resistance to quality changes.

One of the fundamental features of our mission is to build up strong relations with the community we live and work in; therefore, we support the development of culture and sports, motivating and rewarding young talent. At the same time, we have launched initiatives aimed at environmental protection and dealing with climate change, primarily through education and raising ecological awareness. We believe that, starting from our everyday behaviour, we can become a part of the solution for the protection of our environment.

It is our duty to continue with our development and become even better in every respect in 2012. We believe that no significant development of the Bank is possible without continuous effort on our own development; therefore, training and self-education have been organized with a view to gaining an even larger volume of knowledge, so that we can be the best advisors for our clients on a daily basis.

Finally, I would like to thank to all of our clients, shareholders and business partners for their loyalty and trust. Special thanks go to all our employees for their excellent teamwork and their wholehearted, selfless and invaluable contribution to the successful operation of the Bank. We are looking forward to yet another challenging year.I am convinced that the year ahead of us will be an opportunity for all domestic economic policy makers to turn to self-sustainable growth and development through the conscientious implementation of necessary structural reforms with a view to strengthening the capacities of the economic sector and stimulating growth in the employment rate.

We at UniCredit Bank remain fully committed to assisting in the overall growth and development of Bosnia and Herzegovina thereby raising the quality of life of each citizen of the country.

Creating a socially sensitive, self-sustainable and profitable institution is our mission and we have been accomplishing it successfully.

Respectfully,

Berislav Kutle
Director

The economic environment in BH

Fundamental features of the economy of Bosnia and Herzegovina are, viewed through the aspect of the position of this country as a small country in both global and European terms, which, coupled with the high degree of this country's openness result in its considerable sensitivity towards external developments and influences. Considering the above thesis on the openness of the domestic economic system evident in a high ratio of foreign trade exchange to nominal gross domestic product (GDP) and along with that the value of foreign trade deficit in excess of one quarter of GDP, the character of economic relations reflects a high degree of dependence on both favourable and also unfavourable macro-economic influences from abroad. The context of developments in the Euro zone marked with an escalating cycle of the debt crisis results in the slowing down of economic growth in the European Monetary Union (EMU) and the European Union (EU), in particular in the last quarter of 2011, along with negative implications towards Germany as the key driving engine of this monetary union, but also the countries of Central and Eastern Europe and the countries of the region.

After the economies of the countries in the region benefited from positive impulses in the previous and over a considerable part of this year, a lack of fiscal economic impulse coupled with a necessity to apply some stronger consolidating actions with a view of reducing the public debt of the countries of Euro zone, caused an economic slowdown with a wide spectre of influence on Central, Eastern and South-eastern Europe. Negative repercussions are seen in the reduction of external demand for exports, as well as in the context of external imbalance and a considerable reduction of the inflow of foreign direct and portfolio investments. Therefore, it is evident that, after some moderate recovery this year, all the countries of the region will again, in the best case scenario; enter a cycle of economic stagnation with a high likelihood that those countries bordering on the EU peripherally, with a higher degree of convergence, will feel the pressure of recession.

Macroeconomic developments

Gross domestic product: considering that all movements over the previous year were characterized with an appearance of some signs of a mild economic recovery, intensifying considerable exterior incentives to improve export of goods during the first nine months of 2011, with beneficial effect on the industrial production, despite chronic interior deficiencies, contributed to a moderate growth of economic activities in the course of this year, bearing in mind a series of general internal limitations regarding the very dynamic of reform processes. Estimated real growth of 1.8% y/y is, nevertheless, modest due to low base values and convergence potentials of the domestic economic system compared to the economies of the developed countries. The development of external negative impulses in the coming year will again produce an economic slowdown and, from this perspective, the most likely scenario seems to be a stagnation of the value of GDP.

Key macroeconomic indicators in BiH

	2008	2009	2010	2011F
Nominal GDP (BAM billion)	24.7	24.0	24.5	**25.8**
Population (in thousand)	3,850	3,842	3,843	**3,843**
GDP per capita (in BAM)	6,420	6,248	6,372	**6,722**
Real GDP (annual change, %)	5.4	-2.9	0.7	**1.8**
Consumer prices (annual change, %)	3.2	0.0	3.1	**3.3**
average	7.4	-0.4	2.2	**3.7**
Average monthly wage (annual, %)	16.4	8.4	1.0	**4.5**
Unemployment rate (registered, %)	40.3	41.5	42.9	**43.3**
Balance of state budget (in % of GDP)	-4.0	-5.7	-4.5	**-4.0**
Balance of the current account of payment balance (in % of GDP)	-14.2	-6.2	-5.6	**-7.9**
Direct foreign investments (in % of GDP)	5.0	1.5	1.4	**1.5**
Foreign currency reserves (in BAM billion)	6.3	6.2	6.2	**6.3**
Rate of exchange EUR/BAM	1.96	1.96	1.96	**1.96**
1M EURIBOR, end of period	2.6	0.5	0.8	**1.1**
average	4.3	0.9	0.6	**1.2**

Sources: Agency for Statistics BiH, CB BiH, UniCredit Research, assessment of the chief economist for SE Europe (2011)

Consumer prices: mainly growth in food prices in the international market in the first half of the next year and a moderate increase in oil prices caused by instabilities in Northern Africa created a somewhat more expressed inflation pressure in comparison to that of the previous year. The effect of internal limitations on personal spending and a real decrease in net wages combined with the weakening of external incentives to the increase of consumers' prices, ultimately resulted in lower rates of annual inflation towards the end of the year, so the average value of inflation should be at 3.7%. It is rather indicative that the movement in the next year should be characterized by further gradual reduction of inflationary pressures. The key to this movement, surely, is the previously mentioned limitation of internal and external influences.

Industrial production: a paradigm as to how the rising trend in the field of foreign trade exchange is the key factor for a favourable influence on industrial production is visible from the growth rate of industrial production in the first 11 months of 2011 (6.1% y/y). At the same time, with the development of external limitations, October saw a barely positive value of change to the volume of industrial production in comparison to the same month of the previous year (0.6% y/y), thereby clearly illustrating the entry of the economy into the phase of external limitations.

Foreign trade and current account of balance of payments: although such external imbalances demonstrate a certain deepening of the foreign trade deficit, factors related to international exchange are materially reflected in the entry into the phase of external limitations in the last quarter of 2011. Despite the generally observed double digit rates of the growth of export and import of goods at 16.6% y/y and 14.4% y/y respectively over 11 months, at the same time in October there was a decrease in exports of 5.1% with an increase of 0.9% only in November, while imports at the same time decreased for two months in a row by 3.2% and 6.9% respectively, which cannot be attributed to the seasonality of movements. Bearing in mind the way the latest concerns over global economic slowdown are reflected in the reduction in the prices of raw materials, this factor also has a certain influence on the character of movements in foreign trade exchange. Despite somewhat more intensive growth of exports of goods in relation to imports and considering primarily a considerably significantly higher value of imported goods, the deficit of the current account demonstrates some widening both in general and primary values. This deficit within the framework of its primary category is to a large extent caused by low values of foreign direct investments. Therefore, in the current year, the deficit of the current account of balance of payments saw an increase in its value in comparison to that of the previous year.

State budget: a long period without the formation of the state level government which, considering its importance in international economic and financial relations resulted in some implications on the modalities of the financing of current deficits of entity governments. This fact contributes to the development of the domestic market of the state debt by issuing treasury bills and bonds; however, on the other hand it causes a complete cessation in the relations with the International Monetary Fund and a lack of implementation of necessary more stronger consolidation efforts and a more intensive redistribution of state revenues in favour of stronger investments into infrastructure. Still, such essentially slight real growth in GDP with a somewhat more considerable inflationary pressures produced a positive value of the growth of state revenues from indirect taxation, resulting in a reduction in the estimate of the fiscal deficit in the year.

Credit rating and Stand-by arrangement with the IMF: after both agencies for credit rating in the course of the year changed their prospects from stable to negative, Standard&Poor's implemented the effective rating reduction from B+ to B at the end of November, thereby qualifying the credit rating of Bosnia and Herzegovina with the same level of risk as that assessed by Moody's, which at the very end of the year retained the same rating of B2 and at the same time retaining negative prospects. Fundamental reasons for such moves of these agencies are found in a wide spectre of the effect of the non-formation of the state government on international financial relations and impediments arising from this fact on the sustainable economic growth and development of the country in the broadest meaning of this term. However, the beginning of 2012 is characterized by a prompt formation of the state level government which, along with its future activities, should contribute to the stabilization of the credit rating and the restoration of confidence of the international community and investors in the domestic government.
Although the existing stand-by arrangement is under review, the economic policy makers ought to prudently address the issue of the balance between external and internal borrowings in the following period so that a more considerable allocation to state securities would not limit potentials for extending loans to individuals and the private corporate sector.

Assessments by UniCredit: the next year will be characterized by some evident slowdown of economic activities with stagnant rates of the real change of GDP. In this context, indications of unfavourable repercussions on the dynamics of economic activities in Bosnia and Herzegovina already appeared in the last quarter of 2011 and such indications already indicate a more intense slowdown in export activities in key export sectors. Furthermore, it is expected that domestic personal spending in the next year will continue to show signs of weakness due to the low purchase capability of the population additionally intensified by the high unemployment rate, minimal growth of real wages and a moderate credit dynamic of the banking sector relevant to the current economic moment. At the same time, in the next year, some weakening of inflationary pressures based on an external impulse is expected so that inflation should be of lower values than those of this year. The year ahead of us will surely bring some progress when it comes to a broader political ambience. After the PM Nominee of the Council of Ministers was elected and the state level government formed, necessary assumptions were made with a view to creating stronger credibility in international economic and financial relations. To this end, the government formation alone is not sufficient, it is necessary for the government to have a more active approach to the improvement of the overall economic environment and more propulsive implementation of reforms.

Monetary framework of the banking system

Monetary policy: the character of the policy of the Currency Board has been for more than a decade characterized by strong currency stability with firm consistency in the maintenance of a surplus of net FX reserves in relation to monetary liabilities. Such successful implementation of this quite simple monetary policy results not only in the fixed rate of exchange of EUR 1 = BAM 1.95583, but also alleviates the consequences of external shocks on the financial system of BH caused by instabilities of other rates of exchange present in some other countries of CEE.

Obligatory reserves: the already liberalized framework of the policy of obligatory reserves due to the reduction and application of differentiated rates over the previous years was additionally relaxed at the beginning of the year when the rate of obligatory reserves on deposits with maturity of up to 1 year was further decreased from 14% to 10%. Still, the efficiency of this single monetary instrument available to domestic monetary authorities is limited by strict prudential frameworks on the liquidity of the banking sector in the Federation of BH, thus the amount of funds of commercial banks on the account of reserves with the CBBH considerably exceeds the prescribed amount of obligatory reserves, thereby partly limiting more active financial intermediation.

Banking sector

Financial system in BH and the role of the banking sector: There is no doubt that the banking system in BH shows a tendency to deepen its banking basis with an extremely high share of banking sector assets in the overall assets of the financial sector. The latest available data indicates that the share of the banks' assets increased by 9.2pp, over 90% of the overall financial sector. This orientation to banking was to a large extent contributed to by erosions of assets of leasing and microcredit institutions sectors over previous periods. Generally, local markets are still characterized by a low level of liquidity in some base trading in equity securities. The recovery of overall turnover is primarily due to the introduction of treasury bills (money market instruments) and a stronger issue of bonds in Republika Srpska. Taking this into account, the annual turnover at the Sarajevo Stock Exchange increased by 125.5% with the value of turnover at BAM 244.8 million while there was an increase in the turnover at the Banja Luka Stock Exchange of 141.5% in the amount of BAM 425.6 million of which 61.4 million were equity securities.

Regulatory framework of the banking sector: despite an appropriate level of development of institutional regulation and supervision of the banking sector in the country, continuous progress and the appearance of the process of re-regulation of banking activities at the global and European levels require a constant process of improvement to the local regulatory framework. The most significant regulatory change relates to a justified relaxation of the framework related to the valuation of risk exposures to both state and entity governments which ultimately results in a higher level of capital absorption of banks when assuming reasonable business risks.
On the other hand, there has still been no relaxation of extremely stringent frameworks on minimal standards of liquidity management. A need for self sustainability imposes a requirement for liberalization of regulatory frameworks on the liquidity of the banking sector (Federation of BH) by recognizing the steadiness of sight deposits as is the case in the countries of the region.

Key developments in the banking sector: architecture and application in the principle of conservative business-financial practices of the banking sector in BH and improvement to the process of management resulted in considerable improvement to the profitability of the overall sector this year; however, during the third quarter there was a trend of slowing down of improvements to business. In this context and despite the fact that the growth of non-performing loans demonstrated some slowdown this year, there was also a trend of its more intensive increase during the third quarter. However, considering a repeat development of macroeconomic limitations, the second half of the next year will see an overall continuation to the growing trend of non-performing loans. However, this trend will surely not cause an erosion of profitability as it was the case a year before, although it will surely slow down an extremely strong trend of the profitability expansion present in the first half of 2011.

At the end of September and at the end of 2011, there were 29 independent institutions in the sector of commercial banks in BH (19 in the Federation and 10 in RS) of which two were under receivership administration. Therefore, there is one bank less than in the previous year, which is the result of taking over of assets and liabilities of that bank which was under receivership administration for a number of years. Despite the reduction of the capital adequacy ratio to the level of 15.3%, the security of the banking system is still high and 3.3pp above the statutory minimum. At the very end of the year it is expected to have a rise in the capital adequacy ratio due to the above mentioned application of more relaxed provisions on valuation of risk exposure to central and entities' governments in BH.

At the end of the third quarter in 2011 it can be concluded that the overall increase in assets compared to the end of the previous year was stimulated by both an increase in deposits and capital. The growth of assets was by 2.3% or quarterly acceleration by 1.3pp. Financial intermediation shows some signs of improvement compared to the last year with an increase of loans by 4.2% (0.7% q/q), which is enhanced by some more intensive growth of loans to legal entities of (5.7%) in relation to individuals (2.3%). Characteristics of the value of deposit-taking activities, however, demonstrate a reverse trend between deposits of individuals that show an increase of 6.6% in comparison to the end of the previous year while deposits of legal entities have decreased by 1.4%. On a quarterly basis, there is a higher increase of deposits of individuals by 3pp, but also a reduction in the fall of deposits of legal entities by 1.6pp. Over the first 9 months of 2011 it is visible that there is a considerable decrease in loan loss provisions in comparison to the same period of the previous year, with the corresponding value of 30.7%, and an increase of 60.4% q/q in the third quarter of 2011 only. Still, a moderate increase of net interest income and net non-interest income together with the above-stated reduction in loan loss provisions resulted in the overall growth of profit before tax of the banking sector of 206.7% y/y or BAM 82 million, however net profit is BAM 0.4 million lower than for the first half of 2011 (22 banks operated at a profit and 7 of them at a loss).

Assessment of fundamental developments in 2012: next year will certainly be characterized with moderate deterioration of the system frameworks of banking operations which, considering the stagnant economic cycle, determine a prudent and reasonable approach to business expansion. A particularly important characteristic relates to a rational approach of the government when balancing between internal and external indebtedness so that the allocation of funds to state securities would not limit the potentials for credit to both the retail and corporate sectors, and, on the other hand, exhaust the deposit potential of the public corporate sector as a significant money-surplus portion of the financial system in Bosnia and Herzegovina. The banking sector security in the next year shall be at a respectably high level. At the same time, the profitability of the banking sector should be retained, but surely without such an expansive growth reflecting higher base values and a noticeable recovery of profitability as in this year. As for regulatory frameworks, the next year should bring a final relaxation of prudential frameworks for minimal standards in liquidity management of the banking sector in the Federation of BH.

Building a camp for socially impaired children.

In Debeli rtič on the Slovenian coast, a new summer camp for socially impaired children was restored, equipped and decorated by UniCredit Bank Slovenija d.d. employees. Petra Majdič, the famous cross-country skier, joined the bank's volunteers after hearing about the initiative. Completing this camp required more than funding, which is why bank employees and managers volunteered their time, taking action that provided a concrete solution to a real need.
A practical solution that combines the efforts of the Group and individuals to improve kids lives.

Camp for socially impaired children, Debeli rtič, Slovenia. Painting people: Petra Majdič famous cross-country skier and France Arhar, CEO of UniCredit Bank in Slovenia

Business description

UniCredit Bank d.d. is a licensed, commercial bank with headquarters in Bosnia and Herzegovina.

The Bank is a member of two card networks (Visa and MasterCard) and has established correspondent relations with the most reputable world banks and business relations with foreign financial institutions such as USAID[1], KfW[2], EFSE[3], EBRD[4], DEG[5], WB[6], EIB[7] and many others.

In addition, the Bank utilises funds from a credit line of the IFC[8].

The Bank is also proud of its fair and partnership-oriented cooperation with regulatory authorities and bodies such as the CBBH, the Agency for Deposit Insurance, Federal Banking Agency and the Banking Agency of Republic of Srpska, along with other active participants in the financial market of Bosnia and Herzegovina.

The Bank readily and actively participates in the implementation of new developments in the banking sector and contributes through its active engagement to the promotion of an innovative approach in the form of more transparent communication, reporting, application of standards and sharing of know-how gained from the rich pool of experience of the Group the Bank belongs to.

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

Map of branch network

Retail segment

Organization

The retail segment offers a wide range of products and services to clients of personal, family and entrepreneurial banking and manages the branch network and direct channels of distribution.

The service model is as follows: a family banker is assigned to clients of the mass market segment while a personal banker, who has a personalized portfolio for each client, is assigned to the segment of affluent clients for individuals.

The Bank applies a unique service model in the BH banking market for small business clients of banker for personal and business banking. This service model is responsible for managing business relationship with small businesses as legal entities, while at the same time providing banking services to owners, as individual clients.

The branch network is divided into 11 units which are subdivided into branches spread all over Bosnia and Herzegovina and at the end of 2011 there were 90 such branches.

Retail is responsible for more than one million clients.

Business in 2011

Client is in the focus of attention, the client's needs come first and a wide mix of products and services to meet such needs differentiate UniCredit Bank from its competition.

According to a research in 2011, clients once again demonstrated that they appreciate the unique quality of service and rewarded the Bank's focus on the improvement of our client satisfaction with enviable results indicating a leading position of this Bank in BH.

As an innovative Bank, promoting the simplicity of business and appreciating the time of the client, during 2011 we worked on the improvement of the service of mobile banking (m-ba), which is still a unique service in BH, now available on mobile phones with Android operating systems. To this end, the service of Internet banking (e-ba) has been improved with new functionalities and now all users via e-ba may request a standing order, place term deposits and send payment orders abroad. Such improvements enable our clients to perform financial transactions and receive information in regard to their business with the Bank via their mobile phones or computers anytime and anywhere.

Besides banking products and services, the JES Package as an anchor product of the Bank also provides a range of non-banking services and facilities thereby enriching and facilitating the everyday lives and businesses of our clients which so far have been recognized by over 100.000 satisfied users.

With an emphasis on the creation of superior products and innovative solutions adapted to the needs of our clients, even higher standards of the quality of services have been set in the field of card operations. This year we may boast of new products for teenagers: the Maestro Teenage Card and the Teen Account suitable for the lifestyle and preferences of this group of clients. By requesting a Teen Account and a Maestro Teenage Card parents teach their children how to use their pocket money independently using a pay card either at ATMs or points of sale while at the same time having some insight into the spending of their children.

With 227 ATMs, the Bank provides our clients with an option of 24-hour fast and simple access to their accounts, we have the most extensive and developed network of ATMs in BH and through 90 branches we serve over one million clients (Retail and Corporate).

In 2011 we implemented the very first pay in-pay out ATMs so that our clients do not have to stand in line to make payments at branches but they can simply make payments into their accounts directly at ATMs. We have plans to expand this network of ATMs in 2012.

At every step of the way forward we endeavour to strengthen our reputation as a dynamic and modern bank following market demands, considering the needs of our clients and continue in our efforts to be the No.1 bank in the eyes of our clients.

Business description (continued)

Corporate segment

The fundamental criterion in determining the appropriate segment for a client is the size of the total income generated over the previous financial year. Other criteria defining the segment for corporate clients are ownership (state or private) and affiliation with a group of related parties, where the total income of this group is taken into consideration.

The following categories fall under the segment of large enterprises:

- companies with total income ≥ BAM 30 million (for groups of related parties the total income ≥ BAM 40 million)
- governmental institutions, state, cantons and institutions funded by state and cantons, banks, insurance companies, non-banking financial institutions, municipalities of Sarajevo Canton, cross-border clients (those categorized as large enterprises by the size of income), multinationals, embassies, consulates and non-residents.

Within the segment of large enterprises there are three business centres (BC):

- BC for large corporate clients Mostar
- BC for large corporate clients Sarajevo
- BC for governmental bodies and public sector.

Through these Business Centres, the Bank covers the entire territory of BH and conducts daily business relationships with more than 900 clients categorized as large corporate clients.

The following categories fall under the segment of medium enterprises:

- companies with total income between BAM 3 and 30 million
- municipalities (except for municipalities of Sarajevo Canton that are under the competence of the segment of large companies) and other institutions founded by municipalities or under the competence of municipalities such as local communities, social work centres, red cross organizations and similar, educational institutions (schools, faculties, etc.), cross-border clients (those categorized as medium corporate clients by the size of their income) and non-residents.

Within the segment of medium enterprises, there is the following differentiation:

- Lower Mid companies: income BAM 3 to 10 million
- Upper Mid companies: income BAM 10 to 30 million

The segment of medium corporate clients operates via seven business centres (BC):

- BC Mostar
- BC Sarajevo
- BC Republika Srpska (Republic of Srpska)
- BC Unsko-Sanska regija (Una-Sana Region)
- BC Srednja Bosna (Central Bosnia)
- BC Sjeveroistočna BiH (North-eastern B&H) and
- BC Zapadna Hercegovina (West Herzegovina).

Through these Business Centres the Bank covers the entire territory of BH and conducts daily business relationships with more than 3000 clients categorized as medium corporate clients.

Business in 2011

Along with a comprehensive advisory role that we make available to our clients, through a unique approach to the BH market and by approved loans and guarantees we strongly support the development of the BH economy, thereby allowing for our clients to maintain the level and volume of their business under dynamic and demanding market conditions.

We offer our clients a full range of high quality, reliable products and services. One of our main goals is customer satisfaction that we constantly monitor using advanced tools, and this forms an integral part of our corporate culture. We want to guarantee the level of our service in compliance with the business expectations and needs of our clients, using the opportunity for growth in potential and the markets in which we operate.

Using the strength of the UniCredit Group and respecting the unique nature of the local market, we ensure an integrated approach to solutions for improving the quality of products and services, remain continuously committed, and provide incentives for innovation.

Financial markets and investment banking

Organization

This organizational unit is divided into three units: Trading, Markets and Investment Banking.

Business in 2011

During 2011, the Bank readily supported processes that characterized capital markets in BH. With an active role as an investor in the issues of debt securities, the Bank demonstrated its willingness to support the development of the capital market and to intensify its cooperation with both the central state and entities.

The role of Agent in syndicated loans continues in 2011 via facilities to legal entities with participation of domestic banks. The services introduced are aimed at providing clients with new sources of funding and allowing for even more successful business operations.

We continue to provide clients with our support in minimizing currency and interest rate risk through a wide assortment of various products. In addition, the Bank has maintained a leading role in the money market as was the case in previous years.

Expectations in 2012

The next year will be characterized by the restraining activities of the reduction of foreign demand for low-technology export products and even lower direct foreign and portfolio investments, especially when it comes to the real-economy sector. After more than one year of delay in the formation of the state level government, fast steps towards the state level government formation and more active reform activities of the new Government should contribute to the strengthening of credibility in international relations. This moment is of key importance to the stabilization of the credit rating at current levels and a possible mid-term improvement thereof, which would have a positive reflection on the reduction of financial costs of risks of residents in international financial markets.

The Bank shall be oriented towards the following:

- balanced credit-deposit growth so that it may once again, considering possible effects of the debt crisis, prove its self-sustainability, stability and security to all its clients;
- continuation of adequate evaluation of risk exposure which so far has had good results in regard to the market and competitors;
- additional strengthening of market positions in all segments of business, thereby confirming its place as the market leader and market maker;
- contribution to the advancement of the entire banking sector;
- strengthening of process changes and innovations;
- strengthening of the trust of clients and long-term relationships.

UniCredit Bank is a reliable partner committed to clients' needs and dedicated to the accomplishment of excellence in the broad area of the quality of financial products and services. We shall continue to work with dedication on the improvement of education of our employees and to consistently develop the quality of the relationship between employees and clients.

Operating and financial review

		Restated
	31 Dec 2011	**31 Dec 2010**
Financial indicators	**BAM '000**	**BAM '000**
Total income	204,737	188,713
Profit before provisions	82,891	67,154
Profit before taxation	56,693	40,566
Profit for the year	49,984	35,603
Equity	470,306	420,037
Loans and receivables from clients	2,231,400	2,124,525
Current accounts and deposits of clients and banks	2,587,227	2,775,555
Total assets	3,544,007	3,615,150
Business indicators		
Capital adequacy	17.2%	15.8%
Operating costs in total income	59.5%	64.4%
Return after taxation on equity (ROE)	11.2%	8.8%
Return before taxation on average total assets (ROA)	1.6%	1.2%

Operating expenses

	2011	Structure	2010	Structure	Change
Expenses	**in BAM '000**	**%**	**in BAM '000**	**%**	**%**
Staff expenses	53,165	43.64%	52,283	43.01%	1.69%
Functional costs	44,312	36.36%	45,905	37.76%	-3.48%
Deposit insurance	6,221	5.11%	5,798	4.77%	7.3%
Depreciation	18,148	14.89%	17,573	14.46%	3.28%
Total	**121,846**	**100,00%**	**121,559**	**100,00%**	**0.24%**

Overview of business operations of UniCredit Bank d.d.
In 2011, Bank generated BAM 56.7 million in profit before taxation which is by BAM 16.1 million (39.8%) more than that in the previous year. The profit for the year amounts to BAM 50 million and is by 40.4% higher than that generated in the previous year.
Total assets decreased by 2% and amounted to BAM 3,544 million at the end of 2011.

Structure of income of the Bank
The income generated by the Bank in 2011 is by 8.5% above the income generated in the previous year, as a result of an increase in net interest income (decrease in interest expense).
In the structure of the income of the Bank, net interest income holds a share of 69.8% (with an increase of 3.1pp in comparison to 2010); net fee and commission income of 24.2% (with a decrease by 2.7pp in comparison to 2010) and other income of 6%.

Net interest income
Net interest income in 2011 amounts to BAM 142.9 million which is by 13.6% higher than the last year. The increase in net interest income is a result of a decrease in interest expense by 19.7% and an increase in interest income of 2.6%.
Interest income is higher by BAM 4.9 million in relation to last year, due to an increase in volume of gross loans of BAM 119 million. Interest expenses are by BAM 12.2 million lower as a result of a deposit volume decrease of BAM 187.8 million and a decrease in interest rates on corporate deposits of 0.5pp and retail deposits of 0.7pp.

Net fee and commission income
Net fee and commission income amounted to BAM 49.5 million, which is by 2.4% less than the last year.
A slight increase can be seen in respect of payment transaction fees, fees on current accounts for retail and corporate and credit card fees, while letters of credit, guarantees and loans fees decreased in comparison to the previous year.

Income from dealing and other operating incomes
Income from foreign exchange dealing and other operating income in 2011 amount to BAM 12.5 million, which represent an increase of 16.9% in comparison to that of the previous year. Dealing income and other operating income are by BAM 1.3 million and BAM 0.5 million, respectively, higher than in the previous year.

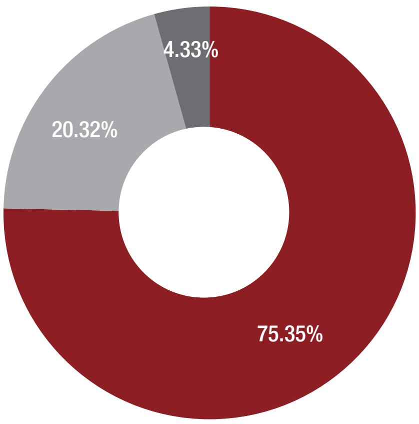
Operating expenses
Operating expenses in 2011 amount to BAM 121.8 million and in relation to the previous year are by 0.2% higher, a result of the continuation of strong cost control in 2011.
In relation to the previous year, the most significant savings were seen in functional costs (3.5%) where the savings were realised in almost all types of costs.

Impairment losses for loans and receivables from customers
Total impairments and provisions amount to BAM 26.2 million and are by 1.5% lower in comparison to 2010.
Impairment losses for loans and receivables amount to BAM 22.6 million and are by BAM 3.9 million (14.6%) lower in relation to the previous year. Net impairment losses for loans and receivables of BAM 27.4 million are a result of new impairment loan losses, of which BAM 14 million relate to corporate, and BAM 13.4 million to retail, and BAM 4.8 million of reversal of portfolio based loan loss provisions.

Other impairment losses and provisions

Other impairment losses and provisions amount to BAM 3.6 million of which the off-balance-sheet provisions amount to BAM 1.5 million, the charges for court case to BAM 0.6 million, and the impairments of other assets to BAM 1.5 million.

Structure of income

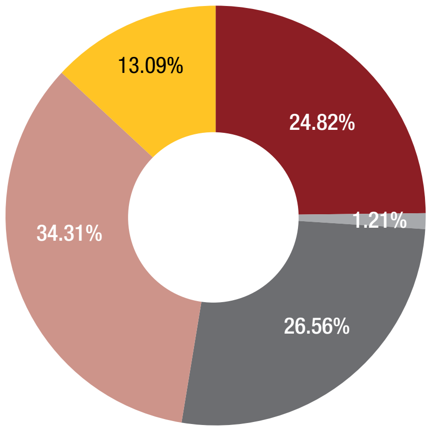


interest income 75.35%

fee and commission income 20.32%

other 4.33%

Structure of expenses



Interest expense 24.82%

Fee and commission expenses 1.21%

Staff costs 26.56%

Operating costs 34.31%

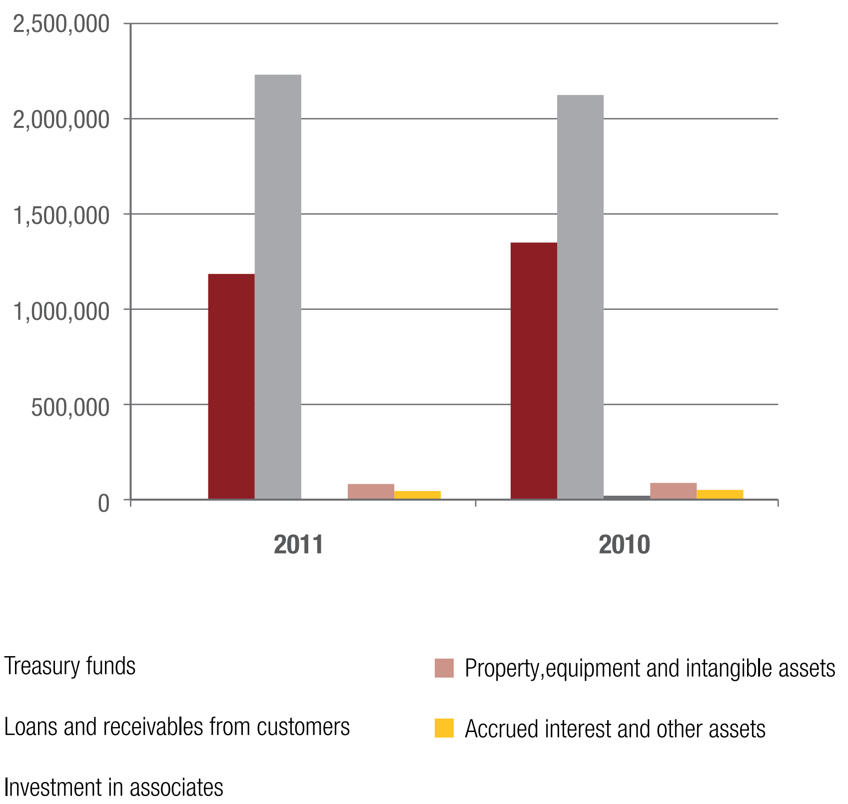
Impairment losses on loans and receivables and other provisions 13.09%

Statement of financial position
Total assets of the Bank amounted to BAM 3,544 million at the end of 2011, which presents a reduction of 2% in comparison to the previous year.
A key limitation factor in assets growth in 2011 was the influence of the crisis on the overall economy of BH, deterioration of the situation in the real and banking sector and a decrease in demand for credit products. However, slight economic recovery in 2011 was reflected in an increase in credit activities (5%).

Assets
The chart illustrates the assets structure and trends in 2011 and 2010.

Asset and liability management assets
Asset and liability management assets have decreased by 12.2% compared to the previous year. These assets represent 33.4% of total assets, which is a decrease of 3.9pp in comparison to the end of the previous year.
In comparison to the previous year, loans and receivables from banks, including investment in debt securities, show an increase, while obligatory reserve and cash reserves with the Central Bank show a decrease, as an effect of changes in the related base rate for obligatory reserve on short-term deposits with the Central Bank, from 14% to 10 %.
Debt securities available for sale show an increase of BAM 30 million in comparison to 2010, as a result of investments in EU high credit rating sovereign debt securities, treasury bills of the Republic of Croatia, treasury bills of Republic of Srpska, treasury bills of the FBH, and investments in bonds of the FBH.
Throughout the year, the Bank maintained a liquidity position significantly above its statutory minimum.

Assets structure (000) BAM



The following table represent the structure of the funds managed by Asset and liability management:

	31 Dec 2011	31 Dec 2010
Cash reserves	23.9%	46%
Obligatory reserves with Central Bank	19.2%	24.1%
Investments and loans to other banks	50.9%	26.8%
Debt securities	6%	3.1%
Total	**100%**	**100%**

Loans and receivables from customers

Loans and receivables from customers increased in 2011 despite the slow economy and credit activities on the market. Net customer loans amount to BAM 2,231.4 million, which is an increase of BAM 106.9 million (5%).

In the Bank's total assets, net loans and receivables from customers participate with 63%, (an increase of 4.2pp in comparison to 2010 as a result of an increase in credit activity). Retail loans had a higher participation in net loans and receivables (56.3%), decreasing this year in favour of net loans to corporate and state by 2.6pp. Impairment allowance makes up 11.1% of the net loans and has remained stable from the last year, while the impairment allowance as a percentage of gross loans amounted to 10%, again remaining stable.

Gross loans to corporate and State increased by 9.5% this year, while retail loans have increased by 1.5%.

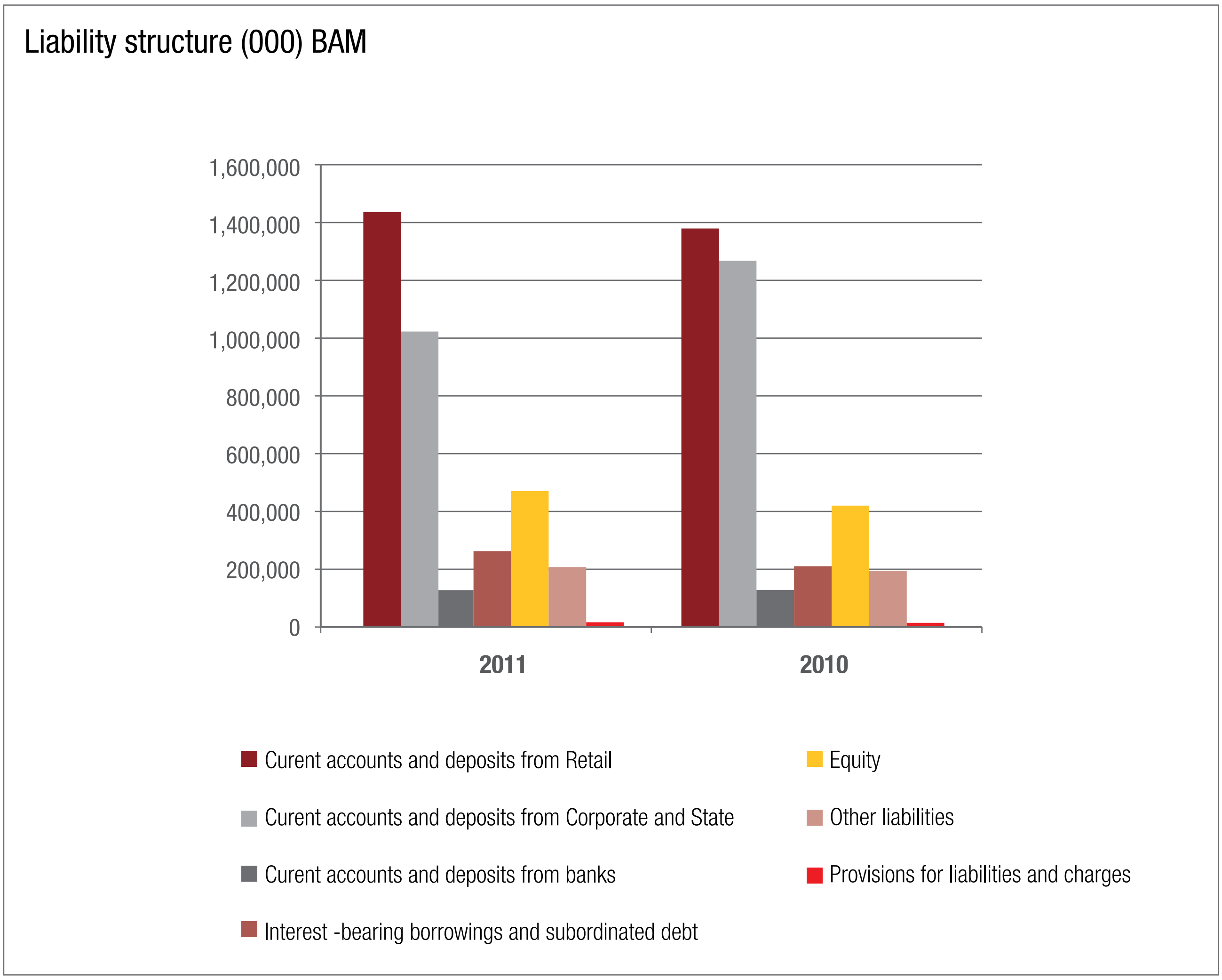
Participation of gross retail loans in the total loan portfolio amounts to 53.6% and has decreased by 1.9pp in comparison to the end of 2010. In the entire portfolio of retail loans, the largest part relates to long-term non-purpose loans (58.3%), and long-term housing loans (25.9%), as well as current account receivables (8.6%), credit card loans (5,6 %).

Gross loans to corporate and state have increased by BAM 100 million in comparison to the last year with an increase of 1.9pp in the structure of the total loan portfolio. The share of long-term loans, short-term loans and current account receivables was 63.7%, 33.4% and 2.9%, respectively, of gross loans.

Gross loans	**2011**	**2010**	**Change %**
Corporate and State	1,149,382	1,049,334	9.53%
Retail	1,329,887	1,310,900	1.45%
Total	**2,479,269**	**2,360,234**	**5.04%**
Provisions			
Corporate and State	175,320	177,679	-1.33%
Retail	72,549	58,030	25.02%
Total	**247,869**	**235,709**	**5.16%**
Net loans			
Corporate and State	974,062	871,655	11.75%
Retail	1,257,338	1,252,870	0.36%
Total	**2,231,400**	**2,124,525**	**5.03%**

Liabilities

Changes in the structure of liabilities and trends in 2011 are represented in the following chart.



Current accounts and deposits from customers

Total current accounts and deposits from customers in 2011 have decreased by BAM 187.8 million (7.1% in relation to the end of the previous year) and amount to BAM 2,459.5 million. The share of BAM deposits in total deposits amount to 50% as compared to 51% in 2010, which means there were no significant changes in the deposit currency structure.

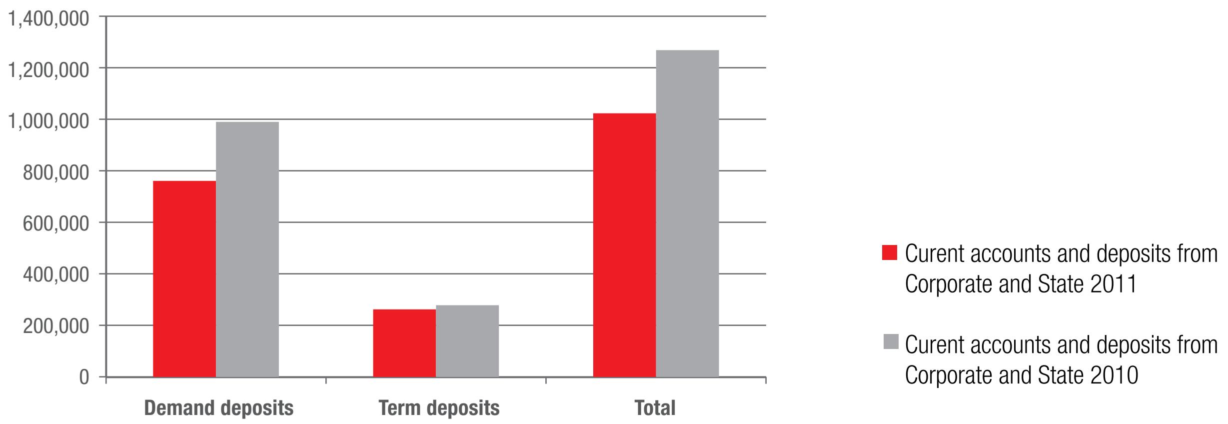
Retail deposits at the end of year were 58.4% of total deposits from customers and have increased by BAM 57.3 million (4.2%) in comparison to 2010 year end. Term deposits made up 49.9% and demand deposits 50.1% of total deposits. In comparison to 2010, deposit structure changed in favour of demand deposits (an increase of 1.8%).

Current accounts and deposits from corporate and state have decreased by BAM 245.1 million (19.3%) and amount to BAM 1,022.8 million, and their share in total deposits from customers amounts to 41.6%.

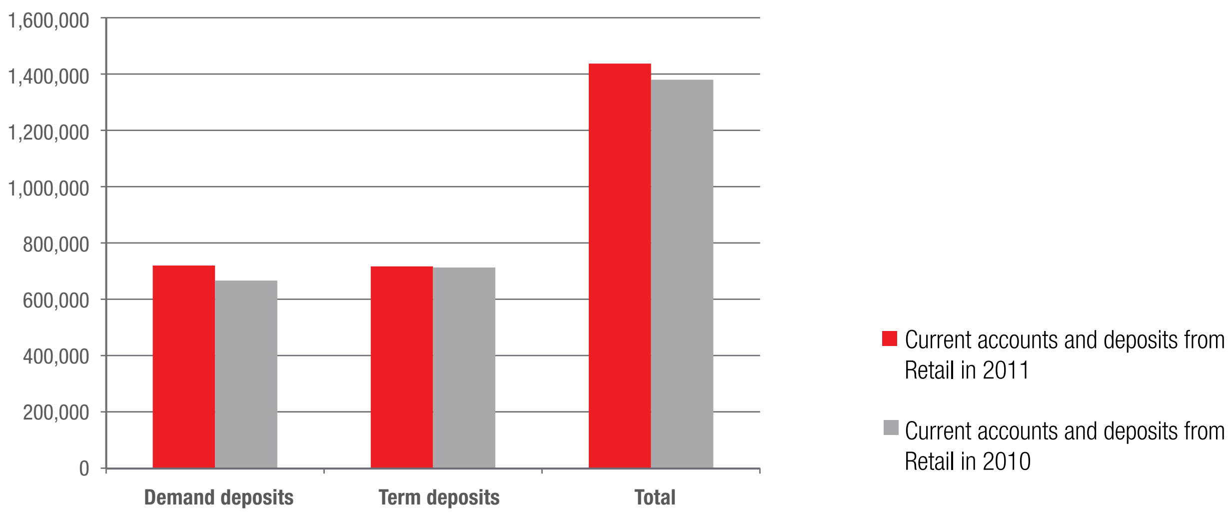
The share of demand deposits in total deposits from corporate and state amounts to 74.4%, while term deposits make up 25.6%. In comparison to 2010, the ratio of deposits changed in favour of term deposits (an increase by 3.7pp).

Current accounts and deposits from banks amount to BAM 127.7 million, which is a decrease of 0.4% in comparison to 2010.

Current accounts and deposits from Corporate and State



Current accounts and deposits from Retail



Interest-bearing borrowings

Interest bearing borrowings increased in relation to 2010 by BAM 56.2 million (30%) while subordinated debt has decreased by BAM 3.9 million (repayment of EUR 2 million in 2011). Subordinated debt matures in 2015.

Funds were used from the following banks: FBH Development Bank (LDP and IBF), KfW, EBRD, USAID, EBRD EE, Bank Pekao, EFSE, HBOR, EIB, ODRAZ (World Bank funds).

In 2011, the Bank withdrew EUR 50 million from BA SACE, EUR 2 million from EBRD EE, and BAM 0,75 million from Odraz Sarajevo, and repaid upon maturity an amount of EUR 8 million towards Bank Austria.

Interest-bearing borrowings amount to 7.9% of total funding, which is by 2.1pp higher than in the previous year.

Equity

The Bank's equity amounts to BAM 470.3 million, which is an increase of BAM 50.3 million in comparison to that at the end of 2010. Equity makes up for 13.3% (2010: 11.6%) of total funding.

The capital adequacy ratio presented according to the local regulatory methodology is 17.2%, which is significantly above the prescribed limit.

Capital adequacy according to the Basel II methodology for 2011 is also significantly above the prescribed limit.

Key performance indicators

Profitability ratios ROE and ROA are significantly above the last year's levels, as an effect of profit growth both before and after tax.

Indicator of efficiency (cost to income ratio) improved by 4.9 pp over the previous year, as a result of strong revenue growth of 8.5%, and 0.2% increase in costs.

Net loans to deposits was 90.7%, which indicates stability and self-sustainability, and financing loans from own sources.

Profitability per employee (gross operating profit in relation to the number of employees) has increased by 25.6% as a result of both strong revenue growth and a decrease in the number of employees over the previous year.

Speaking the language of our clients.

As a result of expanded international mobility, many citizens who work in Austria do not speak German. These are citizens of other nationalities and cultures, who need to communicate in their own languages when discussing delicate subjects such as banking transactions. Bank Austria's *Banking Without Borders* programme guarantees that such customers, on any given day, will have access to an employee who speaks his or her own language. Additionally, in Vienna, five branches provide documentation and product literature in several languages other than German. An effective answer to a multicultural society.

Management and corporate governance

In compliance with the Companies Act, the Banking Act and the Articles of Association of UniCredit Bank d.d., the bodies of the Bank's governace are as follows: the General Assembly, the Supervisory Board and the Management Board.

General Assembly

The General Assembly of the Bank is the highest body of the Bank's governance. The Assembly is composed of shareholders of the Bank. Audited financial statements are presented for adoption to the shareholders at General Assembly sessions.
At 31 December 2011, the Bank had 52 shareholders. The largest shareholder is Zagrebačka banka d.d., Zagreb with 78,176 shares, representing 65.59% of the Bank's share capital.
The Bank's share capital has been determined in the amount of BAM 119,195,000, and is divided into: 119,011 ordinary series „A „shares with nominal value of BAM 1,000 per share, and 184 cumulative series „D“ shares with nominal value of BAM 1,000 per share.
A ordinary series „A“ share grants a single voting right at the Bank's General Assembly, the right to manage the Bank as stipulated by the Articles of Association, the right to participate in the Bank's profit proportionally to the nominal value of the shares, and other rights as stipulated by the Articles of Association and the law.
A priority cumulative series „D“ share grants the right to first payment of a dividend from the Bank's profit proportionally to the nominal value of the share, and to first payment in case of bankruptcy or liquidation of the Bank, from the non-distributed portion of the bankruptcy or liquidation assets.

Supervisory Board

The Supervisory Board supervises the Bank's business operations and the work of the Management Board, determines business policy, produces general internal documents, other policies and procedures, and decides on issues as determined by the Law, Articles of Association and other legal acts of the Bank. The Supervisory Board is composed of 7 members elected by the shareholders at the Bank's General Assembly session for a period of 4 years.

The Members of the Supervisory Board of the Bank as at 31 December 2011 were as follows:

1. **Franjo Luković** /President / Zagrebačka banka d.d., Zagreb
2. **Sanja Rendulić** / Deputy President / Zagrebačka banka d.d., Zagreb
3. **Miljenko Živaljić** / Member / Zagrebačka banka d.d., Zagreb
4. **Damir Krcivoj** / Member / Zagrebačka banka d.d., Zagreb
5. **Marko Remenar** / Member / Zagrebačka banka d.d., Zagreb
6. **Mario Agostini** / Member / UniCredit Bank Austria AG, Vienna
7. **Claudio Cesario** / Member / UniCredit Bank Austria AG, Vienna

Management Board

The Management Board organises operations, governs the Bank's business and assumes responsibility for lawful and legal business activities and the implementation of business policy.
The Management Board is composed of the director, deputy director and executive directors. The Bank's Management Board is appointed by the Supervisory Board for a period of 4 years, with the approval of the FBH Banking Agency.

The Members of the Management Board of the Bank as at 31 December 2011 were as follows:

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. **Dalibor Ćubela**, Chief Risk Officer (CRO)
6. **Gordan Pehar**, Chief Financial Officer (CFO)

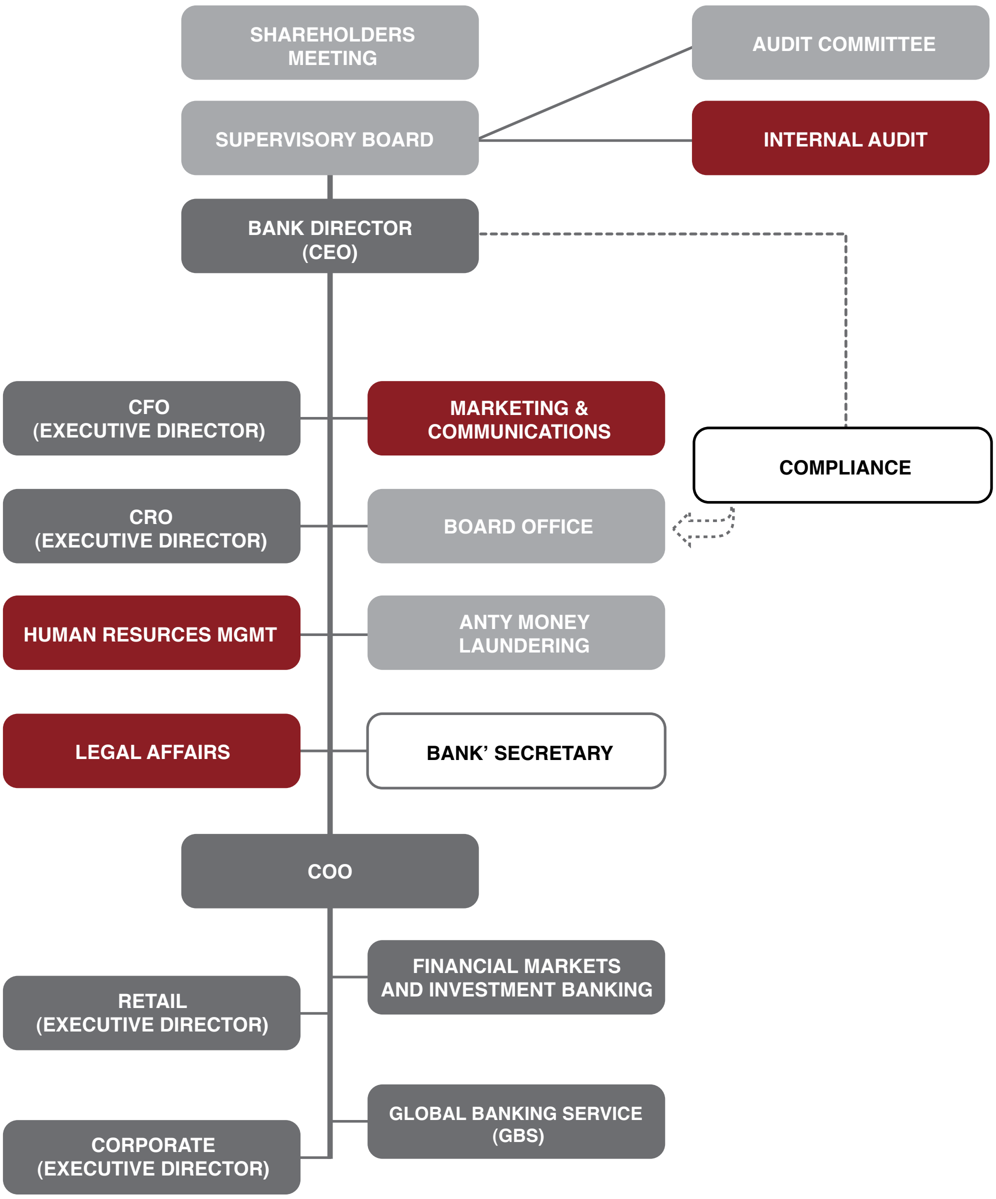
Audit Committee

The Audit Committee supervises the work of internal audit, including the appointment of an external audit company that shall carry out an audit of the annual financial statements. The Audit Committee has 5 members who are appointed by the Supervisory Board for a period of 4 years.

Members of the Audit Committee as at 31 December 2011 were as follows:

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

Organisational structure of UniCredit Bank d.d. as at 31 December 2011 – structure of key organisational sectors/parts of the Bank:



Employees

At the end of 2012 the Bank employed 1,338 persons.
Our goal is to have the highest quality human resources on the market, with an aim to be the Bank that all employees perceive as an employer of choice, where every employee has an opportunity to achieve and realise his /her potential in accordance with his / her own competencies. This goal is achieved through continual care for all employees and the quality of working conditions, through investing in the development of employees aiming at maximal utilisation of our human resources.

Rewarding employee performance

Rewarding employees of UniCredit Bank d.d. is carried out through the MBO (Management By Objectives) system – a system which rewards leadership – as well as the Work excellence system, with specific goals set for each employee, followed by an evaluation of the results in compliance with the set goals, to determine the corresponding reward.
1,257 employees were rewarded within the MBO system and Work excellence system based on the results achieved in 2010.

Important shareholders

As at 31 December 2011 the Bank had the following shareholder structure:

1	ZAGREBAČKA BANKA D.D. ZAGREB	**65.59%**
2	UniCredit Bank Austria AG	**24.40%**
3	International Finance Corporation (IFC)	**5.73%**
4	UNICREDIT, SOCIETA' PER AZIONI	**3.27%**
5	Other shareholders	**1.01%**

An umbrella covering countries in Central and Eastern Europe.

Many Austrian companies have subsidiaries in other European countries that do not always engage in cross-border treasury operations. When new funding is needed, especially during the start-up phase of a business, local regulations that must be addressed can often present major obstacles to success. UniCredit has created the Umbrella Facility, a flexible and user-friendly credit facility based on the parent company's credit rating, that can be accessed in most Central and Eastern European countries. Bank Austria coordinates every phase of negotiation, acting as the single point of contact between the client and UniCredit's banks across the region.
A simple way to help companies focus on their business, leaving the bank to manage their financials.

Michelangelo Pistoletto - Embrace Differences - Serigraphy on Thermodeth Mirror 2005 - 2006
UniCredit Art Collection - © Michelangelo Pistoletto - Courtesy Cittadellarte - Pistoletto Foundation - Details

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 31 to 120 were authorised by the Management Board on 20 February 2012 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

Indepedent 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 statement of financial position as at 31 December 2011, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Financial Statements

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

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 audit 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 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG B-H d.o.o. za reviziju
Registered auditors
Zmaja od Bosne 7-7A/III
71000 Sarajevo
Bosnia and Herzegovina

20 February 2012.

D.O.O. ZA REVIZIJU
KPMG B-H
SARAJEVO

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

Manal Bećirbegović
Executive Director

Senad Pekmez
Director, FBiH registered auditor
Licence number: 3090044102

This version of the audit 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.

Helping home buyers make better decisions.

In the past, retail customers applying for a home loan in Hungary, found themselves in a tight spot. Sometimes they had to make a down payment on a property before having secured a suitable loan. Today, our new Előrelátó (Foresee) home loan helps our customers avoid these high-pressure situations by providing them with the time and information they need to make responsible decisions. UniCredit provides customers with a loan pledge certificate, which remains valid for six months and is based on income and creditworthiness. This way, our customers have the security they need before they set out to find the home of their dreams.

Statement of comprehensive income

Statement of comprehensive income

For the year ended 31 December

	Note	2011 BAM '000	Restated 2010 BAM '000
Interest income	5	192,640	187,790
Interest expense	6	(49,676)	(61,887)
Net interest income		**142,964**	**125,903**
Fee and commission income	7	51,952	53,259
Fee and commission expense	8	(2,429)	(2,505)
Net fee and commission income		**49,523**	**50,754**
Dividend income	9a	9	9
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	11,065	9,719
Net gains from investment securities	9c	-	1,359
Net losses from disposal of investment in associate	9d	(257)	-
Revenue		**203,304**	**187,744**
Other income	9e	1,433	969
Operating expenses	10	(121,846)	(121,559)
Impairment losses on loans and receivables from customers	17b	(22,569)	(26,426)
Other impairment losses and provisions	11	(3,629)	(162)
Profit before tax		**56,693**	**40,566**
Income tax expense	12	(6,709)	(4,963)
Profit for the period		**49,984**	**35,603**
Other comprehensive income, net of tax			
Net change in fair value on available for sale financial assets		285	(1,028)
Total comprehensive income for the period		**50,269**	**34,575**
Basic and diluted earnings per share (BAM)	29	420.26	299.35

Notes on pages 37 to 120 form an integral part of these financial statements.

Statement of financial position

Statement of financial position

As at

	Note	31 December 2011 BAM '000	Restated 31 December 2010 BAM '000	Restated 1 January 2010 BAM '000
Assets				
Cash and cash equivalents	*13*	283,193	621,329	481,513
Obligatory reserve with Central Bank BIH	*14*	228,682	326,453	301,700
Loans and receivables from banks	*15*	602,203	361,022	485,057
Financial assets available for sale	*16a*	70,965	40,958	8,869
Financial assets at fair value through P&L	*16b*	2	11	107
Loans and receivables from customers	*17*	2,231,400	2,124,525	2,036,785
Income tax prepayment		-	1,605	2,668
Accrued interest and other assets	*18*	45,463	49,561	42,930
Investment in associate	*19*	-	1,787	1,787
Property and equipment	*20*	63,521	66,073	72,056
Intangible assets	*21*	18,578	21,826	26,582
Total assets		**3,544,007**	**3,615,150**	**3,460,054**
Liabilities				
Current accounts and deposits from banks	*22*	127,677	128,208	331,977
Current accounts and deposits from customers	*23*	2,459,550	2,647,347	2,294,145
Financial liabilities at fair value through P&L	*16b*	1	9	123
Interest-bearing borrowings	*24a*	243,108	186,938	213,755
Subordinated debt	*24b*	19,558	23,470	31,293
Accrued interest and other liabilities	*25*	104,175	93,657	89,563
Issued debt securities	*26*	100,000	100,000	100,000
Provisions for liabilities and charges	*27*	16,320	14,487	13,594
Current tax liability		1,805	-	-
Deffered tax liability	*28*	1,507	997	142
Total liabilities		**3,073,701**	**3,195,113**	**3,074,592**
Equity				
Issued share capital	*29*	119,195	119,195	119,195
Treasury shares		(81)	(81)	(81)
Share premium		48,317	48,317	48,317
Fair value reserve		533	248	1,276
Regulatory reserves for credit losses		20,682	20,682	16,732
Retained earnings		281,660	231,676	200,023
Total equity		**470,306**	**420,037**	**385,462**
Total liabilities and equity		**3,544,007**	**3,615,150**	**3,460,054**

Notes on pages 37 to 120 form an integral part of these financial statements.

Statement of changes in equity

Statement of changes in equity

	Issued share capital	Treasury shares	Share premium	Fair value reserve	Regulatory reserves for credit losses	Retained earnings	Total
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
Balance as at 1 January 2011 as restated	**119,195**	**(81)**	**48,317**	**248**	**20,682**	**231,676**	**420,037**
Total comprehensive income for the year							
Profit for the period	-	-	-	-	-	49,984	49,984
Other comprehensive income							
Change in fair value of AFS financial assets	-	-	-	316	-	-	316
Deferred tax on AFS financial assets *(Note 28)*	-	-	-	(31)	-	-	(31)
Total other comprehensive income	-	-	-	*285*	-	-	*285*
Total comprehensive income for the year	-	-	-	*285*	-	*49,984*	*50,269*
Transfer from retained earnings to regulatory reserve for credit losses*	-	-	-	-	-	-	-
Balance as at 31 December 2011	**119,195**	**(81)**	**48,317**	**533**	**20,682**	**281,660**	**470,306**
Balance as at 1 January 2010 as previously reported	**119,195**	**(81)**	**48,317**	**1,276**	**-**	**200,023**	**368,730**
Restatement							
Impairment of allowances for loans, other assets and provisions for liabilities and charges	-	-	-	-	-	16,732	16,732
Transfer from retained earnings to regulatory reserve for credit losses	-	-	-	-	16,732	(16,732)	-
Balance as at 1 January 2010 as restated	**119,195**	**(81)**	**48,317**	**1,276**	**16,732**	**200,023**	**385,462**
Total comprehensive income for the year							
Profit for the period (restated)	-	-	-	-	-	*35,603*	*35,603*
Other comprehensive income (restated)							
Change in fair value of AFS financial assets	-	-	-	185	-	-	185
Transfer to P&L 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 financial assets *(Note 28)*	-	-	-	114	-	-	114
Total comprehensive income	-	-	-	*(1,028)*	-	-	*(1,028)*
Total comprehensive income for the year	-	-	-	*(1,028)*	-	*35,603*	*34,575*
Transfer from retained earnings to regulatory reserve for credit losses	-	-	-	-	3,950	(3,950)	-
Balance as at 31 December 2010, restated	**119,195**	**(81)**	**48,317**	**248**	**20,682**	**231,676**	**420,037**

* in 2011, impairment losses calculated in accordance with IFRS were higher than impairment losses calculated in accordance with the Agency regulations in the amount of BAM 3,950 thousand. In accordance with the Agency regulations this amount was not recognised as a deduction from reserve for credit losses and an increase in retained earnings.

** AFS stands for available for sale

Notes on pages 37 to 120 form an integral part of these financial statements.

Cash flow statement

Cash flow statement

For the year ended 31 December

	Note	2011 BAM '000	Restated 2010 BAM '000
Cash Flow from operating activities			
Interest receipts		192,208	187,364
Fee and commission receipts		51,923	53,201
Interest payments		(50,788)	(58,820)
Fee and commission payments		(2,483)	(2,525)
Paid operating expenses		(102,965)	(106,285)
Net receipts from trading activities		11,063	9,716
Net gains from disposal of AFS financial assets		-	1,359
Net losses from disposal of investment in associate	*9d*	(257)	-
Other receipts		1,689	969
Net cash inflow from operating activities before changes in operating assets and liabilities		*100,390*	*84,979*
(Increase)/decrease in operating assets			
Obligatory reserve with Central Bank BIH		97,771	(24,754)
Loans and receivables from banks		(234,490)	136,641
Loans and receivables from customers		(131,252)	(116,100)
Other assets		68	(3,381)
Net increase in operating assets		*(267,903)*	*(7,594)*
Increase/(decrease) in operating liabilities			
Current accounts and deposits from banks		(531)	(203,769)
Current accounts and deposits from customers		(192,541)	338,905
Other liabilities		10,540	4,959
Net (decrease)/increase in operating liabilities		*(182,532)*	*140,095*
Net cash (outflow)/inflow from operating activities before income taxes paid		**(350,045)**	**217,480**
Income taxes paid		(2,820)	(2,931)
Net cash from operating activities		**(352,865)**	**214,549**

Cash flow statement (continued)

For the year ended 31 December

	Note	2011 BAM '000	Restated 2010 BAM '000
Cash flow from investing activities			
Acquisition of property and equipment		(6,408)	(6,445)
Proceeds from sale of property and equipment		563	287
Acquisition of intangible assets		(3,509)	(3,646)
Receipts on redemption of AFS financial assets		22,227	6,399
Acquisition of AFS financial assets		(51,998)	(39,467)
Proceeds from the sale of associates	*19*	1,530	-
Dividend receipts	*9a*	9	9
Net cash from financing activities		**(37,586)**	**(42,863)**
Cash flows from financing activities			
Repayment of subordinated debt		(3,912)	(7,823)
Proceeds from interest bearing borrowings		99,228	18,859
Repayment of interest bearing borrowings		(43,057)	(45,676)
Net cash flow from financing activities		**52,259**	**(34,640)**
Net cash (outflow)/inflow		**(338,192)**	**137,046**
Effect of foreign exchange rate changes on cash and cash equivalents		56	2,770
Net (decrease)/increase in cash and cash equivalents		(338,136)	139,816
Cash and cash equivalents at the beginning of the period	*13*	**621,329**	**481,513**
Cash and cash equivalents at the end of the period		**283,193**	**621,329**

There were no significant non-cash transactions in 2011 and 2010.

Notes on pages 37 to 120 form an integral part of these financial statements.

Raising standards to protect the environment.

UniCredit is an environmentally conscious institution and, in Slovakia, we have instituted an energy management system that complies with the STN EN 16001 EMS certification standards. This is the bank's second such certification, building on an earlier ISO 14001 certification, and underscores our commitment to reducing emissions and protecting the environment from further climate change. This was a concrete endorsement of the articulated project of lower energy costs. The development of sustainable energy programmes is strategic both for the European Union and for UniCredit which has its own project named Environmental Programme Sustainability. A tangible and certified answer to an issue of great social importance.

Notes to financial statements

1. Reporting entity and Basis of preparation

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 provides full range of services including retail, corporate banking and treasury operations. The Bank is a member of Zagrebačka banka Group (Zagrebačka banka d.d., a bank domiciled in Zagreb, Republic of Croatia, is a parent company) and UniCredit Group, and provides services in Bosnia and Herzegovina. The ultimate parent company is UniCredit Bank SpA., a bank domiciled in Milan, Italy.

Basis of preparation

A) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards. During the preparation of these financial statements International Financial Reporting Standard 1 *"First-time Adoption of International Financial Reporting Standards"* ("IFRS 1") was applied.
An explanation of the effects of the first time adoption of IFRS and its influence on the Bank's financial position, performance and cash flows is set out in Note 38 First-time adoption of IFRS.
These financial statements were authorised for issue by the Management Board on 20 February 2012 for approval by the Supervisory Board.

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 debt securities available for sale which are stated at fair value and buildings which are stated at revalued amortised cost.

C) Use of estimates and judgements

The preparation of financial statements in accordance with the International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.
Information on areas with significant uncertainty in the estimates and critical judgments in applying accounting policies that have the most impact on the amounts disclosed in these financial statements are disclosed in Note 3.

D) Functional and presentation currency

The Bank's financial statements are presented in Convertible Mark ("BAM"), which is also the functional currency. Amounts are rounded to the nearest thousand (unless otherwise stated).
The Central Bank of Bosnia and Herzegovina ("Central Bank of BIH" or "CBBIH") has implemented a currency board arrangement aligning BAM to EUR at an exchange rate of EUR 1: BAM 1.95583, which prevailed throughout 2011 and 2010.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

A) Interest income and expense

Interest income and expense are recognised in profit or loss as they accrue using the effective interest rate method. Effective interest rate is the rate that discounts estimated future cash flows of financial assets or liabilities over the life of the financial instrument (or, if appropriate, shorter period) to its net carrying value. In the calculation of effective interest rates the Bank estimates future cash flows considering all contractual terms, but not future credit losses.
Calculation of the effective interest rate includes all paid or received transaction costs, fees and points, which are an integral part of the effective interest rate. Transaction costs include all incremental costs incurred directly in connection with the issuance or acquisition of financial assets or financial liabilities.

Interest income and expense recognised in profit or loss include:
- Interest on financial assets and financial liabilities that are measured at amortized cost calculated using the effective interest rate method.
- Interest on debt securities available for sale calculated using the effective interest rate method.

B) Fee and commission income and expense

Fees and commissions are an integral part of effective interest rates on financial assets and financial liabilities and are included in interest income and interest expense.
Other fees and commissions include fees which relate to credit card business, the issue of guarantees and letters of credit, domestic and foreign payments and other services, and are recognised in the profit or loss upon performance of the relevant service. Other fee and commission expense, mainly service and transaction fees are recognised as an expense upon receipt of services.

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 and translation of monetary assets and liabilities include gains from foreign exchange trading realised and unrealised gains and losses from derivative financial instruments and net gains and losses from the translation of monetary assets and liabilities denominated in foreign currency the at reporting date.

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 are at the reporting date translated into BAM at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss, except in the case of differences arising on non-monetary financial assets available for sale, which are recognised in other comprehensive income (at reporting date the Bank did not have such assets). 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 reporting date.

2. Significant accounting policies (continued)

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 initial recognition and re-examines this designation at each reporting date.

(a) Loans and receivables

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 or diposal in the near future. Loans and receivables include loans and receivables from banks and loans and receivables from customers and obligatory reserve with the Central Bank of BIH.

(b) Financial assets available for sale

Financial assets available for sale 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. Financial assets available for sale include debt and equity securities.

(c) Financial assets and financial liabilities at fair value through profit or loss

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 only 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 (at the reporting date the Bank did not have such assets) as such by management at initial recognition. The Bank designates financial assets and financial liabilities at fair value through profit or loss when:
- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminated or significantly reduced an accounting mismatch which would otherwise have arisen; or
- the asset or liability contains an embedded derivative that significantly modified the cash flows that would otherwise be required under the contract.

Financial assets and financial liabilities at fair value through profit or loss include derivative financial instruments classified as financial instruments held for trading.

(d) Other financial liabilities

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

2. Significant accounting policies (continued)

E) Financial instruments (continued)

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) Financial assets available for sale
Financial assets available for sale are measured initially at 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, 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 including transaction costs. 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 of financial instruments

Gains and losses from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income until derecognition or impairment, when the cumulative amount previously recognised in other comprehensive income is transferred to profit or loss. Interest income calculated using the effective interest rate method is recognised in profit or loss.
Foreign exchange gains and losses on available-for-sale equity instruments are part of the fair value of these instruments and are recognised in other comprehensive income (at the reporting date the Bank did not have such investments). Dividend income on available-for-sale equity securities is recognised in profit or loss 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 profit or loss.

Identification and measurement of impairment of financial assets

a) Financial assets carried at amortised cost
The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. Significant accounting policies (continued)

E) Financial instruments (continued)

Objective evidence that a financial asset or group of assets is impaired includes:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that it would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the financial asset because of financial difficulties;
- available data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for the individual financial assets in the group.

The Bank reviews whether there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments (at the reporting date the Bank did not have held-to-maturity investments) carried at amortised cost. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively. Those individually significant assets which are not identified as impaired are subsequently included in the basis for collective impairment assessment. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

For the purposes of a collective evaluation of impairment the Bank uses statistical models and historical data on the probability of occurrence that cause impairment, the time required to recover and total loss incurred, adjusted for the management's judgment as to whether the current economic and credit conditions are such that it is likely that the actual losses will be higher or lower of those calculated by historical modelling. The Bank regularly reviews the loss rate and the expected rate of recovery at each reporting date, to ensure accurate reporting.
Impairment loss for financial assets measured at amortized cost is calculated as the difference between the carrying amount of the assets and the present value of expected future cash flows discounted at original effective interest rate of financial assets valid at the time the asset became impaired. The carrying value of the asset is reduced through allowance account and the amount of loss is recognized through profit or loss. If a loan and receivable or investments that are held to maturity have a variable interest rate, discount rate for determining the impairment loss is the current effective interest rate determined at the time the asset became impaired.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

2. Significant accounting policies (continued)

E) Financial instruments (continued)

When a loan is uncollectible, it is written off against the related impairment allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised as a reversal of impairment losses in profit or loss.

The Bank also calculates provisions in accordance with the relevant regulations of the Banking Agency of Federation of Bosnia and Herzegovina ("the Agency" or "FBA"). In accordance with these regulations, the relevant placements are classified into appropriate risk groups, depending on the past due days, the financial position of the borrower and collateral; and are provided for at prescribed rates. The general provision, calculated in accordance with these regulations amounts to 2%.

If the impairment allowance calculated in accordance with the regulations of the Agency is greater than the impairment allowance calculated in accordance with IFRS, the difference is presented as an appropriation within equity: transfer from retained earnings to regulatory reserve for credit losses, in accordance with the decision of the General Assembly, and is as such not available for distribution.

Financial assets available for sale

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the investment below its acquisition cost is considered in determining whether the assets are impaired.

If any such evidence exists for financial assets available for sale, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is subsequently recognised in other comprehensive income.

Financial assets carried at cost

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

2. Significant accounting policies (continued)

E) Financial instruments (continued)

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

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.

Financial assets available for sale and financial assets and financial liabilities 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.

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.

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 reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

The fair value of sovereign debt securities classified as available for sale traded on an active market is based on closing bid prices at the reporting 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 foreign exchange swap contracts that are initially recognised and subsequently measured at their fair value in the statement of financial position. Fair values are obtained from discounted cash flow models.

2. Significant accounting policies (continued)

E) Financial instruments (continued)

All derivatives are classified 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 and statement of financial position cash and cash equivalents comprise cash in hand, items in the course of collection and current accounts.

c) Loans and receivables from banks and obligatory reserve with Central Bank of BIH
Placements with and loans to banks and obligatory reserve with Central Bank of BIH are classified as loans and receivables from banks and are carried at amortised cost less any impairment losses.

d) Loans and receivables from customers
Loans and receivables from 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 impairment.

f) Debt securities
Debt securities are classified as available for sale financial assets and carried at fair value.

g) Investment in associate
Investment in associate is accounted at cost less impairment.

h) Issued debt securities
Bonds issued by the Bank are classified as other liabilities and are initially recognised 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.

2. Significant accounting policies (continued)

E) Financial instruments (continued)

j) Interest-bearing borrowings and subordinated debt

Interest-bearing borrowings and subordinated debt are classified as other financial liabilities and recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, these are stated at amortised cost using the effective interest rate method.

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).

F) Property and equipment

Property and equipment are stated at historical cost or deemed cost less accumulated depreciation and impairment losses. The cost includes all expenditure that is directly attributable to the acquisition of the items. 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 profit or loss during the period in which they are incurred.

Depreciation is provided on all property and equipment 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 useful lives are as follows:

	2011 No. of years	**2010 No. of years**
Buildings	50	50
Computers	4 -5	4 – 5
Equipment and motor vehicles	5 – 10	5 – 10

The useful lives and residual values of property and equipment are reviewed, and adjusted if appropriate, at each reporting date.

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

2. Significant accounting policies (continued)

G) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. The cost includes all expenditure that is directly attributable to the acquisition of the items.
Intangible assets except for intangible assets not yet brought into use are amortised on a straight-line basis over their estimated useful lives as follows:

	2011 No. of years	2010 No. of years
Software	5	5
Leasehold improvements	depending on the lease period	depending on the lease period
Other intangible assets	5	5

The assets' useful lives are reviewed, and adjusted if appropriate, at each reporting 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 are remeasured in accordance with the Bank's accounting policies. Thereafter, the assets 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 profit or loss. Gains are not recognised in excess of any cumulative impairment loss. At reclassification, on change of intent or if the conditions required by IFRS 5 cease to be applicable, the Bank does not restate comparative information. Upon reclassification the valuation is adjusted in accordance with relevant standards, as if the reclassification had not occurred.

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 profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting 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 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 reporting date.

2. Significant accounting policies (continued)

I) Income tax (continued)

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 reporting 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 asset/liability in the statement of financial position. 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 reporting 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 for impairment and their recoverable amount estimated whenever there is indication that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss 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. 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. Recoverable amount of assets that do not generate independent cash flows is determined by assessing cash flows of the group that the asset belongs to.

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, as if no impairment loss had been recognised.

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 incurred but not yet reported losses on 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.

2. Significant accounting policies (continued)

L) Capital and reserves

Issued share capital
Issued share capital represents the nominal value of paid-in ordinary and preference shares 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 issued share capital.

Regulatory reserve for credit losses
Regulatory reserve for credit losses represents a surplus of impairment allowances calculated in accordance with FBA regulations compared with impairment allowances calculated in accordance with IFRS. Current regulations stipulate that the amount of regulatory reserve for credit losses can only be increased, i.e. the decreases are not recorded.

Retained earnings
Profit for the period after appropriations to owners, is transferred to retained earnings or reserve for credit losses.

Fair value reserve
Fair value reserve comprises changes in fair value of the financial assets available for sale, net of deferred tax.

Dividends
Dividends on ordinary 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 statement of financial position. For the services rendered the Bank charges a fee.

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.

2. Significant accounting policies (continued)

O) Segment reporting (continued)

The Bank has identified four primary business segments: Retail, Corporate including State, Investments and Central unit. The primary segmental information is based on the internal reporting structure of business segments. Geographical concentration is not presented as the Bank's operations are concentrated in Bosnia and Herzegovina. 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 obligatory pension funds managed by state-owned management companies. These contributions are recognised as personnel costs in profit or loss as they accrue.

b) Long-term employee rewards
For each cycle of so called "Long-term incentive plan" the participants are defined based on criteria of contribution to the Bank's long-term sustainable increasing profitability. The estimated amount is recognised as personnel costs in profit or loss 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 reporting 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 reporting 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) Basic and diluted earnings per share

The Bank publishes basic and diluted earnings per share (EPS) data. 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) Leases

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 reporting date, the Bank did not have any finance leases. All other leases are operating leases.
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

T) Dividend income

Dividend income on equity securities is credited to profit or loss when the right to receive the dividend is established.

2. Significant accounting policies (continued)

U) Borrowing costs

The Bank capitalises borrowing costs on qualifying assets in accordance with the International accounting standard 23 “Borrowing costs”. During 2011 and 2010 there were no qualifying assets, so no borrowing costs were capitalised. All other borrowing costs are credited to profit or loss as they occur using the effective interest rate method.

V) Debt crisis impact

Economic trends during 2011 were marked by moderate signs of economic recovery, based on intensifying considerable exterior incentives to improve export of goods during the first nine months. The context of debt crisis in Euro zone was mostly reflected in substantial economic growth slowdown with a negative impact on the domestic economy, which caused a reduction in demand for BIH products on foreign markets noticeable during the last quarter of 2011. At the same time, the intensity of foreign direct and portfolio investments is low, and will remain such as well in subsequent periods, influencing deposit and credit potential of the banking system. Foreign direct investments are at the level of 1%-2% of GDP, while foreign borrowings of the banking system have fallen in the last few years from BAM 5.74 billion in 2009 to BAM 4.36 billion in November 2011. The cost of borrowing on foreign markets will rise as a result of a rise in risk premium costs on the international financial market although EUR refinancing rate is low (1%) and EURIBOR is decreasing for all maturity periods.

In general, debt crisis in the Euro zone has had limited direct impact on the profitability of the banking sector, given its conservative nature, which proves to be certain advantage in a time of crisis. The effects of this crisis will influence economical and financial boundaries of the banking activities, and emphasize the need for self-sufficiency and a balanced deposit and credit rise in financial activities, and a more rational and reasonable approach to acceptance of credit risk. In this respect, state’s financing of the current deficit by borrowing on the domestic market can, on one hand, cause reduction in deposit volume, but, on the other hand, it can positively influence the liquidity of the corporate sector. Foreign bank debt will be limited, although it is expected that resources will be available, but with lower net inflows.

At the end of 2011, the Bank’s net loans and deposits ratio is 90.7%, confirming the stability and self-sufficiency of it’s operations.

Impact on credit risk

In 2011, 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 regular monitoring of loan loss allowance for individual clients and per type of receivable as well as monitoring of exposures to the groups of related parties.

The existing collateral policy of the Bank is considered to be optimal protection for the Bank. For low value exposures, the Bank in its policy requires appropriate mandator collateral, usually collection enforcement instruments, while for high value exposures and longer repayment periods, the Bank usually takes mortgage over property or pledge over movables.

2. Significant accounting policies (continued)

V) Debt crisis impact (continued)

The Bank usually uses services of real estate agency 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. These activities ensure that business relationship managers are involved in managing and controlling risks on daily basis, with continuous involvement of specialists from Monitoring and Restructuring.

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.

Impact on liquidity
The debt crisis had no significant impact on liquidity.

X) Standards, interpretations and amendments to published standards that are not yet effective and were not used in preparation of these financial statements

Several new and altered Standards and Interpretations have been issued by the International Accounting Standards Board and its International Financial Reporting Interpretations Committee, but are not applicable to entities reporting under IFRS for the year ended 31 December 2011, and have not been applied in preparation of these financial statements. The majority of the new and altered Standards and Interpretations are not relevant to the Bank's business and hence will not affect its financial statements except as follows.

IFRS 9 Financial instruments (the complete version of this standard has not yet been adopted), which replaces IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 is obligatory for the financial statements for the periods beginning 1 January 2015 with earlier adoption permitted. The standard introduces significant changes in terms of the classification and measurement of financial assets. The Bank has not yet determined the date of the first adoption of IFRS 9 nor has it fully analysed the effects of its adoption.

Y) 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 the following 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 period losses.

2. Significant accounting policies (continued)

Y) Legal and statutory reserve (continued)

Under the Banking Law as lex speciales there is no requirement for banks in BIH to form such a reserve. Accordingly and in line with the Agency's interpretation, banks have no obligation to appropriate a part of the profit to legal reserve.
Existing legal reserve was created by the decisions on appropriation of profit of the merged HVB CPB bank in previous years, and is presented in the statement of financial position and statement of changes in equity within reserves.

Z) Assets acquired in lieu of uncollected receivables

The Bank assesses marketability of the assets acquired in lieu of uncollected receivables and only marketable assets, the value of which can be measured reliably are recognized as assets in the statement of financial position. The Bank intends to sell such assets, and in certain limited cases they end up used by the Bank.

3. Significant accounting estimates and judgments

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 and provisions for off-balance-sheet exposure

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 undrawn lending commitments, 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.

3. Significant accounting estimates and judgements (continued)

a) Impairment losses on loans and receivables and provisions for off-balance-sheet exposure (continued)

	Note	2011 BAM '000	Restated 2010 BAM '000
Impairment losses based on credit risk exposure			
Impairment allowances for loans and receivables from customers	*17*	247,869	235,709
Provisions for liabilities and charges	*27*	16,320	14,487
Impairment allowances for loans and receivables from banks	*15*	438	438
Total		**264,627**	**250,634**

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 30 thousand) and collectively for assets that are not individually significant (mainly retail exposures under BAM 30 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.

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.

3. Significant accounting estimates and judgements (continued)

a) Impairment losses on loans and receivables and provisions for off-balance-sheet exposure (continued)

At the year end, the gross value of impaired loans and receivables (NPL), and the rate of recognised impairment loss, calculated according to IFRS, were as follows:

			31 December 2011			Restated 31 December 2010
			BAM '000			BAM '000
	Corporate and State	**Retail**	**Total**	**Corporate and State**	**Retail**	**Total**
Gross exposure	242,284	81,735	**324,019**	263,732	**62,997**	326,729
Impairment rate	66.75%	78.86%	**69.81%**	60.11%	**80.61%**	64.06%

An increase in the impairment rate of 1pp on the gross non-performing loans identified above as impaired at 31 December 2011, would lead to the recognition of an additional impairment loss of BAM 3,241 thousand *(2010: BAM 3,268 thousand)*.
At year end, the gross value of impaired loans and receivables (NPL), and the rate of recognised impairment loss, calculated as prescribed by the Agency, were as follows:

			31 December 2011			Restated 31 December 2010
			BAM '000			BAM '000
	Corporate and State	**Retail**	**Total**	**Corporate and State**	**Retail**	**Total**
Gross exposure	180,992	61,261	**242,253**	188,032	63,437	**251,469**
Impairment rate	82.41%	87.90%	**83.80%**	75.65%	81.26%	**77.07%**

An increase in the impairment rate of 1pp on the gross non-performing loans identified above as impaired at 31 December 2011, would lead to the recognition of an additional impairment loss of BAM 2,423 thousand *(2010: BAM 2,515 thousand)*.

In accordance with the Agency regulations, the Bank also recognises impairment losses on performing loans with delays in repayment of up to 90 days, at prescribed rates, in the range from 5% to 15% (risk category B). Impairment allowance at 31 December 2011, recognised for risk category B, amounted to BAM 10,594 thousand *(2010: BAM 13,544 thousand)*.

3. Significant accounting estimates and judgements (continued)

a) Impairment losses on loans and receivables and provisions for off-balance-sheet exposure (continued)

In addition to identified losses on impaired loans, as described above, the Bank also recognises impairment losses which are known to exist at the reporting date, but which have not yet been specifically identified ("IBNR"). Amounts for which an impairment loss has been identified, are excluded from this calculation.

The amount of IBNR at 31 December 2011, amounted to BAM 28,103 thousand *(2010: BAM 30,918 thousand)* or 1.3% *(2010: 1.46%)* of loans and receivables from customers and 0.99% *(2010: 1.12%)* of total on- and off-balance-sheet credit risk exposure to customers, in both cases net of amounts assessed as impaired.

The general loan loss provision, calculated according to the Agency regulations, amounted BAM 58,179 thousand *(2010: 53,885 thousand)* or 2% of the relevant on- and off-balance-sheet risk exposure.

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.

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 whose value exceeds 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 8,157 thousand *(2010: BAM 7,846 thousand)*, which the management estimates as sufficient. It is not practicable 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

Bank's segments results can be analysed as follows:
1 "Retail": individuals, small business and sole traders;
2 "Corporate including State": large and medium corporate clients, State and public sector;
3 "Investments": Financial markets (trading activities or "MIB") and asset and liability management (ALM) and
4 "Central unit": investment in associate, 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 the remaining part of these financial statements small business is included in Corporate and State.

In calculation 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 expense has been changed compared to previous year. Comparative information has been restated.

Segmental profit or loss

	Retail	Corporate and State	Investments	Central unit	Total
31 December 2011	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
Net interest income	112,711	42,452	689	(12,888)	142,964
Net fee and commission income	33,543	17,074	(1,036)	(58)	49,523
Dividend income	-	-	-	9	9
Net gains on financial instruments at fair value through profit or loss and result from foreign exchange trading and translation of monetary assets and liabilities	7,512	1,373	2,180	-	11,065
Net losses from disposal of investment in associate	-	-	-	(257)	(257)
Income	**153,766**	**60,899**	**1,833**	**(13,194)**	**203,304**
Other income	821	275	24	313	1,433
Amortisation and impairment loss on property and equipment and intangible assets	(13,386)	(1,435)	(86)	(3,241)	(18,148)
Other operating expenses	(79,760)	(19,530)	(1,976)	(2,432)	(103,698)
Impairment losses on loans and receivables from customers, and other impairment losses and provisions	(8,853)	(13,773)	-	(3,572)	(26,198)
Segment result	**52,588**	**26,436**	**(205)**	**(22,126)**	**56,693**
Income tax expense	-	-	-	(6,709)	(6,709)
Net profit/(loss) for the period	52,588	26,436	(205)	(28,835)	49,984

4. Financial information by segment (continued)

31 December 2010, restated	Retail BAM '000	Corporate and State BAM '000	Investments BAM '000	Central unit BAM '000	Total BAM '000
Net interest income	95,333	27,222	11,227	(7,879)	125,903
Net fee and commission income	35,485	16,652	(1,384)	1	50,754
Dividend income	-	-	-	9	9
Net gains on financial instruments at fair value through profit or loss and result from foreign exchange trading and translation of monetary assets and liabilities	6,280	1,469	1,952	18	9,719
Net gains from investment securities	-	-	-	1,359	1,359
Income	**137,098**	**45,343**	**11,795**	**(6,492)**	**187,744**
Other income	853	87	29	-	969
Amortisation and impairment loss on property and equipment and intangible assets	(10,196)	(1,483)	(263)	(5,631)	(17,573)
Other operating expenses	(84,058)	(22,602)	(626)	3,300	(103,986)
Impairment losses on loans and receivables from customers, and other impairment losses and provisions	(12,272)	(16,639)	(763)	3,086	(26,588)
Segment result	**31,425**	**4,706**	**10,172**	**(5,737)**	**40,566**
Income tax expense	-	-	-	(4,963)	(4,963)
Net profit/(loss) for the period	**31,425**	**4,706**	**10,172**	**(10,700)**	**35,603**

Segmental statement of financial position

31 December 2011	Retail BAM '000	Corporate and State BAM '000	Investments BAM '000	Central unit BAM '000	Total BAM '000
Segment assets	1,378,535	852,866	1,071,444	241,162	3,544,007
Total assets	**1,378,535**	**852,866**	**1,071,444**	**241,162**	**3,544,007**
Segment liabilities	1,604,953	854,951	490,344	120,141	3,070,389
Current tax liability	-	-	-	1,805	1,805
Deferred tax liability	-	-	-	1,507	1,507
Total liabilities	**1,604,953**	**854,951**	**490,344**	**123,453**	**3,073,701**
Acquisition of property and equipment and intangible assets	-	-	-	9,917	9,917

4. Financial information by segment (continued)

	Retail	Corporate and State	Investments	Central unit	Total
31 December 2010, restated	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
Segment assets	1,403,858	720,667	1,349,557	137,676	3,611,758
Investment in associate	-	-	-	1,787	1,787
Prepaid income tax	-	-	-	1,605	1,605
Total assets	**1,403,858**	**720,667**	**1,349,557**	**141,068**	**3,615,150**
Segment liabilities	1,556,128	1,090,003	439,823	108,162	3,194,116
Deferred tax liability	-	-	-	997	997
Total liabilities	**1,556,128**	**1,090,003**	**439,823**	**109,159**	**3,195,113**
Acquisition of property and equipment and intangible assets	-	-	-	10,091	10,091

As previously noted, in 2011 and 2010 there were no significant non-cash transactions.

5. Interest income

Analysis by source

	2011	Restated 2010
	BAM '000	BAM '000
Retail	123,961	126,043
Corporate	49,851	50,511
Banks and other financial institutions	6,862	4,404
State and public sector	11,966	6,832
	192,640	**187,790**

Banks and other financial institutions also comprise interest income on obligatory reserve at Central bank BIH.

5. Interest income (continued)

Analysis by product

	2011 BAM '000	Restated 2010 BAM '000
Loans and receivables from customers	184,841	182,665
Loans and receivables from banks and cash reserves	3,564	1,809
Obligatory reserve and cash reserves with the Central Bank BIH	3,298	2,595
Debt securities	937	721
	192,640	**187,790**

Interest income on impaired loans amounted to BAM 2,543 thousand (2010: BAM 3,314 thousand).

6. Interest expense

Analysis by recipient

	2011 BAM '000	Restated 2010 BAM '000
Banks and other financial institutions	14,271	14,055
Retail	25,043	30,784
State and public sector	4,665	9,243
Corporate	5,697	7,805
	49,676	**61,887**

6. Interest expense (continued)

Analysis by product

	2011	Restated 2010
	BAM ’000	BAM ’000
Current accounts and deposits from retail customers	25,043	30,784
Interest bearing borrowings	8,718	5,652
Subordinated debt	808	821
Current accounts and deposits from corporates and State	10,363	17,048
Current accounts and deposits from banks	2,024	5,359
Issued debt securities	2,720	2,223
	49,676	**61,887**

7. Fee and commission income

	2011	Restated 2010
	BAM '000	BAM '000
Credit cards	20,090	22,146
Domestic payment transactions	13,664	13,070
Foreign payment transactions	8,952	8,857
Guarantees and letters of credit	5,002	5,121
Other	4,244	4,065
	51,952	**53,259**

8. Fee and commission expense

	2011	Restated 2010
	BAM '000	BAM '000
Foreign payment transactions	1,089	1,410
Domestic payment transactions	622	588
Other	718	507
	2,429	**2,505**

9a. Dividend income

	2011	Restated 2010
	BAM '000	BAM '000
Dividends from available for sale equity securities	9	9

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

	2011	Restated 2010
	BAM '000	BAM '000
Foreign exchange spot trading gains	11,298	9,263
Net (losses)/gains from FX forwards	(234)	453
Net foreign exchange gain from translation of monetary assets and liabilities	1	3
	11,065	**9,719**

9c. Net gains from investment securities

	2011	Restated 2010
	BAM '000	BAM '000
Net gain on sale of financial assets available for sale	-	1,359

9d. Net losses from disposal of investment in associate

	2011	Restated 2010
	BAM '000	BAM '000
Net losses from disposal of investment in associate	257	-

9e. Other income

	2011	Restated 2010
	BAM '000	BAM '000
Income from expenses recharged to customers	348	251
Net gain/(loss) on disposal of property	623	(3)
Rental income	49	55
Writteoffs and reversal of accrued expenses	97	323
Income from claims settled by insurance companies	46	45
Other	270	298
	1,433	**969**

10. Operating expenses

		Restated
	2011	2010
	BAM '000	BAM '000
Administration and marketing expenses	35,413	37,281
Personnel costs	53,165	52,283
Rental costs	7,568	7,668
Amortisation and deprecitation	15,274	16,695
Impairment of property and equipment	2,874	878
Savings deposit insurance expenses	6,221	5,798
State contributions (excluding personnel related)	1,053	751
Other expenses	278	205
	121,846	**121,559**

During the year there were no reversals of impairment losses on non-financial assets.
Personnel costs include BAM 9,854 thousand of defined contributions paid into the state-owned pension plans *(2010: BAM 9,748 thousand)*.

11. Other impairment losses and provisions

Charge/(credit) to other impairment losses and provisions in profit or loss, excluding impairment losses on loans and receivables from customers and banks, is analysed as follows:

			Restated
		2011	2010
	Note	BAM '000	BAM '000
Off-balance-sheet exposure to credit risk	*27*	1,527	480
Provisions for court cases	*27*	580	329
Other assets	*18*	1,522	(647)
		3,629	**162**

12. Income tax

Income tax recognised in profit or loss comprises current and deferred tax.

a) Income tax expense recognised in profit or loss

	2011	Restated 2010
	BAM '000	BAM '000
Current income tax charge	6,230	3,994
Net deferred tax (note 28)	479	969
	6,709	**4,963**

b) Reconciliation of income tax expense

	2011	Restated 2010	As previously reported 2010
	BAM '000	BAM '000	BAM '000
Profit before tax	56,693	40,566	36,616
Tax calculated at rate of 10%	5,669	4,057	3,662
Non-deductible expenses	631	541	541
Non-deductible provisions and write offs	101	127	127
Suspended income, not recognised as expense in prior years	(171)	(369)	(369)
Effect of transition to IFRS	-	(395)	-
Other loan loss provisions (note 28)	479	969	969
Reconciliation of prior year tax liability	-	33	33
Income tax expense	**6,709**	**4,963**	**4,963**
Average effective income tax rate	11.8%	12.2%	13.6%

13. Cash and cash equivalents

	2011	Restated 2010
	BAM '000	BAM '000
Cash in hand	113,235	120,951
Items in the course of collection	149	89
Current accounts with other banks	36,567	34,790
Giro account with Central Bank BIH	133,242	465,499
	283,193	**621,329**

14. Obligatory reserve with the Central Bank BIH

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

	2011	Restated 2010
	BAM '000	BAM '000
Obligatory reserve with Central Bank BIH	228,682	326,453

The basis for calculation of obligatory reserve excludes:
- borrowings taken from foreign entities;
- the funds from governments of BIH entities for development projects.

Required obligatory reserve rates are:
- 10% of 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).

Obligatory reserve rate on short-term deposits was reduced from 14% to 10% in February 2011.

15. Loans and receivables from banks

	2011	Restated 2010
	BAM '000	BAM '000
Placements with other banks - gross	602,641	361,460
Impairment allowance	(438)	(438)
	602,203	**361,022**

Loans and receivables from banks at 31 December 2011 included BAM 3,175 thousand pledged as collateral for the Bank's liabilities to Visa and MasterCard in respect of credit card operations *(2010: BAM 3,089 thousand).*

Loans and receivables from banks include BAM 137,307 thousand *(2010: BAM 73,348 thousand)* of placements and loans to related parties. Movement in impairment allowance for loans and receivables from banks:

	2011	Restated 2010
	BAM '000	BAM '000
Balance as at 1 January	438	438
Net charge to profit or loss	-	-
Balance as at 31 December	**438**	**438**

Placements with other banks are neither past due nor impaired, with the exception of placements with banks in the amount of BAM 438 thousand, which are fully provided for (unchanged from 31 December 2010).

Net impairment for loans and receivables from banks is included in impairment losses for loans and receivables in profit or loss.

16a. Financial assets available for sale

1.) Available-for-sale debt securities	2011 BAM '000	Restated 2010 BAM '000
BH entities governments' bonds	1,111	-
BH entities governments' treasury bills	22,196	-
Republic of Croatia treasury bills	2,047	1,322
Other sovereign bonds	45,395	39,420
	70,749	**40,742**
Listed or quoted	70,749	40,742
Unlisted and unquoted	-	-
	70,749	**40,742**

Other sovereign bonds in the amount of BAM 45,395 thousand *(2010: BAM 39,420 thousand)* relate to Germany and Finland government bonds (2010: Germany, Sweden, Netherlands and Finland), while BH entities bonds in the amount of BAM 1,111 thousand relate to bonds of the Federal Ministry of Finance of BIH.

BH entities' treasury bills in the amount of BAM 14,117 thousand relate to treasury bills of the Federal Ministry of Finance of BIH, while treasury bills in the amount of BAM 8,079 thousand relate to Ministry of Finance of Republic of Srpska.

During the year and in 2010, there were no impairment losses on available-for-sale financial assets.

2.) Available-for-sale equity securities	2011 BAM '000	Restated 2010 BAM '000
Listed	216	216
Unlisted	-	-
	216	**216**

16a. Financial assets available for sale (continued)

Analysis of financial assets available for sale according to fair value levels

Review of financial assets available for sale (other than equity securities carried at cost reductions for possible impairment) according to fair value levels is presented in the table below:

	Level 1	Level 2	Level 3	Total
31 December 2011	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
BH entities governments' bonds	-	1,111	-	1,111
BH entities governments' treasury bills	-	22,196		22,196
Republic of Croatia treasury bills	-	2,047	-	2,047
Other sovereign bonds	45,395	-	-	45,395
	45,395	**25,354**	**-**	**70,749**
	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2010	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
Republic of Croatia treasury bills	-	8,326	-	8,326
Foreign State bonds	32,416	-	-	32,416
	32,416	**8,326**	**-**	**40,742**

During the year and in 2010, there were no transfers of financial assets available for sale between different fair value levels.

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

	2011	2011	2010	2010
	BAM '000	**BAM '000**	**BAM '000**	**BAM '000**
Financial assets	**Notional amount**	**Fair value**	**Notional amount**	**Fair value**
Derivatives classified as held for trading – OTC products				
Forward foreign exchange contracts	300	2	8,162	11
Foreign exchange swap contracts	193,115	-	208,995	-
	193,415	**2**	**217,157**	**11**

16b. Financial assets and financial liabilities at fair value through profit or loss (continued)

Financial liabilities	2011 BAM '000 Notional amount	2011 BAM '000 Fair value	2010 BAM '000 Notional amount	2010 BAM '000 Fair value
Derivatives classified as held for trading – OTC products				
Forward foreign exchange contracts	120	1	423	9
Foreign exchange swap contracts	20,000	-	2,689	-
	20,120	**1**	**3,112**	**9**

Analysis of financial assets and liabilities at fair value through profit or loss according to fair value levels is presented in the table below:

31 December 2011	Level 1 BAM '000	Level 2 BAM '000	Level 3 BAM '000	Total BAM '000
Derivatives classified as held for trading – OTC products				
Financial assets	-	2	-	2
Financial liabilities	-	1	-	1
31 December 2010 (restated)	**Level 1 BAM '000**	**Level 2 BAM '000**	**Level 3 BAM '000**	**Total BAM '000**
Derivatives classified as held for trading – OTC products				
Financial assets	-	11	-	11
Financial liabilities	-	9	-	9

During the year, nor in 2010, there were no transfers of financial assets or financial liabilities at fair value through profit or loss between fair value levels.

17. Loans and receivables from customers

a) Analysis by product

	2011	Restated 2010
	BAM '000	BAM '000
Corporate including State		
- in BAM	1,074,366	987,795
- in foreign currency	75,016	61,539
Total corporate including State	**1,149,382**	**1,049,334**
Impairment allowance	(175,320)	(177,679)
Net corporate including State	**974,062**	**871,655**
Retail		
- in BAM	1,329,316	1,310,028
- in foreign currency	571	872
Total retail	**1,329,887**	**1,310,900**
Impairment allowance	(72,549)	(58,030)
Net retail	**1,257,338**	**1,252,870**
Total gross loans	**2,479,269**	**2,360,234**
Impairment allowance	(247,869)	(235,709)
Net loans	**2,231,400**	**2,124,525**
Total impairment allowance as a percentage of gross loans to customers	10%	9.99%

In Notes 17 and 33 retail includes individuals and sole traders. Included in retail loans in BAM is BAM 817,409 thousand of gross loans *(2010: BAM 1,061,929 thousand)*, and in corporate including State in BAM loans BAM 631,089 thousand *(2010: BAM 572,592 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 and receivables from customers (continued)

b) Movement in impairment allowance for loans and receivables

Impairment loss on loans and receivables presented in the profit or loss arises from the following movements in impairment allowance for loans and receivables:

	Retail	Corporate and State	Total
	BAM '000	**BAM '000**	**BAM '000**
Balance as at 1 January 2011, restated	58,030	177,679	235,709
Increase in impairment losses	36,199	24,057	60,256
Reversal of impairment on upgraded exposures	(12,379)	(6,213)	(18,592)
Collection of amounts previously provided	(9,166)	(9,929)	(19,095)
Impairment losses recognised in the profit or loss	*14,654*	*7,915*	*22,569*
Amounts written off	(63)	(10,275)	(10,338)
Effect of foreign exchange	(72)	1	(71)
Balance as at 31 December 2011	**72,549**	**175,320**	**247,869**
			-
Balance as at 1 January 2010, restated	57,263	162,610	219,873
Increase in impairment losses	22,726	48,575	71,301
Reversal of impairment on upgraded exposures	(5,219)	(11,438)	(16,657)
Collection of amounts previously provided	(16,511)	(11,707)	(28,218)
Impairment losses recognised in profit or loss	*996*	*25,430*	*26,426*
Amounts written off	(226)	(10,428)	(10,654)
Effect of foreign exchange	(3)	67	64
Balance as at 31 December 2010, restated	**58,030**	**177,679**	**235,709**

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

17. Loans and receivables from customers (continued)

c) Concentration of credit risk by industry

The Bank's loan portfolio as at 31 December 2011, net of impairment allowance, is analysed by industry in the table below:

	2011 BAM '000	Restated 2010 BAM '000
Manufacture of transport vehicles and ships	4,808	4,802
Wood and paper	45,568	52,378
Food and drink	51,988	52,923
Metal and mechanical	37,346	23,771
Electricity, gas and water	25,012	23,541
Electrical and optical equipment	10,930	12,503
Chemicals	24,970	22,832
Textile and leather	26,410	2,717
Tobacco	11,719	1,289
Other manufacturing	45,444	45,582
Total manufacturing	**284,195**	**242,338**
Retail and wholesale trade	384,679	306,017
Construction	64,511	64,958
Financial intermediaries	11,300	9,569
Transport and communications	92,054	104,441
Tourism	25,345	28,584
Real estate	30,851	39,778
Agriculture, forestry and fisheries	11,358	11,098
Central and local state and defence	50,180	44,859
Education and other public services	3,085	3,669
Health and social care	1,625	3,040
Other	14,879	13,304
Total other corporate including state loans, net	**689,867**	**629,317**
Total loans to corporate and State, net	**974,062**	**871,655**
Housing loans	299,781	307,010
Non-purpose loans	765,970	697,600
Other retail loans	191,587	248,260
Total retail loans, net	**1,257,338**	**1,252,870**
Total loans and receivables from customers	**2,231,400**	**2,124,525**

18. Accrued interest and other assets

	2011	Restated 2010
	BAM '000	BAM '000
Receivables from debit and credit cards	26,699	28,664
Accrued interest – not due	12,849	12,274
Accrued interest – due	1,461	1,604
Accrued fees	582	552
Other assets	11,240	12,539
Impairment allowance	(7,368)	(6,072)
	45,463	**49,561**

Movement in impairment allowance for other assets

	2011	Restated 2010
	BAM '000	BAM '000
As at 1 January, restated	**6,072**	**6,737**
Net charge/(credit) to profit or loss (Note 11)	1,522	(647)
Write offs	(241)	(2)
Effects of foreign exchange	15	(16)
As at 31 December, restated	**7,368**	**6,072**

Impairment losses on other assets are in profit or loss recognised in the line item other impairment losses and provisions (note 11).

19. Investment in associate

	2011	Restated 2010
	BAM '000	BAM '000
Associate	-	1,787
	-	**1,787**

In 2010, the Bank's investment in associate relates to investment in UPI Poslovni sistem d.d. As at 31 December 2010, the Bank held 48.8% of share capital in UPI Poslovni sistem d.d.

The investment was sold in 2011 for BAM 1,530 thousand, and the sale resulted in a loss of BAM 257 thousand for the Bank. These investments were held at cost less impairment, since it was impracticable to assess the fair value of investment.

On 31 December 2010 total assets of UPI Poslovni sistem amounted to BAM 4,921 thousand, liabilities amounted to BAM 37 thousand, and income and profit in 2010 amounted to BAM 579 thousand and BAM 24 thousand, respectively.

20. Property and equipment

2011	Land and buildings BAM '000	Motor vehicles and equipment BAM '000	Computers BAM '000	Assets acquired but not brought into use BAM '000	Total BAM '000
Cost or valuation					
As at 1 January 2011, restated	**50,389**	**31,267**	**45,529**	**3,398**	**130,583**
Additions	-	-	-	6,408	6,408
Write offs	-	(266)	(734)	-	(1,000)
Disposals	(640)	(459)	-	-	(1,099)
Brought into use	290	2,009	3,393	(5,692)	-
Transfer from other assets	4,213	-	-	-	4,213
As at 31 December 2011	**54,252**	**32,551**	**48,188**	**4,114**	**139,105**
Depreciation					
As at 1 January 2011, restated	**9,545**	**18,894**	**36,071**	**-**	**64,510**
Depreciation charge for the year	1,059	2,719	4,739	-	8,517
Write offs	-	(256)	(695)	-	(951)
Disposals	(191)	(393)	-	-	(584)
Impairment loss (note 10)	2,874	-	-	-	2,874
Transfer from other assets	1,218	-	-	-	1,218
As at 31 December 2011	**14,505**	**20,964**	**40,115**	**-**	**75,584**
Net carrying value					
As at 1 January 2011, restated	**40,844**	**12,373**	**9,458**	**3,398**	**66,073**
As at 31 December 2011	**39,747**	**11,587**	**8,073**	**4,114**	**63,521**

Assets acquired but not brought into use at 31 December 2011 represent equipment, motor vehicles and investments in property, not yet brought into use.

Carrying value of non-depreciating land within land and buildings amounted to BAM 0.4 million (2010: BAM 0.4 million).

Transfer from other assets relates to the building that was classified as held for sale at the 2010 year end. Since the building was not sold in 2011, it was reclassified back to property and equipment.

During the year, there were no capitalized borrowing costs related to acquisition of property and equipment.

Property and equipment of the Bank are not pledged as collateral for the Bank's borrowings.

20. Property and equipment (continued)

2010, restated	Land and buildings BAM '000	Motor vehicles and equipment BAM '000	Computers BAM '000	Assets acquired but not brought into use BAM '000	Total BAM '000
Cost or valuation					
As at 1 January 2010, restated	50,029	29,053	43,219	5,550	127,851
Additions	-	-		6,445	6,445
Write offs	-	(380)	(810)	-	(1,190)
Disposals	(176)	(419)	-	-	(595)
Brought into use	2,464	3,013	3,120	(8,597)	-
Transfer to other assets	(4,213)	-	-	-	(4,213)
Transfer from intangible assets	2,285	-	-	-	2,285
As at 31 December 2010, restated	**50,389**	**31,267**	**45,529**	**3,398**	**130,583**
Depreciation					
As at 1 January 2010, restated	**7,712**	**16,768**	**31,315**	**-**	**55,795**
Transfer to other assets	(1,218)	-	-	-	(1,218)
Depreciation charge for the year	1,009	2,779	5,561	-	9,349
Write offs	(24)	(319)	(805)	-	(1,148)
Disposals	(49)	(334)	-	-	(383)
Impairment loss *(note 10)*	878	-	-	-	878
Transfer from intangible assets	1,237	-	-	-	1,237
As at 31 December 2010, restated	**9,545**	**18,894**	**36,071**	**-**	**64,510**
Net carrying value					
As at 1 January 2010, restated	**42,317**	**12,285**	**11,904**	**5,550**	**72,056**
As at 31 December 2010, restated	**40,844**	**12,373**	**9,458**	**3,398**	**66,073**

Assets acquired but not brought into use at 31 December 2010 represent equipment, motor vehicles and investments in property, not yet brought into use.
Carrying value of non-depreciating land within land and buildings amounted to BAM 0.4 million on 31 December 2010 (2010: BAM 0.4 million).
Transfer to other assets relates to the building classified as held for sale at the 2010 year end. Before reclassification, the Bank recognised impairment loss for this building in the amount of BAM 878 thousand (Note 10).

During 2010, there were no capitalised borrowing costs related to acquisition of property and equipment.

During 2010, property and equipment of the Bank were not used as collateral.

21. Intangible assets

31 December 2011	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 2011, restated	**34,027**	**25,473**	**5,623**	**2,903**	**68,026**
Additions	-	-	-	3,509	3,509
Write offs	(970)	-	-	-	(970)
Brought into use	786	678	554	(2,018)	-
As at 31 December 2011	**33,843**	**26,151**	**6,177**	**4,394**	**70,565**
Amortisation					
As at 1 January 2011, restated	**24,537**	**19,741**	**1,922**	**-**	**46,200**
Amortisation charge for the year	3,277	2,330	1,150	-	6,757
Write offs	(970)	-	-	-	(970)
As at 31 December 2011	**26,844**	**22,071**	**3,072**	**-**	**51,987**
Net carrying value					
As at 1 January 2011, restated	**9,490**	**5,732**	**3,701**	**2,903**	**21,826**
As at 31 December 2011	**6,999**	**4,080**	**3,105**	**4,394**	**18,578**

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

During the year, the Bank did not capitalize any borrowing costs related to acquisition of software.

At reporting date, the Bank did not have any internally generated intangible assets.

21. Intangible assets (continued)

31 December 2010, restated	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, restated	**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 tangible assets	-	(2,285)	-	-	(2,285)
As at 31 December 2010, restated	**34,027**	**25,473**	**5,623**	**2,903**	**68,026**
Amortisation					
As at 1 January 2010, restated	**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 tangible assets	-	(1,237)	-	-	(1,237)
As at 31 December 2010, restated	**24,537**	**19,741**	**1,922**	**-**	**46,200**
Net carrying value					
As at 1 January 2010, restated	**9,524**	**9,100**	**3,142**	**4,816**	**26,582**
As at 31 December 2010, restated	**9,490**	**5,732**	**3,701**	**2,903**	**21,826**

Assets acquired but not brought into use at 31 December 2010 represented leasehold improvements and software.

During 2010 the Bank did not capitalise any borrowing costs related to acquisition of software.

At 31 December 2010, the Bank did not have any internally generated intangible assets.

22. Current accounts and deposits from banks

	2011	Restated 2010
	BAM '000	**BAM '000**
Demand deposits		
- in BAM	2,134	2,003
- in foreign currency	6,237	5,706
Term deposits		
- in BAM	-	1,193
- in foreign currency	119,306	119,306
	127,677	**128,208**

Current accounts and deposits from banks include BAM 120,367 thousand due to related parties *(2010: BAM 121,539 thousand)*.

23. Current accounts and deposits from customers

	2011	Restated 2010
	BAM '000	BAM '000
Retail		
Foreign currency current accounts, savings accounts and term deposits	933,309	914,876
BAM current accounts, savings accounts and term deposits	503,419	464,594
	1,436,728	**1,379,470**
Corporate and State		
Demand deposits		
- in BAM	578,264	754,355
- in foreign currency	182,353	235,241
Term deposits		
- in BAM	149,017	133,581
- in foreign currency	113,188	144,700
	1,022,822	**1,267,877**
	2,459,550	**2,647,347**

Retail deposits in BAM include BAM 1,485 thousand *(2010: BAM 1,894 thousand)*; corporate including State deposits in BAM include BAM 87,216 thousand *(2010: BAM 108,287 thousand)* which have EUR counter value, with payments in BAM equivalent translated at the rate applicable at the date of payment.

Current accounts and deposits from customers include BAM 9,309 thousand from related parties *(2010: BAM 4,163 thousand).*

24a. Interest-bearing borrowings

	2011	Restated 2010
	BAM '000	**BAM '000**
Foreign banks	231,528	169,819
Domestic banks	8,315	8,965
Other sources	3,265	8,154
	243,108	**186,938**

Interest-bearing borrowings include BAM 117,350 thousand *(2010: BAM 27,382 thousand)* of borrowings from related parties.

24b. Subordinated debt

	2011	Restated 2010
	BAM '000	**BAM '000**
Subordinated debt	**19,558**	**23,470**

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

Subordinated debt in the amount of BAM 19,558 thousand *(2010: BAM 19,558 thousand)* relates to Bank Polska Kasa Opieki S.A., Paris, while the remaining part of the subordinated debt in 2010 in the amount of BAM 3,912 thousand related to Bank Austria.

25. Accrued interest and other liabilities

	2011	Restated 2010
	BAM '000	BAM '000
Interest payable – not yet due	21,037	22,186
Deferred income	14,651	14,437
Credit card payables	6,648	6,429
Interest payable – due	135	93
Accrued expenses	14,576	13,512
Liabilities for items in the course of settlement	40,870	29,667
Other liabilities	6,258	7,333
	104,175	**93,657**

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 2013, with six-month EURIBOR + 1% interest rate.

27. Provisions for liabilities and charges

	Total	Provisions for off-balance-sheet items	Provisions for court cases	Long term provisions for employees
	BAM '000	BAM '000	BAM '000	BAM '000
Balance as at 1 January 2011, restated	14,487	4,961	7,846	1,680
Net charge in profit of loss	2,252	1,527	580	145
Provisions used during the year	(418)	-	(269)	(149)
Foreign currency differences	(1)	(1)	-	-
Balance as at 31 December 2011	**16,320**	**6,487**	**8,157**	**1,676**

27. Provisions for liabilities and charges (continued)

	Total	Provisions for off-balance-sheet items	Provisions for court cases	Long term provisions for employees
	BAM '000	BAM '000	BAM '000	BAM '000
Balance as at 1 January 2010, restated	**13,594**	**4,442**	**7,660**	**1,492**
Net charge in profit of loss	1,104	480	329	295
Provisions used during the year	(250)	-	(143)	(107)
Foreign currency differences	39	39	-	-
Balance as at 31 December 2010, restated	**14,487**	**4,961**	**7,846**	**1,680**

Provisions for liabilities and charges are presented within other impairment losses and provisions in profit or loss (Note 11), whereas long-term provisions for employees are presented within personnel costs in operating expenses (Note 10).

28. Deferred tax assets and liabilities

Deferred tax liability

	2011	Restated 2010
	BAM '000	BAM '000
Net deferred tax assets	**-**	**-**
Deferred tax liabilities		
Net deferred tax liability for financial assets available for sale	(59)	(28)
Net deferred tax liability for other provisions for loans and receivables from customers	(1,448)	(969)
Net deferred tax liability	**(1,507)**	**(997)**

28. Deferred tax assets and liabilities (continued)

Movements in temporary differences of deferred tax assets and deferred tax liabilities in profit of loss and other comprehensive income, are presented as follows:

	Deferred tax asset	Deferred tax liability	Net deferred tax asset/ (liability)
	BAM '000	BAM '000	BAM '000
Balance as at 1 January 2011, restated	**-**	**(997)**	**(997)**
Change in fair value of AFS financial assets recognised in other comprehensive income	-	(31)	(31)
Other provisions for loans and receivables from customers through profit or loss *(note 12)*	-	(479)	(479)
Balance as at 31 December 2011	**-**	**(1,507)**	**(1,507)**

	Deferred tax asset	Deferred tax liability	Net deferred tax asset/ (liability)
	BAM '000	BAM '000	BAM '000
Balance as at 1 January 2010, restated	**-**	**(142)**	**(142)**
Foreign exchange difference on non-monetary AFS financial assets recognised in other comprehensive income	-	(3)	(3)
Change in fair value of AFS financial assets recognised in other comprehensive income	-	(19)	(19)
Realised gain on sale of AFS financial assets previously recognised in other comprehensive income	-	136	136
Other provisions for loans and receivables from customers recognised through profit or loss *(note 12)*		(969)	(969)
Balance as ad 31 December 2010, restated	**-**	**(997)**	**(997)**

29. Issued share capital

	31 December 2011 and 2010		
	Class A	Class D	
	Ordinary shares	Preference shares	Total
Number of shares	119,011	184	119,195
Pair value (BAM)	1,000	1,000	1,000
Balance (BAM '000)	119,011	184	119,195

Earnings per share calculation is presented below.

		Restated
	31 December 2011	31 December 2010
	BAM '000	BAM '000
Net profit for the period attributable to ordinary shareholders	49,984	35,603
Weighted average number of ordinary shares during the period	118.935	118.935
Basic and diluted earnings per share (BAM)	**420.26**	**299.35**

During 2011 and 2010 there was no dilution effect, accordingly basic and diluted earnings per share at the reporting date and at 31 December 2010 were equal.

30. Commitments and contingencies

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

	2011	Restated 2010
	BAM '000	BAM '000
Performance guarantees	94,965	110,661
Payment and custom guarantees	176,300	137,258
Letters of credit	11,776	9,365
Undrawn lending commitments	412,896	395,880
	695,937	**653,164**

31. Managed funds for and on behalf of third parties and custody services

	2011	Restated 2010
	BAM '000	BAM '000
Loans managed on behalf of third parties	45,862	46,305
Assets under custody	358,898	165,206
	404,760	**211,511**

These funds are not part of the statement of the financial position of the Bank, nor part of assets of the Bank, the Bank does not take any commitments by them and they are managed separately. The Bank earns fee income for provision of the related services.

32. 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% *(2010: 65.59%)* and UniCredit Bank Austria AG with 24.4% *(2010: 24.4%).* The Bank considers that it has an immediate related party relationship with its key shareholders and their subsidiaries; its associate (up until disposal); Supervisory Board members, Management Board members and other executive management (together "key management personnel"); close family members of key management personnel; and entities controlled, or significantly influenced by key management personnel and their close family members.

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

32. Related party transactions (continued)

The overview of related party transactions at 31 December 2011 is presented below:

31 December 2011	Exposure BAM '000	Liabilities BAM '000	Income BAM '000	Expense BAM '000
1. Parent company				
Zagrebačka banka d.d.	6,908	101,212	347	3,211
2. Associate (until November 2011)				
UPI Poslovni sistem	-	-	-	38
3. Other members of UniCredit group				
UniCredit S.p.A	6,587	86	81	-
UniCredit Bank Austria AG	92,183	217,702	703	5,139
UniCredit Bank AG	380	19,786	37	827
UniCredit Global Information Services (Ugis)	1,536	-	-	3,949
Bank Polska Kasa Opieki S,A	11	19,773	-	791
UniCredit Bank Slovenija	-	78	13	-
UniCredit Global Leasing Vienna	1	8,157	3	87
ZANE BH d.o.o	-	1,233	-	11
UniCredit Banjalučka banka a.d.	38,004	2	394	43
Total UniCredit Group	**145,610**	**368,029**	**1,578**	**14,096**
Management Board and other key management personnel	1,175	2,727	79	4,827
Total related parties	**146,785**	**370,756**	**1,657**	**18,923**

32. Related party transactions (continued)

31 December 2010	Exposure BAM '000	Liabilities BAM '000	Income BAM '000	Expense BAM '000
1. Parent company				
Zagrebačka banka d.d.	4,604	101,260	346	2,546
2. Associate				
UPI Poslovni Sistem	-	1,014	-	382
3. Other members of UniCredit group				
UniCredit S.p.A	15,863	-	106	-
UniCredit Bank Austria AG	66,892	131,346	398	5,413
UniCredit Bank AG	1,333	19,610	-	445
UniCredit Global Information Services (Ugis)	893	-	-	3,726
Bank Polska Kasa Opieki S.A	18	19,742	-	697
UniCredit Bank Slovenija	1	320	-	-
UniCredit Global Leasing Vienna	-	3,613	102	3
ZANE BH d.o.o	-	438	9	10
UniCredit Banjalučka banka a.d.	-	1,202	2	1
Total UniCredit Group	**89,604**	**278,545**	**963**	**13,223**
Management Board and other key management personnel	1,174	2,509	*	4,392
Total related parties	**90,778**	**281,054**	**963**	**17,615**

Income from UniCredit Group members in 2011 includes interest income in the amount of BAM 1,193 thousand *(2010: BAM 616 thousand)* and fee and commission income in the amount of BAM 385 thousand *(2010: BAM 338 thousand)*. Income in 2010 also includes other income in the amount of BAM 9 thousand.

Expenses towards UniCredit Group members in 2011 include interest expense in the amount of BAM 9,335 thousand *(2010: BAM 8,821 thousand)*, fees in the amount of BAM 406 thousand *(2010: BAM 328 thousand)*, other administrative expenses in the amount of BAM 4,049 thousand *(2010: BAM 4,074 thousand)* and other expenses in the amount of BAM 306 thousand.

Regarding exposure toward the related parties, the Bank did not have any impairment losses in 2011 and 2010, and the balance of impairment allowance at 31 December 2011 and 31 December 2010 was nil. Further, the Bank did not receive any guarantees from the related parties at 31 December 2011 and 31 December 2010, but has issued guarantees in an amount of BAM 13,769 thousand to Bank Austria (31.12.2010: BAM 13,461 thousand).

*not practicable to disclose

32. Related party transactions (continued)

Remuneration paid to Management Board and other key management personnel:

	2011	2010
	BAM '000	**BAM '000**
Management Board		
Salaries paid during current year in respect of current year	1,369	1,374
Bonuses paid during current year in respect of prior year	691	694
	2,060	**2,068**

	2011	2010
	BAM '000	**BAM '000**
Other key management personnel		
Salaries paid during current year in respect of current year	2,073	1,722
Bonuses paid during current year in respect of prior year	611	521
	2,684	**2,243**

Management Board and other key management personnel costs include BAM 958 thousand of contributions with defined contribution amounts paid on and from salaries, into the state-owned pension plans *(2010: BAM 909 thousand).*

33. 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.

33. Risk management (continued)

1. Credit risk

The Bank is exposed to credit risk, which can be defined as a possibility that the borrower will default on its obligations defined in lending 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, in a way that exposures to portfolios and individual client/group exposures are reviewed by taking into account prescribed limits.

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

In order to manage the level of credit risk, the Bank deals with counterparties of good credit standing, and when appropriate, obtains collateral. The choice of collateral instruments for covering the Bank's receivables depends on:

- The assessment of the borrower's credit standing
- Risk evaluation of the lending product itself
- Evaluation of the value of the offered collaterals
- External regulations

The majority of credit risk exposures are secured with collateral in the form of cash, mortgages and guarantees, and so called primary collateral consisting of promissory notes giving the Bank full contractual authority for collection of outstanding debts from the clients' accounts as well as a preapproval for seizure of income verified by the competent local authority (applicable to individual clients).

The Bank continually applies prudent methods and tools in the credit risk assessment process.

33. Risk management (continued)

1. Credit risk (continued)

Maximum exposure to credit risk relating to items in the statement of financial position and commitments (off-balance sheets items) is as follows:

	2011	Restated 2010
Statement of financial position	**BAM '000**	**BAM '000**
Current accounts with Central Bank BIH and other banks *(Note 13)*	169,958	500,378
Obligatory reserve with Central Bank BIH *(Note 14)*	228,682	326,453
Loans and receivables from banks *(Note 15)*	602,203	361,022
Financial assets at fair value through P&L *(Note 16b)*	2	11
Loans and receivables from customers *(Note 17)*	2,231,400	2,124,525
Financial assets available for sale *(Note 16a)*	70,749	40,742
Accrued interest *(Note 18)*	14,310	13,878
Income tax prepayment	-	1,605
Other assets *(Note 18)*	29,719	31,002
Total credit risk exposure relating to assets	**3,347,023**	**3,399,616**
Off-balance-sheet items (Note 30)		
Guarantees	271,265	247,919
Letters of credit	11,776	9,365
Undrawn lending commitments	412,896	395,880
Total off-balance sheet credit risk exposure	**695,937**	**653,164**
As at 31 December	**4,042,960**	**4,052,780**

The above table represents maximum credit risk exposure of the Bank as at 31 December 2011 and 31 December 2010, without taking into account any collateral held or other credit enhancements attached. For items in the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. For commitments maximum credit risk exposure equals to the total undrawn amounts.

As shown above, 55.2% of the total maximum exposure to credit risk is derived from loans and receivables from customers (2010: 52.4%), while 14.9% refers to loans and receivables from banks (2010: 8.9%).

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

33. Risk management (continued)

1. Credit risk (continued)

Real estate market trends
In 2011 real estate prices in Bosnia and Herzegovina have experienced a slight downfall with reduced number of transactions. Reduced liquidity in the real estate market had an adverse effect on the expected time to complete the sale as well as the sales value of assets in cases when the Bank relies on collateral to collect the asset. However, due to its conservative credit approval policy, as well as an advanced risk assessment process, management believes that the negative trends in the real estate market had no significant effect on the value of the Bank's loan portfolio.

Rescheduled and restructured receivables
The Bank rescheduled certain receivables during the year, with the aim of improving their ultimate recoverability. This is done in response to the deterioration of the borrowers' financial position or to prevent further deterioration for borrowers which are able to fulfil their obligations to the Bank with minor modifications to the terms of the initial loan agreement.

Loan restructuring is done for clients where the focus of the business relationship shifted from making profit to mitigating losses on lending exposure at a stage when legal action for mitigating losses is not yet needed. The goal is timely identification of clients where restructuring would enable them to continue in business and to mitigate/prevent further losses for the Bank.

Restructuring Department was formed in May 2011. Restructuring activities are based on cooperation with other organisational parts of the Bank, which identify clients/exposures that are the subject of the restructuring; and include; supporting of sales staff in defining the appropriate restructuring strategy, analysing restructuring applications, suggesting measures and making recommendations for restructuring, monitoring progress, monitoring the portfolio, assessing the level of impairment and the Bank's proposing measures that would improve collateral coverage in order to strengthen position in the collection of receivables.

The number of restructured loans has increased significantly in 2011, rising from BAM 51 million to BAM 101 million which is an increase of 98%. In the same period 3.473 agreements were reached for contractual repayments on current accounts and credit cards amounting to BAM 2.9 million (2010: BAM 128 and BAM 144 thousand).

Impairment losses for restructured loans are determined on individual basis.

33. Risk management (continued)

1. Credit risk (continued)

Impairment allowance coverage of non-performing loan portfolio is 69.8% *(2010: 64%)*.

Loans to customers

Retail loans	31 December 2011 BAM '000	Restated 31 December 2010 BAM '000
Loans that are neither past due nor impaired *(note 33.1.a)*	1,245,993	1,243,071
Past due loans that are not impaired *(note 33.1.b)*	2,159	4,832
Non-performing (impaired) loans	81,735	62,997
Gross	**1,329,887**	**1,310,900**
Less: impairment allowance	(72,549)	(58,030)
Net	**1,257,338**	**1,252,870**

Corporate and state loans	31 December 2011 BAM '000	31 December 2010 BAM '000
Loans that are neither past due nor impaired *(note 33.1.a)*	898,006	777,052
Past due loans that are not impaired *(note 33.1.b)*	9,092	8,550
Non-performing (impaired) loans	242,284	263,732
Gross	**1,149,382**	**1,049,334**
Less: impairment allowance	(175,320)	(177,679)
Net	**974,062**	**871,655**

33. Risk management (continued)

1. Credit risk (continued)

Total impairment allowance for loans to customers is BAM 247,869 thousand *(2010: BAM 235,709 thousand)* of which BAM 226,189 thousand *(2010: BAM 209,243 thousand)* represents specific impairment allowance and the remaining amount of BAM 21,680 thousand *(2010: BAM 26,466 thousand)* represents the general provision calculated on a portfolio basis.

a) Loans 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 or enhanced monitoring system. All loans to customers are regularly monitored and systematically reviewed in order to identify any anomaly or warning signals, and take timely action based on improvement or deterioration of client risk profile.

	Retail					Corporate and State			
	Cash and consumer loans	Credit cards 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 December 2011									
Standard monitoring	780,297	165,838	299,212	646	1,245,993	461,706	126,358	245,552	833,616
Special monitoring	-	-	-	-	-	28,308	31,148	4,934	64,390
	780,297	**165,838**	**299,212**	**646**	**1,245,993**	**490,014**	**157,506**	**250,486**	**898,006**
31 December 2010, restated									
Standard monitoring	741,662	176,884	323,463	1,062	1,243,071	320,376	238,318	108,891	667,585
Special monitoring	-	-	-	-	-	21,701	48,457	39,309	109,467
	741,662	**176,884**	**323,463**	**1,062**	**1,243,071**	**342,077**	**286,775**	**148,200**	**777,052**

33. Risk management (continued)

1. Credit risk (continued)

b) Past due loans that are not impaired

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

	Retail					Corporate and State			
	Cash and consumer loans	Credit cards 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 December 2011									
Past due up to 30 days	739	123	228	3	1,093	49	647	4,632	5,328
Past due 30 – 60 days	34	965	20	-	1,019	838	422	2,137	3,397
Past due 60-90 days	-	47		-	47	-	112	255	367
Past due over 90 days	-	-	-	-	-	-	-	-	-
Total	**773**	**1,135**	**248**	**3**	**2,159**	**887**	**1,181**	**7,024**	**9,092**
Estimated value of collateral	**286**	**-**	**248**	**-**	**534**	**886**	**1,156**	**6,962**	**9,004**
31 December 2010, restated									
Past due up to 30 days	789	369	206	2	1,366	2	746	531	1,279
Past due 30 – 60 days	426	1,555	192	3	2,176	32	2,859	627	3,518
Past due 60-90 days	132	406	45	-	583	-	1,358	107	1,465
Past due over 90 days	75	523	109	-	707	181	1,448	659	2,288
Total	**1,422**	**2,853**	**552**	**5**	**4,832**	**215**	**6,411**	**1,924**	**8,550**
Estimated value of collateral	**154**	**-**	**552**	**-**	**706**	**215**	**6,411**	**1,744**	**8,370**

Estimated values of properties pledged as collateral are based on valuations done by authorised surveyors/agency upon initial approval of a loan or possible subsequent re-evaluation, 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. Guarantors, co-debtorship and bills of exchange are not valued in the table above although they are usually required as collateral.

33. Risk management (continued)

1. Credit risk (continued)

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

c) Non-performing loans (impaired loans)

Non-performing loans to customers before taking into considerations the cash flows from collateral held amount BAM 97,830 thousand *(2010: BAM 117,416 thousand)*. The breakdown of the net amount of the individually impaired loans to customers, along with the fair value of related collateral held by the Bank as security, are as follows:

	Retail					Corporate and State			
	Cash and consumer loans	Credit cards 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 December 2011									
Non-performing loans	4,239	3,323	9,698	19	17,279	51,070	14,605	14,876	80,551
Estimated value of collateral	**106**	**-**	**7,213**	**-**	**7,319**	**36,490**	**14,605**	**14,876**	**65,971**
31 December 2010, restated									
Non-performing loans	4,725	1,119	6,348	22	12,214	66,492	26,436	12,274	105,202
Estimated value of collateral	**45**	**-**	**2,948**	**22**	**3,015**	**37,181**	**18,724**	**12,273**	**68,178**

2. Liquidity risk

Liquidity risk is the potential risk that the Bank will not be able to meet its obligation on maturity, in full and without delay. It arises in the Bank's financing activities and assets and liabilities management. Adjusting its business in regards to liquidity risk is achieved through compliance with the relevant legislation, internal policies for maintenance of liquidity reserves, matching of assets and liabilities and adherence to liquidity limits set by the UniCredit Group.

33. Risk management (continued)

2. Liquidity risk (continued)

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 through use of sources with different maturities.

The Bank has access to a diverse funding base including various types of retail and corporate and bank deposits, borrowings, subordinated debt, issued debt securities and share capital. These enhance funding flexibility and limit dependence on any one source of funds as well as generally ensure better funding costs management.

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

The process of liquidity management includes developments of annual plans and development of back up liquidity plans.

UniCredit Group initiated changes related to Liquidity risk management that are currently in the analysis phase prior to implementation, with certain suggestions having been made for improvements to operating and managing processes.

In the second half of 2011 the Bank initiated activities relating to reconciliation of data for the purposes of reporting on liquidity positions according to Basel III methodology – Net Stable Funding Ratio and Liquidity Coverage Ratio.

2.a) Structural liquidity

Structural liquidity and liquidity gap is presented based on the remaining contractual maturity, with the following exceptions:

1) current accounts and demand deposits accounts as well as overdrafts of retail and corporate clients are classified using replication portfolio methodology, which is based on simulation GMB model, using historical data for the past 3 years.

2) securities available for sale are classified according to assigned codes of liquidity, which represent the timeframe needed to pledge the security as collateral with a central bank or sell it on the open market.

3) the obligatory reserve is presented within the overnight time bucket in accordance with standard mapping by the Group.

4) Non-performing loans, investment in associate, other assets and equity are also classified, according to standard rules set by the Group, to the longest maturity bucket. Non-performing loans are for the purpose of this disclosure loans with assigned internal rating of 8, 9 or 10.

5) other assets include property and equipment, receivables from credit cards and other receivables.

33. Risk management (continued)

2.a) Structural liquidity (continued)

6) Other liabilities include credit card payables, provisions for other assets and other fees and liabilities.

7) guarantees, unused credit lines and undrawn lending commitments, presented within off-balance sheet lines and contingent liabilities in the tables below have been classified based on the timing and amount of expected cash flows, while in the remaining notes to the financial statements they are presented in the amount of the outstanding commitment.

8) Obligatory reserve also includes a part of other funds placed with CB BIH.

The classification of assets, liabilities and off-balance-sheet items in the tables below differs from the remaining part of the financial statements, as they have been prepared using management reports. Reconciliation is not practicable. Some of the main differences are as follows:
- assets are presented on a gross basis i.e. without deduction of impairment allowances;
- impaired loans are classified as a separate line item within other assets;
- the fair value of derivatives is presented within other assets and other liabilities, as appropriate;
- other assets include property and equipment and intangible assets and investment property, but exclude interest receivable, which are presented together with the related principal amounts (the same applies for interest payable within liabilities);
- cash in the tables below includes only cash in hand and items in the course of collection, with current accounts being presented within loans and receivables from banks.

33. Risk management (continued)

2.a) Structural liquidity (continued)

BAM million 31 December 2011	TOTAL	Overnight	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	3 to 10 years	Over 10 years
Gap	**(74)**	**111**	**503**	**(89)**	**(67)**	**2**	**(34)**	**(500)**
Assets	**3,979**	**569**	**902**	**171**	**563**	**592**	**888**	**294**
Statement of financial position	**3,763**	**569**	**688**	**169**	**563**	**592**	**888**	**294**
Loans and receivables from customers	*2,037*	*9*	*97*	*155*	*401*	*553*	*798*	*24*
Retail	1,063	2	30	54	187	345	434	11
Corporate	974	7	67	101	214	208	364	13
Mortgage loans to customers	177	-	1	3	15	39	90	29
Retail	177	-	1	3	15	39	90	29
Securities	70	41	2	-	27	-	-	-
Financial AFS assets	70	41	2	-	27	-	-	-
Loans and receivables from banks	*997*	*398*	*588*	*11*	-	-	-	-
Current accounts	36	36	-	-	-	-	-	-
Deposits	599	-	588	11	-	-	-	-
Obligatory reserve	362	362	-	-	-	-	-	-
Other assets	*482*	*121*	-	-	*120*	-	-	*241*
Cash	121	121	-	-	-	-	-	-
Impaired loans	159	-	-	-	-	-	-	159
Other assets	202	-	-	-	120	-	-	82
Off-balance-sheet	**216**	**-**	**214**	**2**	**-**	**-**	**-**	**-**
Derivatives	*216*	-	*214*	2	-	-	-	-
Unused credit lines	-	-	-	-	-	-	-	-
Liabilities	4,053	458	399	260	630	590	922	794
Statement of financial position	3,837	456	185	258	625	590	929	794
Demand deposits	1,592	272	116	101	211	249	587	56
Retail	823	120	41	38	83	108	392	41
Corporate	769	152	75	63	128	141	195	15
Time deposits	887	176	61	86	247	137	180	-
Retail	628	164	53	54	126	58	173	-
Corporate	259	12	8	32	121	79	7	-
Current accounts and deposits from banks	389	8	8	71	36	104	162	-
Borrowings	261	-	8	6	26	59	162	-
Current accounts and deposits	128	8		65	10	45	-	-
Other liabilities and equity	869	-	-	-	131	-	-	738
Equity	470	-	-	-	-	-	-	470
Other liabilities	131	-	-	-	131	-	-	-
Provisions	268	-	-	-	-	-	-	268
Issued debt securities	100	-	-	-	-	100		-
Off-balance-sheet	**216**	**2**	**214**	**2**	**5**	**-**	**(7)**	**-**
Derivatives	216	-	214	2	-	-	-	-
Contingent liabilities	-	2	-	-	5	-	(7)	-

33. Risk management (continued)

2.a) Structural liquidity (continued)

BAM million 31 December 2010	TOTAL	Overnight	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	3 to 10 years	Over 10 years
Gap	**(104)**	**683**	**65**	**(342)**	**(229)**	**254**	**(184)**	**(351)**
Assets	**3.896**	**970**	**716**	**130**	**505**	**603**	**801**	**171**
Statement of financial position	**3.661**	**968**	**485**	**128**	**505**	**603**	**801**	**171**
Loans and receivables from customers	1,766	18	88	122	359	530	638	11
Retail	1,045	6	30	58	194	345	404	8
Corporate	721	12	58	64	165	185	234	3
Mortgage loans to customers	304	-	3	6	29	73	163	30
Retail	304	-	3	6	29	73	163	30
Securities	*40*	-	*37*	-	*3*	-	-	-
Financial AFS assets, and held-to-maturity assets	40	-	37	-	3	-	-	-
Loans and receivables from banks	1,182	825	357	-	-	-	-	-
Current accounts	33	33	-	-	-	-	-	-
Deposits	357	-	357	-	-	-	-	-
Obligatory reserve	792	792	-	-	-	-	-	-
Other assets	*369*	*125*	-	-	*114*	-	-	*130*
Cash	125	125	-	-	-	-	-	-
Impaired loans	39	-	-	-	-	-	-	39
Other assets	205	-	-	-	114	-	-	91
Off-balance-sheet	**235**	**2**	**231**	**2**	**-**	**-**	**-**	**-**
Derivatives	235	2	231	2	-	-	-	-
Unused credit lines	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities	4,000	287	651	472	734	349	985	522
Statement of financial position	**3,765**	**283**	**420**	**470**	**729**	**349**	**992**	**522**
Demand deposits	1,712	27	357	339	257	-	732	-
Retail	888	14	164	133	133	-	444	-
Corporate	824	13	193	206	124	-	288	-
Time deposits	936	248	62	101	218	135	172	-
Retail	675	184	55	65	127	80	164	-
Corporate	261	64	7	36	91	55	8	-
Current accounts and deposits from banks	335	8	1	30	94	114	88	-
Borrowings	126	-	1	5	18	53	49	-
Current accounts and deposits	209	8	-	25	76	61	39	-
Other liabilities and equity	682	-	-	-	160	-	-	522
Equity	420	-	-	-	-	-	-	420
Other liabilities	160	-	-	-	160	-	-	-
Provisions	102	-	-	-	-	-	-	102
Issued debt securities	100	-	-	-	-	100	-	-
Off-balance-sheet	**235**	**4**	**231**	**2**	**5**	**-**	**(7)**	**-**
Derivatives	235	2	231	2	-	-	-	-
Contingent liabilities	-	2	-	-	5	-	(7)	-

33. Risk management (continued)

2.b) Future cash flows from interest bearing liabilities

Future cash flows from the Bank's interest bearing liabilities (including principal and interest) are shown in the tables below:

31 December 2011	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	8,461	64,790	9,990	46,173	-	129,414
Current accounts and deposits from customers	1,534,149	103,651	448,190	370,149	74,022	2,530,161
Interest-bearing borrowings	9,253	6,184	26,167	241,271	9,500	292,375
Subordinated debt	-	410	414	21,776	-	22,600
Issued debt securities	-	812	1,890	102,809	-	105,511
Total liabilities	**1,551,863**	**175,847**	**486,651**	**782,178**	**83,522**	**3,080,061**

31 December 2010, restated	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
Interest-bearing 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**

33. Risk management (continued)

3. Market risk

Market risk is the risk of changes in market prices having adverse effect on profit or loss and the statement of financial position.

Overall exposure to market risks is monitored within Risk Management Department using techniques such as Value at Risk – VaR and Stress testing.

In addition to development and implementation of techniques for measuring market risk, the Bank continually works on improving its business processes and quality of data.

In 2011 the Bank made progress in increasing security of clients and the Bank in the derivatives trading process.

Following an increase in the Banks securities, an additional portfolio indicator for fixed income securities was introduced – CPV (Credit Spread basis point). This indicator is used for assessing the impact of interest rate spread on the value of securities portfolio by additionally limiting already set limits for investment in debt securities based on their value and duration.

Market risk measurement techniques:

a) Value at Risk

Value-at-Risk methodology (VaR) is used to estimate the market risk of the positions held and the maximum losses expected by the Bank.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the expected maximum amount that the Bank might lose, to a predefined level of confidence and for a certain holding period until positions could be closed.

The Bank uses a risk model, developed internally by UniCredit Group and has implemented a new internal VaR calculation model during the year. Period timeframe is two years with daily data input.

Bank VaR according to risk types:

BAM '000	Minimum 2011	Average 2011	Maximum 2011	End of the year 2011
Interest risk	-200	-277	-371	-277
Currency risk	-1	-5	-13	-3
Total VaR	-204	-278	-370	-273

BAM '000	Minimum 2010	Average 2010	Maximum 2010	End of the year 2010
Interest risk	-173	-302	-535	-334
Currency risk	-2	-10	-28	-22
Total VaR	-171	-303	-539	-337

33. Risk management (continued)

3. Market risk (continued)

In addition to daily monitoring of VaR indicators the Bank also performs back testing by calculating changes in the portfolio value.

b) Stress tests

Stress-testing is used to evaluate the effect of market risks on the Bank's portfolio. In the stress-testing process the Bank currently covers the following risk categories: foreign exchange risk, interest rate risk and short-term liquidity risk.

Stress testing is performed on a monthly basis and the results form a part of regular Asset and Liability Committee ("ALCO") reports. Stress testing is managed according to Group standards (given parameters). Stress testing of short-term liquidity requires additional modification of input data according to locally performed analysis. The results of the Bank's stress testing indicate that the Bank was within the allowable range during the year.

4. Currency risk

Currency risk is the risk of losses caused by adverse exchange rate movements. Foreign currency exposure arises from credit, deposit-taking, investment and trading activities. It is monitored daily in accordance with regulations and internally set limits by UniCredit Group, for each currency and for total assets and liabilities denominated in or linked to foreign currency.

Currency risk management is performed in accordance with UniCredit Group standards by setting principles and limits for foreign currency exposures. The Group is trying to optimise the gap between assets and liabilities denominated in foreign currency by aligning its positions with set limits.

Currency risk stress testing includes appreciation and depreciation shocks for all individually significant currencies as well as currency groups.

5. Interest rate risk

Interest rate risk represents the risk of decrease in asset values caused by adverse interest rate changes. Interest rate changes affect the net present value of future cash flows and consequently net interest income.

Interest rate change risk sources are:

- repricing risk resulting from unfavourable changes in the fair value of assets and liabilities in the remaining period until the next interest rate change;
- yield curve risk as the risk of changes in shape and slope of yield curve; and
- basis risk as the risk of different base rates of corresponding asset and liabilities (e.g. EURIBOR vs LIBOR)

Risk is measured by calculating the net present value of a change in the value of the portfolio in a scenario where the interest rate changes by 0.01% (1 basis point) with the basis point value (BPV) limit applied as the sensitivity measure according to currencies and time periods. Daily compliance limits are set by UniCredit Group.

33. Risk management (continued)

5. Interest rate risk (continued)

BPV limits are also monitored trough before mentioned internal VaR methodology. BPV indicators have also displayed a significant improvement with the possibility of showing detailed information on exposure by specific products or main organisational units when assuming business risk.

6. Operational risk

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, throughout 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/projects/changes, scenario analysis and analysis and reporting on the Bank's exposure to operational risk, which also includes reporting on results of operational risk management.

7. Capital management

Striving for efficient capital management, the Bank has developed and maintained appropriate techniques for complying with the economic, financial and regulatory demands and its business goals.

In compliance with laws, regulations and internal acts the Bank monitors and reports quarterly to regulators on its guarantee capital, risk weighted assets and capital adequacy ratios.

Although not required by the local regulator the Bank as a member of UniCredit Group also constantly monitors and reports on capital adequacy according to Basel II methodology.

Through its management reporting the Bank also regularly monitors capital movements, capital adequacy ratios as well as all changes in methodology which will have an impact on its capital.

33. Risk management (continued)

7. Capital management (continued)

Minimum required capital adequacy ratio is 12%.

During the year the Bank has implemented a new methodology required by the Agency for the calculation of risk weighted assets. This new methodology contains lower risk weights on certain exposures resulting in an increase of capital adequacy ratio.

During 2011 the Bank has been in compliance with all regulatory capital requirements and according to the local regulations had a capital adequacy ratio of 17.2% as at 31 December 2011, maintaining its leading position in Bosnia and Herzegovina.

In 2011 its capital adequacy according to Basel II methodology was also significantly above required levels.
The Bank's net capital for monitoring adequacy by Agency methodology consists of:

1. The Bank's tier 1 capital: ordinary shares reduced by 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.

With the application of the new methodology set by the Agency, the Bank's capital now includes regulatory reserve for credit losses however according to the same regulations such reserves are not included in the calculation of capital adequacy.

The Bank's net equity calculated according to the Agency regulations is reduced by intangible assets and increased by a general provision for credit losses of performing assets and for subordinated debt.

33. Risk management (continued)

7. Capital management (continued)

The composition of the Bank's net capital and ratios for the years ended 31 December 2011 and 2010 is given in the table below (information on risk weighted assets is unaudited at the date of issuance of this report). Comparative financial information is presented as previously reported, as it would not be practicable to recalculate the ratios using new weights.

		As previously disclosed
	2011	2010
	BAM '000	BAM '000
Share capital – Tier 1 capital		
Ordinary shares	119,011	119,011
Treasury shares	(81)	(81)
Share premium	48,317	48,317
Reserves	282,171	200,217
Intangible assets	(18,578)	(21,826)
Total share capital	**430,840**	**345,638**
Additional capital - Tier 2 capital		
General provision	58,179	53,885
Preference shares	184	184
Audited profit for the year	-*	31,653
Subordinated debt	19,558	23,470
Total additional capital	**77,921**	**109,192**
Net capital	**508,761**	**454,830**
Risk weighted assets		
Credit risk weighted assets	2,718,561	2,639,926
Other weighted assets	237,846	245,431
Total risk weighted assets	**2,956,407**	**2,885,357**
Capital adequacy rate	**17.2%**	**15.8%**

*In 2011 included in reserves

34. Maturity analysis

Tables below present the assets and liabilities of the Bank at 31 December 2011 and 2010 classified into relevant maturity groupings based on the remaining period from the reporting 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 and obligatory reserve which has been classified in the maturity period within one month. 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 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
31 December 2011	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
Assets						
Cash and cash equivalents	283,193	-	-	-	-	283,193
Obligatory reserve with Central Bank BIH	228,682	-	-	-	-	228,682
Loans and receivables from banks	581,028	18,000	3,175	-	-	602,203
AFS financial assets	70,749	-	-	216	-	70,965
Financial assets at fair value through P&L	2	-	-	-	-	2
Loans and receivables from customers	235,532	190,056	501,680	930,160	373,972	2,231,400
Accrued interest and other assets	44,975	172	316	-	-	45,463
Property, equipment and intangible assets	-	-	-	-	82,099	82,099
Total assets	**1,444,161**	**208,228**	**505,171**	**930,376**	**456,071**	**3,544,007**
Liabilities, equity and reserves						
Current accounts and deposits from banks	8,372	64,542	9,779	44,984	-	127,677
Current accounts and deposits from customers	1,533,896	102,926	438,899	330,518	53,311	2,459,550
Financial liabilities at fair value through P&L	1	-	-	-	-	1
Interest-bearing borrowings and subordinated debt	8,128	5,938	25,720	214,383	8,497	262,666
Accrued interest and other liabilities	69,998	1,102	4,486	23,999	4,590	104,175
Issued debt securities	-	-	-	100,000	-	100,000
Provisions for liabilities and charges	1,226	1,834	4,536	6,717	2,007	16,320
Current tax liability	-	-	1,805	-	-	1,805
Deferred tax liability	-	-	-	1,507	-	1,507
Equity	-	-	-	-	470,306	470,306
Total liabilities and equity	**1,621,621**	**176,342**	**485,225**	**722,108**	**538,711**	**3,544,007**
Maturity gap	**(177,460)**	**31,886**	**19,946**	**208,268**	**(82,640)**	**-**

34. Maturity analysis (continued)

31 December 2010, restated	Up to 1 month BAM '000	1 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 and cash equivalents	621,329	-	-	-	-	621,329
Obligatory reserve with Central Bank BIH	326,453	-	-	-	-	326,453
Loans and receivables from banks	357.933	-	3,089	-	-	361,022
AFS financial assets	40,742	-	-	216	-	40,958
Financial assets at fair value through P&L	11	-	-	-	-	11
Loans and receivables from customers	221,943	144,064	474,203	929,869	354,446	2,124,525
Income tax prepayment	-	-	1,605	-	-	1,605
Accrued interest and other assets	48,606	167	471	317	-	49,561
Investment in associate	-	-	-	1,787	-	1,787
Property, equipment and intangible assets	-	-	-	-	87,899	87,899
Total assets	**1,617,017**	**144,231**	**479,368**	**932,189**	**442,345**	**3,615,150**
Liabilities, equity and reserves						
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 P&L	9	-	-	-	-	9
Interest-bearing borrowings and subordinated debt	967	20,190	29,724	146,555	12,972	210,408
Accrued interest and other liabilities	58,177	852	5,174	23,551	5,903	93,657
Issued debt securities	-	-	-	100,000	-	100,000
Provisions for liabilities and charges	942	1,231	6,002	5,106	1,206	14,487
Deferred tax liability	-	-	-	997	-	997
Equity	-	-	-	-	420,037	420,037
Total liabilities and equity	**1,843,913**	**175,840**	**502,041**	**606,990**	**486,366**	**3,615,150**
Maturity gap	**(226,896)**	**(31,609)**	**(22,673)**	**325,199**	**(44,021)**	**-**

35. 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 2011 and 2010, showing the earlier of maturity or possibility of change of interest rate, 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	Fixed interest rate
31 December 2011	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
Assets								
Cash and cash equivalents	169,809	-	-	-	-	113,384	283,193	-
Obligatory reserve with Central Bank BIH	228,682	-	-	-	-	-		-
Loans and receivables from banks	602,203	-	-	-	-	-	602,203	581,028
AFS financial assets	70,749	-	-	-	-	216	70,965	70,965
Financial assets at fair value through P&L	-	-	-	-	-	2	2	-
Loans and receivables from customers	1,567,961	138,336	463,426	52,950	8,727	-	2,231,400	264,105
Accrued interest and other assets	-	-	-	-	-	45,463	45,463	-
Property, equipment and intangible assets	-	-	-	-	-	82,099	82,099	-
Total assets	**2,639,404**	**138,336**	**463,426**	**52,950**	**8,727**	**241,164**	**3,544,007**	**916,098**
Liabilities and equity								
Current accounts and deposits from banks	53,356	64,542	9,779	-	-	-	127,677	74,322
Current accounts and deposits from customers	2,071,510	38,351	206,550	69,581	51,725	21,833	2,459,550	383,322
Financial liabilities at fair value through P&L	1	-	-	-	-	-	1	-
Interest-bearing borrowings and subordinated debt	53,767	187,897	15,494	5,508	-	-	262,666	8,882
Accrued interest and other liabilities	-	-	-	-	-	104,175	104,175	-
Issued debt securities	-	60,000	40,000	-	-	-	100,000	-
Provisions for liabilities and charges	-	-	-	-	-	16,320	16,320	-
Current tax liability						1,805	1,805	-
Deferred tax liability	-	-	-	-	-	1,507	1,507	-
Equity	-	-	-	-	-	470,306	470,306	-
Total liabilities and equity	**2,178,634**	**350,790**	**271,823**	**75,089**	**51,725**	**615,946**	**3,544,007**	**466,526**
Interest rate gap	**460,770**	**(212,454)**	**191,603**	**(22,139)**	**(42,998)**	**(374,782)**	**-**	**449,572**

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

31 December 2010, restated	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	Fixed interest rate BAM '000
Assets								
Cash and cash equivalents	500,289	-	-	-	-	121,040	621,329	-
Obligatory reserve with Central Bank BIH	326,453	-	-	-	-	-	326,453	326,453
Loans and receivables from banks	357,933	-	-	-	-	3,089	361,022	357,933
AFS financial assets	40,742	-	-	-	-	216	40,958	40,742
Financial assets at fair value through P&L	-	-	-	-	-	11	11	-
Loans and receivables from customers	1,532,340	94,172	426,314	64,719	6,980	-	2,124,525	236,776
Income tax prepayment	-	-	-	-	-	1,605	1,605	-
Accrued interest and other assets	-	-	-	-	-	49,561	49,561	-
Investment in associate	-	-	-	-	-	1,787	1,787	-
Property, equipment and intangible assets	-	-	-	-	-	87,899	87,899	-
Total assets	**2,757,757**	**94,172**	**426,314**	**64,719**	**6,980**	**265,208**	**3,615,150**	**961,904**
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 P&L	-	-	-	-	-	9	9	-
Interest-bearing borrowings and subordinated debt	58,623	97,980	44,923	8,681	201	-	210,408	12,715
Accrued interest and other liabilities	-	-	-	-	-	93,657	93,657	-
Issued debt securities	-	60,000	40,000	-	-	-	100,000	-
Provisions for liabilities and charges	-	-	-	-	-	14,487	14,487	-
Deferred tax liability	-	-	-	-	-	997	997	-
Equity	-	-	-	-	-	420,037	420,037	-
Total liabilities and equity	**2,147,258**	**277,871**	**377,488**	**217,494**	**45,152**	**549,887**	**3,615,150**	**267,075**
Interest rate gap	**610,499**	**(183,699)**	**48,826**	**(152,775)**	**(38,172)**	**(284,679)**	**-**	**694,829**

36. Effective interest rates

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

	Effective interest rates	
	31 December 2011	Restated 31 December 2010
	%	%
Cash and cash equivalents	0.62	0.31
Obligatory reserve with Central Bank BIH	0.58	0.41
Financial assets available for sale	1.59	1.72
Loans and receivables from banks	0.73	0.38
Loans and receivables from customers	7.60	8.37
Current accounts and deposits from banks	2.23	2.30
Current accounts and deposits from customers	1.71	2.28
Interest-bearing borrowings	3.60	2.82
Subordinated debt	3.96	3.04
Issued debt securities	2.68	2.22

Notes to financial statements (continued)

37. Foreign exchange positions

The Bank had the following foreign exchange positions as at 31 December 2011 and 31 December 2010. 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 currency total	USD	Other foreign currencies	BAM	Total
31 December 2011	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
Assets							
Cash and cash equivalents	40,499	-	40,499	5,079	34,361	203,254	283,193
Obligatory reserves with Central Bank BIH	-	-	-	-	-	228,682	228,682
Loans and receivables from banks	427,741	-	427,741	127,124	9,339	37,999	602,203
AFS financial assets	45,395	-	45,395	-	2,048	23,522	70,965
Financial assets at fair value through P&L	2	-	2	-	-	-	2
Loans and receivables from customers	47,434	1,299,785	1,347,219	-	30	884,151	2,231,400
Accrued interest and other assets	2,301	10,588	12,889	260	92	32,222	45,463
Property, equipment and other intangible assets	-	-	-	-	-	82,099	82,099
Total assets	**563,372**	**1,310,373**	**1,873,745**	**132,463**	**45,870**	**1,491,929**	**3,544,007**
Liabilities and equity							
Current accounts and deposits from banks	125,543	-	125,543	-	-	2,134	127,677
Current accounts and deposits from customers	1,051,726	88,701	1,140,427	132,621	44,504	1,141,998	2,459,550
Financial liabilities at fair value through P&L	1	-	1	-	-	-	1
Interest-bearing borrowings and subordinated debt	259,434	-	259,434	-	-	3,232	262,666
Accrued interest and other liabilities	30,441	6,418	36,859	701	285	66,330	104,175
Issued debt securities	-	100,000	100,000	-	-	-	100,000
Provisions for liabilities and charges	309	533	842	13	1	15,464	16,320
Current tax liability	-	-	-	-	-	1,805	1,805
Deferred tax liability	-	-	-	-	-	1,507	1,507
Equity	-	-	-	-	-	470,306	470,306
Total liabilities and equity	**1,467,454**	**195,652**	**1,663,106**	**133,335**	**44,790**	**1,702,776**	**3,544,007**
Net foreign exchange position	**(904,082)**	**1,114,721**	**210,639**	**(872)**	**1,080**	**(210,847)**	**-**

37. Foreign exchange positions (continued)

31 December 2011	EURO BAM '000	EURO linked BAM '000	EURO currency total BAM '000	USD BAM '000	Other foreign currencies BAM '000	BAM BAM '000	Total BAM '000
Assets							
Cash and cash equivalents	37,394	-	37,394	9,171	29,150	545,614	621,329
Obligatory reserves with Central Bank BIH	-	-	-	-	-	326,453	326,453
Loans and receivables from banks	220,031	-	220,031	134,607	6,384	-	361,022
AFS financial assets	39,419	-	39,419	-	1,323	216	40,958
Financial assets at fair value through P&L	11	-	11	-	-	-	11
Loans to and receivables from customers	37,667	1,585,690	1,623,357	79	-	501,089	2,124,525
Income tax prepayment	-	-	-	-	-	1,605	1,605
Accrued interest and other assets	1,778	10,622	12,400	84	33	37,044	49,561
Investment in associate	-	-	-	-	-	1,787	1,787
Property, equipment and other intangible assets	-	-	-	-	-	87,899	87,899
Total assets	**336,300**	**1,596,312**	**1,932,612**	**143,941**	**36,890**	**1,501,707**	**3,615,150**
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 P&L	9	-	9	-	-	-	9
Interest-bearing 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	56,216	93,657
Issued debt securities	-	100,000	100,000	-	-	-	100,000
Provisions for liabilities and charges	105	2,179	2,284	32	1	12,170	14,487
Deferred tax liability	-	-	-	-	-	997	997
Equity	-	-	-	-	-	420,037	420,037
Total liabilities and equity	**1,479,806**	**220,301**	**1,700,107**	**144,931**	**33,149**	**1,736,963**	**3,615,150**
Net foreign exchange position	**(1,143,506)**	**1,376,011**	**232,505**	**(990)**	**3,741**	**(235,256)**	**-**

38. 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 impairment allowance.

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

Loans and receivables from customers

The fair value of loans and receivables from customers 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 IFRS. 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 8.13% p.a. for retail and 7.45% p.a. for corporate *(2010: retail interest rate was 7.94% p.a., and corporate interest rate was 7.78% p.a.)*, expected future cash flows on loans with fixed interest rate are discounted to present value, while lombard loans are excluded from the calculation. Based on the above assumptions, management has estimated a fair value of corporate loans including State of BAM 974,350 thousand *(2010: BAM 872,351 thousand)*, which is by BAM 288 thousand higher than their carrying value *(2010: BAM 696 thousand higher than their carrying value)*. Management has estimated, on the same basis, a fair value of loans to retail customers of BAM 1,257,384 thousand *(2010: BAM 1,252,920 thousand)*, which is by BAM 46 thousand higher than their carrying value *(2010: BAM 50 thousand lower than their carrying value)*.

Loans and receivables from 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 reporting 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 3.69% on corporate and 3.76% on retail deposits *(2010: corporate of 3.36% and retail of 3.72%)* 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.

38. 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 clients of BAM 1,023,396 thousand, which is by BAM 574 thousand higher than their carrying value *(2010: BAM 1,267,743 thousand which is by BAM 134 thousand lower than their carrying value)* and from retail customers of BAM 1,436,030 thousand, which is by BAM 698 thousand lower than their carrying value *(2010: BAM 1,387,219 thousand, which is by BAM 1,251 thousand lower than the carrying value)*.

Interest-bearing borrowings

Majority of the Bank's long-term interest-bearing 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 reporting 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.

39. First-time adoption of IFRS

As previously mentioned in the statement on compliance, these are the first statements of the Bank prepared in accordance with IFRS.
In previous periods, the Bank prepared financial statements in accordance with the accounting regulations of the Banking Agency of the Federation of Bosnia and Herzegovina. In accordance with the Accounting and Auditing Act in the Federation of Bosnia and Herzegovina („FBiH"), until 2011, IFRS, which were translated to Croatian by the authorized accounting body, were applied. The Bank also applied the Banking Act and other Agency regulations. The accounting regulations of the Agency deviated from IFRS in presentation, as well as in recognition and measurement.
The basic differences between IFRS and the previous accounting regulations of the Agency relate to the following:

- The Bank previously calculated the amount of impairment allowances for financial instruments, in particular loans and receivables, in accordance with relevant regulations of the Agency. The Agency required banks to recognise impairment losses in profit or loss for assets not individually identified as impaired by using the prescribed rate of 2%.

Loan loss provisions in accordance with the Agency regulations regarding specific impairment allowances are analyzed in notes 3a and 32.1. in detail.

- In accordance with the reporting for the Agency and the parent bank in 2010, the Bank did not comply with the formats for principal financial statements prescribed by IAS 1 "Presentation of financial statements", effective for IFRS financial statements for annual periods beginning from 1 January 2009, so the Bank continued to present the balance sheet (did not apply the statement of financial position), income statement and statement of changes in equity (did not apply the statement of comprehensive income nor the new format of the Statement of changes in equity).

In preparation of its opening IFRS statement of financial position, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with the previous accounting framework.

Where necessary, comparative data has been reclassified in order to achieve consistency in the presentation of data with data from the current financial year and other data.

39. First-time adoption of IFRS (continued)

An explanation of how the transition from the previous basis of accounting to IFRS has affected the Bank's financial position and its financial results is set out below.

		31 December 2010				1 January 2010			
		Preceding accounting framework	Effect of transition to IFRS	Reclassi-fication effects	IFRS	Preceding accounting framework	Effect of transition to IFRS	Reclassi-fication effects	IFRS
	Note	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
Assets									
Cash and cash equivalents		621,329	-	-	621,329	481,513	-	-	481,513
Obligatory reserve with Central Bank BIH		326,453	-	-	326,453	301,700	-	-	301,700
Loans and receivables from banks		361,022	-	-	361,022	485,057	-	-	485,057
Financial assets available for sale	*f.)*	40,742	-	216	40,958	5,841	-	3,028	8,869
Financial assets at fair value through P&L		11	-	-	11	107	-	-	107
Loans and receivables from customers	*a.) & d.)*	2,111,426	10,539	2,560	2,124,525	2,026,438	8,253	2,094	2,036,785
Income tax prepayment		1,605	-	-	1,605	2,668	-	-	2,668
Accrued interest and other assets	*a.) & d.)*	50,199	1,922	(2,560)	49,561	45,024	-	(2,094)	42,930
Investment in associate	*f.)*	2,003	-	(216)	1,787	4,815	-	(3,028)	1,787
Property and equipment		66,073	-	-	66,073	72,056	-	-	72,056
Intangible assets		21,826	-	-	21,826	26,582	-	-	26,582
Total assets		**3,602,689**	**12,461**	**-**	**3,615,150**	**3,451,801**	**8,253**	**-**	**3,460,054**
Liabilities									
Current accounts and deposits from banks		128,208	-	-	128,208	331,977	-	-	331,977
Current accounts and deposits from customers		2,647,347	-	-	2,647,347	2,294,145	-	-	2,294,145
Financial liabilities at fair value through P&L		9	-	-	9	123	-	-	123
Interest-bearing borrowings		186,938	-	-	186,938	213,755	-	-	213,755
Subordinated debt		23,470	-	-	23,470	31,293	-	-	31,293
Accrued interest and other liabilities	*e.)*	95,337	-	(1,680)	93,657	91,055	-	(1,492)	89,563
Issued debt securities		100,000	-	-	100,000	100,000	-	-	100,000
Provisions for liabilities and charges	*b.) & e.)*	21,028	(8,221)	1,680	14,487	20,581	(8,479)	1,492	13,594
Deferred tax liability		997		-	997	142		-	142
Total liabilities		**3,203,334**	**(8,221)**	**-**	**3,195,113**	**3,083,071**	**(8,479)**	**-**	**3,074,592**
Equity									
Issued share capital		119,195	-	-	119,195	119,195	-	-	119,195
Treasury shares		(81)	-	-	(81)	(81)	-	-	(81)
Share premium		48,317	-	-	48,317	48,317	-	-	48,317
Fair value reserve		248	-	-	248	1,276	-	-	1,276
Regulatory reserves for credit losses	*c.)*	-	20,682	-	20,682	-	16,732	-	16,732
Retained earnings		231,676	-	-	231,676	200,023	-	-	200,023
Total equity		**399,355**	**20,682**	**-**	**420,037**	**368,730**	**16,732**	**-**	**385,462**
Total liabilities and equity		**3,602,689**	**12,461**	**-**	**3,615,150**	**3,451,801**	**8,253**	**-**	**3,460,054**

39. First-time adoption of IFRS (continued)

Note a)

As explained in Notes 3 a) and introductory part of Note 39, the Bank calculated impairment allowance on loans and receivables and other assets in accordance with the relevant regulations of the Agency, which were not aligned with the requirements of IFRS.

Calculation of impairment allowance for loans and receivables from customers in compliance with IFRS resulted in a decrease of previously reported impairment allowance for the loan portfolio in the amount of BAM 10,539 thousand as at 31 December 2010 (1 January 2010: BAM 8,253 thousand) and an increase of loans and receivables from customers in the same amount. The effect on profit or loss for 2010 was an increase of BAM 2,286 thousand.

In addition, calculation of impairment allowance for other assets in compliance with IFRS resulted in a decrease of previously reported impairment allowance for other assets in the amount of BAM 1,922 thousand as at 31 December 2010 and an increase of other assets in the same amount. The effect on profit or loss for 2010 was an increase of BAM 1,922 thousand, of which BAM 1,833 thousand relates to other impairment losses and provisions and BAM 89 thousand relates to interest income.

Note b)

Calculation of impairment losses for off-balance-sheet exposure in accordance with IFRS resulted in a decrease in previously reported impairment allowance in the amount of BAM 8,221 thousand as at 31 December 2010 (1 January 2010: BAM 8,479 thousand). The effect on profit or loss for 2010 was a decrease of BAM 258 thousand.

Note c)

Regulatory provision for credit losses represents the excess of impairment allowances calculated in compliance with FBA regulations in relation to the impairment allowances calculated in compliance with requirements of IFRS.

The effect for the Bank is an increase of regulatory provision for credit losses in an amount of BAM 20,682 thousand at 31 December 2010 (1 January 2010: BAM 16,732 thousand). This reclassification had no effect on profit or loss of the Bank.

Note d)

The Bank has previously decreased loans and receivables from customers by the amount of provisions calculated for other assets and according to the new presentation, the Bank offsets these provisions from other assets. This reclassification resulted an increase of loans and receivables from customers and a decrease of other assets in amount of BAM 2,560 thousand at 31 December 2010 (1 January 2010: BAM 2,094 thousand) and had no effect on profit of loss and retained earnings of the Bank.

Note e)

The Bank had previously presented the amount of calculated jubilee awards and severance payments within accrued interest and other liabilities and according to the new presentation, they are presented within provisions for liabilities and charges. This reclassification resulted in an increase of provisions for liabilities and charges and a decrease of accrued interest and other liabilities in amount of BAM 1,680 thousand at 31 December 2010 (1 January 2010: BAM 1,492 thousand) and did not have an effect on profit or loss and retained earnings of the Bank.

39. First-time adoption of IFRS (continued)

Note f)

The Bank has previously presented investments in equity securities available for sale within investments in associates and other equity investments and according to the new presentation, they are presented within financial assets available for sale. This reclassification resulted in an increase of financial assets available for sale and a decrease of investments in associates and other equity investments in an amount of BAM 216 thousand at 31 December 2010 (1 January 2010: BAM 3,028 thousand) and had no effect on profit or loss and retained earnings of the Bank.

Note g)

The effect of the above changes on retained earnings was as follows:

		31 December 2010	1 January 2010
	Note	**BAM '000**	**BAM '000**
Impairment loss for loans and receivables from customers	*a.)*	10,539	8,253
Provisions for off-balance-sheet exposure	*b.)*	8,221	8,479
Impairment loss for interest and other assets	*a.)*	1,922	-
		20,682	**16,732**

Note h)

First-time IFRS adoption resulted in a net increase in the Bank's equity in the amount of BAM 20,682 thousand on 31 December 2010 (1 January 2010: BAM 16,732 thousand).
At the same time, the effect on profit or loss for 2010 was BAM 3,950 thousand, and BAM 1,028 thousand effect on other comprehensive income, as explained in the table below.

39. First-time adoption of IFRS (continued)

Restatement of profit for 2010:

	Note	Preceding accounting framework	Effect of transition to IFRS	Reclassification effect	IFRS
		BAM '000	BAM '000	BAM '000	BAM '000
Interest income	*a)*	187,701	89	-	187,790
Interest expense		(61,887)	-	-	(61,887)
Net interest income		**125,814**	**89**	**-**	**125,903**
Fee and commission income		53,259	-	-	53,259
Fee and commission expense		(2,505)	-	-	(2,505)
Net fee and commission income		**50,754**	**-**	**-**	**50,754**
Dividend income		9	-	-	9
Net gains on financial instruments at fair value through profit or loss and result from foreign exchange trading and translation of monetary assets and liabilities		9,719	-	-	9,719
Net gains from investment securities		1,359	-	-	1,359
Revenue		**187,655**	**89**	**-**	**187,744**
Other income		969	-	-	969
Operating expenses	*j)*	(120,681)	-	(878)	(121,559)
Impairment losses on loans and receivables from customers	*a) and i)*	(29,179)	2,286	467	(26,426)
Other impairment losses and provisions	*a) and b)*	(2,148)	1,575	411	(162)
Profit before tax		**36,616**	**3,950**	**-**	**40,566**
Income tax expense		(4,963)	-	-	(4,963)
Profit for the period	*h)*	**31,653**	**3,950**	**-**	**35,603**
Other comprehensive income, net of tax					
Net change in fair value on AFS financial assets	*k)*	-	-	(1,028)	(1,028)
Total comprehensive income for the year		**31,653**	**3,950**	**(1,028)**	**34,575**
Basic and diluted earnings per share (BAM)		266.14	33.21		299.35

39. First-time adoption of IFRS (continued)

Note i)

The Bank had previously decreased loans and receivables from customers by the amount of provisions for other assets, and according to the new presentation, the Bank decreases other assets. This reclassification resulted in an increase in other impairment losses and provisions at 31 December 2010 and a decrease in impairment losses on in the amount of BAM 467 thousand, hence had no effect on profit after tax.

Note j)

The Bank reclassified impairment of property and equipment in the amount of BAM 878 thousand from Other impairment losses and provisions to Operating expenses.

Note k)

Within the reclassifications column the Bank has also presented net change in the fair value of financial assets available for sale in the amount of BAM 1,028 thousand, previously presented in the statement of changes in equity for 2010.

Statement of cash flows

The main change in the disclosures related to statement of cash flows between IFRS and previous reporting framework relates to the need for gross presentation of certain cash inflows and outflows in compliance with IFRS and to the differing classification between various groups of cash flows.

40. Contractual obligations and events after reporting date

a) Contractual obligations

The Bank did not have contractual obligations as at 31 December 2011. (2010: -).

b) Events after reporting date

There were no events after the reporting date that would require adjustment of amounts reported in financial statements or disclosures.

Training to be “banking smart”.

In order to support more effective cooperation with the real estate business, UniCredit Bank in Bosnia created a training course that informs the employees of real estate agencies of all its available credit products, with a special emphasis on housing loans. In this way, UniCredit Bank in Bosnia responded to the need to revive the housing market, creating a solid foundation for future development and helping supply to meet demand in all areas.

Personal bankers in Stari Grad, Sarajevo, during their workshop on the real estate market in Sarajevo

The financial statements presented in the form prescribed by the Regulations on the content and form of financial statements for banks and financial organizations

These financial statements include Balance Sheet (statement of financial position as at 31.12.2011) in the form that is prescribed by the Regulations on the content and form of financial statements for banks and financial institutions (Official Gazette of FBiH 82/10) and Income Statement (statement on the overall result for the period from 01.01. to 31.12.2011)

STATEMENT OF FINANCIAL POSITION (as at 31 December 2011)

					BAM
ITEM	Code for AOP	Current year			Previous year (initial balance)
		Gross	Impairment value	Net (3-4)	
1	2	3	4	5	6
Assets A. CURRENT ASSETS AND RECEIVABLES (002+008+011+014+018+022+030+031+032+033+034)	**0 0 1**	**3,725,084,980**	**258,741,605**	**3,466,343,375**	**3,519,369,488**
1. Cash and cash equivalents, gold and receivables from business (003 to 007)	0 0 2	319,298,662	2,971,981	316,326,681	656,588,132
a) Cash and cash equivalents in domestic currency	0 0 3	203,254,500	0	203,254,500	545,613,918
b) Other receivables in domestic currency	0 0 4	35,191,458	2,774,998	32,416,460	34,988,421
c) Cash and cash equivalents in foreign currency	0 0 5	79,938,595	0	79,938,595	75,669,889
d) Gold and other precious metals	0 0 6	36,541	0	36,541	35,810
e) Other receivables in foreign currency	0 0 7	877,568	196,983	680,585	280,094
2. Deposits and loans in local and foreign currency (009 + 010)	0 0 8	228,681,814	0	228,681,814	326,452,860
a) Deposits and loans in domestic currency	0 0 9	228,681,814	0	228,681,814	326,452,860
b) Deposits and loans in foreign currency	0 1 0	0	0	0	0
3. Fee and interest receivables,receivables based on sale and other receivables (012 + 013)	0 1 1	7,512,569	5,681,581	1,830,988	1,951,458
a) Fee and interest receivables,receivables based on sale and other receivables in local currency	0 1 2	7,320,761	5,603,449	1,717,312	1,931,143
b) Fee and interest receivables,receivables based on sale and other receivables in foreign currency	0 1 3	191,808	78,132	113,676	20,315
4. Loans and deposits (015 to 017)	0 1 4	2,432,345,944	132,713,362	2,299,632,582	2,033,134,388
a) Loans and deposits in local currency	0 1 5	836,764,318	39,658,407	797,105,911	468,884,973
b) Loans and deposits with hedge local currency currency	0 1 6	990,815,283	88,526,754	902,288,529	1,170,201,790
c) Loans and deposits in foreign currency	0 1 7	604,766,343	4,528,201	600,238,142	394,047,625
5. Securities (019 to 021)	0 1 8	70,987,041	0	70,987,041	41,889,582
a) Securities in local currency	0 1 9	23,528,298	0	23,528,298	1,962,708
b) Securities with hedge local currency	0 2 0	0	0	0	0
c) Securities in foreign currency	0 2 1	47,458,743	0	47,458,743	39,926,874
6. Other placements and prepayments (023 to 029)	0 2 2	664,010,362	115,240,022	548,770,340	456,241,683
a) Other placements in local currency	0 2 3	2,045,265	2,045,265	0	132,317
b) Other placements with hedge local currency	0 2 4	0	0	0	0

STATEMENT OF FINANCIAL POSITION (as at 31 December 2011) (continued)

					BAM
ITEM	Code for AOP	Current year			Previous year (initial balance)
		Gross	Impairment value	Net (3-4)	
1	2	3	4	5	6
c) Due placements and current maturities of long-term placements in local currency	0 2 5	611,866,787	89,491,893	522,374,894	436,332,863
d) Prepayments in local currency	0 2 6	13,272,154	145,380	13,126,774	12,776,651
e) Other placements in foreign currency	0 2 7	6,585,947	6,585,947	0	203,834
f) Due placements and current maturities of long-term placements in foreign currency	0 2 8	28,619,135	16,971,174	11,647,961	5,262,500
g) Prepayments in foreign currency	0 2 9	1,621,074	363	1,620,711	1,533,518
7. Inventories	0 3 0	2,248,588	2,134,659	113,929	175,870
8. Fixed available for sale assets	0 3 1	0	0	0	2,935,515
9. Assets of discontinued operations	0 3 2	0	0	0	0
10. Other assets	0 3 3	0	0	0	0
11. Value added tax prepayment	0 3 4	0	0	0	0
B. FIXED ASSETS (036+041)	**0 3 5**	**208,614,544**	**126,526,683**	**82,087,861**	**87,302,250**
1. Tangible assets and investment in property (037 to 040)	0 3 6	164,676,710	96,612,153	68,064,557	71,266,093
a) Tangible assets owned by the bank	0 3 7	133,937,419	74,540,962	59,396,457	62,203,583
b) Investment in property	0 3 8	26,151,150	22,071,191	4,079,959	5,732,123
c) Fixed assets acquired under financial lease	0 3 9	0	0	0	0
d) Advances and acquired but not brought into use	0 4 0	4,588,141	0	4,588,141	3,330,387
2. Intangible assets (042 to 046)	0 4 1	43,937,834	29,914,530	14,023,304	16,036,157
a) Goodwill	0 4 2	0	0	0	0
b) Investment in development	0 4 3	0	0	0	0
c) Intangible assets under financial lease	0 4 4	0	0	0	0
d) Other intangible assets	0 4 5	40,020,395	29,914,530	10,105,865	13,192,003
e) Advances and assets acquired but not brought into use	0 4 6	3,917,439	0	3,917,439	2,844,154
C. DEFFERED TAX ASSETS	**0 4 7**	**0**	**0**	**0**	**0**
D. OPERATING ASSETS (001+035+047)	**0 4 8**	**3,933,699,524**	**385,268,288**	**3,548,431,236**	**3,606,671,738**
E. OFF BALANCE SHEET ASSETS	**0 4 9**	**0**	**0**	**0**	**900,986,108**
F. TOTAL ASSETS (048+049)	**0 5 0**	**3,933,699,524**	**385,268,288**	**3,548,431,236**	**4,507,657,846**

STATEMENT OF FINANCIAL POSITION (as at 31 December 2011) (continued)

			BAM
ITEM	Code for AOP	Current year	Previous year (initial balance)
1	2	3	4
A. LIABILITIES (102+106+109+113)	**1 0 1**	**3,078,066,565**	**3,207,288,819**
1. Deposits and borrowings (103 to 105)	1 0 2	2,810,225,131	2,938,994,944
a) Deposits and interest-bearing borrowings in domestic currency	1 0 3	1,145,983,521	1,247,543,276
b) Hedging deposits and borrowings	1 0 4	89,746,990	110,181,175
c) Deposits and interest-bearing borrowings in foreign currency	1 0 5	1,574,494,620	1,581,270,493
2. Interests and fees (107+108)	1 0 6	156,144	118,096
a) Interests and fees in domestic currency	1 0 7	21,153	25,209
b) Interests and fees in foreign currency	1 0 8	134,991	92,887
3. Securities (110 to 112)	1 0 9	100,000,000	100,000,000
a) Securities in domestic currency	1 1 0	0	0
b) Hedging securities in domestic currency	1 1 1	100,000,000	100,000,000
c) Securities in foreign currency	1 1 2	0	0
4. Other liabilities and accruals (114 to 124)	1 1 3	167,685,290	168,175,779
a) Salaries and fees	1 1 4	2,302,695	2,491,343
b) Other liabilities in domestic currency, excluding liabilities for tax and contributions	1 1 5	51,008,197	42,468,549
c) Tax and contributions, excluding current and deffered income tax	1 1 6	1,778,569	1,678,273
d) Current tax liability	1 1 7	6,230,175	3,993,579
e) Deffered tax liability	1 1 8	1,448,064	968,970
f) Provisions	1 1 9	17,679,343	24,261,955
g) Accruals in domestic currency	1 2 0	16,276,433	16,105,417
h) Commission operations,AFS assets,discontinued operation assets, subordinated debt liabilities and current liabilities	1 2 1	307,590	398,524
i) Other liabilities in foreign currency	1 2 2	11,471,016	8,467,408
j) Accruals in foreign currency	1 2 3	19,458,077	20,576,639
k) Commission operations, due and subordinated liabilities and current maturities in goreign currency	1 2 4	39,725,131	46,765,122
B. EQUITY (126+132+138+142-148)	**1 2 5**	**470,364,671**	**399,382,919**
1. Issued share capital (127+128+129-130-131)	1 2 6	167,283,583	167,283,583
a) Share capital	1 2 7	119,195,000	119,195,000
b) Other forms of capital	1 2 8	0	0

STATEMENT OF FINANCIAL POSITION (as at 31 December 2011) (continued)

			BAM
ITEM	Code for AOP	Current year	Previous year (initial balance)
1	2	3	4
c) Share premium	1 2 9	48,317,277	48,317,277
d) Registered but uncontributed capital	1 3 0	0	0
e) Repurchase of own shares	1 3 1	228,694	228,694
2. Reserves (133 to 137)	1 3 2	234,142,202	181,807,473
a) Reserves from profit	1 3 3	234,142,202	19,236,072
b) Other provisions	1 3 4	0	162,571,401
c) Provision for losses	1 3 5	0	0
d) General banking risk provisions	1 3 6	0	0
e) Transferred reserves (foreign exchange)	1 3 7	0	0
3. Revaluation reserve (139 to 141)	1 3 8	592,043	275,686
a) Revaluation reserve based on change in value of fixed assets and intangible investments	1 3 9	0	0
b) Revaluation reserve based on change in value of securities	1 4 0	592,043	275,686
c) Other revaluation resereves	1 4 1	0	0
4. Profit (143 to 147)	1 4 2	68,346,843	50,016,177
a) Profit for the year	1 4 3	49,983,706	31,653,040
b) Unallocated profit from prior years	1 4 4	18,363,137	18,363,137
c) Surplus of income over expenses for the period	1 4 5	0	0
d) Unallocated surplus of income over expenses for previous years	1 4 6	0	0
e) Retained earnings	1 4 7	0	0
5. Loss (149+150)	1 4 8	0	0
a) Loss for the period	1 4 9	0	0
b) Loss from previous years	1 5 0	0	0
C. LIABILITIES (101+125)	**1 5 1**	**3,548,431,236**	**3,606,671,738**
D. OFF BALANCE SHEET LIABILITIES	**1 5 2**	**886,612,876**	**900,986,108**
E. TOTAL LIABILITIES (151+152)	**1 5 3**	**4,435,044,112**	**4,507,657,846**

STATEMENT OF COMPREHENSIVE INCOME

			BAM
ITEM	Code for AOP Current year	VALUE	
		Current year	Prior year
1	2	3	4
A. OPERATING INCOME AND EXPENSES			
1. Interest income	201	192,172,938	187,276,870
2. Interest expense	202	48,944,325	61,090,737
Net interest income (201-202)	203	143,228,613	126,186,133
Net interest expense (202-201)	204	0	0
3. Fee and commissions income	205	67,400,644	63,943,262
4. Fee and commissions expense	206	9,111,392	8,600,972
Net fee and commission income (205-206)	207	58,289,252	55,342,290
Net fee and commission expense (206-205)	208	0	0
5.Gains from sale of securities and shares (210 to 213)	209	0	1,358,897
a) Gains from sale of securities at fair value through profit and loss	210	0	0
b) Gains from sale of available for sale securities	211	0	0
c) Gains from sale of securities held to maturity	212	0	0
d) Gains from sale of participation (share)	213	0	1,358,897
6. Losses from sale of securities and shares (215 to 218)	214	250,492	0
a) Losses from sale of securities at fair value through profit and loss	215	0	0
b) Losses from sale of available for sale securities	216	0	0
c) Losses from sale of securities held to maturity	217	0	0
d) Losses from sale of participation (share)	218	250,492	0
Net gains from sale of securities and shares (209-214)	219	0	1,358,897
Net losses from sale of securities and shares (214-209)	220	250,492	0
OPERATING PROFIT (201+205+209-202-206-214)	221	201,267,373	182,887,320
OPERATING EXPENSE (202+206+214-201-205-209)	222	0	0
B. OTHER OPERATING INCOME AND EXPENSE			
1. Operating income (224+225)	223	0	0
a) Income from leasing activities	224	0	0
b) Other operating income	225	0	0
2. Operating expense (227 to 236)	226	118,275,819	117,177,661
a) Expenses of gross salaries and contribution expense	227	45,745,055	44,839,738
b) Expenses of fees for temporary and occasional work contracts	228	33,772	23,283
c) Other personnel expenses	229	3,167,584	2,731,006
d) Material expenses	230	3,962,345	3,638,465
e) Production services expenses	231	26,412,206	26,293,309

STATEMENT OF COMPREHENSIVE INCOME (continued)

			BAM
ITEM	Code for AOP Current year	VALUE	
		Current year	Prior year
1	2	3	4
f) Depreciation expenses	2 3 2	15,274,492	16,695,442
g) Expenses from leasing activities	2 3 3	0	0
h) Non-material expenses (excluding taxes and contributions)	2 3 4	21,677,867	21,620,854
i) Tax and contributions expenses	2 3 5	2,002,498	1,335,564
j) Other expenses	2 3 6	0	0
OTHER OPERATING PROFIT (223-226)	2 3 7	0	0
OTHER OPERATING EXPENSE (226-223)	2 3 8	118,275,819	117,177,661
C) GAIN AND LOSS ON PROVISIONS 1. Bad debts recovered (240 to 243)	2 3 9	92,130,367	170,829,811
a) Income from recovered provisions for placements	2 4 0	84,975,423	145,802,084
b) Income from recovered provisions for off-balance sheet items	2 4 1	7,154,944	25,027,727
c) Income from recovered provision for liabilities	2 4 2	0	0
d) Income from other provisions recovered	2 4 3	0	0
2. Provision charges (245 to 248)	2 4 4	118,496,235	202,595,073
a) Provisions charges for placements	2 4 5	108,784,766	176,058,127
b) Provision charges for off-balance sheet items	2 4 6	8,681,448	25,249,531
c) Charges based on provisions for liabilities	2 4 7	579,545	328,891
d) Other provision charges	2 4 8	450,476	958,524
PROVISIONS INCOME (239-244)	2 4 9	0	0
PROVISION CHARGES (244-239)	2 5 0	26,365,868	31,765,262
D. OTHER INCOME AND EXPENSES 1. Other income (252 to 258)	2 5 1	1,492,854	1,586,039
a) Income from bad debts previously written off	2 5 2	84,265	168,293
b) Losses from sales of fixed assets, and intangible investments	2 5 3	43,391	0
c) Income from reduction in liabilities	2 5 4	0	0
d) Income from dividends and shares	2 5 5	0	0
e) Surplus	2 5 6	32,263	26,947
f) Other income	2 5 7	1,332,935	1,390,799
g) Gains grom discounted operations	2 5 8	0	0
2. Other expense (260 to 266)	2 5 9	338,504	278,747
a) Expense from bad debts written off	2 6 0	0	0
b) Losses from depreciation and fixed assets write off, and intangible assets	2 6 1	0	42,455
c) Losses from disposals and write-offs of fixed and intangible assets	2 6 2	0	0

STATEMENT OF COMPREHENSIVE INCOME (continued)

			BAM
ITEM	Code for AOP Current year	VALUE	
		Current year	Prior year
1	2	3	4
d) Shortfalls	2 6 3	9,460	13,380
e) Inventory write-offs	2 6 4	0	0
f) Other expenses	2 6 5	329,044	222,912
g) Expenses from discontinued operations	2 6 6	0	0
GAIN FROM OTHER INCOME AND EXPENSES (251-259)	2 6 7	1,154,350	1,307,292
LOSS FROM OTHER INCOME AND EXPENSES (259-251)	2 6 8	0	0
OPERATING GAIN (221+237+249+267-222-238-250-268)	2 6 9	57,780,036	35,251,689
OPERATING LOSS (222+238+250+268-221-237-249-267)	2 7 0	0	0
E. INCOME AND EXPENSES FROM CHANGE IN VALUE OFF ASSETS AND LIABILITIES 1. Income from changes in value of assets and liabilities (272 to 276)	2 7 1	224,773,100	237,863,675
a) Income based on change in value of placements and receivables	2 7 2	0	0
b) Income based on change in value securities	2 7 3	0	0
c) Income based on change in value of liabilities	2 7 4	0	0
d) Income based on change in value of fixed assets, investment real estate and intangible investments	2 7 5	0	0
e) Income from positive foreign exchange differences	2 7 6	224,773,100	237,863,675
2. Expenses from change in value of assets and liabilities (278 to 282)	2 7 7	225,860,163	236,499,774
a) Expenses from change in value of placements and receivables	2 7 8	0	0
b) Expenses from change in value of securities	2 7 9	0	0
c) Expenses from change in value of liabilities	2 8 0	0	0
d) Expenses from change in value of fixed assets, investment real estate and intangible investments	2 8 1	2,876,845	0
e) Expenses from unfavorable foreign exchange differences	2 8 2	222,983,318	236,499,774
PROFIT ARISING FROM THE CHANGE IN VALUE OF ASSETS AND LIABILITIES (271-277)	2 8 3	0	1,363,901
LOSS FROM CHANGE IN VALUE OF ASSETS AND LIABILITIES (277-271)	2 8 4	1,087,063	0
PROFIT BEFORE TAX (269+283-270-284))	2 8 5	56,692,973	36,615,590
LOSS BEFORE TAX (270+284-269-283)	2 8 6	0	0
F. CURRENT AND DEFFERED INCOME TAX 1. Income tax	2 8 7	6,709,267	4,962,549
2. Profit from increase of deffered tax assets and decrease of deffered tax liabilities	2 8 8	0	0
3. Loss from decrease of deffered tax assets and increase of deffered tax liabilities	2 8 9	0	0
PROFIT AFTER TAX (285+288-287-289) ili (288-286-287-289)	2 9 0	49,983,706	31,653,041
LOSS AFTER TAX (286+287+289-288) ili (287+289-285-288)	2 9 1		
G. OTHER PROFIT AND LOSSES FOR THE PERIOD 1. Capital gains (293 to 298)	2 9 2	316,357	0

STATEMENT OF COMPREHENSIVE INCOME (continued)

			BAM
ITEM	Code for AOP Current year	VALUE	
		Current year	Prior year
1	2	3	4
a) Income from decrease of revalorisation reserves in fixed assets and intangible investments	2 9 3	0	0
b) Income from change of fair value of securities available for sale	2 9 4	316,357	0
c) Income from transferring financial reports of foreign operations	2 9 5	0	0
d) Actuarial income from defined income scheme	2 9 6	0	0
e) Effective part of income based on cash flow hedging	2 9 7	0	0
f) Other capital gains	2 9 8	0	0
2. Capital losses (300 to 304)	2 9 9	0	913,924
a) Losses from change in fair value of securities available for sale	3 0 0	0	913,924
b) Losses from transferring financial reports of foreign operations	3 0 1	0	0
c) Actuarial loss from defined income scheme	3 0 2	0	0
d) Effective part of loss from cash flow hedging	3 0 3	0	0
e) Other capital gains	3 0 4	0	0
NET GAIN/ LOSSES TOTAL RESULT FOR THE PERIOD (292-299) ili (299-292)	3 0 5	316,357	913,924
H. INCOME TAX RELATING TO OTHER TOTAL RESULT FOR THE PERIOD	**3 0 6**	**31,366**	**113,441**
OTHER TOTAL RESULT FOR THE PERIOD (305±306)	3 0 7	284,991	1,027,365
TOTAL NET PROFIT FOR THE YEAR (290±307)	3 0 8	50,268,697	30,625,676
TOTAL NET LOSS FOR THE PERIOD (291±307)	3 0 9	0	0
Part od profit/loss attributable to majority shareholders	3 1 0	0	0
Part od profit/loss attributable to minority shareholders	3 1 1	0	0
Basic earnings per share	3 1 2	420	266
Diluted earings per share	3 1 3	420	266
Average number of employees based on hours worked	3 1 4	1,349	1,372
Average number of employees based on periods end	3 1 5	1,351	1,379

Winning awards for green initiatives.

As part of UniCredit's commitment to sustainable development, several hundred of UniCredit Bulbank employees volunteered to participate in the planting of 1,300 shrubs and 1,800 willow branches in Sofia's Vitosha Park. The successful initiative was recognized with an official certificate from the *Help Solidarity* of Bulgaria Foundation. UniCredit Bulbank also received an award from the *Society of Loyalty* for its support of important social causes. In 2011, the bank's green initiatives also included the recovery of empty toner cartridges and digitalized account statements, which reduced paper consumption. This is a part of the Group's practical response to protecting the environment and supporting the green economy.

Vitosha Park, Sofia. Girls who plant: Ekaterina Ancheva, Anna Ancheva, Todorova Blagorodka. Photo by Anton Raichev

Addresses and phone numbers

Headquarters

Address	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	00387 (0) 36 312 112
Corporate	00387 (0) 33 491 708
Finance	00387 (0) 36 356 600
Risk management	00387 (0) 36 312 112
GBS	00387 (0) 36 312 112
Financial Markets and Investment Banking	00387 (0) 33 491 849

Business network of UniCredit Bank d.d.- 31.12.2011.

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

Branch	Address	City	ZIP code	Phone
BUSINESS CENTER NOVO SARAJEVO				
Branch 2 Sarajevo	Zmaja od Bosne 14C	Sarajevo	71000	033 250 421
Branch 7 Sarajevo	Trg međunarodnog prijateljstva 14	Sarajevo	71000	033 776 130
Branch 9 Sarajevo	Hifzi Bjelevca 82	Sarajevo	71000	033 765 050
Branch 10 Sarajevo (Rajlovac)	Rajlovačka bb	Sarajevo	71000	033 234 783
Branch 17 Sarajevo	Dr.Fetaha Bećirbegovića 23A	Sarajevo (OTOKA)	71000	033 721 800
Branch 18 Novo Sarajevo	Zmaja od Bosne 74	Sarajevo	71000	033 657 127
Branch 19 Sarajevo	Mustafe Kamarića 5	Sarajevo (Dobrinja)	71000	033 775 851
Branch 20 Sarajevo (Stara Otoka)	Brčanska 14	Sarajevo (OTOKA)	71000	033 721 970
Branch Vogošća	Igmanska 60	Vogošća	71320	033 476 361
Branch Ilidža	Mala Aleja 10	Ilidža	71210	033 627 937
Branch Hadžići	Hadželi 153	Hadžići	71240	033 475 390
BUSINESS CENTER SARAJEVO STARI GRAD				
Branch 1 Sarajevo	Maršala Tita 48	Sarajevo.	71000	033 253 375
Branch 3 Sarajevo	Zagrebačka 2-4	Sarajevo (Kovačići)	71000	033 253 973
Branch 4 Sarajevo	Alipašina 45a	Sarajevo (Ciglane)	71000	033 443 106
Branch 5 Sarajevo	Fra. Grge Martića 2	Sarajevo (Katedrala)	71000	033 237 845
Branch 11 Sarajevo	Gajev trg 2	Sarajevo	71000	033 251 950
Branch 12 Sarajevo	Zelenih beretki 24	Sarajevo	71000	033 562 767
Branch 13 Sarajevo	Branilaca grada 53	Sarajevo	71000	033 221 700
Branch 14 Sarajevo	Maršala Tita 13	Sarajevo	71000	033 201 981
Branch 15 Sarajevo	Bolnička 25	Sarajevo	71000	033 218 201
Branch 16 Sarajevo	Fra Anđela Zvizdovića 1	Sarajevo UNITIC	71000	033 252 280
BUSINESS CENTER SREDNJA BOSNA				
Branch Vitez	Petra Krešimira IV	Vitez	72250	030 713 606
Branch 1 Vitez	Poslovni centar 96, FIS	Vitez	72250	030 718 683
Branch Uskoplje	Bana Jelačića bb	Uskoplje	70240	030 494 181
Branch Turbe	Bosanska 70 d	Turbe	72280	030 532 044
Branch Donji Vakuf	770 Slavne Brdske brigade 23	Donji Vakuf	70220	030 205 551
Branch Novi Travnik	Kralja Tvrtka bb	Novi Travnik	72290	030 795 502
Branch Fojnica	Mehmeda Spahe 18	Fojnica	71270	030 547 022
Branch 1 Travnik	Bosanska 56	Travnik	72270	030 518 611
Branch Jajce	Hrvoja Vukčića Hrvatinića bb	Jajce	70101	030 654 560
Branch Rama	Kralja Tomislava bb	Rama	88440	036 771 061
Branch Bugojno	Zlatnih ljiljana 16	Bugojno	70230	030 259 570

Business network of UniCredit Bank d.d.- 31.12.2011. (continued)

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

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