UniCredit Bank

The world
is changing.

Let's change
together.

2014 Annual Report

UniCredit Bank

This year's report depicts how innovative UniCredit products and ideas help our customers and businesses respond to the challenges of this changing world.

By spotlighting sophisticated, new multichannel products and services we have developed to meet the modern needs of our customers, we show how our bank is adapting to rapid changes – and how our solutions are helping our customers adapt at the same time.

At UniCredit, we make it easy for the people who bank with us to take full advantage of the technologies and customized services now available to them – so that they can achieve their goals and live their lives on their own terms. As their partner, we have a clear responsibility to provide them the flexibility, the foresight and the tools they need to overcome obstacles and seize new opportunities.

The world is changing. Let's change together.

2014 Annual Report

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Director's report

IVAN VLAHO
Director

> "The focus of all our activities is the delivery of quality services to almost one million of clients, where all efforts were focused on achieving a high level of their satisfaction and creating solutions to the needs of each individual client."

Dear clients, shareholders and business partners,

With exceptional pride and pleasure we present to you the outstanding achievements of UniCredit Bank d.d. (hereinafter: the "Bank") in the year 2014.

The year behind us was marked by a challenging macroeconomic and political environment, while the floods that hit the country in May have further adversely affected the business environment. We are proud to have surpassed expectations regarding the implementation of our business objectives in such a demanding environment. We strengthened our leading position in the banking sector of Bosnia and Herzegovina concluding the year as the leading bank in size of total assets, profit, issued loans and collected deposits, and we have improved our market share in the retail segment and corporate segment, whereby we reaffirmed once again our strength, stability and resilience and proved the quality of our work.

The focus of all our activities is the delivery of quality services to almost one million of clients, where all efforts were focused on achieving a high level of their satisfaction and creating solutions to the needs of each individual client. We are proud to highlight the fact that every fifth convertible mark is being saved in our Bank, and more than a sixth of all loans were issued to our clients.

In 2014 we continued to strengthen our revenue position by achieving so far the largest annual revenues, while with a rational approach to cost management we achieved significant savings, resulting in the lowest annual operating costs so far. All this has contributed to finish this year with a net profit of KM 61.4 million which is by KM 5.8 million more than in 2013.

This result was achieved while retaining all the traditionally strong fundamentals of our Bank successfully built up for years, and measured by parameters like the ratio of loans to deposits which last year amounted to 83.7% or coverage of bad loans with provision. The Bank's assets in 2014 shows stability and amounts to KM 3,962 million KM. Total net loans recorded an increase of 7.2% compared to the previous year and amount to KM 2,479 million. There has been growth in customer deposits of 8.7%, and the year is being concluded with an amount of KM 2,961 million. Strong capital base was further strengthened in 2014, with a capital amounting to KM 640.1 million which is an increase of 10.6% compared to previous year. Capital adequacy ratio in the amount of 16.4% confirms the safety of operations with the Bank.

The credit for the successes achieved belongs to all Bank employees whose selfless contribution and effort embedded in our results. Human resources management in UniCredit Bank has a strategic role and priority, thereby resulting in a positive effect on our customers and the community in which we operate, hence strengthens the competitive advantages of our bank, and from year to year, ranks us among the most desirable employers.

On the top of our priorities is also our focus on corporate social responsibility and improving the quality of life in Bosnia and Herzegovina. That is why we want to point out, with special proud of our humanitarian actions aimed at helping areas affected by natural disasters. We renewed our four branches that are directly affected by the floods, and we are particularly proud on the collegiality and wholehearted solidarity that employees expressed to their colleagues, whose houses and properties directly suffered in the natural disaster.

As part of corporate social responsibility activities of the Bank emphasize the initiative we launched last year with UniCredit Foundation in order to provide KM 117,000 for development of social entrepreneurship in our country.

Additional power of the Bank is represented through affiliation to UniCredit Group, which for many years shows the most serious approach to banking in Central and Eastern Europe.

The success of the Bank during the past year has been awarded with numerous awards. Posao.ba named us one of the 10 most desirable employers in BiH, Consultant Revicon and Prism Magazine awarded us the Crystal Prism for the most successful bank in 2013, while our magazine Bank & Business in BiH crowned with two Gold BAM for total capital and return on equity - ROE.

Results achieved in 2014 gave us a very good starting position for the start of 2015. Before us is an ambitious goal to raise our scale of excellence to a higher level. I expect to continue with the development trends of our Bank, where the focus of all our activities still will be to provide quality services to our clients, and to support the development of our community.

We look forward to the year ahead. We at UniCredit Bank d.d. Mostar are ready to provide all kinds of support to creating a good business environment and run the investment and the economic cycle in our country in the desired direction.

On behalf of the Management Board I would like to thank all customers and business partners for their loyalty and trust, that in the future will be justified.

Sincerely yours,

Ivan Vlaho
Director

Technology is for young people.

Young people of all ages.

The future is for everyone.

Simplicity and clarity appeal to all of us. That's way UniCredit created **Subito Banca via Internet**, a practical online banking interface with common sense graphics, intuitive navigation buttons and large fonts. We are making our online services easy to use even by people unfamiliar with new technologies. We are offering solutions based on the preferences of more than 300 customers over the age of 60, collected during workshops and laboratories in Italy. We are proof that you can always innovate in a new way.

Economic environment in Bosnia and Herzegovina

Macroeconomic review of year 2014

The most important events on the world financial markets during 2014, such as the fall in oil prices, interest rates, geopolitical conflict between Russia and Ukraine, have significantly affected the originally announced forecasts, leading numerous corrections of the expected numbers, and will largely shape the economy in the future.

The slow recovery of the international environment and a high degree of political uncertainty during 2014 showed a weakening of the economic activity of Bosnia and Herzegovina from the first quarter until the expected stagnation of the end of the year.

Despite the fact that the economy of Bosnia and Herzegovina in 2013 recorded relatively good results, the apparent reversal in the first few months of 2014 confirmed the fragility of the economic model and the fact that the growth is not re-used for the development and reduction of unemployment.

Although heavily influenced by a weakened economy of the main EU partners, Bosnia and Herzegovina significantly inferior results achieved were mainly on the basis of internal barriers that have prevented the retention of good trends from 2013.

Among the most important events that have affected the economic and political development of the country should be mentioned in (a) protests that took place earlier this year, resounding strongly in medias all over the world and thus leaving the image of a unstable socio-economic environment in the country, (b) large and devastating natural disasters caused enormous damage to the country in May, (c) general elections, which were held in October and the impossibility of forming a government from which it was expected to animate the investment cycle in the country, (d) a new approach to the EU for the activation of pre- accession Treaty for Bosnia and Herzegovina, which should include specific reforms signed by key political leaders, (e) a new approach to the IMF to Bosnia and Herzegovina, which expects commitment of government to create economic sustainable model as a precondition for the withdrawal of new funds.

Failure to implement the necessary reforms in the country led to further deterioration in the position of Bosnia and Herzegovina in world rankings report "Lakoća poslovanja 2014", placing 131 on the scale. Delays in reforms and poor positioning will certainly further negatively contribute to already slow trend of **foreign direct investments** in Bosnia and Herzegovina. The adopted strategy of foreign direct investment as well as public investment in Bosnia and Herzegovina mostly rely on the continued development of the energy sector and transport, which should be the main drivers of the investment cycle.

Comparing Bosnia and Herzegovina to other countries in the region but also in CEE, it can be concluded that macroeconomic trends have not recorded much poorer results in comparison to other countries, of course taking into account the additional restrictions of Bosnia and Herzegovina in terms of the weak base for the development and the complexity of the political decision-making. It is expected that each negative correction of forecast for the EU partners will also negatively impact on Bosnia and Herzegovina, but still it has not found itself with a negative sign or in recession as it is the case for some other neighboring countries.

Conditions in the labor market remain almost unchanged, with an unemployment rate that has never fallen below 44% with an almost unchanged amount of salaries paid. This trend in the labor market has not given the opportunity to recover personal consumption. High unemployment continues to pose serious challenges for the creation of a sustainable economic model of the country.

In such conditions dominated by **deflation** with a level of -0.4% at the end of 2014. During the first half of the year the negative rates are significantly increased, while in the second half of the year, are nevertheless lowered to a moderate level, but still with a negative sign.

Rating of Bosnia and Herzegovina has still not been changed and remains at level "B with a stable outlook", according to S & P and "B3 with stable outlook" according to Moody's, with the IMF Stand-By Arrangement as the main sanctuary.

At the beginning of 2014 it seemed that **industrial production** continued with a promising trend from 2013, but in April the growth of industrial production was significantly reduced and additionally influenced by the effects of natural disasters that befell Bosnia and Herzegovina. The largest drop was in the electricity sector due to high base from previous year and unfavorable weather conditions, then mining, agriculture, forestry and transport. Despite negative influences on the construction sector, production has not recorded a negative sign due to the continuation of works on the construction of Corridor Vc highway. The beginning in 2014, brought optimistic rates on **foreign trade growth**, with the growth of export at a rate of 5-6%, but slowing down and a reverse trend came in the first quarter and deteriorated further after the May floods. The trade deficit increased steadily throughout the year with lagging in production but and a damaged transport infrastructure. Trends in trade show stronger orientation to Germany and Italy, as the main trading partners since the entry of Croatia to the EU (given the still unadjusted standards for the export of goods and services which entered into force after the Croatia entered to the EU).

During 2014 **Stand-by arrangement with the IMF** remained the main support of the financial stability of the country. The funds have been engaged twice, in January tranche VI in the amount of SDR 42,275,000 and in July tranches VII and VIII in amounts of SDR 42,275,000 each with an increase of SDR Stand-by arrangement for 50% of the quota, ie. SDR 84,550,000 intended to mitigate the effects of natural disasters (floods in May).

Macroeconomic review of year 2014 (CONTINUED)

Identified the problem that the funds of the Stand-by arrangement are mainly used for repayment of old debts and other budgetary expenditures and not for development purposes, has led to the fact that the eighth review of the IMF arrangement which started in September 2014 has not been completed and is awaiting final opinion of authorities in Bosnia and Herzegovina for compliance with the new approach to the reforms required by the EU, and the expected creation of a new economic model of the country.

Great devastating floods and landslides that have affected 20% of the territory of Bosnia and Herzegovina in May 2014, took with them almost 15% of GDP in Bosnia and Herzegovina and caused extensive damage to the transport and energy infrastructure, private and public lands. Such significant damages led to a large lag in the overall economy, the decline in industrial production and foreign trade. All international institutions in a timely manner have worked to help Bosnia and Herzegovina. The Donors' Conference, which took place in July 2014, raised 1.6 billion aid to Bosnia (of which 0.3 billion of grants and 1.3 billion of loans with favorable terms). The total amount raised at the conference represents 40% of the total projected damages (KM 3,98 billion). Given that the planned renovation dynamics is not achieved, many international political figures have expressed dissatisfaction with the low renewal and distribution of funds.

Expectation for 2015

Almost all financial institutions announced the recovery of the economy of Bosnia and Herzegovina in 2015, the differences are only in the expected intensity of that growth. But we stick to forecasts of GDP growth of 2%, due to the less optimistic estimate of the Eurozone and the neighboring countries, but still with caution because of the political stalemate in government formation. It is undisputed that after stagnation, a good basis for growth and improvement has been created in 2014 including also new opportunities for the country that in 2015 should initiate positive processes in socio-economic terms and initiate pre-accession negotiations with the EU. A new direction that will be defined during 2015, will depend on the resources of international institutions which have so far played a key role in maintaining fiscal discipline and stability.

As the rating of Bosnia and Herzegovina has so far largely relied on the support of the Stand-By Arrangement with the IMF is certainly the main goal for 2015 to reach a clear decision on the reforms that will enable investments, further growth and development, and not stagnation or a new degradation of the country.

Key macroeconomic indicators in Bosnia and Herzegovina

	2011	2012	2013	2014F
Nominal GDP (KM billion)	25.8	25.7	26.3	26.1
Population (in thousand)	3,840	3,836	3,832	3,829
GDP per capita (in KM)	6,712	6,709	6,853	6,810
Real GDP (annual change, %)	1.0	-1.2	2.1	-
Consumer prices (annual change, %)	3.1	1.8	-1.2	1.0
average	3.7	2.1	-0.1	-0.8
Monthly wage (annual, %)	4.4	1.5	0.2	0.1
Unemployment rate (registered, %)	43.3	44.1	44.6	44.0
Balance of state budget (in % of GDP)	-1.2	-1.9	-2.3	-4.0
Balance of the current account of balance of payments (in % of GDP)	-9.7	-9.3	-5.5	-8.1
Foreign direct investments (in % of GDP)	2.6	2.1	1.9	3.5
Foreign currency reserves (in KM billion)	6.4	6.5	7.1	7.2
FX rate EUR/KM	1.96	1.96	1.96	1.96
1M EURIBOR, end of period	1.0	0.1	0.2	-
average	1.2	0.3	0.2	0.1

Source: Agency of Statistics of Bosnia and Herzegovina, Central Bank of Bosnia and Herzegovina, UniCredit Research

Banking Industry in 2014

The banking sector has a key role in the financial system of Bosnia and Herzegovina. Once again confirmed as stable and liquid by all major international financial institutions, the banking sector is headed towards new adjustments to European business standards, which can be seen through a number of regulatory changes introduced during 2014.

Its stability the banking sector confirmed by high capital adequacy ratio, which amounted to 17% at the end of the third quarter 2014. Of course, such a result can be seen as a reflection of poorly loan growth, but also the absence of significant dividend payments and timely coverage of major losses through recapitalisation.

Among the most important changes during the year 2014 following should certainly be specified (a) the new Law on Consumer Protection FBiH, where there has been a significant change in the terms of contracts with customers, (b) amendments to the Decision on minimum standards for capital management, where the law is partially closer to Basel II and Basel III standards with the introduction of limits for the payment of dividends, (c) FATCA implementation, for which the banks individually signed agreements for harmonisation, since it has not signed IGA agreement at the country level, (d) amendments to the Decision on minimum Standards for liquidity of banks, with the permission of including a stability factor of a part of deposits with longer maturities and (e) increase in amount of deposit insurance from 30,000 to KM 50,000 in December 2013, which proved to be a good protective measure already in 2014 in the liquidation process of a small bank.

The banking sector has confirmed its important role in the country through support at the time of natural disasters that occurred in May. Decision has beem made on temporary measures when dealing with loan liabilities of clients who are affected by natural disasters, defining the terms of the moratorium and restructuring of loans. Per Decision it was determined that maximum duration of the loan moratorium was up to 12 months (no more than 30.9.2015), as well as the maximum level of interest rates that banks can charge for the duration of the moratorium (max 50% of the originally agreed). At the same time Decision agreed the possibility of replacing the existing credit liabilities of clients, including the extension of principal and / or interest, reducing interest rates, write-off of part of the receivables, the capitalization of interest, approval of new loans and the like.

Development of capital markets and financial sector of Bosnia and Herzegovina contributed to the issuance of securities of the Government of FBiH and RS, where the most important customer just occurs to be the banking sector. During 2014 , a total of KM 414 million treasury bills was issued and KM 326 million bonds. Looking at the entities, FB&H issued treasury bills in the amount of KM 240 million and KM 140 million bonds. The RS government issued treasury bills in the amount of 174 million KM and bonds in the amount of 186 million KM.

In the market of Bosnia and Herzegovina in 2014, the number of banks was reduced to 26 due to the liquidation of a bank with headquarter in RS. Total assets of the banking sector in 2014 grew by 4.4% compared to the previous year and amounted to KM 24,478 million.

Intense competition from banks was felt in 2014, which reflected mostly as great pressure on net interest margins. The decrease in interest expense partially offset the gap in interest income, with an increase in customer deposits (ratio Loans / Deposits decreased to the 122% in 2008 to only 109% in 2014), while reducing dependence on foreign funding (return Funding and credit lines).

As a major risk and expense of banking sector remains a steady increase in the volume of non-performing loans and a way to manage this type of portfolio. Although the beginning of the year pointed to a positive direction, the second quarter clearly showed that the share of non-performing loans continues to rise. The corporate segment of legal entities in the third quarter of 2014 reached a record level of 20.7%, the retail segment registered a rate of 10.5%, while the total loans ratio of non-performing loans amounting to 16.1%.

This upward trend in non-performing loans takes cautious monitoring of the profitability of the sector, given the uneven trend in risk provisions sas movement volume non-performing loans.

High unemployment and stagnant salaries certainly do not give the opportunity to strengthen personal consumption, so the majority of activity in the part of the increase in lending volume largely remained on restructuring of existing debt and customer acquisition. Total loans grew by 2.8%, where loans to households have increased by 5.7%, while the corporate segment grew by 0.7%.

Deposits did not face a decline. During 2014 there was an intense competitiveness in interest rates on deposits, with banks trying to make up for the return of foreign sources of domestic deposits, especially in the retail segment. Movement of corporate deposits during the year were under the influence of Goverment deposits and inflows of IMF funds. Total deposits grew by 8.5%, where retail deposits rose by 9.0%, while the corporate segment grew by 7.7%.

Banking Industry in 2014 (CONTINUED)

Expectations for 2015

The movement of the banking sector will largely depend on the investment cycle in the country. Considering that lending to the corporate sector is lagging behind up to several months comparing to GDP growth, each delay of economic recovery reduces the possibility of significant demand for loans by the end of 2015. Revival of projects and inflow of new investments are of crucial importance for the recovery of the economic cycle and thus to stimulate loan growth. Revenue will remain under severe pressure due to the still present strong competition and the increasing focus of banks on the retail segment which is recognized as less risky. Profitability of the banking sector will surely continue to be under close observation, given the potential risk resulting from continued deterioration of portfolio quality.

The world moves fast.

Anticipation makes a world of difference.

Serving talent.

In a world that is always on the move, UniCredit saw the need for a network of high-tech services.
UniCredit Start Lab is our accelerator for innovative startups. From mentoring and network development to managerial coaching, we've got it covered.
MyZabaStart is a platform, lauched in Zagrebačka Banka Croatia, that provides support for deserving business ideas in the green, creative and innovative sectors, to help drive their business growth.

Time
is precious.

Give it more value.

Advice when you want it.

Everyone needs advice. And no one wants to waste time. That is why we created **Video Advice@home**. This convenient service delivers expert advice online, allowing you to connect with our consultants from the comfort of home. Easy-to-install software enables us to respond quickly to questions about your current account, car loan or mortgage. We can create value for you, whenever and wherever you need us.

Business description

UniCredit Bank d.d. Mostar (hereafter the “Bank”) is a licensed commercial bank headquartered in Bosnia and Herzegovina.

The Bank provides the full range of financial services to companies and individuals in Bosnia and Herzegovina.

The Bank is serving over 945 thousand retail clients and more than 3.8 thousand of corporate clients. The full set of banking services provided by the Bank, includes corporate banking, retail banking, financial institutions, international operations, investment banking.

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.

Map of the Branch Network

Retail segment

Organization

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

The business network is divided into 10 regions, which are further split into agencies located throughout Bosnia and Herzegovina, and as of the end of 2014, there were 79 such agencies.

Retail Banking has a portfolio of more than 945 thousand clients, segment of individual clients and small business banking.

Business in 2014

The business is client oriented, so that client's needs are recognised in a unique way, where continuous improvement of processes and services, which result in a more efficient and simple management of business relations, development of client business consulting through an individualised approach and a full range of Bank's products and services, continuously differentiate the Bank from its competitors.

According to 2014 surveys, clients once again demonstrated that they appreciate the unique quality of service and rewarded the Bank's focus on improvement of the client satisfaction.

As an innovative and modern Bank in the market, which follows trends and clients' needs, we would like to make our e-ba and m-ba services even more user-friendly for our new and future clients, and in this segment we constantly work on development and up-grading of applications and improvement of client experience.

In addition to banking products and services, the JES Package, as an anchor product of the Bank, also provides a range of non-banking services and benefits, thus enriching and facilitating the everyday lives and businesses of our clients, which have been recognized by over 100,000 satisfied users.

Client recongnise the Bank as a reliable partner and dring 2014 a growth of the Bank's market share has been recorded, not only in deposits but also in retail loans Volume of loans to individuals was at level of KM 1,500.4 million, with an increase in market share to 20.5%. The volume of retail deposits at the end of 2014 increased to KM 1,921.7 million, with an increase in market share of 21.2%.

In the credit card business, a diverse range of card products tailored to the demands of our clients, as well as a wide ATM and EFT POS network enabling access to cash at any time and in any place, giving clients the necessary freedom and flexibility.

With the end of 2014 the banks network of ATMs consists of 256 ATMs in production. Following the needs of the market and the clients in 2014 we have continued to spread the network of, pay-in/pay-out ATMs and with year end we had 36 devices in production which enable clients to deposit money on current accounts of retail/current account of corporate entities in any moment.

Our ATMs beside stated functions enables client's cash disbursement, to confirm balance and sale of prepaid vouchers.

We are working hard to confirm the reputation of dynamic and modern bank that follows the requirements of the market, considering the needs of its customers and strives to be the number one bank in their eyes.

Corporate and Investment Banking Sector

Organisation

The segment of Corporate and investment banking deals with clients from large and medium-sized enterprises to whom in addition to product financing also offers products from the domain of global transaction banking and financial markets.

Through ten business centers the Bank covers the entire Bosnia and Herzegovina and the leads business relations with over 3.8 thousand clients, segment of large enterprises and middle enterprises.

Business in 2014

The domestic market continues to record weak economic recovery with the deterioration in asset quality, with foreign investment significantly reduced in the last few years. In these conditions, with strong competition in lending, and a limited number of quality investment projects, UniCredit Bank managed to increase its market share in all major segments of corporate business. Despite the challenging environment, the Bank has increased in the segment of lending to corporate entities, and the total amount of loans at the end of 2014 amounted to 1,270 million, which resulted in the growth of market share to over 13%, while deposits of corporate clients at the end of 2014 amounted to 1,016 million with an increase in market share to over 15%.

Thanks to a balanced business model in which we rely on sustainability, commitment to our customers and regional availability we were able to provide a unique approach to the market of Bosnia and Herzegovina with a service level in accordance to business expectations and needs. Participating as partners in the business activities of the government and private companies we used the possibility that we can respond to all client requests that are consistent with our culture of risk.

In 2014, we maintained our position of the most important partners in the financing of government which is supported by our long-standing dominant position in the market for this segment of clients. Also, UniCredit Bank has participated in all significant and major transactions in the private sector in the country that are related to corporate banking clients.

The Bank has provided support to SMEs, through projects in the sphere of renewable energy and improvement of energy efficiency in cooperation with international financial institutions (EBRD and WB) through which was approved more than 35 million customers through a number of available credit lines.

Active participation in the domestic securities market, significantly increased the market share of the Bank in the number of issued market securities that is also evidence of commitment to support and strengthening this segment of the market. In part to protect customers against market risks, the focus is on continuous education of customers about the products and services which Markets, financing and advice can offer to improve the business of clients. Share in syndicated loans as the leading creditor and Agent in syndication indicates that business focus remains on strengthening the economy and the public sector through transactions and comprehensive support.

By improving business and our products, we want to be committed and be closer to our customers, in order to mutually accomplish our goals. Drawing on the strength of UniCredit Group, taking into account the nature of the local market, we provide an integrated approach to solutions, to improve our quality of products and services, raise efficiency and provide ease of operation.

So during the year we spent a number of business activities in the field of product management, and are creating and introducing new products and improved existing ones:

- Factoring,
- Mediation services in concluding insurance policies with insurance companies in cooperation with UniCredit Broker d.o.o.,
- Improvement of products and processes in the card business and the front end system with a focus on fulfillment of changes in regulations.

Thanks to the joint work of our teams, we were able to adapt to constant changes of the market and high customer expectations. The market continues to be challenging, but the opportunities for growth and advancement are still present.

Financial Overview and Business Performance

Financial indicators:

(in KM '000)	31 December 2014	31 December 2013
Total operating income	206,905	205,795
Profit before impairment losses and taxation	91,418	85,316
Profit before tax	68,985	63,006
Profit for the year	61,398	55,571
Equity and reserves	640,074	578,828
Loans and receivables from clients	2,478,823	2,311,743
Current accounts and deposits of clients and banks	3,056,717	2,868,657
Total assets	3,961,762	3,729,433
Performance indicators		
Capital adequacy	16.4%	20.0%
Operating costs in total income	55.8%	58.5%
Return after taxation on equity and reserve (ROE)	10.1%	10.0%
Return before taxation on average total assets (ROA)	1.8%	1.7%

Overview of business operations of the Bank

In 2014, the Bank generated KM 61.4 million profit before taxation, which is by KM 5.8 million (10.5%) more than in the previous year. Profit growth was a result of higher cost efficiency, focus on cost management and continiuos advancement of processes and higher fee and commission income, despite different hardships from the bussines envirement.

During 2014, the Bank focused on retaining the position of market leader and main participant in terms of initiating and implementing new banking standards, and improve customer satisfaction through the adoption of existing and introduction of new products and services while preserving the quality of the portfolio.

Income and expenses

Total income of the Bank for 2014 amounts to KM 206.9 million, which is KM 1.1 million above the last year level (0.5%).

In the structure of the Bank's total income, share of net interest income amounts to 67% and decreased by 1.0 percentage point compared to previous year, while the share of net income from fees and commissions increased by 1.1 pp and amounted to 27.9%, while other income accounted for 5.1%.

Net interest income

The 2014 net interest income amounted to KM 138.6 million, which is 1% less compared to previous year.

Strong pressure on decrease of interest rates is still present. The decrease of the interest income (KM 0.8 million) is due to influence of lower interest rates charged on loans to customers, while at the same time, with higher interest expense (KM 0.5 million) due to higher volume of deposits (term) compared to 2013, has resulted in less net interest income (KM 1.3 million) compared to previous year.

Lack of quality development projects and low investment levels on the market is still noticeable, while savings, due to postponement of investments, are further increased.

Net fee and commission Income

The net fee and commission income amounts to KM 57.7 million, with an annual growth of KM 2.5 million (4.6%).

The increase in fees is mainly a result of higher fee rates in the payment system (larger number of transactions with the introduction of new fees), higher loan fees (secured loans) and higher fees on credit card transactions.

Net gains from FX transactions and FX differences on conversion of monetary assets and liabilities, and other income

Net gains from FX transactions and FX differences on conversion of monetary assets and liabilities, and other income in 2014 amounted to KM 10.6 million, on the same level as previous year. FX gains were decreased by KM 0.2 compared to previous year, while other income is increased by KM 0.2 million.

Operating expenses

The 2014 operating expenses amount to KM 115.5 million, which was less than KM 5.0 million (4.1%) compared to previous year. Improvement and increase of efficiency, optimization and rationalization of the branch network contributed significantly to lower administration costs and depreciation.

Personnel costs amounted to KM 53.7 and are higher by KM 0.2 million (0.3%) compared to previous year, due to higher salary costs and costs of severance payments, and optimization of the number of employees, at the same time.

Administrative and marketing expenses amounted to KM 37 million and decreased by 0.9 million (2.4%) compared to previous year, due to lower costs of marketing, communications and sponsorship, the cost of information and communication technologies, cost of real estate, insurance and cash management. With the continuous improvement of cost management activities of the Bank achieved a favorable share of operating costs in operating income for 2014 of 55.8%, which is an improvement of 2.7 percentage points compared to the previous year.

Impairment losses and provisions

Total impairment and provisions costs amounted to KM 22.4 million and they are higher by KM 0.1 milion (0.5%) comparing to previous year.

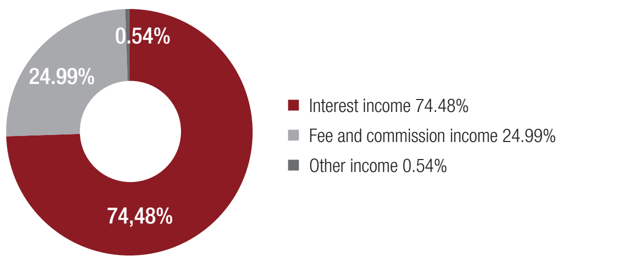
The increase in provisioning costs relates to the current situation in the business environment, where still dominates the prolonged recession and high unemployment.

Impairment losses on loans and receivables from customers amounted to KM 18.3 million and this was KM 2.1 million (10.2%) decrease compared to previous year. Net impairment of loans and receivables resulted from KM 14.1 million new provisioning costs, out of which KM 17.4 million for corporate loans, and KM 3.3 million for retail loans, plus new costs of provisioning for the performing portfolio in the amount of KM 4.2 million.

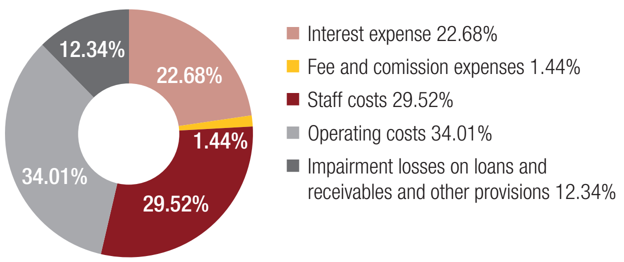
Other impairment and provisioning amounted to KM 4.2 million of additional charges, including off-balance provisioning of KM 3.4 million and allowance for other assets of KM 0.8 million.

Income and expenses structure for 2014

Structure of income



Structure of expenses

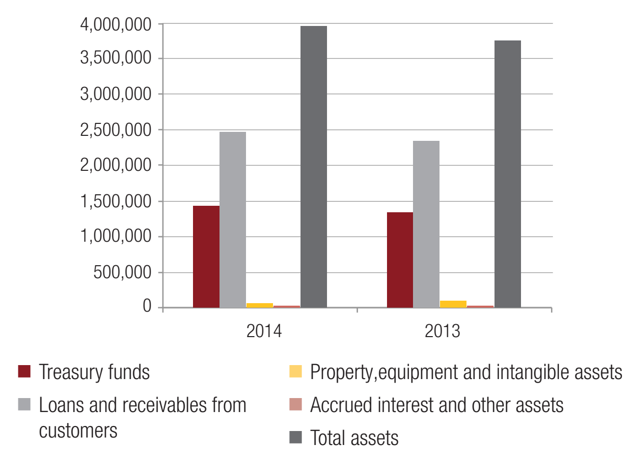


Assets

As of 31 December 2014, the Bank's assets amounted to KM 3,961.7 million, with an increase in the amount of KM 232.3 milion (6.2%) compared to previous year, mainly because of increase in loans and commitment receivables financed initially through growth of client deposits.

Assets structure

Assets structure KM (000)



The previous chart shows the structure of assets and trends in 2014 and 2013.

Financial overview and business performance (CONTINUED)

Asset of Assest and Liability Management sector

Property of Assets and Liabilities Management sector consists of cash and cash equivalents, reserve and free funds with the Central Bank of Bosnia and Herzegovina, loans and advances to banks and securities. Total assets of Assets and Liabilities Management sector amounted to KM 1,388.1 million, an increase of KM 71.5 million (5.4%) compared to previous year. Participation in total assets of these properties amounted to 35.0%, a decrease of 0.3 percentage points compared to the previous year.

Loans to and receivables from to banks still keep the largest share within these assets, as well as cash and cash equivalents, followed by obligatory reserves and securities.

The Bank has maintained throughout the year liquidity considerably above the required limits of the Banking Agency of Federation of Bosnia and Herzegovina and the Central Bank of Bosnia and Herzegovina.

Loans and advances to customers

Gross loans and advances to customers increased by KM 180.3 (7.0%) million on yearly basis, despite the difficult economic situation in the region and lack of investment.

Gross loans to corporates (including state and public institutions) at the end of 2014 amounted to KM 1,269.7 milion and are increased by KM 61.6 milion (5.1%). Their participations in the total portfolio amounted 45.8% and is decreased by 0.8 pp compared to the last year.

Gross loans to citizens at the end of 2014 amounted to KM 1,505.1 million, and are increased in the amount of KM 118.7 million (8.6%), despite the high rates of unemployment and lower disposable income due to higher citizens borrowing. Their share in the total portfolio amounts to 54.2% and is increased compared to the previous year by 0.8 pp.

The largest portion in the overall retail loans portfolio referred to long-term all-purpose loans (68.5%), followed by long-term housing loans (18.1%) and receivables based on current accounts (7.5%) and credit cards (5.1%).

Asset of Assest and Liability Management sector

(in KM '000)	31 December 2014	31 December 2013
Cash and cash equivalents	471,476	423,265
Obligatory reserve with CBBH	267,416	243,005
Loans to and receivables from banks	330,456	507,470
Financial assets available-for-sale	318,839	142,933
	1,388,187	**1,316,673**

The structure of loan and advances to customers:

(in KM '000)	31 December 2014	31 December 2013	Change
Gross loans			
Corporate	1,269,684	1,208,053	61,631
Retail	1,505,071	1,386,371	118,700
	2,774,755	**2,594,424**	**180,331**
Allowance for impairment losses			
Corporate	(201,830)	(190,179)	11,651
Retail	(94,102)	(92,502)	1,600
	(295,932)	**(282,681)**	**13,251**
Net loans			
Corporate	1,067,854	1,017,874	49,980
Retail	1,410,969	1,293,869	117,100
	2,478,823	**2,311,743**	**167,080**

Long-term loans made 62.7% of the total gross loans, while short-term loans made 37.3%.

Allowance for impairment losses on loans compared to the previous year increased by KM 13.2 million, out of which provisions for corporate loans increased by KM 11.6 million, and provisions for retail loans increased by KM 1.6 million.

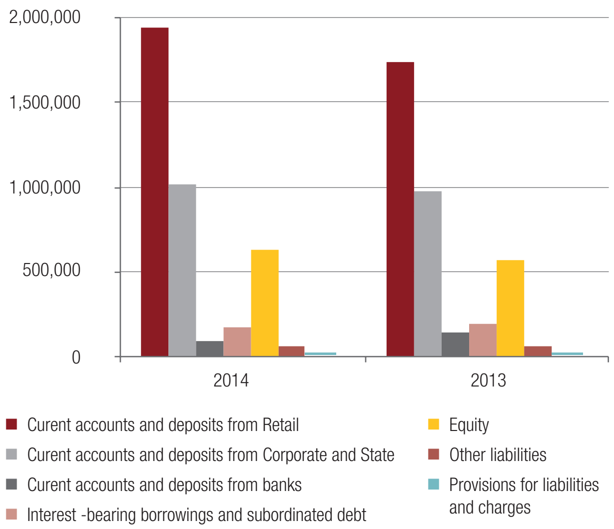
The Bank is continually focused on preserving the quality of the loan portfolio are therefore non-performing loans are monitored and adequately secured.

Net loans to customers amounted to KM 2,478.8 million, recording an increase of KM 167.1 million (7.2%) compared to the previous year.

Liabilities, equity and reserves

Structure of liabilities, equity and reserves – comparation with previous year:

Structure of liabilities, equity and reserves



Current accounts and deposits from customers

Total current accounts and deposits from customers in 2014 amount to KM 2,961.2 million and are increased by KM 236.9 million (8.7%) in comparison to previous year. Current accounts and local currency deposits in local currency made 50% of the total deposit portfolio and is decreased compared to previous year by 0.1 pp.

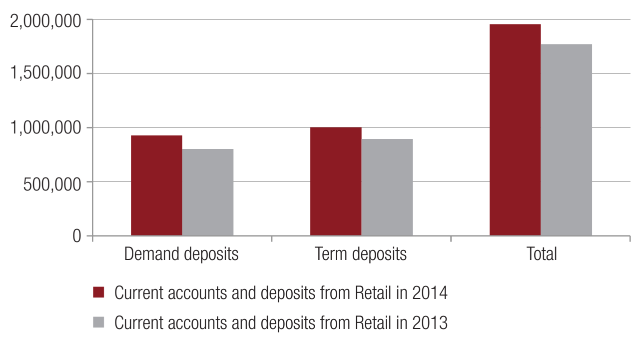
Current accounts and deposits of corporate clients and state amount to KM 1.016.5 million and were increased by KM 32.1 million (3.3%), compared to previous year. Their share in total current accounts and deposits of clients amounted to 34.3%.

In terms of structure of corporate deposits (including state and public institutions), they are divided into a vista (81.3%) and term deposits (18.7%). Compared to previous year, the deposit ratio shifted in favour of a vista deposits (growth by 0.1 pp).

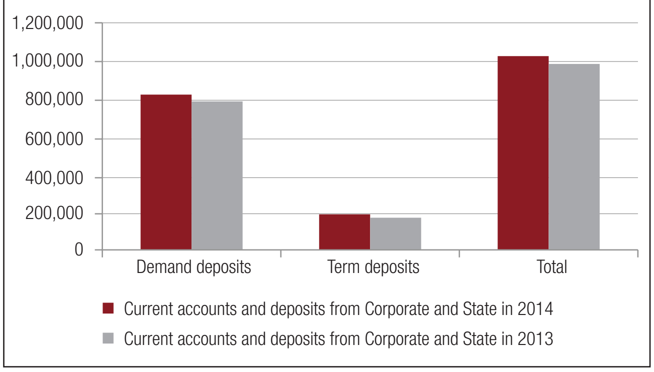
Current accounts, savings and term deposits of retail customers at the end of 2014 amounted to KM 1,944.7 million, and are higher compared to previous year by the amount of KM 204.8 million (11.8%). Their share in total current accounts and customer deposits amounted to 65.7%. Within the total retail deposits, term deposits make up 51.5% and a vista deposits 48.5%. Compared to the previous year, the share of deposits has changed in favor of term deposits of 0.7 pp.

Structure of current accounts and deposits from customers – comparation with previous year:

Current accounts and deposits from Retail



Current accounts and deposits from Corporate and State



Current accounts and deposits with banks, and borrowings

Current accounts and bank deposits at the end of 2014 amounted to KM 95.5 million and are decreased by KM 48.8 million (33.8 %) compared to the previous year.

Borrowings at the end of 2014 amounted to KM 158.3 million and are decreased by KM 21.6 million (12%) compared to the previous year.

Financial overview and business performance (CONTINUED)

Borrowings consist of assets of UniCredit Bank Austria AG, EIB[1]), the EBRD[2]), UniCredit Bank AG, Foundation for Sustainable Development "OdRaz" (World Bank funds), the Development Bank of the Federation of Bosnia and Herzegovina (LDP and IBF) and HBOR[3]).

The share of deposits in total liabilities and equity of the Bank is 2.4%, while the share of borrowings is 4.5%. Comparing to the previous year, the share of deposits and borrowings was reduced by 2.3 pp.

Equity and reserve

The Bank's equity amounted to KM 640.1 million and compared to previous year is increased by KM 61.2 million, as a result of including the current year profit into the Bank's reserves.

Equity and reserves make 16.2% of the total funding which in an increase of 0.6 pp growth in comparison to previous year.

The capital adequacy ratio, presented according to the local regulator methodology, is 16.4%, which is a decrease compared to previous years amounting to 20%, due to change in local legislation.

The capital adequacy according to the Basel III methodology for 2014 is also significantly above the prescribed limit.

Key performance indicators

The profitability ratio ROE is 10.1% and it's below the last year's level (due to greater increase of equity vs. profit), while ROA is 1,8% and it's above the last year's level.

The efficiency indicator (cost to income ratio) is 55.8% and it's improved by 2.7 pp compared to the previous year, as a result of higher revenue growth compared to the growth of costs.

Net loans to deposits are 83.7%, which indicates stability and self-sustainability, i.e. financing of loans from the Bank's own resources.

Profitability per employee (gross operating profit in relation to the number of employees) is KM 75.2 thousand and it has increased of KM 13 thousand compared to the previous year, as a result of revenue growth and optimization of number of employees.

1 European Investment Bank – Europska investicijska banka
2 European Bank for Reconstruction and Development – Europska banka za obnovu i razvoj
3 Hrvatska banka za obnovu i razvoj - Croatian Bank for Reconstruction and Development

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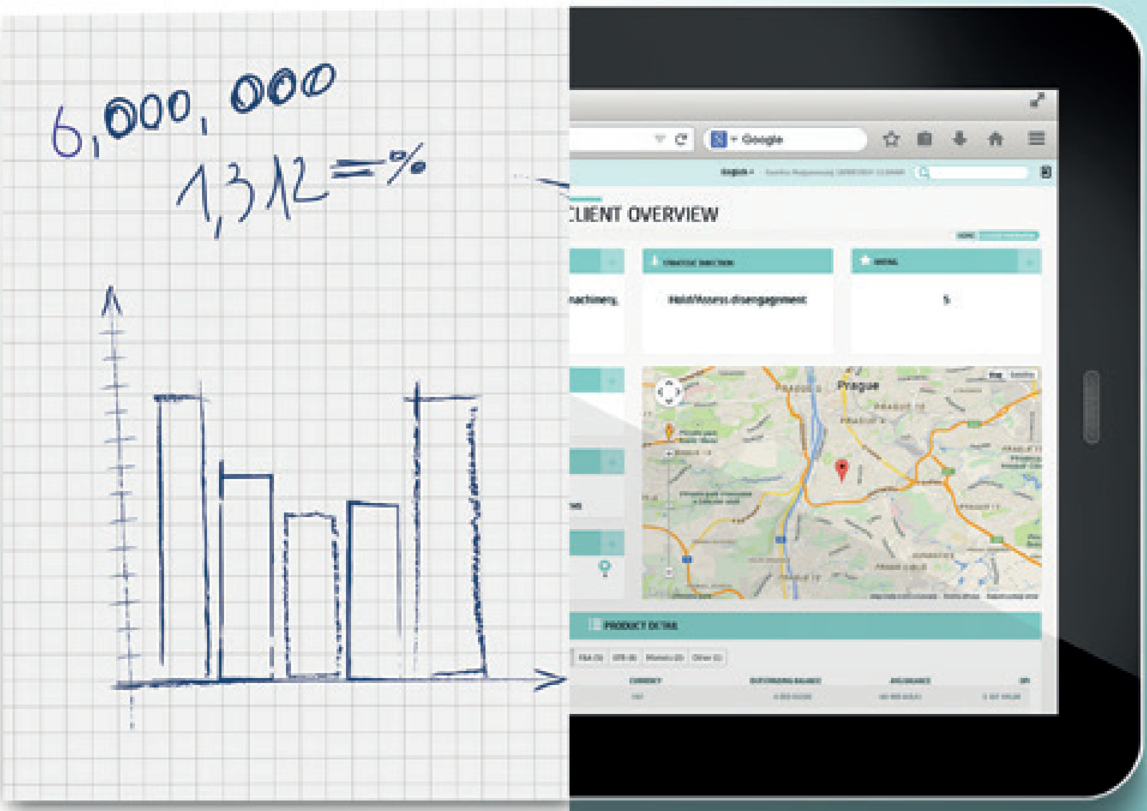


Management and Corporate governance

In accordance to the Law on banks, Law on legal entities and the Bank's Statute, managing bodies of the Bank are: General Assembly, Supervisory Board and Management Board.

General Assembly

The General Assembly is the Bank's supreme managing body. The General Assembly consists of the Bank's shareholders.

The General Assembly method of functioning and decision-making is regulated by the Rulebook on operating of the Bank's General Assembly.

Audited financial statements will be submitted to the General Assembly for approval.

As of 31 December 2014, the Bank had 51 shareholders; the top shareholder was Zagrebačka banka d.d. Zagreb with 78.176 shares, which represented an equity stake of 65.6%.

Bank's share capital is established at the level of KM 119,195,000 and it is divided into: 119,011 ordinary "A" class shares (with the face value of KM 1,000 per share) and 184 preference "D" class shares (with the face value of KM 1,000 per share).

An ordinary "A" class share gives its holder the right to have one vote at the General Meeting of Shareholders, the right to participate in the Bank's management as provided by the Articles of Incorporation, the right to participate in the Bank's profit in proportion to the face value of the share, as well as other rights foreseen by the Articles of Incorporation and the law.

A preferred "D" class share gives its holder the right of priority collection of dividend from the Bank's profit in proportion to the face value of the share as well as the right of priority collection in case of the Bank's bankruptcy or liquidation from the unallocated part of the bankruptcy/liquidation estate.

Supervisory Board

The Supervisory Board supervises the Bank's operations and work of the Management Board, it shapes business policy, passes Bank's general by-laws, issues business and other policies and procedures, and decides on the issues defined by the law, Articles of Incorporation and Bank's other rules and regulations. The Supervisory Board consists of 7 members elected to a four-year term by shareholders at the General Assembly.

The Supervisory Board method of functioning and decision-making is regulated by the Rulebook on operating of the Bank's Supervisory Board.

Members of the Bank Supervisory Board as of 31 December 2014 are:

1.	Franjo Luković	Chairman	Zagrebačka banka d.d., Zagreb, Croatia
2.	Sanja Rendulić	Deputy Chairman	Zagrebačka banka d.d., Zagreb, Croatia
3.	Miljenko Živaljić	Member	Zagrebačka banka d.d., Zagreb, Croatia
4.	Damir Krcivoj	Member	Zagrebačka banka d.d., Zagreb, Croatia
5.	Marko Remenar	Member	Zagrebačka banka d.d., Zagreb, Croatia
6.	Mario Agostini	Member	UniCredit Bank Austria AG, Vienna, Austria
7.	Helmut Franz Haller	Member	UniCredit Bank Austria AG, Vienna, Austria

Management Board

The Management Board organises operations and governs the Bank's business.

The Management Board is composed of the director (CEO) and executive directors, appointed by the Supervisory Board to a four-year term, with prior consent of the Banking Agency of the Federation of Bosnia and Herzegovina.

The CEO chairs the Board, manages the business, represents the Bank and bears responsibility for the Bank's lawful operations.

The Management Board method of functioning and decision-making is regulated by the Rulebook on operating of the Bank's Management Board.

As of 31 December 2014, the Bank Management Board comprise the following members:

1.	Ivan Vlaho	Director
2.	Edin Gajević	Executive Director for Retail Banking
3.	Igor Bilandžija	Executive Director for Corporate and Investment Banking
4.	Amina Mahmutović	Executive Director for Risk Management
5.	Gordan Pehar	Executive Director for Finance management / CFO
6.	Stefano Gison	Executive Director for Support to banking bussines

Audit Committee

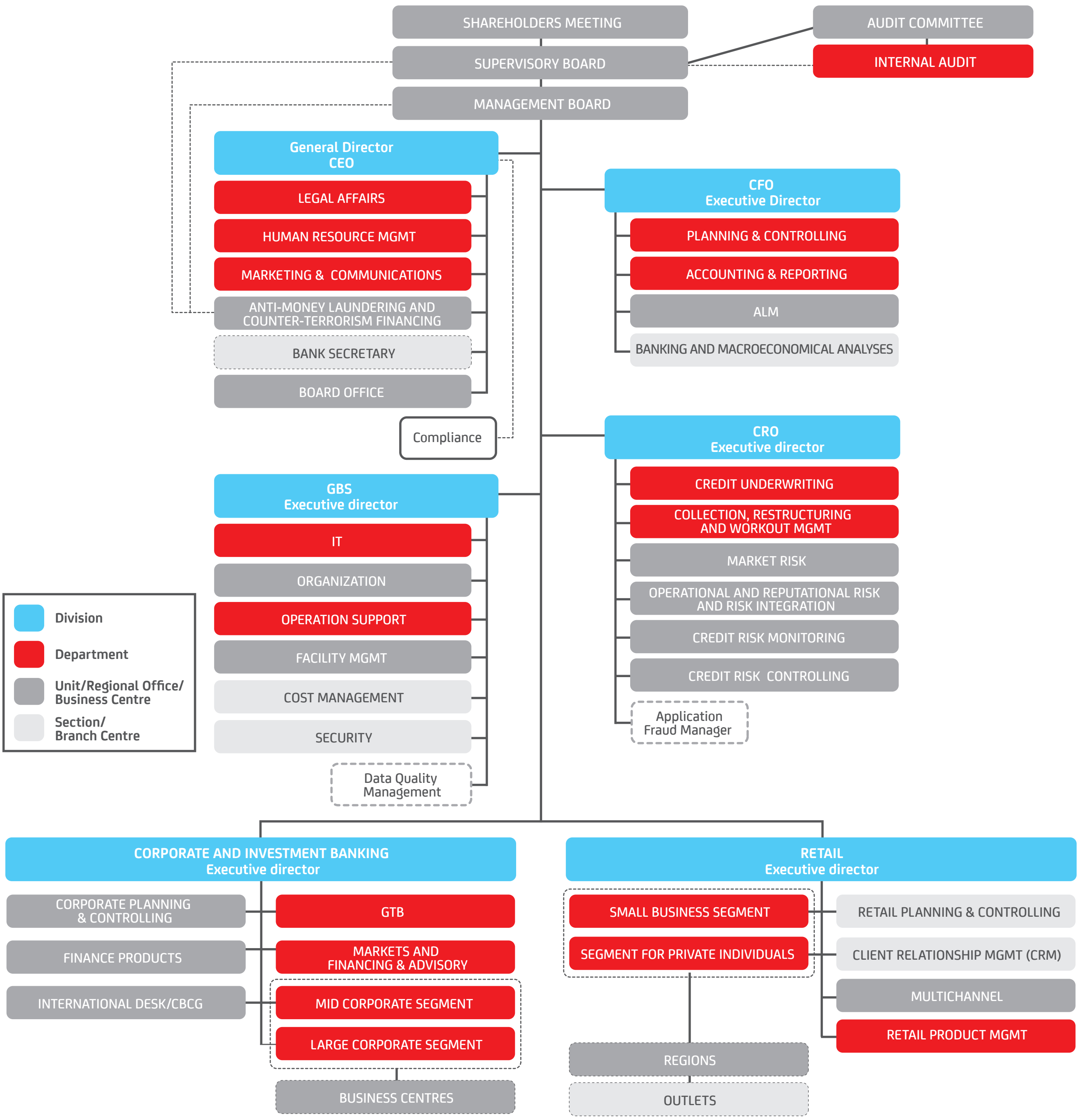
The Audit Committee supervises the work of the internal audit, including appointment of an external audit company which will carry out an audit of the annual financial statements. The Audit Committee has 5 members who are appointed by the Supervisory Board for a period of 4 years.

The Audit Committee method of functioning is regulated by the Rulebook on operating of the Bank's Audit Committee.

As of 31 December 2014, members of the Audit Committee are 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 the Bank as of 31 December 2014 - key organisational units of the Bank:



Employees

At the end of 2014, the Bank employed 1,216 persons.

The Bank implemented a policy of continuous improvement and internal mobility of employees in order to adapt the requirements of the Bank and Group, to regulator and the current economic environment, new competition and technological innovations that affect operations of the Bank. Today's challenging business environment and increased complexity requires a proactive approach and the dynamic organization of the Bank which puts employees in the first place as well as taking care of their development and benefits. To this end, the Bank is continuously working to simplify and strengthen the process of performance management, as well as the development of consistent standards for all our employees.

We invest in the development programs in order to improve the professional skills of employees, as well as the quality and accountability of managers. We believe that diversity at all levels of our organization is essential to generate value for employees, customers, community and owners. Our diverse workforce allows us a better understanding of different cultures, business opportunities and customer needs. That is why we continue to invest in building a culture of inclusion through the promotion of gender equality and respect for age differences.

Rewarding employee performance

Support to Bank's strategy is rewarding employees. Through a system of variable remuneration, the right for a variable award can be realised by every employee of the Bank, where the reward is realized depending on individual employee performance, the performance of the organizational unit and finally the performance of the Bank.

Within the system of remuneration and management systems operating performance entitled to remuneration, the results achieved in 2013, acquired the 1,138 employees.

Compensation System is continuously revised and updated and adjusted with applicable regulatory requirements that limit risk taking to a level that does not exceed a level acceptable to the Bank.

Top shareholders

As at 31 December 2014, the Bank had the following shareholder structure:

	Shareholders	% Participation of all owned shares	Amount of equity KM 000
1.	Zagrebačka banka d.d., Zagreb, Croatia	65.59%	78,176
2.	UniCredit Bank Austria AG, Vienna, Austria	24.40%	29,079
3.	International Finance Corporation (IFC)	5.73%	6,831
4.	UniCredit S.p.A, Milano, Italy	3.27%	3,900
5.	Other shareholders	1.01%	1,209
	TOTAL	**100%**	**119,195**

There were no changes in the shareholder structure compared to 31 December 2013.

Responsibility for the financial statements

Pursuant to the Law on Accounting and Audit of Federation of Bosnia and Herzegovina (Official Gazette No. 83/09), the Management Board is responsible for ensuring that financial statements are prepared for each financial period in accordance with International Financial Reporting Standards ("IFRS") which give a true and fair view of the state of affairs and results of UniCredit Bank d.d. (the "Bank") for that period. IFRS are published by the International Accounting Standards Board.

After making enquiries, the Management Board has a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and must also ensure that the financial statements comply with the Accounting and Auditing Law in the Federation of Bosnia and Herzegovina. The Management Board is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board

Director
Ivan Vlaho

Chief Financial Officer
Gordan Pehar

UniCredit Bank dd Mostar
Kardinala Stepinca bb
88000 Mostar
Bosnia and Herzegovina

13 February 2015

Independent Auditors' report

To the shareholders of UniCredit Bank d.d. Mostar:

We have audited the accompanying financial statements of UniCredit Bank d.d. Mostar (the "Bank"), which comprise of the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Deloitte d.o.o.

Sead Bahtanović, director and licensed auditor

Sabina Softić, partner and licensed auditor

Sarajevo, Bosnia and Herzegovina

13 February 2015

Statement of profit or loss and other comprehensive income for the year ended 31 December 2014

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Notes	2014	2013
Interest and similar income	6	179,825	180,671
Interest expense and similar charges	7	(41,229)	(40,737)
Net interest income		**138,596**	**139,934**
Fee and commission income	8	60,333	57,723
Fee and commission expenses	9	(2,613)	(2,519)
Net fee and commission income		**57,720**	**55,204**
Dividend income		9	9
Net gains from foreign exchange trading and translation of monetary assets and liabilities	10	9,292	9,518
Other income	11	1,288	1,130
Operating income		**206,905**	**205,795**
Depreciation and amortization	22,23	(10,142)	(13,885)
Operating expenses	12	(105,345)	(106,594)
Profit before impairment losses and taxation		**91,418**	**85,316**
Impairment losses and provisions, net	13	(22,433)	(22,310)
Profit before taxation		**68,985**	**63,006**
Income tax expense	14	(7,587)	(7,435)
NET PROFIT		**61,398**	**55,571**
Other comprehensive income:			
Items that will be reclassified subsequently to profit and loss when specific conditions are met:			
Net change in fair value of financial assets available-for-sale		(152)	(236)
TOTAL COMPREHENSIVE INCOME		**61,246**	**55,335**
Basic and diluted earnings per share (KM)	31	516.23	467.24

The accompanying notes form an integral part of these financial statements.

Statement of financial position as at 31 December 2014

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Notes	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	15	471,476	423,265
Obligatory reserve at the Central Bank of B&H	16	267,416	243,005
Loans to and receivables from banks	17	330,456	507,470
Financial assets available-for-sale	18	318,839	142,933
Financial assets at fair value through profit or loss	19	18	56
Loans and receivables from customers	20	2,478,823	2,311,743
Other assets and receivables	21	31,033	33,427
Property and equipment	22	52,254	53,271
Intangible assets	23	11,447	14,263
TOTAL ASSETS		**3,961,762**	**3,729,433**
LIABILITIES			
Current accounts and deposits from banks	24	95,517	144,388
Current accounts and deposits from customers	25	2,961,200	2,724,269
Financial liabilities at fair value through profit or loss	19	17	49
Borrowings	26	158,316	179,832
Subordinated debt	27	19,694	19,702
Other liabilities	28	68,485	67,861
Provisions for liabilities and charges	29	16,767	12,820
Current tax liability		307	282
Deferred tax liability	14	1,385	1,402
TOTAL LIABILITIES		**3,321,688**	**3,150,605**
EQUITY			
Share capital	30	119,195	119,195
Treasury shares		(81)	(81)
Share premium		48,317	48,317
Revaluation reserve for investments		(118)	34
Regulatory reserves for credit losses		20,682	20,682
Retained earnings		452,079	390,681
TOTAL EQUITY		**640,074**	**578,828**
TOTAL LIABILITIES AND EQUITY		**3,961,762**	**3,729,433**

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2014

(all amounts are expressed in thousands of KM, unless otherwise stated)

	2014	2013
Cash flow from operating activities		
Interest receipts	177,826	181,037
Fee and commission receipts	60,308	57,757
Interest payments	(38,578)	(38,962)
Fee and commission payments	(2,655)	(2,474)
Operating expenses paid	(92,965)	(99,269)
Net receipts from trading activities	9,290	9,512
Other receipts	1,288	1,129
Net cash inflow from operating activities before changes in operating assets and liabilities	**114,514**	**108,730**
(Increase) / decrease in operating assets:		
Obligatory reserve with Central Bank of B&H	(24,457)	(5,997)
Loans to and receivables from banks	193,012	(3,432)
Loans and receivables from customers	(184,825)	(50,129)
Other assets	2,289	(18)
Net increase in operating assets, net	**(13,981)**	**(59,576)**
Increase / (decrease) in operating liabilities:		
Current accounts and deposits from banks	(48,878)	(8,322)
Current accounts and deposits from customers	214,928	75,629
Other liabilities	(11,658)	(6,347)
Net increase in operating liabilities, net	**154,392**	**60,960**
Net cash inflow from operating activities before income tax paid	**254,925**	**110,114**
Income tax paid	(7,562)	(7,085)
Net cash from operating activities	**247,363**	**103,029**
Cash flow from investing activities		
Acquisition of property and equipment	(2,957)	(2,282)
Proceeds from sale of property and equipment	211	497
Acquisition of intangible assets	(3,700)	(2,749)
Receipts on redemption of financial assets available-for-sale	77,041	54,197
Purchases of financial assets available-for-sale	(249,734)	(63,718)
Dividend receipts	9	9
Net cash used in investing activities	**(179,130)**	**(14,046)**

	2014	2013
Cash flows from financing activities		
Repayment of issued debt securities	-	(100,000)
Proceeds from interest bearing borrowings	4,708	6,985
Repayment of interest bearing borrowings	(25,961)	(40,826)
Net cash used in financing activities	**(21,253)**	**(133,841)**
Net cash inflow / (outflow)	**46,980**	**(44,858)**
Effect of foreign exchange rate changes on cash and cash equivalents	1,231	(1,149)
Net increase/(decrease) in cash and cash equivalents	48,211	(46,007)
Cash and cash equivalents at the beginning of the year	**423,265**	**469,272**
Cash and cash equivalents at the end of the year	**471,476**	**423,265**

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2014

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Share capital	Treasury shares	Share premium	Revaluation reserve for investments	Regulatory reserves for credit losses	Retained earnings	Total
Balance as at 1 January 2013	**119,195**	**(81)**	**48,317**	**270**	**20,682**	**335,110**	**523,493**
Net profit for the year	-	-	-	-	-	55,571	55,571
Change in fair value of financial assets available-for-sale	-	-	-	(262)	-	-	(262)
Deferred tax on financial assets available-for-sale (Note 14)	-	-	-	26	-	-	26
Other comprehensive income	-	-	-	*(236)*	-	-	*(236)*
Total comprehensive income	**-**	**-**	**-**	**(236)**	**-**	**55,571**	**55,335**
Balance as at 31 December 2013	**119,195**	**(81)**	**48,317**	**34**	**20,682**	**390,681**	**578,828**
Net profit for the year	-	-	-	-	-	61,398	61,398
Change in fair value of financial assets available-for-sale	-	-	-	(162)	-	-	(162)
FX differences on financial assets available-for-sale	-	-	-	(7)	-	-	(7)
Deferred tax on financial assets available-for-sale (Note 14)	-	-	-	17	-	-	17
Other comprehensive income	-	-	-	*(152)*	-	-	*(152)*
Total comprehensive income	**-**	**-**	**-**	**(152)**	**-**	**61,398**	**61,246**
Balance as at 31 December 2014	**119,195**	**(81)**	**48,317**	**(118)**	**20,682**	**452,079**	**640,074**

The accompanying notes form an integral part of these financial statements.

(all amounts are expressed in thousands of KM, unless otherwise stated)

1. 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 a full range of services including retail and 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 its immediate 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.

2. Summary of significant accounting policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board.

2.2 Going concern

The financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

2.3 Basis of preparation

These financial statements have been prepared on a historical 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.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liabilty at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for measurement that have some similiarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(all amounts are expressed in thousands of KM, unless otherwise stated)

2. Summary of significant accounting policies (CONTINUED)

2.3 Basis of preparation (CONTINUED)

The financial statements are presented in Convertible marks since that are the functional currency of the Company. The Convertible mark (KM) is officially tied to the Euro (EUR 1 = KM 1.95583).

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 amounts where significant uncertainty exists in their estimate and critical judgments in applying accounting policies that have the most impact on the amounts disclosed in these financial statements are disclosed in Note 4.

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

2.4 Interest income and expense

Interest income and expense are recognized 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 (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset / liability, or, where appropriate, a shorter period.

2.5 Fee and commission income and expense

Fees and commissions that are an integral part of effective interest rates on financial assets and financial liabilities are included in interest income and interest expense.

Other fee and commission income includes fees which relate to credit card business, the issue of guarantees, letters of credit, domestic and foreign payments and other services, and are recognized in the statement of profit or loss and comprehensive income upon performance of the relevant service.

Other fee and commission expense, mainly service and transaction fees, are recognized as an expense upon incurrence of services.

2. Summary of significant accounting policies (CONTINUED)

2.6 Employee benefits

On behalf of its employees, the Bank pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Bank pays the tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina (on federal and cantonal level) and Republika Srpska.

In addition, transport allowances, meal allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recognized in the statement of profit or loss and comprehensive income in the period in which the salary expense is incurred.

2.6.1 Long-term employee awards

Participants for each cycle of the so-called "Long-term Incentive Plan" are defined based on criteria related to their contribution to the Bank's long-term sustainable profitability. The estimated amount is recognized as personnel costs in profit or loss as earned by participants.

2.6.2 Other employee benefits

Liabilities based on other long-term employee benefits, such as jubilee awards and statutory termination benefits, are recorded at the 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. The rate of average long-term borrowing of corporate clients is used as a discount rate in the absence of an active corporate debt securities market.

2.7 Foreign currency translation

Transactions in foreign currencies are translated into KM at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into KM at the reporting date at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss, except in the case of differences arising on non-monetary financial assets available-for-sale, which are recognized in other comprehensive income. 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.

The Bank values its assets and liabilities by middle rate of Central Bank of Bosnia and Herzegovina ("CBBH") valid at the reporting period date, which approximate market rates. The principal rates of exchange set forth by CBBH and used in the preparation of the Bank's balance sheet at the reporting dates were as follows:

31 December 2014	EUR 1 = KM 1.95583	USD 1 = KM 1.608413
31 December 2013	EUR 1 = KM 1.95583	USD 1 = KM 1.419016

(all amounts are expressed in thousands of KM, unless otherwise stated)

2. Summary of significant accounting policies (CONTINUED)

2.8 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.

Cash and cash equivalents excludes the compulsory minimum reserve with CBBH as these funds are not available for the Bank's day to day operations. The compulsory minimum reserve with CBBH is a required reserve to be held by all commercial banks licensed in Bosnia and Herzegovina.

2.9 Financial instruments

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value increased for transaction costs that are directly attributable to the acquisition or issue except for financial assets and financial liabilities at fair value through profit and loss. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

2.9.1 Financial assets – classification and valuation

Financial assets are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS), and 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Currently, the Bank has no held-to-maturity investments.

a) Method of effective interest rate

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for financial instruments: 'available-for-sale' and 'loans and receivables'.

2. Summary of significant accounting policies (CONTINUED)

2.9 Financial instruments (CONTINUED)

2.9.1 Financial assets – classification and valuation (CONTINUED)

b) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as at FVTPL when the financial asset is either held for trading, when it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, for the purpose of short-term profit taking, or designated as at FVTPL by Management at initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 36.

c) Financial assets available-for-sale ("AFS")

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.

(all amounts are expressed in thousands of KM, unless otherwise stated)

2. Summary of significant accounting policies (CONTINUED)

2.9 Financial instruments (CONTINUED)

2.9.1 Financial assets – classification and valuation (CONTINUED)

c) Financial assets available-for-sale ("AFS") (CONTINUED)

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, which are stated at cost, less impairment. Fair value is determined in the manner described in Note 36.

Gains and losses arising from changes in fair value are recognized directly in equity in the revaluation reserve for securities with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

Dividends on financial assets available-for-sale are recognized in profit or loss when the Bank's right to receive payments is established.

The fair value of financial assets available-for-sale denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting period date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

d) Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivable arise when the Bank provides money directly to a debtor with no intention of trading with the receivable or disposal in the near future.

Loans and receivables are initially recognized at fair value plus incremental costs. After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables include loans to and receivables from banks, loans and receivables from customers, cash and cash equivalents, and obligatory reserves with CBBH.

2. Summary of significant accounting policies (CONTINUED)

2.9 Financial instruments (CONTINUED)

2.9.2 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.

Objective evidence that a financial asset or group of assets is impaired (also for available-for-sale financial assets and financial assets measured at cost) 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.

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 for incurred but not reported losses (IBNR) and specific provisions calculated on a collective basis 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 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 amortised cost is calculated as the difference between the carrying amount of the assets and the present value of expected future cash flows discounted at the original effective interest rate of financial assets.

(all amounts are expressed in thousands of KM, unless otherwise stated)

2. Summary of significant accounting policies (CONTINUED)

2.9 Financial instruments (CONTINUED)

2.9.2 Impairment of financial assets (CONTINUED)

a) Financial assets carried at amortised cost (CONTINUED)

The carrying value of the asset is reduced through an allowance account and the amount of loss is recognized through profit or loss. If loan and receivable have a variable interest rate, the discount rate for determining the impairment loss is the current effective interest rate.

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 recognized (such as an improvement in the debtor's credit worthiness), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

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 recognized as a reversal of impairment losses in profit or loss.

b) Financial assets available-for-sale

In the case of financial assets available-for-sale, a significant or prolonged decline in the fair value of the investment below its acquisition cost is additionally 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 recognized in profit or loss, is removed from other comprehensive income and recognized 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 recognized 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 recognized in other comprehensive income until derecognition of that asset.

Exceptions from above are 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 such group of financial assets is impaired. An impairment loss is calculated as the difference between the carrying amount of the financial asset and the present value of expected future cash 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.

2. Summary of significant accounting policies (CONTINUED)

2.9 Financial instruments (CONTINUED)

2.9.3 Derecognition of financial assets

Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank continues to recognize the financial asset.

On derecognition of a financial asset the difference between the carrying amount of the asset, and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2.9.4 Financial liabilities and equity instruments issued by the Bank

a) Classification

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recorded at the proceeds received, net of direct issue costs.

(all amounts are expressed in thousands of KM, unless otherwise stated)

2. Summary of significant accounting policies (CONTINUED)

2.9 Financial instruments (CONTINUED)

2.9.4 Financial liabilities and equity instruments issued by the Bank (CONTINUED)

a) Classification (CONTINUED)

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37: "Provisions, Contingent Liabilities and Contingent Assets"; or
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out at above.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 36.

2. Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

2.9.4 Financial liabilities and equity instruments issued by the Bank (continued)

a) Classification (continued)

Financial liabilities (continued)

Other financial liabilities

Other financial liabilities, including current and deposit account, issued debt securities, subordinated debt and borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

b) Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire.

2.9.5 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it tends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

2.9.6 Derivative financial instruments

The Bank uses derivative financial instruments to hedge economically its exposure to foreign exchange risk 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 held for trading.

Derivative financial instruments including foreign exchange forward contracts and foreign exchange swap contracts that are initially recognized at trade date and subsequently measured at their fair value in the statement of financial position. Fair values are obtained from discounted cash flow models.

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.

(all amounts are expressed in thousands of KM, unless otherwise stated)

2. Summary of significant accounting policies (CONTINUED)

2.10 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. 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 recognized 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 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:

Buildings	2%
Computers	20% - 25%
Leasehold improvement	Over the renting period
Other equipment	10%-20%

Amortisation methods, 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.

2.11 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:

Software	20%
Other intangible assets	20%

2. Summary of significant accounting policies (CONTINUED)

2.12 Taxation

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.

2.12.1 Current income tax

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.

2.12.2 Deferred income tax

Deferred income taxes are recognised reflecting 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 is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. 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.

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 offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority.

Deferred tax assets and liabilities are not discounted and are classified as a 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, which are reduced to the extent at which it is no longer probable that tax benefits can be used.

2.13 Impairment of non-financial assets

Non-financial assets (other than deferred tax assets) 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 recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

(all amounts are expressed in thousands of KM, unless otherwise stated)

2. Summary of significant accounting policies (CONTINUED)

2.13 Impairment of non-financial assets (CONTINUED)

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of individual assets or cash-generating units 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. The recoverable amount of assets that do not generate independent cash flows (e.g. corporate assets) is determined by assessing cash flows of the group to which the asset belongs.

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 recognized.

2.14 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are released only for such expenditure in respect of which provisions are recognized at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

2.15 Equity and reserves

2.15.1 Share capital

Share capital represents the nominal value of paid-in ordinary and preference shares and is denominated in KM.

2.15.2 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.

2. Summary of significant accounting policies (CONTINUED)

2.15 Equity and reserves (CONTINUED)

2.15.3 Regulatory reserves for credit losses

Regulatory reserves for credit losses are recognized in accordance with regulations of the Banking Agency of Federation of Bosnia and Herzegovina. Regulatory reserves for credit losses are non-distributable.

2.15.4 Retained earnings

Profit for the period after appropriations to owners and allocations to other reserves are transferred to retained earnings.

2.15.5 Revaluation reserve for securities

Revaluation reserve for securities comprises changes in fair value of financial assets available-for-sale, net of deferred tax.

2.15.6 Dividends

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

2.16 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.

2.17 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.

2.18 Segment reporting

A business segment is a distinguishable component of the Bank that is engaged in business activities, which may result in revenue or expenses. The Bank has identified four primary business segments: Retail, Corporate and Investing Banking, Assets and Liabilities Management, and Central Unit.

Segmental results are measured inclusive of the application of internal transfer prices, based on specific prices, appropriate currencies and maturities, with embedded additional adjustments.

Segmental business result are regularly monitored by the Management and Supervisory Board, based on management financial information.

(all amounts are expressed in thousands of KM, unless otherwise stated)

2. Summary of significant accounting policies (CONTINUED)

2.19 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. During 2013 and 2014 there were no dilution effects.

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

During 2013 and 2014, there were neither qualifying assets nor capitalized borrowing costs.

2.21 Assets acquired in lieu of uncollectible receivables

The Bank assesses the marketability of assets acquired in lieu of uncollectible 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's intention is mainly to sell such assets, in which case they are classified as inventory, and not amortised. However, in certain limited cases they may end up being used by the Bank and amortised within buildings, which are part of property and equipment.

3. Adoption of new and revised standards

3.1 Standards and Interpretations effective in current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- Amendments to IFRS 10: "Consolidated Financial Statements", IFRS 12: "Disclosures of Interests in Other Entities" and IAS 27: "Separate Financial Statements" - Investment Entities (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 32: "Financial instruments: presentation" - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014):
- Amendments to IAS 36: "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014):
- Amendments to IAS 39: "Financial Instruments: Recognition and Measurement" - Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014);
- IFRIC 21: "Levies" (effective for annual periods beginning on or after 1 January 2014).

3. Adoption of new and revised standards (CONTINUED)

3.1 Standards and Interpretations effective in current period (CONTINUED)

The adoption of these standards, amendments and interpretations has not led to any changes in the Company's accounting policies.Company's accounting policies.

3.2 Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9: "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14: "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),
- IFRS 15: "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 10: "Consolidated Financial Statements" and IAS 28: "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10: "Consolidated Financial Statements", IFRS 12: "Disclosure of Interests in Other Entities" and IAS 28: "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11: "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1: "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16: "Property, Plant and Equipment" and IAS 38: "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16: "Property, Plant and Equipment" and IAS 41: "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19: "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- Amendments to IAS 27: "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Bank in the period of initial application, except for IFRS 9. Management is currently analysing the impact of IFRS 9 on the Bank's financial statements.

(all amounts are expressed in thousands of KM, unless otherwise stated)

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Bank's accounting policies, which are described in Note 2, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Significant estimates of the Management Board as of 31 December 2014 and 2013 in these financial statements are presented below.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1.1 Useful lives of property and equipment

As described in Note 2.10 above, the Bank reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

4. Critical accounting judgments and key sources of estimation uncertainty (CONTINUED)

4.1.2 Impairment losses on loans and receivables

As described in Note 2.9.2 above, at each reporting period date, the Bank assessed indicators for impairment of loans and receivables and their impact on the estimated future cash flows from the loans and receivables.

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

The Bank monitors the creditworthiness of its customers on an ongoing basis. The need for impairment of the Bank's on - and off-balance-sheet credit risk 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 20), and as provisions for liabilities and charges arising from off-balance-sheet risk exposure to customers, mainly in the form of unused loan facilities, guarantees and letters of credit (summarised in Note 32). 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.

		2014	2013
	Note	KM '000	KM '000
Allowances for impairment losses on credit risk exposure			
Allowances for impairment losses on loans and receivables from customers	20	295,932	282,681
Provisions for off-balance-sheet items	29	11,338	7,975
Allowances for impairment losses on loans to and receivables from banks	17	124	124
Total		**307,394**	**290,780**

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 KM 150 thousand) and collectively for assets that are not individually significant (mainly retail exposures under KM 150 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.

In assessing collective impairment the following guidelines are used:

- future cash flows of a homogeneous segment/product group are estimated based on historical losses for assets with similar credit risk characteristics;
- information on historical loss rates are applied consistently to defined homogeneous segments/groups;
- historical losses are adjusted in line with current data which can be used consistently with the current conditions;
- the methodology and assumptions used to estimate future cash flows are regularly revised, and updated as necessary.

As explained further below, the Bank calculates provisions under FBA rules, as well as estimating impairment allowances under IFRS. The provisions calculated under FBA rules are not recognized by the Bank but form the basis for capital adequacy calculations, and in previous periods, formed the basis for transfers to non-distributable reserves within equity.

(all amounts are expressed in thousands of KM, unless otherwise stated)

4. Critical accounting judgments and key sources of estimation uncertainty (CONTINUED)

4.1 Key sources of estimation uncertainty (CONTINUED)

4.1.2 Impairment losses on loans and receivables (CONTINUED)

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

Non-performing portfolio - calculation in accordance with IFRS

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

(in KM '000)	31 December 2014			31 December 2013		
	Corporate (including state and public sector)	Retail	Total	Corporate (including state and public sector)	Retail	Total
Gross exposure	238,317	89,793	**328,110**	234,366	98,050	**332,416**
Impairment rate	78.09%	84.02%	**79.72%**	73.94%	80.80%	**75.96%**

An increase in the impairment rate of 1pp on the gross non-performing loans identified above as impaired at 31 December 2014, would lead to the recognition of an additional impairment loss of KM 3,281 thousand (2013: KM 3,324 thousand).

4. Critical accounting judgments and key sources of estimation uncertainty (CONTINUED)

4.1 Key sources of estimation uncertainty (CONTINUED)

4.1.2 Impairment losses on loans and receivables (CONTINUED)

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

Non-performing portfolio – calculation in accordance with FBA regulations

At year end, the gross value of impaired loans and receivables, and the rate of impairment loss, calculated as prescribed by FBA, were as follows:

(in KM '000)	31 December 2014			31 December 2013		
	Corporate (including state and public sector)	Retail	Total	Corporate (including state and public sector)	Retail	Total
Gross exposure	226,320	64,123	**290,443**	189,464	63,671	**253,135**
Impairment rate	77.22%	90.32%	**80.11%**	81.94%	91.55%	**84.36%**

An increase in the impairment rate of 1pp on the gross non-performing loans identified above as impaired under FBA regulations at 31 December 2014, would lead to additional provisions of KM 2,904 thousand (2013: KM 2,531 thousand). Under FBA regulations, exposures with installments up to 90 days overdue are treated as performing. In accordance with FBA regulations, the Bank also calculates provisions on such 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 2014, recognized for risk category B, amounted to KM 4,922 thousand (2013: KM 10,071 thousand), while gross exposure amounted to KM 58,411 thousand (2013: KM 91,759 thousand).

IBNR

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 2014, amounted to KM 43,361 thousand (2013: KM 37,038 thousand) or 1.8% (2013: 1.6%) of loans and receivables from customers and 1.0% (2013: 0.9%) of total on- and off-balance-sheet credit risk exposure to customers, in both cases net of amounts assessed as impaired.

(all amounts are expressed in thousands of KM, unless otherwise stated)

4. Critical accounting judgments and key sources of estimation uncertainty (CONTINUED)

4.1 Key sources of estimation uncertainty (CONTINUED)

4.1.2 Impairment losses on loans and receivables (CONTINUED)

b) Regulatory reserves calculated in accordance with FBA regulations

For the purposes of assessing capital adequacy in accordance with local regulations, the Bank also calculates provisions in accordance with the relevant FBA regulations. 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 regulatory provisions include both specific and general provisions. The general provision is added back as Tier 2 capital in the computation of capital adequacy under FBA rules. The amount of such general provision of KM 65,820 thousand at 31 December 2014 added back as Tier 2 capital exceeds by KM 19,813 thousand the combined amount of regulatory reserves of KM 20,682 thousand excluded from Tier 1 capital and KM 25,325 thousand further deducted from capital at that date (2013: regulatory reserves KM 21,978 thousand).

4.1.3 Legal proceedings

The Bank makes individual assessment of all legal proceedings whose value exceeds KM 25 thousand. All legal proceedings below KM 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 of 31 December 2014 the Bank has provided KM 3,592 thousand , which management estimates as sufficient for covering risk of potential liability from legal proceedings against the Bank . It is not practicable to estimate the financial impact of changes to the assumptions based on which management assesses the need for provisions.

4.1.4 Fair value of financial instruments

As described in Note 36, the Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Financial instruments, other than loans, are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates.

5. Segment reporting

The segments of the Bank include:

1. “Retail”: individuals, small business and sole traders;
2. “Corporate and Investing Banking”: large and medium corporate clients, state and public sector, financial markets (trading activities);
3. “Assets and Liabilities Management”: asset and liability management;
4. “Central Unit”: other assets and liabilities not assigned to other segments.

Segment reporting is prepared based on management financial information.

Income statement per segment

Year ended 31 December 2014	Retail	Corporate and Investing Banking	Assets and Liabilities Management	Central Unit	Total
Net interest income	103,366	36,250	(607)	(413)	138,596
Net fee and commission income	42,504	16,282	(1,061)	(5)	57,720
Dividend income	-	-	-	9	9
Net gains from foreign exchange trading and translation of monetary assets and liabilities	6,119	3,182	(3)	(6)	9,292
Other income	280	56	19	933	1,288
Operating income	**152,269**	**55,770**	**(1,652)**	**518**	**206,905**
Depreciation and amortization	(6,908)	(573)	(21)	(2,640)	(10,142)
Operating expenses	(85,845)	(19,663)	(1,243)	1,406	(105,345)
Profit before impairment losses and taxation	**59,516**	**35,534**	**(2,916)**	**(716)**	**91,418**
Impairment losses and provisions, net	(2,914)	(18,724)	-	(795)	(22,433)
Profit before taxation	**56,602**	**16,810**	**(2,916)**	**(1,511)**	**68,985**
Income tax expense	(5,660)	(1,681)	292	(538)	(7,587)
NET PROFIT	**50,942**	**15,129**	**(2,624)**	**(2,049)**	**61,398**

(all amounts are expressed in thousands of KM, unless otherwise stated)

5. Segment reporting (CONTINUED)

Income statement per segment (CONTINUED)

Year ended 31 December 2013	Retail	Corporate and Investing Banking	Assets and Liabilities Management	Central Unit	Total
Net interest income	107,251	40,320	(5,494)	(2,143)	139,934
Net fee and commission income	40,170	16,010	(969)	(7)	55,204
Dividend income	-	-	-	9	9
Net gains from foreign exchange trading and translation of monetary assets and liabilities	6,495	3,015	6	2	9,518
Other income	191	149	143	647	1,130
Operating income	**154,107**	**59,494**	**(6,314)**	**(1,492)**	**205,795**
Depreciation and amortization	(9,118)	(1,003)	(39)	(3,725)	(13,885)
Operating expenses	(87,877)	(19,968)	(1,152)	2,403	(106,594)
Profit before impairment losses and taxation	**57,112**	**38,523**	**(7,505)**	**(2,814)**	**85,316**
Impairment losses and provisions, net	(6,678)	(14,507)	-	(1,125)	(22,310)
Profit before taxation	**50,434**	**24,016**	**(7,505)**	**(3,939)**	**63,006**
Income tax expense	(5,043)	(2,402)	751	(741)	(7,435)
NET PROFIT	**45,391**	**21,614**	**(6,754)**	**(4,680)**	**55,571**

5. Segment reporting (CONTINUED)

Statement of financial position per segment

31 December 2014	Retail	Corporate and Investing Banking	Assets and Liabilities Management	Central Unit	Total
Segment assets	1,504,254	1,010,589	1,192,377	254,542	3,961,762
Total assets	**1,504,254**	**1,010,589**	**1,192,377**	**254,542**	**3,961,762**
Segment liabilities	2,129,386	808,240	273,527	108,843	3,319,996
Current tax liability	-	-	-	307	307
Deferred tax liability	-	-	-	1,385	1,385
Total liabilities	**2,129,386**	**808,240**	**273,527**	**110,535**	**3,321,688**
Acquisition of property, equipment and intangible assets	-	-	-	-	-
31 December 2013	**Retail**	**Corporate and Investing Banking**	**Assets and Liabilities Management**	**Central Unit**	**Total**
Segment assets	1,394,301	908,025	1,170,213	256,894	3,729,433
Total assets	**1,394,301**	**908,025**	**1,170,213**	**256,894**	**3,729,433**
Segment liabilities	1,899,643	801,423	343,616	104,239	3,148,921
Current tax liability	-	-	-	282	282
Deferred tax liability	-	-	-	1,402	1,402
Total liabilities	**1,899,643**	**801,423**	**343,616**	**105,923**	**3,150,605**
Acquisition of property, equipment and intangible assets	-	-	-	5,031	5,031

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. Interest and similar income

Analysis by source

	2014	2013
Retail	116,811	117,225
Corporate	45,556	47,219
State and public sector	16,058	15,140
Banks and other financial institiutions	1,400	1,087
	179,825	**180,671**

Banks and other financial institutions include CBBH.

Analysis by product

	2014	2013
Loans and receivables from customers	172,405	174,598
Debt securities (financial assets available-for-sale)	6,673	5,343
Loans to and receivables from banks	452	569
Obligatory reserves and cash reserves with CBBH	295	161
	179,825	**180,671**

Interest income on impaired loans and receivables amounted to KM 1,717 thousand (2013: KM 1,953 thousand).

7. Interest expense and similar charges

Analysis by recipient

	2014	2013
Retail	28,762	26,119
Banks and other financial institutions	5,759	7,739
Corporate	4,723	2,609
State and public sector	1,985	4,270
	41,229	**40,737**

Analysis by product

	2014	2013
Current accounts and deposits from retail customers	28,762	26,119
Current accounts and deposits from corporate, and state and public sector	6,708	6,879
Borrowings	4,366	5,003
Current accounts and deposits from banks	829	984
Subordinated debt	564	568
Issued debt securities	-	1,184
	41,229	**40,737**

8. Fee and commission income

	2014	2013
Credit cards	20,662	20,223
Domestic payment transactions	16,753	16,273
Foreign payment transactions	9,816	9,413
Guarantees and letters of credit	5,902	5,578
Other	7,200	6,236
	60,333	**57,723**

9. Fee and commission expenses

	2014	2013
Foreign payment transactions	1,142	827
Domestic payment transactions	862	941
Other	609	751
	2,613	**2,519**

10. Net gains from foreign exchange trading and translation of monetary assets and liabilities

	2014	2013
Net foreign exchange spot trading gains	8,756	9,854
Net foreign exchange loss from translation of monetary assets and liabilities	(2)	(2)
Net losses from FX forwards	538	(334)
	9,292	**9,518**

11. Other income

	2014	2013
Income from claims settled by insurance companies	529	54
Income from expenses recharged to customers	195	323
Net gains on disposal of property and equipment	103	58
Income from IT services	100	154
Net income from repossessed collaterals	88	22
Rent income	34	46
Write-offs of other liabilities and reversal of accrued expenses	10	223
Other	229	250
	1,288	**1,130**

(all amounts are expressed in thousands of KM, unless otherwise stated)

12. Operating expenses

	2014	2013
Personnel costs	53,662	53,491
Administration and marketing expenses	37,046	37,941
Rental costs	7,003	7,615
Savings deposit insurance expenses	6,418	6,312
State contributions (excluding personnel-related)	732	695
Other expenses	484	540
	105,345	**106,594**

Personnel costs include KM 9,845 thousand of defined contributions paid into the state-owned pension plans (2013: KM 9,957 thousand).

13. Impairment losses and provisions, net

	2014	2013
Loans and receivables from customers (Note 20)	18,278	20,365
Off-balance-sheet exposure to credit risk (Note 29)	3,360	826
Provisions for legal proceedings (Note 29)	443	23
Other assets (Note 21)	352	1,014
Impairment of tangible assets (Note 22)	-	82
	22,433	**22,310**

14. Income tax expense

Total tax recognized in the income statement may be presented as follows:

	2014	2013
Current income tax	7,587	7,435
Deferred income tax	-	-
	7,587	**7,435**

Adjustment between income tax presented in tax balance and accounting income tax is presented as follows:

	2014	2013
Profit before income tax	68,985	63,006
Tax calculated at rate of 10%	6,899	6,301
Effects of non-deductible expenses	708	747
Effects of additional income tax from previous years	-	420
Effects of expenses not deducted in prior years	(20)	(33)
Current income tax	**7,587**	**7,435**
Average effective income tax rate	**11.0%**	**11.8%**

14. Income tax expense (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 assets	Deferred tax liabilities	Net deferred tax assets / (liabilities)
Balance at 1 January 2013	**-**	**1,428**	**1,428**
Change in fair value of financial assets available-for-sale, recognized in other comprehensive income	-	(26)	(26)
Balance as at 31 December 2013	**-**	**1,402**	**1,402**
Change in fair value of financial assets available-for-sale, recognized in other comprehensive income	(13)	(4)	(17)
Net tax assets/ (liabilities)	13	(13)	-
Balance as at 31 December 2014	**-**	**1,385**	**1,385**

Balances of deferred tax assets and deferred tax liabilities were as follows:

	31 December 2014	31 December 2013
Deffered tax assets	**-**	**-**
Deffered tax liabilities		
Net deferred tax liability for financial assets available-for-sale	-	(4)
Net deferred tax liability for other provisions for loans and receivables from customers	(1,398)	(1,398)
Net tax assets / (liabilities)	13	-
Net deffered tax liabilities	**(1,385)**	**(1,402)**

15. Cash and cash equivalents

	31 December 2014	31 December 2013
Current accounts with other banks	175,047	67,886
Giro account with CBBH	150,698	228,679
Cash in hand	145,567	126,592
Items in the course of collection	164	108
	471,476	**423,265**

(all amounts are expressed in thousands of KM, unless otherwise stated)

16. Obligatory reserve at the Central Bank of Bosnia and Herzegovina

	31 December 2014	31 December 2013
Obligatory reserve at CBBH	267,416	243,005
	267,416	**243,005**

The obligatory reserve represents amounts required to be deposited with CBBH. The obligatory reserve is calculated on the basis of deposits and borrowings taken regardless of currency.

The basis for calculation of obligatory reserve excludes:

- borrowings taken from foreign entities;
- funds from governments of BIH entities for development projects.

Required obligatory reserve rates are:

- 10% (2013: 10%) of deposits and borrowings with maturity of up to one year (short-term deposits and borrowings)
- 7% (2013: 7%) on deposits and borrowings with maturity over one year (long-term deposits and borrowings).

17. Loans to and receivables from banks

	31 December 2014	31 December 2013
Placements with other banks	330,571	507,523
Loans to banks	9	71
	330,580	**507,594**
Less: Impairment allowance	(124)	(124)
	330,456	**507,470**
Expected to be recovered:		
- no more than twelve months after the reporting period	330,580	507,594
- more than twelve months after the reporting period	-	-
Less: Allowance for impairment losses	(124)	(124)
	330,456	**507,470**

Loans to and receivables from banks included KM 4,343 thousand pledged as collateral for the Bank's liabilities to Visa and MasterCard in respect of credit card operations (2013: KM 3,334 thousand).

Loans to and receivables from banks include KM 41,689 thousand (2013: KM 64,072 thousand) of placements and loans to related parties.

17. Loans to and receivables from banks (CONTINUED)

The movement in impairment allowance for loans to and receivables from banks is as follows:

	2014	2013
Balance as at 1 January	124	124
Changes	-	-
Balance as at 31 December	**124**	**124**

18. Financial assets available-for-sale

	31 December 2014	31 December 2013
Debt securities available-for-sale	318,623	142,717
Equity securities available-for-sale	216	216
	318,839	**142,933**

During 2013 and 2014, there were no overdue and unpaid financial assets available-for-sale or impairment losses on available-for-sale financial assets.

Debt securities available-for-sale

	31 December 2014	31 December 2013
Bonds of the Government of the Federation of B&H	171,961	88,397
Bonds of the Government of Republic of Srpska	25,570	-
Treasury bills of the Government of the Federation of B&H	27,633	13,960
Treasury bills of the Government of Republika Srpska	5,334	7,923
Treasury bills of the Government of the Republic of Croatia	3,431	2,937
Foreign bank bonds	84,694	29,500
	318,623	**142,717**

Equity securities available-for-sale

	2014	2013
Listed or quoted	214	214
Unlisted or unquoted	2	2
	216	**216**

(all amounts are expressed in thousands of KM, unless otherwise stated)

19. Financial assets and liabilities at fair value through profit or loss

Derivatives classified as held for trading – OTC products (all of them with related parties)

	31 December 2014		31 December 2013	
	Notional amount	**Fair value**	**Notional amount**	**Fair value**
Financial assets				
Forward foreign exchange contracts	4,162	18	5,855	56
Foreign exchange swap contracts	190,960	-	151,143	-
	195,122	**18**	**156,998**	**56**
Financial liabilities				
Forward foreign exchange contracts	24,185	17	4,837	48
Foreign exchange swap contracts	200	-	214	1
	24,385	**17**	**5,051**	**49**

20. Loans and advances to customers

	31 December 2014	31 December 2013
Corporate (including state and public sector)		
- in domestic currency	1,231,134	1,165,395
- in foreign currency	38,550	42,658
	1,269,684	1,208,053
Retail		
- in domestic currency	1,504,678	1,385,935
- in foreign currency	393	436
	1,505,071	1,386,371
Total loans before allowance	**2,774,755**	**2,594,424**
Less: allowance for impairment losses	(295,932)	(282,681)
Net loans	**2,478,823**	**2,311,743**
Expected to be recovered:		
- no more than twelve months after the reporting period	1,184,804	1,173,355
- more than twelve months after the reporting period	1,589,951	1,421,069
Less: Allowance for impairment losses	(295,932)	(282,681)
	2,478,823	**2,311,743**

Included in retail loans in domestic currency is KM 763,124 thousand of gross loans (2013: KM 862,580 thousand), and in corporate loans in domestic currency KM 680,763 thousand (2013: KM 651,501 thousand) which have a EUR countervalue. Repayments of principal and interest are determined with reference to the EUR countervalue and are paid in the KM equivalent translated at the rate applicable at the date of payment.

20. Loans and advances to customers (CONTINUED)

The movements in allowance for impairment losses are summarized as follows:

	Retail	Corporate	Total
Balance as at 1 January 2013	**86,017**	**180,882**	**266,899**
Increase in impairment losses	23,336	25,287	48,623
Release of provisions due to exposure	(6,391)	(4,083)	(10,474)
Release on the basis of recoveries of amounts previously reserved	(10,402)	(7,382)	(17,784)
Impairment losses recognized in the profit or loss (Note 13)	**6,543**	**13,822**	**20,365**
Release due to writte-offs	(162)	(4,781)	(4,943)
Other movements	132	255	387
Effect of foreign exchange	(28)	1	(27)
Balance as at 31 December 2013	**92,502**	**190,179**	**282,681**
Increase in impairment losses	21,807	27,662	49,469
Release of provisions due to exposure	(9,018)	(6,093)	(15,111)
Release on the basis of recoveries of amounts previously reserved	(10,658)	(5,422)	(16,080)
Impairment losses recognized in the profit or loss (Note 13)	**2,131**	**16,147**	**18,278**
Release due to writte-offs	(520)	(4,923)	(5,443)
Other movements	12	445	457
Effect of foreign exchange	(22)	(18)	(41)
Balance as at 31 December 2014	**94,102**	**201,830**	**295,932**

(all amounts are expressed in thousands of KM, unless otherwise stated)

20. Loans and advances to customers (CONTINUED)

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

	31 December 2014	31 December 2013
Corporate (including state and public sector)		
Manufacturing:		
Food and drinks	66,127	45,097
Wood and paper	60,409	31,368
Metal and engineering	42,532	51,498
Electricity, gas and water	38,537	24,968
Chemicals	29,966	34,358
Textile and leather	6,799	23,496
Electrical and optical equipment	4,899	7,183
Tobacco	973	5,806
Other manufacturing	30,401	48,413
Total manufacturing	**280,643**	**272,187**
Retail and wholesale trade	349,372	371,487
Central and local governments	93,927	77,682
Real estate	85,957	89,548
Construction	74,003	55,919
Transport and communications	62,549	70,982
Health and social care	33,406	15,676
Tourism	30,075	32,503
Agriculture, forestry and fisheries	11,942	10,421
Financial intermediaries	2,901	4,197
Education and other public services	1,705	3,931
Other	41,374	13,341
Total corporate	**1,067,854**	**1,017,874**
Retail		
Non-purpose loans	984,228	853,398
Housing loans	252,646	268,469
Other retail loans	174,095	172,002
Total retail	**1,410,969**	**1,293,869**
Total loans and receivables from customers	**2,478,823**	**2,311,743**

21. Other assets and receivables

	31 December 2014	31 December 2013
Receivables from debit and credit cards	27,389	30,386
Assets acquired in lieu of uncollectible receivables	4,568	4,723
Accrued fees	499	473
Other assets	7,954	7,410
	40,410	**42,992**
Less: allowance for impairment losses	(9,377)	(9,565)
	31,033	**33,427**

The movements in allowance for impairment losses are summarized as follows:

	2014	2013
Balance as at 1 January	**9,565**	**9,517**
Net charge / (credit) to profit or loss (Note 13)	352	1,014
Release due to writte-offs	(547)	(970)
Effects of foreign exchange	7	4
Balance as at 31 December	**9,377**	**9,565**

(all amounts are expressed in thousands of KM, unless otherwise stated)

22. Property and equipment

	Land and buildings	Motor vehicles and equipment	Computers	Leasehold improvement	Assets in progress	Total
COST						
Balance as at 31 December 2012	**51,842**	**34,136**	**52,455**	**-**	**2,629**	**141,062**
Additions	-	-	-	-	2,282	2,282
Write-offs	-	(63)	(82)	-	-	(145)
Disposals	-	(637)	(735)	-	-	(1,372)
Transfers (from) / to	198	1,611	1,776	-	(3,585)	-
Other movements	-	(1,061)	(39)	-	-	(1,100)
Balance as at 31 December 2013	**52,040**	**33,986**	**53,375**	**-**	**1,326**	**140,727**
Additions	-	-	-		2,957	2,957
Transfer from intangible assets (Note 23)	-	-	-	28,047	1,452	29,499
Write-offs	-	(685)	(2,149)	(128)	-	(2,962)
Disposals	(281)	(180)	-	-	-	(461)
Transfers (from) / to	117	1,196	1,390	989	(3,692)	-
Other movements	(1)	(9)	(128)	-	(16)	(154)
Balance as at 31 December 2014	**51,875**	**34,308**	**52,488**	**28,908**	**2,027**	**169,606**
ACCUMULATED DEPRECIATION						
Balance as at 31 December 2012	**15,227**	**23,050**	**43,918**	**-**	**-**	**82,195**
Depreciation charge for the year	1,003	2,746	3,813	-	-	7,562
Write offs	-	(45)	(82)	-	-	(127)
Disposals	-	(455)	(735)	-	-	(1,190)
Impairment loss (Note 13)	82	-	-	-	-	82
Other movements	-	(1,057)	(9)	-	-	(1,066)
Balance as at 31 December 2013	**16,312**	**24,239**	**46,905**	**-**	**-**	**87,456**
Depreciation charge for the year	1,006	2,349	3,190	1,318	-	7,863
Transfer from intangible assets (Note 23)	-	-	-	25,266	-	25,266
Write offs	-	(547)	(2,081)	(128)	-	(2,756)
Disposals	(197)	(156)	-	-	-	(353)
Other movements	-	-	(124)	-	-	(124)
Balance as at 31 December 2014	**17,121**	**25,885**	**47,890**	**26,456**	**-**	**117,352**
NET BOOK VALUE					**-**	
31 December 2014	**34,754**	**8,423**	**4,598**	**2,454**	**2,027**	**34,754**
31 December 2013	**35,728**	**9,747**	**6,470**		**1,326**	**53,271**

22. Property and equipment (CONTINUED)

Assets in progress as at 31 December 2013 and 2014 represent equipment and motor vehicles that were not activated.

The carrying value of non-depreciating land within land and buildings amounted to KM 404 thousand on 31 December 2014 (2013: KM 404 thousand).

During 2013 and 2014, the Bank did not capitalise any borrowing costs related to the acquisition of property and equipment. During 2013 and 2014, property and equipment were not pledged as collateral for the Bank's borrowings.

23. Intangible assets

	Software	Leasehold improvements	Other intangible assets	Assets in progress	Total
COST					
Balance as at 31 December 2012	**35,698**	**28,392**	**6,928**	**5,312**	**76,330**
Additions	-	-	-	2,749	2,749
Write-offs	-	(457)	-	-	(457)
Transfers (from) / to	1,938	112	196	(2,246)	-
Balance as at 31 December 2013	**37,636**	**28,047**	**7,124**	**5,815**	**78,622**
Additions	-	-	-	3,700	3,700
Transfer to tangible assets (Note 22)	-	(28,047)	-	(1,452)	(29,499)
Transfers (from) / to	1,202	-	-	(1,202)	-
Other changes	-	-	(1)	(3)	(4)
Balance as at 31 December 2014	**38,838**	**-**	**7,123**	**6,861**	**52,819**
ACCUMULATED DEPRECIATION					
Balance as at 31 December 2012	**30,106**	**23,841**	**4,277**	**-**	**58,224**
Depreciation charge for the year	3,442	1,613	1,268	-	6,323
Write-offs	-	(188)	-	-	(188)
Balance as at 31 December 2013	**33,548**	**25,266**	**5,545**	**-**	**64,359**
Depreciation charge for the year	1,513	-	766	-	2,279
Transfer to tangible assets (Note 22)	-	(25,266)	-	-	(25,266)
Balance as at 31 December 2014	**35,061**	**-**	**6,311**	**-**	**41,372**
NET BOOK VALUE					
31 December 2014	**3,777**	**-**	**812**	**6,861**	**11,447**
31 December 2013	**4,088**	**2,781**	**1,579**	**5,815**	**14,263**

Assets in progress as at 31 December 2013 and 2014 represent software that was not activated.

During 2013 and 2014, the Bank did not capitalise any borrowing costs related to the acquisition of intangible assets. During 2013 and 2014, intangible assets were not pledged as collateral for the Bank's borrowings.

(all amounts are expressed in thousands of KM, unless otherwise stated)

24. Current accounts and deposits from banks

	31 December 2014	31 December 2013
Demand deposits		
- in foreign currency	8,391	3,520
- in KM	3,317	1,993
Term deposits		
- in foreign currency	80,191	138,875
- in KM	3,618	-
	95,517	**144,388**

Current accounts and deposits from banks include KM 85,058 thousand due to related parties (2013: KM 140,219 thousand).

25. Current accounts and deposits from customers

	31 December 2014	31 December 2013
Retail		
Current and savings accounts and term deposits - foreign currency	1,188,214	1,089,132
Current and savings accounts and term deposits - KM	756,532	650,781
	1,944,746	**1,739,913**
Corporate (including state and public sector)		
Demand deposits		
- in KM	603,900	601,182
- in foreign currency	222,761	200,141
Term deposits		
- in KM	117,040	111,321
- in foreign currency	72,573	71,712
	1,016,454	**984,356**
	2,961,200	**2,724,269**

Retail deposits in KM include KM 1,098 thousand (2013: KM 1,128 thousand) and corporate deposits in KM include KM 69,961 thousand (2013: KM 75,806 thousand) which have a EUR currency clause, with payments in KM equivalent translated at the rate applicable at the date of payment.

Current accounts and deposits from customers include KM 18,551 thousand from related parties (2013: KM 44,109 thousand).

26. Borrowings

	31 December 2014	31 December 2013
Foreign banks	146,867	171,811
Domestic banks	11,449	8,021
	158,316	**179,832**
Maturity analysis:		
Within one year	134,346	30,231
In the second year	8,994	133,052
Third to fifth year	14,092	13,865
After five years	884	2,683
	158,316	**179,832**

Interest-bearing borrowings include KM 117,372 thousand (2013: KM 117,367 thousand) of borrowings from related parties.

27. Subordinated debt

	31 December 2014	31 December 2013
Subordinated debt	19,694	19,702
	19,694	**19,702**

Subordinated debt in the amount of EUR 10 million relates to the loan UniCredit Bank dd Mostar from Bank Polska, Opieki which was approved in March 2005 in the amount of EUR 10 million, with a maturity of 10 years at a variable interest rate based on six-month EURIBOR + 2.50%.

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

28. Other liabilities

	31 December 2014	31 December 2013
Liabilities for items in the course of settlement	38,407	38,348
Accrued expenses	14,480	12,700
Credit card payables	7,143	7,564
Deferred income	1,858	1,586
Other liabilities	6,597	7,663
	68,485	**67,861**

(all amounts are expressed in thousands of KM, unless otherwise stated)

29. Provisions for liabilities and charges

	Provisions for off-balance-sheet items	Provisions for legal proceedings	Long-term provisions for employees	Total
Balance at 1 January 2013	**7,184**	**4,140**	**1,773**	**13,097**
Net charge in profit or loss	826	23	62	911
Release due to usage of provisions	-	(948)	(286)	(1,234)
Transfer from other liabilities	-	-	81	81
Foreign currency differences	(35)	-	-	(35)
Balance as at 31 December 2013	**7,975**	**3,215**	**1,630**	**12,820**
Net charge in profit or loss	3,360	443	387	4,190
Release due to usage of provisions	-	(66)	(263)	(329)
Transfer from other liabilities	-	-	83	83
Foreign currency differences	3	-	-	3
Balance as at 31 December 2014	**11,338**	**3,592**	**1,837**	**16,767**

Except for long-term provisions for employees, which are presented within personnel costs in Note 12, provisions for liabilities and charges are presented within impairment losses and provisions in Note 13.

30. Issued share capital

	Class A Ordinary shares	Class D Preference shares	Total
Number of shares	119,011	184	119,195
Par value	1,000	1,000	1,000
Total	**119,011**	**184**	**119,195**

31. Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares. For the purpose of calculating basic earnings per share, preferred shares are considered as ordinary shares as they do not bear preferential dividend right.

	2014	2013
Net profit for the period attributable to ordinary shareholders	61,398	55,571
Weighted average number of ordinary shares during the period	118,935	118,935
Basic earnings per share (KM)	**516.23**	**467.24**

Diluted earnings per share are not presented, as the Bank has not issued dilutive equity instruments.

32. Commitments and contingent liabilities

During its operations, the Bank has commitments and contigent liabilities recoreded in off-balance, which are related to guarantees, credentials and unused part of loan facilities.

	31 December 2014	31 December 2013
Unused loan facilities	516,831	436,947
Payment and custom guarantees	176,077	149,247
Performance bonds	88,837	101,619
Letters of credit	11,921	11,088
	793,666	**698,901**

33. Funds managed on behalf of third parties and custody services

	31 December 2014	31 December 2013
Assets under custody	466,320	393,612
Loans managed on behalf of third parties	57,256	41,383
	523,576	**434,995**

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

34. 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 a holding of 65.59% (2013: 65.59%) and UniCredit Bank Austria AG with 24.4% (2013: 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.

(all amounts are expressed in thousands of KM, unless otherwise stated)

34. Related party transactions (CONTINUED)

An overview of related party transactions in 2013 and 2014 is presented below:

	2014		2013	
	Income	Expenses	Income	Expenses
UniCredit Bank Austria AG Vienna, Austria	745	3,889	561	3,756
UniCredit Bank AG Munich, Germany	338	342	-	1,378
UniCredit Bank a.d. Banja Luka	191	19	354	29
Zagrebačka banka d.d. Zagreb, Croatia	42	691	265	1,750
UniCredit Bank Slovenija d.d. Ljubljana, Slovenia	14	-	11	-
UniCredit Bank Srbija a.d. Belgrade, Serbia	1	-	2	-
UniCredit Global Information Services	-	4,454	-	4,066
Bank Polska Kasa Opieki S.A. Warsaw, Poland	-	563	-	568
ZANE BH d.o.o. Sarajevo	-	97	-	87
BACA Nekretnine d.o.o. Sarajevo	-	43	-	66
UniCredit Broker d.o.o. Sarajevo	-	42	-	40
UniCredit Leasing d.o.o. Sarajevo	-	15	-	7
UniCredit S.p.A Milano, Italia	-	-	12	-
Interkonzum d.o.o. Sarajevo	-	-	-	18
	1,331	**10,155**	**1,205**	**11,765**
Management Board and other key management personnel, as well as the parties related to Management Board and other key management personnel	92	4, 518	116	5,482
	1,423	**14,673**	**1,321**	**17,247**

There were no transactions with the members of the Supervisory Board during 2013 and 2014.

Income from UniCredit Group members in 2014 includes interest income in the amount of KM 754 thousand (2013: KM 577 thousand) and fee and commission income in the amount of KM 109 thousand (2013: KM 347 thousand). Income in 2014 also includes other income in the amount of KM 468 thousand (2013: KM 281 thousand).

Expenses towards UniCredit Group members in 2014 include interest expense in the amount of KM 4,490 thousand (2013: KM 5,721 thousand), fees in the amount of KM 397 thousand (2013: KM 565 thousand), other administrative expenses in the amount of KM 4,817 thousand (2013: KM 4,433 thousand) and other expenses in the amount of KM 451 thousand (2013: KM 1,046 thousand).

34. Related party transactions (CONTINUED)

An overview of balances at 31 December 2013 and 2014 is presented below:

	31 December 2014		31 December 2013	
	Exposure*	**Liabilities**	**Exposure***	**Liabilities**
UniCredit Bank Austria AG Vienna, Austria	98,265	178,131	80,554	236,890
UniCredit Bank a.d. Banja Luka	38,633	3,624	23,170	3
Zagrebačka banka d.d. Zagreb, Croatia	10,561	1,257	6,703	1,554
UniCredit S.p.A Milano, Italia	6,772	544	7,344	369
UniCredit Bank AG Munich, Germany	1,914	19,636	1,129	19,596
UniCredit Global Information Services	1,648	-	85	-
UniCredit Bank Slovenija d.d. Ljubljana, Slovenija	1	268	-	81
Bank Polska Kasa Opieki S.A. Warsaw, Poland	-	19,694	2	19,702
UniCredit Leasing d.o.o. Sarajevo	-	13,218	-	24,532
UniCredit Broker d.o.o. Sarajevo	-	2,515	-	2,060
ZANE BH d.o.o. Sarajevo	-	1,458	-	1,370
BACA Nekretnine d.o.o. Sarajevo	-	729	-	3,963
UniCredit Leasing Nekretnine	-	425	-	-
Interkonzum d.o.o. Sarajevo	-	206	-	12,184
	157,794	**241,705**	**118,987**	**774,851**
Management Board and other key management personnel, as well as the parties related to Management Board and other key management personnel	1,602	6,202	1,877	2,410
	159,396	**247,907**	**120,864**	**777,261**

** Exposure includes loans, interest receivables, other receivables and off-balance-sheet exposure.*

Regarding exposure toward the related parties, the Bank did not have any impairment losses in 2014 and 2013, and the balance of impairment allowance at 31 December 2014 and 31 December 2013 was nil.

Further, the Bank received guarantees from UniCredit Bank Austria AG at 31 December 2014 in the amount KM 84,857 thousand (31 December 2013: KM 84,857 thousand), while as at 31 December 2014 the Bank did not have any given guarantees (31 December 2013: KM 6,423 thousand given guarantees per order of Bank Austria).

Remuneration paid to Management Board and other key management personnel:

	2014	**2013**
Gross salaries	2,893	2,584
Bonuses	700	1,051
Other benefits	488	1,224
	4,081	**4,859**

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. Risk management

The Bank's risk management is conducted through a system of policies, programmes, 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 the Group.

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

The principles of risk management and internal acts related to risk management are defined and adopted by the Supervisory Board and the Management Board.

35.1 Credit risk

The Bank is, in its ordinary course of business, exposed to credit risk, which can be defined as the possibility that a 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 programmes 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 collateral and
- external regulations.

In accordance with the requirements of the Group, the Bank has implemented standardized approach to the international standard Basel III.

35.1.1 Maximum exposure to credit risk

The majority of credit risk exposures are secured with collateral in the form of cash, mortgages and guarantees, and so-called primary collateral or execution instruments 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).

35. Risk management (CONTINUED)

35.1 Credit risk (CONTINUED)

35.1.1 Maximum exposure to credit risk (CONTINUED)

The Bank continually applies prudent methods and tools in the credit risk assessment process.The maximum exposure to credit risk relating to items in the statement of financial position and commitments (off-balance-sheets items) is as follows:

	31 December 2014	31 December 2013
Statement of financial position		
Cash and cash equivalents (Note 15)	325,909	296,673
Obligatory reserve at CBBH (Note 16)	267,415	243,005
Loans to and receivables from banks (Note 17)	330,456	507,470
Debt securities within financial assets available-for-sale (Note 18)	318,623	142,717
Financial assets at fair value through profit or loss (Note 19)	18	56
Loans and receivables from customers (Note 20)	2,478,823	2,311,743
Other assets exposed to credit risk (Note 21)	29,416	32,515
Total credit risk exposure relating to assets	**3,750,660**	**3,534,179**
Off-balance-sheet items (Note 33)		
Unused loan facilities	516,831	436,947
Guarantees	264,914	250,866
Letters of credit	11,921	11,088
Total off-balance sheet credit risk exposure	**793,666**	**698,901**
	4,544,326	**4,233,080**

The above table represents the maximum credit risk exposure of the Bank as at 31 December 2014 and 2013, 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 the maximum credit risk exposure equals the total undrawn amounts.

As shown above 54.5% of the total maximum exposure to credit risk is derived from loans and receivables from customers (2013: 54.6%), while 7% refers to loans to and receivables from banks (2013: 12.0%).

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

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. Risk management (CONTINUED)

35.1 Credit risk (CONTINUED)

35.1.2 Concentration of assets and liabilities toward state sector

The table below shows the concentration of placements and liabilities to the State of Bosnia and Herzegovina and the entities: the Federation of B&H and Republika Srpska:

	31 December 2014	31 December 2013
Current account with CBBH (Note 15)	150,698	228,679
Obligatory reserve at CBBH (Note 16)	267,416	243,005
Bonds of the Government of the Federation of B&H (Note 18)	171,961	88,397
Treasury bills of the Government of the Federation of B&H (Note 18)	27,633	13,960
Treasury bills of the Government of Republika Srpska (Note 18)	5,334	7,923
Current tax liability	(307)	(282)
Deferred tax liability (Note 14)	(1,385)	(1,402)
	621,350	**580,280**

The Bank had no off-balance sheet sovereign risk exposure at 31 December 2014 and 2013.

In addition, liabilities to state institutions are as follows:

	31 December 2014	31 December 2013
Short-term deposits	(13,517)	(35,597)
Off-balance-sheet exposure	3	5

Exposure to local and regional (cantonal) institutions is not included in the above analysis. The Bank has no other significant concentrations of risk.

Furthermore, at the reporting period date KM 38,911 thousand (2013: KM 45,487 thousand) of the Bank's balance-sheet exposure to corporate customers is secured by the State's guarantees.

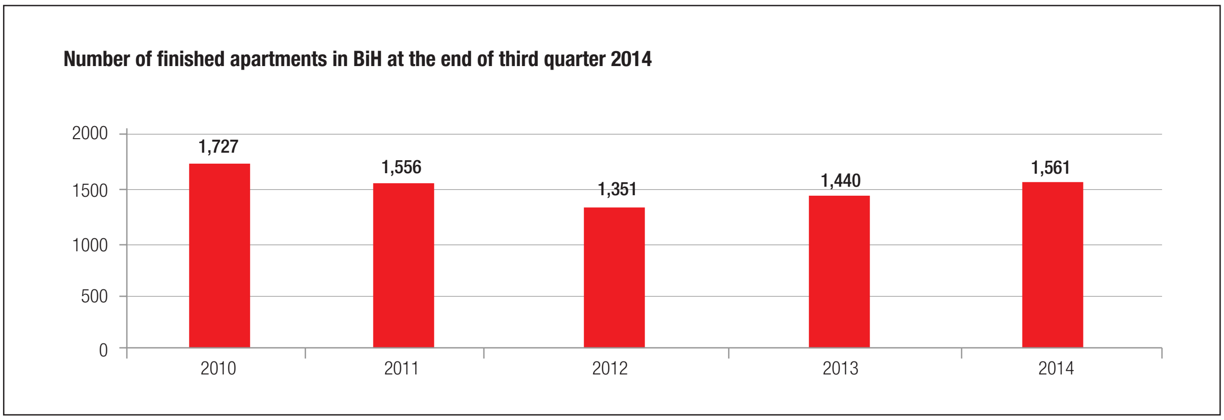
35.1.3 Real estate market trends

According to latest information from the Agency for Statistics of Bosnia and Herzegovina in the first nine months of 2014 the number of completed dwellings was 1,561, which is 8.4% more than in the same period of 2013. Unfinished apartments at the end of the third quarter of 2014 was 2,125, which is 28.8% less compared to the same period last year.

35. Risk management (CONTINUED)

35.1 Credit risk (CONTINUED)

35.1.3 Real estate market trends (CONTINUED)



Basic characteristics of BH real estate market in 2014 are relatively stable real estate prices. Indications are that the real estate market in Bosnia and Herzegovina, especially Sarajevo, is slowly recovering from the effects of the economic crisis. In the capital of Bosnia and Herzegovina most turnover is through apartments of smaller sizes, up to 60m^2. Customers are usually young couples, a way of financing is through loans. Every year there was a significant number of customers from the diaspora of Bosnia and Herzegovina.

In Bosnia and Herzegovina there is insufficient continuously guided and accurate statistics that can provide precise information on developments in real estate prices.

After the founding of the Association in the field of real estate in Bosnia and Herzegovina, in 2014 issued the first licenses to members of the Association who in the first group passed the licensing process of several months for certified appraiser of market value. It is a process of standardization of appraisals in accordance with the standards of the Royal Institute in London (RICS). The primary role of the Association is to set up and maintain the highest professional standards of business, education, ethics and professional conduct of its members.

35.1.4 Rescheduled and restructured receivables

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 or prevent further losses for the Bank.

Restructuring activities are based on cooperation with other organisational parts of the Bank, which identify clients/exposures that should be the subject of restructuring, and include: 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 proposed measures to improve collateral coverage in order to strengthen its position in the collection of receivables.

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. Risk management (CONTINUED)

35.1 Credit risk (CONTINUED)

35.1.4 Rescheduled and restructured receivables (CONTINUED)

Compared to the end of 2013, the restructured corporate portfolio has increased in volume by 13% in 2014, amounting to KM 123,238 thousand (2013: KM 109,096 thousand). The increase in the portfolio is the result of migration from the point of client jurisdiction with regular collection of portfolio.The rate of provisioning of this portfolio as of 31 December 2014 was 32% (2013: 20%).

On the other hand, the restructured retail portfolio recorded increase of 42%, amounting to KM 4,472 thousand (2013: KM 7,760 thousand), with provisions amounting to 17% of the portfolio (2013: 15%). An apparent decline in the portfolio as of March 2014 is a result of pre-segmentation of clients from the restructuring portfolio to the standard portfolio as a result of the realisation of return criteria.

35.1.5 Analysis by overdue receivables (non-performing loan portfolio) and collateral

Impairment allowance coverage of the non-performing loan portfolio is 79.7% (2013: 75.9%).

	31 December 2014	31 December 2013
Retail loans		
Loans that are neither past due nor impaired	1,356,388	1,220,947
Past due loans that are not impaired	58,890	67,374
Impaired loans	89,793	98,050
Gross	**1,505,071**	**1,386,371**
Less: allowance for impairment losses	(94,102)	(92,502)
Net	**1,410,969**	**1,293,869**
Corporate , including state and public sector		
Loans that are neither past due nor impaired	999,374	925,674
Past due loans that are not impaired	31,994	48,013
Impaired loans	238,317	234,366
Gross	**1,269,685**	**1,208,053**
Less: impairment allowance	(201,830)	(190,179)
Net	**1,067,855**	**1,017,874**

The total impairment allowance for loans to customers is KM 295,932 thousand (2013: KM 282,681 thousand) of which KM 261,556 thousand (2013: KM 252,507 thousand) represents specific impairment allowances and the remaining amount of KM 34,376 thousand (2013: KM 30,174 thousand) represents IBNR calculated on a portfolio basis.

35. Risk management (CONTINUED)

35.1 Credit risk (CONTINUED)

35.1.5 Analysis by overdue receivables (non-performing loan portfolio) and collateral (CONTINUED)

a) Loans that are neither past due nor impaired

Loans to customers are monitored and systematically reviewed. The objective of the loan portfolio monitoring is to reduce credit risk cost and improve the quality of the Bank's loan portfolio by timely identification of potentially risky customers and a structured and targeted management of the business relationship with those customers.

	Retail					Corporate, including state and public sector			
	Cash and consumer loans	Credit cards and overdrafts	Housing loans	Sole traders	Total	Large	Medium	Small	Total
31 December 2014									
Standard monitoring	958,021	159,285	239,013	69	1,356,388	451,129	328,547	91,101	870,776
Special monitoring	-	-	-	-	-	105,723	21,668	1,206	128,597
	958,021	**159,285**	**239,013**	**69**	**1,356,388**	**556,852**	**350,215**	**92,307**	**999,374**
31 December 2013									
Standard monitoring	818,661	153,194	248,896	196	1,220,947	434,491	300,141	94,478	829,110
Special monitoring	-	-	-	-	-	87,267	5,695	3,602	95,564
	818,661	**153,194**	**248,896**	**196**	**1,220,947**	**521,758**	**305,836**	**98,080**	**925,674**

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. Risk management (CONTINUED)

35.1 Credit risk (CONTINUED)

35.1.5 Analysis by overdue receivables (non-performing loan portfolio) and collateral (CONTINUED)

b) Past due loans that are not impaired

	Retail					Corporate, including state and public sector			
	Cash and consumer loans	Credit cards and overdrafts	Housing loans	Sole traders	Total	Large	Medium	Small	Total
31 December 2014									
Past due up to 30 days	29.849	12.245	8.303	5	50.402	4.512	22.058	3.747	30.316
Past due 31 to 60 days	4.742	1.393	1.254	3	7.392	-	763	659	1.442
Past due 61 to 90 days	556	229	311	-	1.096	-	-	255	255
	35.147	**13.867**	**9.868**	**8**	**58.890**	**4.512**	**22.821**	**4.661**	**31.994**
Estimated value of collateral	**1.281**	**-**	**3.222**	**-**	**4.503**	**-**	**1.902**	**648**	**2.550**
31 December 2013									
Past due up to 30 days	32.863	14.140	11.872	-	58.875	26.004	17.071	2.798	45.873
Past due 31 to 60 days	4.461	1.444	1.484	-	7.389	-	817	1.181	1.998
Past due 61 to 90 days	574	316	220	-	1.110	-	-	142	142
	37.898	**15.900**	**13.576**	**-**	**67.374**	**26.004**	**17.888**	**4.121**	**48.013**
Estimated value of collateral	**1.145**	**-**	**3.786**	**-**	**4.931**	**7.812**	**1.392**	**687**	**9.891**

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. The 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.

35. Risk management (CONTINUED)

35.1 Credit risk (CONTINUED)

35.1.5 Analysis by overdue receivables (non-performing loan portfolio) and collateral (CONTINUED)

c) Non-performing loans (impaired loans)

Gross amount of non-preforming loans amounts to KM 328,110 thousand (2013: KM 332,416 thousand). The carrying value of impaired loans amounts to KM 66,554 thousand (2013: KM 79,909 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, is as follows:

	Retail					Corporate, including state and public sector			
	Cash and consumer loans	Credit cards and overdrafts	Housing loans	Sole traders	Total	Large	Medium	Small	Total
31 December 2014									
Non-performing loans	5,641	913	7,793	-	14,347	35,446	12,690	4,070	52,206
Estimated value of collateral	**641**	**-**	**3,665**	**-**	**4,305**	**21,995**	**2,564**	**874**	**25,416**
31 December 2013									
Non-performing loans	8,400	931	9,491	6	18,828	37,189	18,885	5,007	61,081
Estimated value of collateral	**825**	**-**	**4,083**	**-**	**4,908**	**26,488**	**6,085**	**1,409**	**33,982**

The Bank expects to collect the excess in the carrying value of non-performing loans from the estimated value of the related collateral from sources other than collateral.

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. Risk management (CONTINUED)

35.2 Liquidity risk

Liquidity risk is the potential risk that a bank will not be able to meet its obligations as scheduled, in full and without delay. It arises in the Bank's financing activities and assets and liabilities management. Adjusting its business with regard 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.

ALM Department manages liquidity reserves on a daily basis, to enable the funding of clients' needs and to ensure an 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, share capital and reserves. These enhance funding flexibility and limit dependence on any one source of funds as well as generally ensure better funding cost 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.

35.2.1 Structural liquidity

Structural liquidity and liquidity gaps are presented in the tables below 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 a replication portfolio methodology, which is based on a simulation GMB model, using historical data for the past 3 years.

   Long term a vista deposits over a year are for reporting purposes classified as overnight deposits.

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.

35. Risk management (CONTINUED)

35.2 Liquidity risk (CONTINUED)

35.2.1 Structural liquidity (CONTINUED)

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:

- Other assets include property and equipment, receivables from credit cards and other receivables.
- Other liabilities include credit card payables, provisions for other assets and other fees and liabilities.
- The obligatory reserve includes a part of other funds with CBBH.
- 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 nominal value of derivatives is presented within off-balance sheet assets and liabilities, as appropriate.
- 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.

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. Risk management (CONTINUED)

35.2 Liquidity risk (CONTINUED)

35.2.1 Structural liquidity (CONTINUED)

31 December 2014 (in KM million)	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	**-**	**284**	**190**	**5**	**103**	**156**	**(297)**	**(441)**
Assets	**4,440**	**791**	**530**	**298**	**740**	**652**	**970**	**459**
Statement of financial position	**4,220**	**791**	**408**	**220**	**720**	**652**	**970**	**459**
Loans to and receivables from customers	*2,165*	*2*	*97*	*202*	*340*	*618*	*884*	*22*
Retail	1,156	2	27	49	175	357	527	19
Corporate	1,009	-	70	153	165	261	357	3
Mortgage loans to customers	*183*	*-*	*1*	*3*	*14*	*34*	*86*	*45*
Retail	183	-	1	3	14	34	86	45
Securities	*315*	*45*	*2*	*-*	*268*	*-*	*-*	*-*
Financial assets available-for-sale	315	45	2	-	268	-	-	-
Loans to and receivables from banks	*918*	*591*	*308*	*15*	*4*	*-*	*-*	*-*
Current accounts	173	173	-	-	-	-	-	-
Deposits	327	-	308	15	4	-	-	-
Obligatory reserve at CBBH	418	418	-	-	-	-	-	-
Other assets	*639*	*153*	*-*	*-*	*94*	*-*	*-*	*392*
Cash	153	153	-	-	-	-	-	-
Impaired loans	327	-	-	-	-	-	-	327
Other assets	161	-	-	-	94	2	-	65
Off-balance sheet	**220**	**-**	**122**	**78**	**20**	**-**	**-**	**-**
Derivatives	220	-	122	78	20	-	-	-
Unused credit facilities	-	-	-	-	-	-	-	-
Liabilities	**4,440**	**507**	**340**	**293**	**637**	**496**	**1,267**	**900**
Statement of financial position	**4,220**	**502**	**218**	**215**	**609**	**496**	**1,280**	**900**
Demand deposits	*1,975*	*373*	*86*	*73*	*164*	*190*	*1,089*	*-*
Retail	1,269	216	25	25	64	89	850	-
Corporate	706	157	61	48	100	101	239	-
Time deposits	*974*	*128*	*91*	*78*	*204*	*291*	*182*	*-*
Retail	656	5	70	58	132	222	169	-
Corporate	318	123	21	20	72	69	13	-
Liabilities to banks	*257*	*1*	*41*	*64*	*127*	*15*	*9*	*-*
Borrowings	39	-	2	3	10	15	9	-
Current accounts and deposits	218	1	39	61	117	-	-	-
Other liabilities and equity	*1014*	*-*	*-*	*-*	*114*	*-*	*-*	*900*
Equity	579	-	-	-	-	-	-	579
Other liabilities	114	-	-	-	114	-	-	-
Provisions	321	-	-	-	-	-	-	321
Issued debt securities	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Off-balance sheet	**220**	**5**	**122**	**78**	**28**	**-**	**(13)**	**-**
Derivatives	*220*	*-*	*122*	*78*	*20*	*-*	*-*	*-*
Contingent liabilities	*-*	*5*	*-*	*-*	*8*	*-*	*(13)*	*-*

35. Risk management (CONTINUED)

35.2 Liquidity risk (CONTINUED)

35.2.1 Structural liquidity (CONTINUED)

31 December 2013 (in KM million)	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	**(1)**	**261**	**342**	**91**	**55**	**24**	**(259)**	**(515)**
Assets	**4,147**	**701**	**774**	**246**	**566**	**601**	**952**	**307**
Statement of financial position	**3,981**	**701**	**613**	**241**	**566**	**601**	**952**	**307**
Loans to and receivables from customers	*2,134*	*4*	*105*	*238*	*339*	*562*	*863*	*23*
Retail	1,118	2	32	54	177	333	503	17
Corporate	1,016	2	73	184	162	229	360	6
Mortgage loans to customers	*186*	*-*	*1*	*3*	*15*	*39*	*89*	*39*
Retail	186	-	1	3	15	39	89	39
Securities	*142*	*27*	*3*	*-*	*112*	*-*	*-*	*-*
Financial assets available-for-sale	142	27	3	-	112	-	-	-
Loans to and receivables from banks	*1,041*	*537*	*504*	*-*	*-*	*-*	*-*	*-*
Current accounts	65	65	-	-	-	-	-	-
Deposits	504	-	504	-	-	-	-	-
Obligatory reserve at CBBH	472	472	-	-	-	-	-	-
Other assets	*478*	*133*	*-*	*-*	*100*	*-*	*-*	*245*
Cash	133	133	-	-	-	-	-	-
Impaired loans	177	-	-	-	-	-	-	177
Other assets	168	-	-	-	100	-	-	68
Off-balance sheet	**166**	**-**	**161**	**5**	**-**	**-**	**-**	**-**
Derivatives	166	-	161	5	-	-	-	-
Unused credit facilities	-	-	-	-	-	-	-	-
Liabilities	**4,148**	**440**	**432**	**155**	**511**	**577**	**1,211**	**822**
Statement of financial position	**3,982**	**438**	**271**	**150**	**504**	**577**	**1,220**	**822**
Demand deposits	*1,801*	*304*	*83*	*73*	*160*	*193*	*988*	*-*
Retail	995	166	25	25	61	75	643	-
Corporate	806	138	58	48	99	118	345	-
Time deposits	*913*	*129*	*81*	*74*	*181*	*226*	*222*	*-*
Retail	730	128	64	60	118	155	205	-
Corporate	183	1	17	14	63	71	17	-
Liabilities to banks	*342*	*5*	*107*	*3*	*59*	*158*	*10*	*-*
Borrowings	61	-	9	3	18	21	10	-
Current accounts and deposits	281	5	98	-	41	137	-	-
Other liabilities and equity	*926*	*-*	*-*	*-*	*104*	*-*	*-*	*822*
Equity	523	-	-	-	-	-	-	523
Other liabilities	104	-	-	-	104	-	-	-
Provisions	299	-	-	-	-	-	-	299
Issued debt securities	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Off-balance sheet	**166**	**2**	**161**	**5**	**7**	**-**	**(9)**	**-**
Derivatives	*166*	*-*	*161*	*5*	*-*	*-*	*-*	*-*
Contingent liabilities	*-*	*2*	*-*	*-*	*7*	*-*	*(9)*	*-*

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. Risk management (CONTINUED)

35.2 Liquidity risk (CONTINUED)

35.2.2 Future cash flows from financial instruments

The following table details the Bank's remaining contractual maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Bank anticipates that the cash flow will occur in a different period.

Maturity for non-derivative financial assets

	Weighted average effective interest rate	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2014							
Non-interest bearing	-	149,449	-	-	-	-	149,449
Variable interest rate instruments	7.77%	777,802	158,355	388,842	1,056,460	587,628	2,969,087
Fixed interest rate instruments	5.90%	354,939	154,778	213,448	467,778	32,243	1,223,186
		1,282,190	**313,133**	**602,290**	**1,524,238**	**619,871**	**4,341,722**
31 December 2013							
Non-interest bearing	-	126,700	-	-	-	-	126,700
Variable interest rate instruments	8.03%	751,974	130,091	404,768	1,048,146	480,505	2,815,484
Fixed interest rate instruments	5.99%	572,367	172,774	120,018	225,767	19,172	1,110,098
		1,451,041	**302,865**	**524,786**	**1,273,913**	**499,677**	**4,052,282**

The following table details the Bank's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Bank can be required to pay. The table includes both interest and principal cash flows.

Maturity for non-derivative financial liabilities

	Weighted average effective interest rate	Less than 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2014							
Non-interest bearing	-	12,691	1,527	4,474	26,156	673	45,521
Variable interest rate instruments	1.39%	1,795,832	76,764	286,776	424,236	1,241	2,584,849
Fixed interest rate instruments	2.40%	58,081	108,291	110,176	349,625	28,610	654,783
		1,866,604	**186,582**	**401,426**	**800,017**	**30,524**	**3,285,153**
31 December 2013							
Non-interest bearing	-	6,360	677	2,248	17,352	26	26,663
Variable interest rate instruments	1.33%	1,671,795	61,376	277,416	439,617	3,212	2,453,416
Fixed interest rate instruments	2.65%	42,372	148,126	207,566	230,547	12,556	641,167
		1,720,527	**210,179**	**487,230**	**687,516**	**15,794**	**3,121,246**

The Bank expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

35. Risk management (CONTINUED)

35.3 Market risk

Market risk is defined as the effect that price changes in the market have on the income statement and balance sheet of the Bank.

Basic risk factors include:

- interest rate risk;
- credit spread risk,
- currency risk and
- equity risk.

Overall exposure to market risks is monitored within Risk Management using various methodologies and techniques of risk measurement. The existing limits of market risks are reviewed at least once a year. Alterations to the limits of the Group are coordinated by Zagrebačka banka.

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.

Market risk measurement techniques:

35.3.1 Value at Risk

Value-at-Risk methodology (VaR) is used to estimate the market risk of the positions held and the maximum potential 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. Loss can occur in the overall or individual positions, based on assumptions of various market variables.

The risk model calculates VaR daily with a confidence level of 99%. The calculation is based on the daily observations indicators data obtained in the last two years.

VaR according to risk types in 2014 and 2013 is as follows:

	Minimum 2014	Average 2014	Maximum 2014	End of 2014
Interest risk	(18)	(29)	(107)	(115)
Currency risk	-	(2)	(5)	(3)
Securities price risk	(104)	(187)	(250)	(630)
Total VaR	**(108)**	**(189)**	**(264)**	**(688)**

	Minimum 2013	Average 2013	Maximum 2013	End of 2013
Interest risk	(2)	(29)	(107)	(35)
Currency risk	-	(2)	(5)	-
Total VaR	**(107)**	**(187)**	**(250)**	**(121)**

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. Risk management (CONTINUED)

35.3 Market risk (CONTINUED)

35.3.1 Value at Risk (CONTINUED)

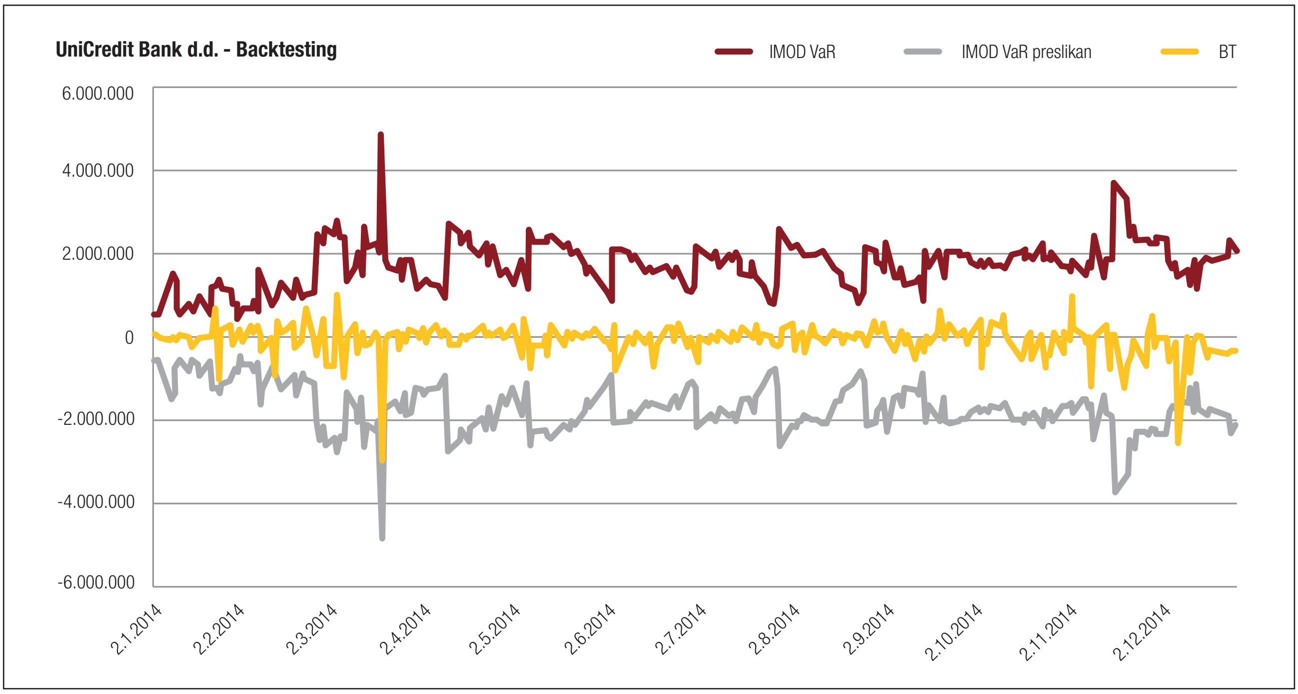
The quality of the VaR model is continuously monitored by backtesting.

All negative synthetic changes in market value that are beyond VaR are considered during backtesting violations.

Back-testing is the comparison of actual trading results with the measurement of risk generated by the model during the period of one year (250 working days).

The statistical limitations of back-testing supervisors have introduced a framework for supervisory interpretation of the test results.

The table below shows the result of back testing of regulatory trading book. In 2014 one backtesting violation was recorded.



35.3.2 Stress-testing

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 - currency risk and interest rate risk:

- Currency risk is tested for individual currencies and currency groups - testing includes appreciation and depreciation shocks of 5%, 10% and 30%.
- Interest rate risk is tested by each currency for the Bank's overall position. The scenarios include parallel shifts in interest rates by 200 basis points, including various shocks on currency interest rate curves..

Testing is performed monthly and test results are included into regular ALCO's reports.

35. Risk management (CONTINUED)

35.4 Foreign currency risk

Foreign 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.

Supervision is conducted by individual currencies in total amounts for all assets and liabilities denominated in foreign currency or containing a foreign currency revaluation clause.

Foreign currency risk management is performed in accordance with UniCredit Group standards by setting principles and limits for foreign currency exposures and by monitoring exposures against limits of open foreign currency positions stated in absolute values. The Bank directs bussines activities in order to minimise the gap between assets and liabilities denominated in foreign currency by aligning its positions with set limits.

The carrying amounts of the Bank's monetary assets and monetary liabilities per currency at the reporting period date were as follows.

	KM	EUR	USD	Other currencies	Total
As of 31 December 2014					
Assets					
Cash and cash equivalents	267,123	146,890	11,494	45,969	471,476
Obligatory reserve at CBBH	267,416	-	-	-	267,416
Loans to and receivables from banks	38,625	195,593	84,764	11,474	330,456
Financial assets available-for-sale	225,790	54,500	35,118	3,431	318,839
Financial assets at fair value through profit or loss	-	18	-	-	18
Loans and receivables from customers	1,181,509	1,297,314	-	-	2,478,823
Other receivables	22,903	-	-	1	22,904
	2,003,366	**1,694,315**	**131,376**	**60,875**	**3,889,932**
Liabilities					
Current accounts and deposits from banks	6,935	88,582	-	-	95,517
Current accounts and deposits from customers	1,406,604	1,362,544	131,621	60,431	2,961,200
Financial liabilities at fair value through profit or loss	-	17	-	-	17
Borrowings and subordinated debt	1,744	176,266	-	-	178,010
Other liabilities	48,756	10,887	197	189	60,029
	1,464,039	**1,638,296**	**131,818**	**60,620**	**3,294,773**
Net position	**539,327**	**56,019**	**(442)**	**255**	**595,159**

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. Risk management (CONTINUED)

35.4 Foreign currency risk (CONTINUED)

	KM	EUR	USD	Other currencies	Total
As of 31 December 2013					
Assets					
Cash and cash equivalents	323,509	46,822	8,881	44,053	423,265
Obligatory reserve at CBBH	243,005	-	-	-	243,005
Loans to and receivables from banks	23,001	346,259	130,337	7,873	507,470
Financial assets available-for-sale	102,573	37,423	-	2,937	142,933
Financial assets at fair value through profit or loss	-	56	-	-	56
Loans and receivables from customers	958,352	1,353,391	-	-	2,311,743
Other receivables	20,514	-	-		20,514
	1,670,954	**1,783,951**	**139,218**	**54,863**	**3,648,986**
Liabilities					
Current accounts and deposits from banks	1,993	142,395	-	-	144,388
Current accounts and deposits from customers	1,286,550	1,249,803	135,009	52,907	2,724,269
Financial liabilities at fair value through profit or loss	-	49	-	-	49
Borrowings and subordinated debt	1,745	197,789	-	-	199,534
Other liabilities	58,612	-	-	-	58,612
	1,348,900	**1,590,036**	**135,009**	**52,907**	**3,126,852**
Net position	**322,054**	**193,915**	**4,209**	**1,956**	**522,134**

35.4.1 Foreign currency sensitivity analysis

The Bank is mainly exposed to EUR and USD. Since Convertible Mark (KM) is pegged to EUR, the Bank is not exposed to risk of change of EUR exchange rate.

The following table details the Bank's sensitivity to a 10% increase and decrease in KM against USD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in USD. A positive number below indicates an increase in profit where KM strengthens 10% against USD. For a 10% weakening of KM against USD, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	USD Impact	
	31 December 2014	**31 December 2013**
Profit / (loss)	(44)	421

35. Risk management (CONTINUED)

35.5 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).

35.5.1 Interest rate sensitivity analysis

The sensitivity analysis below has been determined through the measurement of risk 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.

Sensitivity analysis per currency:

	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 10 years	Over 10 years	Total
31 December 2014						
KM	(3)	(12)	(41)	(35)	-	(91)
EUR	-	(1)	3	(10)	(1)	(9)
USD	-	1	(6)	-	-	(5)
	(3)	**(12)**	**(44)**	**(45)**	**(1)**	**(105)**
31 December 2013						
KM	1	3	17	3	(1)	23
EUR	4	1	13	4	-	22
USD	-	1	2	6	-	9
	5	**5**	**32**	**13**	**(1)**	**54**

BPV limits are monitored through an internal model, IMOD, which is also used for the calculation of VaR (developed by the UniCredit Group).

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. Risk management (CONTINUED)

35.5 Interest rate risk (CONTINUED)

35.5.2 Effective interest rates

The table below presents effective interest rates applicable to various balance-sheet categories calculated as the weighted average interest rates for the period:

	2014	2013
	%	%
Cash and cash equivalents	0.05	0.04
Obligatory reserve at CBBH	0.05	0.03
Financial assets available-for-sale	3.48	3.74
Loans to and receivables from banks	0.11	0.13
Loans and receivables from customers	6.48	6.84
Current accounts and deposits from banks	1.25	1.08
Current accounts and deposits from customers	1.48	1.51
Interest-bearing borrowings	2.64	2.63
Subordinated debt	2.87	2.90
Issued debt securities	0.00	1.53

35.6 Operational risk

The Bank is exposed to operational risk in all its activities, and as a consequence of this fact, through an established organizational structure of the Bank, on a daily basis tend to affect the spread of culture and awareness of the importance of operational risk management.

The Bank established an appropriate system for recognising, measuring, grading and monitoring of operational risks, aiming at its optimum management and reduction by using the 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 operational risk to third parties.

The Bank uses standard procedures within its established operational risk management system, which include gathering information about default events (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 the results of operational risk management.

35.7 Reputational risk

Reputational risk represent current or future risk that may affect the Bank's revenues or equity as a result of unfavorable seeing of the Bank's image by the customers, other counterparties, shareholders/investors, regulator or employees (stakeholders).

35. Risk management (CONTINUED)

35.7 Reputational risk (CONTINUED)

All the Bank's activities are exposed to reputational risk. According to the standards of UniCredit Group, in its daily operating activities, the Bank is systematically approaching to the strategy, monitoring and evaluation for each individual case of reputational risk.

The Bank recognizes the exceptional importance of preventing and mitigating actions in reputational risk management. Responsibility for reputational risk management is distributed through the Bank's overall hierarchical structure and continuous rising of awareness on importance of reputational risk represents one of the underlying basics of the risk management.

35.8 Capital management

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 monitors and reports on capital adequacy according to Basel III methodology as required.

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.

During 2014 the Bank has been in compliance with all regulatory capital requirements and according to the local regulations had a capital adequacy ratio of 16.4% as at 31 December 2014.

On 31 December 2014 the Bank has achieved a lower adequacy compared to the end of 2013, and the biggest effect is the result of exclusion of retained earnings from previous years from the initial capital in the amount of KM 73.9 million, considering that according to the new decision of FBA profits can be included into the core capital only when the Assembly of the Bank decides that the same profit is unconditionally, completely and unrestrictedly at all times available to cover losses and that is subordinated to all liabilities of the Bank.

In addition to changes in the recognition of retained earnings and profit for the year, following is introduced:

- specific requirements of financial leverage rates (31 December 2015) ratio capital to exposures ≥ 6%;
- restrictions on the amount and conditions of recognition of items of additional capital and relationship to core capital as follows:
  - gradual reduction of the share of additional capital in relation to the share capital by half (31 December 2015), ie to a third (31 December 2016);
  - gradual reduction of the share of general provision for loan losses to 1.625% (31 December 2015), ie to 1.25% (31 December 2016);
  - precise and additional conditions for the recognition of subordinated debt (the introduction of depreciation in the last five years before the expiry of the agreed period), (at 31 December 2015).
- new deductions from core capital:
  - deferred tax assets
  - negative revaluation reserve on the basis of the effects of changes in the fair value of assets and
  - intangible assets defined in accordance with the applicable accounting framework.

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. Risk management (CONTINUED)

35.8 Capital management (CONTINUED)

The new decision strengthens core capital, so that additional capital can be a maximum of half the core capital (from 31 December 2015), or 1/3 of core capital (from 31 December 2016).

The minimum prescribed capital adequacy ratio is 12%, with a minimum participation of core capital of 8% (at 31 December 2015), ie 9% (at 31 December 2016).

Net capital for the purpose of calculating the capital adequacy ratio according to the methodology of FBA consists of:

- core capital – share capital (net of treasury shares, intangible assets, defferred tax assets and negative revaluation reserve on the basis of the effects of changes in the fair value of the assets), share premium, retained earnings and reserves created by retained earnings adopted by the Assembly of the Bank;
- supplement capital – share capital in permanent shares on the basis of cash payments, subordinated debt, positive revaluation reserves from the effects of changes in the fair value of the property, and general reserves calculated at prescribed rates by the regulator (see below).

The allowance for general provision included as Tier 2 capital does not comprise allowances actually recognised by the Bank in its financial statements. Rather, it represents an amount calculated on eligible assets (performing balance-sheet and off-balance-sheet exposure as defined by FBA) at rates prescribed by FBA, in the amount of KM 65,820 thousand.

As explained in Note 4, FBA also requires amounts equivalent to specific provisions calculated in accordance with FBA rules to be excluded or deducted from capital for capital adequacy assessment purposes, to the extent that those specific provisions exceed the total impairment allowances recognised by the Bank in the financial statements. In accordance with the above requirements, the Bank has excluded from capital an amount of KM 46,007 thousand of equity recognised in its financial statements. Out of this amount, KM 20,682 thousand were already recognized as within the equity in the financial statements; the rest of KM 25,325 thousand was presented as deducting item.

Total weighted risk used for calculation of the capital adequacy includes:

- risk-weighted assets and credit equivalents and
- weighted operative risk.

The capital adequacy ratio according to Basel II methodology for 2014 was also significantly above the prescribed limit.

35. Risk management (CONTINUED)

35.8 Capital management (CONTINUED)

The composition of the Bank's net capital and ratios for the years ended 31 December 2014 and 2013 is given in the table below (information on risk-weighted assets is unaudited at the date of issuance of this report).

	2014	2013*	2013
Core capital			
Ordinary shares	119,011	119,011	119,011
Treasury shares	(81)	(81)	(81)
Share premium	48,317	48,317	48,317
Reserve and retained earnings	316,666	316,704	390,638
Intangible assets	(11,447)	(14,263)	(14,263)
Defferred tax assets	(13)	-	-
Negative revalorisation reserves due to effects of fair value changes of assets	(426)	(175)	-
Total share capital	**472,027**	**469,513**	**543,622**
Supplement capital			
Allowance for general provision under FBA rules	65,820	58,599	58,599
Positive revalorisation reserves due to effects of fair value changes of assets	241	184	
Preference shares	184	184	184
Subordinated debt	19,558	19,558	19,558
Total additional capital	**85,803**	**78,525**	**78,341**
Deductions from capital			
Adjustment for shortfall in regulatory reserves per regulatory requirement	(25,325)	(21,978)	(21,978)
Total deductions from capital	**(25,325)**	**(21,978)**	**(21,978)**
Net capital	**532,505**	**526,060**	**599,985**
Risk weighted assets			
Credit-risk – weighted assets	3,010,181	2,758,021	2,758,021
Other weighted assets	241,270	239,229	239,229
Total risk weighted assets	**3,251,451**	**2,997,250**	**2,997,250**
Capital adequacy ratio	**16.4%**	**17.6%**	**20.0%**

*** Modified in accordance to new Decision on Minimum Standards for Bank Capital Management and capital protection, Official Gazette of the Federation of BiH, No. 46/14 - for the comparison purpose only.*

(all amounts are expressed in thousands of KM, unless otherwise stated)

36. Fair value measurement

This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

36.1 Fair value of Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each reporting period. In addition, the information is given about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair values		
31 December 2014	**Level 1**	**Level 2**	**Level 3**
Financial assets available-for-sale (see Note 18)			
Listed equity securities in Bosnia and Herzegovina (reinsurance)	214	-	-
Unlisted debt securities in Bosnia and Herzegovina:			
Bonds of the Government of the Federation of B&H	-	171.961	-
Bonds of the Government of Republika Srpska	-	25.570	-
Treasury bills of the Government of the Federation of B&H	-	27.633	-
Treasury bills of the Government of Republika Srpska	-	5.334	-
Unlisted debt securities in Croatia:			
Treasury bills of the Government of the Republic of Croatia	-	3.431	-
Unlisted debt securities in Austria (banking)	-	84.694	
Unlisted equity securities in Bosnia and Herzegovina	-	-	2
Foreign currency forward contracts (see Note 19)			
Assets	-	18	-
Liabilities	-	13	4

	Fair values		
31 December 2013	**Level 1**	**Level 2**	**Level 3**
Financial assets available-for-sale (see Note 18)			
Listed equity securities in Bosnia and Herzegovina (reinsurance)	214	-	-
Listed equity securities in Germany and Finland			
Unlisted debt securities in Bosnia and Herzegovina:	-	*88.397*	-
Bonds of the Government of the Federation of B&H	-	13.960	-
Treasury bills of the Government of the Federation of B&H	-	7.923	-
Treasury bills of the Government of Republika Srpska			
Unlisted debt securities in Croatia:			
Treasury bills of the Government of the Republic of Croatia	-	2.937	-
Unlisted debt securities in Austria (banking)	-	29.500	-
Unlisted equity securities in Bosnia and Herzegovina	-	-	2
Foreign currency forward contracts (see Note 19)			
Assets	-	56	-
Liabilities	-	49	-

36. Fair value measurement (CONTINUED)

36.1 Fair value of Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis (CONTINUED)

Valuation techniques and key inputs

Financial assets available-for-sale

For the securities presented under Level 1 (listed equity securities in Bosnia and Herzegovina) valuation technique is based on quoted bid prices in an active market.

For the securities presented under Level 2 (unlisted debt securities in Bosnia and Herzegovina, Republic of Croatia and Austria) discounted cash flow valuation technique is applied. Instruments that are not quoted in an active market are valued by using the models which include maximum relevant and available inputs and, also, unobservable inputs, but at minimum level. Depending on significance of inputs that are unobservable, debt securities are awarded with Level 2 or Level 3. Valuation is performed based on discounted cash flow, considering the last available rate on owned or similar debt securities as yield rate.

For the securities presented under Level 3 (unlisted equity securities in Bosnia and Herzegovina) discounted cash flow valuation technique is applied. Significant unobservable inputs are long-term revenue growth rates. Relationship of unobservable inputs to fair value is reflected as the higher the revenue growth rate, as the higher the fair value.

Foreign currency forward contracts

Valuation technique applied for forward contracts presented under Level 2 is discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 1 and Level 2 during 2014 and 2013.

(all amounts are expressed in thousands of KM, unless otherwise stated)

36. Fair value measurement (CONTINUED)

36.2 Fair value of the Bank's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the Management consider that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

	31 December 2014		31 December 2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Loans and receivables:				
- Loans and receivables from customers	2,478,823	2,609,468	2,311,743	2,462,707
Financial liabilities				
Financial liabilities held at amortised cost:				
- Current accounts and deposits from customers	2,961,200	2,982,685	2,724,269	2,738,952
- Borrowings	158,316	158,437	179,832	178,941

	Fair value hierarchy as at 31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Loans and receivables:				
- Loans and receivables from customers	-	664,126	1,945,342	2,609,468
	-	**664,126**	**1,945,342**	**2,609,468**
Financial liabilities				
Financial liabilities held at amortised cost:				
- Current accounts and deposits from customers	-	2,982,685	-	2,982,685
- Borrowings	-	158,437	-	158,437
	-	**3,141,122**	**-**	**3,141,122**

Presumptions used for estimate and measurement of fair value of particular financial instruments for 2014 are based on requirements of IFRS 13, by applying the methodology developed on UnICredit Group level.

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties and the new, this year introduced, concept of risk neutral PD parameter based on market parameters.

36. Fair value measurement (CONTINUED)

36.2 Fair value of the Bank's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (continued)

For the purpose of classification of instruments in fair value hierarchy (level 2 or level 3), a value limit / materiality of the difference between the fair value of risk-free and full fair value was established. If the determined difference is greater than 5% instrument is classified as level 3. Accordingly, if the total fair value is not significantly different from the risk-free fair value (less than 5%), the instrument is classified as level 2.

In order to determine fair value and leading to lower dependence on the concept of internal parameters in 2014 an approach to risk neutral approach for estimating fair value was introduced.

This approach has no impact on the assessment methodology, but it does on loan parameters calculations. All parameters related to established loan ranges (spread) are supplemented by risk neutral approach based on market values. New parameters are included in the calculation of the market premium and correlation of return of assets and markets.

The table shows the calculations of fair value for performing loans and deposits from customers with fixed and variable interest rates.

Fair value of non-performing loans of clients is equaled to book value.

36.3 Reconciliation of Level 3 fair value measurements

Fair value of unlisted equity securities in Bosnia and Herzegovina equity cannot be reliably measured. Therefore, they are measured at cost, as they have no material impact on the Bank's financial statements.

37. Approval of the financial statements

The financial statements on the pages 28 to 101 were approved by the Management Board on 13 February 2015 for the submission to the Supervisory Board:

Director	Chief Financial Officer
Ivan Vlaho	Gordan Pehar

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

These financial statements include Balance Sheet (statement of financial position as at 31.12.2014) 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 31.12.2014).

BALANCE SHEET (Statement of financial position as at 31 December 2014)

in KM

ITEM	Code for AOP	Current year Gross	Current year Impairment value	Current year Net (3-4)	Previous year (initial balance)
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	4,220,405,334	307,344,053	3,913,061,281	3,677,692,982
1. Cash and cash equivalents,gold and receivables from business (003 to 007)	0 0 2	516,842,155	10,220,301	506,621,854	461,066,538
a) Cash and cash equivalents in domestic currency	0 0 3	267,459,986	4,351,839	263,108,147	319,491,071
b) Other receivables in domestic currency	0 0 4	40,186,857	5,629,019	34,557,838	37,358,461
c) Cash and cash equivalents in foreign currency	0 0 5	208,368,139	0	208,368,139	103,773,769
d) Gold and other precious metals	0 0 6	36,541	0	36,541	36,541
e) Other receivables in foreign currency	0 0 7	790,632	239,443	551,189	406,696
2. Deposits and loans in local and foreign currency (009 + 010)	0 0 8	267,415,796	0	267,415,796	242,958,958
a) Deposits and loans in domestic currency	0 0 9	267,415,796	0	267,415,796	242,958,958
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	8,108,669	7,191,657	917,012	1,172,406
a) Fee and interest receivables,receivables based on sale and other receivables in local currency	0 1 2	7,849,999	6,935,123	914,876	1,167,573
b) Fee and interest receivables,receivables based on sale and other receivables in foreign currency	0 1 3	258,670	256,534	2,136	4,833
4. Loans and deposits (015 to 017)	0 1 4	2,445,576,718	64,531,918	2,381,044,800	2,392,068,280
a) Loans and deposits in local currency	0 1 5	1,094,780,690	22,902,576	1,071,878,114	868,604,010
b) Loans and deposits with hedge local currency currency	0 1 6	1,046,258,884	41,382,692	1,004,876,192	1,027,160,899
c) Loans and deposits in foreign currency	0 1 7	304,537,144	246,650	304,290,494	496,303,371
5. Securities (019 to 021)	0 1 8	316,454,006	1,518	316,452,488	142,097,267
a) Securities in local currency	0 1 9	198,469,631	1,518	198,468,113	102,095,034
b) Securities with hedge local currency	0 2 0	30,492,780	0	30,492,780	7,922,572
c) Securities in foreign currency	0 2 1	87,491,595	0	87,491,595	32,079,661
6. Other placements and prepayments (023 to 029)	0 2 2	664,271,118	225,204,329	439,066,789	437,178,582
a) Other placements in local currency	0 2 3	2,356,640	2,356,640	0	10,716
b) Other placements with hedge local currency	0 2 4	0	0	0	0
c) Due placements and current maturities of long-term placements in local currency	0 2 5	619,801,039	202,788,796	417,012,243	414,526,496
d) Prepayments in local currency	0 2 6	15,028,715	408,482	14,620,233	12,185,697
e) Other placements in foreign currency	0 2 7	11,032,643	7,314,355	3,718,288	3,351,961
f) Due placements and current maturities of long-term placements in foreign currency	0 2 8	15,151,392	12,329,399	2,821,993	6,294,974
g) Prepayments in foreign currency	0 2 9	900,689	6,657	894,032	808,738
7. Inventories	0 3 0	1,736,872	194,330	1,542,542	1,150,951

BALANCE SHEET (Statement of financial position as at 31 December 2014) (CONTINUED)

in KM

8. Fixed available for sale assets	0 3 1	0	0	0	0
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	222,424,872	158,723,920	63,700,952	67,534,321
1. Tangible assets and investment in property (037 to 040)	0 3 6	169,605,974	117,352,375	52,253,599	56,126,218
a) Tangible assets owned by the bank	0 3 7	138,670,852	90,895,830	47,775,022	51,939,319
b) Investment in property	0 3 8	28,907,685	26,456,545	2,451,140	2,780,641
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	2,027,437	0	2,027,437	1,406,258
2. Intangible assets (042 to 046)	0 4 1	52,818,898	41,371,545	11,447,353	11,408,103
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	45,960,822	41,371,545	4,589,277	5,666,854
e) Advances and assets acquired but not brought into use	0 4 6	6,858,076	0	6,858,076	5,741,249
C. DEFFERED TAX ASSETS	0 4 7	13,056	0	13,056	0
D. OPERATING ASSETS (001+035+047)	0 4 8	4,442,843,262	466,067,973	3,976,775,289	3,745,227,303
E. OFF BALANCE SHEET ASSETS	0 4 9	1,022,475,174	0	1,022,475,174	875,616,377
F. TOTAL ASSETS (048+049)	0 5 0	5,465,318,436	466,067,973	4,999,250,463	4,620,843,680

ITEM	Code for AOP	Current year	Previous year (initial balance)
1	2	3	4
A. LIABILITIES (102+106+109+113)	1 0 1	3,336,701,478	3,166,395,664
1. Deposits and borrowings (103 to 105)	1 0 2	3,057,093,563	3,017,375,179
a) Deposits and interest-bearing borrowings in domestic currency	1 0 3	1,368,793,464	1,250,701,105
b) Hedging deposits and borrowings	1 0 4	79,637,676	80,934,041
c) Deposits and interest-bearing borrowings in foreign currency	1 0 5	1,608,662,423	1,685,740,033
2. Interests and fees (107+108)	1 0 6	35,253	43,710
a) Interests and fees in domestic currency	1 0 7	16,852	17,562
b) Interests and fees in foreign currency	1 0 8	18,401	26,148
3. Securities (110 to 112)	1 0 9	0	0
a) Securities in domestic currency	1 1 0	0	0
b) Hedging securities i domestic currency	1 1 1	0	0
c) Securities in foreign currency	1 1 2	0	0
4. Other liabilities and accruals (114 to 124)	1 1 3	279,572,662	148,976,775
a) Salaries and fees	1 1 4	2,828,580	2,734,345
b) Other liabilities in domestic currency , excluding liabilities for tax and contributions	1 1 5	49,686,309	46,143,426
c) Tax and contributions ,excluding current and deffered income tax	1 1 6	2,033,193	2,213,086
d) Current tax liability	1 1 7	7,586,908	7,052,656
e) Deffered tax liability	1 1 8	1,397,540	1,397,540

The financial statements presented in the form prescribed by the Regulations on the content and form of financial statements for banks and financial institutions (CONTINUED)

BALANCE SHEET (Statement of financial position as at 31 December 2014) (CONTINUED)

in KM

f) Provisions	1	1	9	16,767,058	12,819,509
g) Accruals in domestic currency	1	2	0	12,075,584	12,954,073
h) Commission operations,AFS assets,discontinued operation assets,subordinated debt liabilities and current liabilities	1	2	1	4,082,782	1,312,925
i) Other liabilities in foreign currency	1	2	2	11,767,516	14,920,808
j) Accruals in foreign currency	1	2	3	21,262,913	18,559,497
k) Commission operations, due and subordinated liabilities and current maturities in goreign currency	1	2	4	150,084,279	28,868,910
B. EQUITY (126+132+138+142-148)	1	2	5	640,073,811	578,831,639
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
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	337,576,168	337,576,168
a) Reserves from profit	1	3	3	316,894,479	316,894,479
b) Other provisions	1	3	4	0	0
c) Provision for losses	1	3	5	20,681,689	20,681,689
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	-117,508	38,194
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	-117,508	38,194
c) Other revaluation resererves	1	4	1	0	0
4. Profit (143 to 147)	1	4	2	135,331,568	73,933,694
a) Profit for the year	1	4	3	61,397,874	55,570,557
b) Unallocated profit from prior years	1	4	4	73,933,694	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	3,976,775,289	3,745,227,303
D. OFF BALANCE SHEET LIABILITIES	1	5	2	1,022,475,174	875,616,377
E. TOTAL LIABILITIES (151+152)	1	5	3	4,999,250,463	4,620,843,680

INCOME STATEMENT (Statement of financial position as at 31 December 2014)

in KM

ITEM	Code for AOP	VALUE Current year	Prior year
1	2	3	4
A. OPERATING INCOME AND EXPENSES			
1. Interest income	2 0 1	179,857,219	180,562,607
2. Interest expense	2 0 2	40,967,747	40,467,992
Net interest income (201-202)	2 0 3	138,889,472	140,094,615
Net interest expense (202-201)	2 0 4	0	0
3. Fee and commissions income	2 0 5	77,885,217	73,141,671
4. Fee and commissions expense	2 0 6	11,250,651	9,681,994
Net fee and commission income (205-206)	2 0 7	66,634,566	63,459,677
Net fee and commission expense (206-205)	2 0 8	0	0
5.Gains from sale of securities and shares (210 to 213)	2 0 9	0	0
a) Gains from sale of securities at fair value through profit and loss	2 1 0	0	0
b) Gains from sale of available for sale securities	2 1 1	0	0
c) Gains from sale of securities held to maturity	2 1 2	0	0
d) Gains from sale of participation (share)	2 1 3	0	0
6. Losses from sale of securities and shares (215 to 218)	2 1 4	0	0
a) Losses from sale of securities at fair value through profit and loss	2 1 5	0	0
b) Losses from sale of available for sale securities	2 1 6	0	0
c) Losses from sale of securities held to maturity	2 1 7	0	0
d) Losses from sale of participation (share)	2 1 8	0	0
Net gains from sale of securities and shares (209-214)	2 1 9	0	0
Net losses from sale of securities and shares (214-209)	2 2 0	0	0
OPERATING PROFIT (201+205+209-202-206-214)	2 2 1	205,524,038	203,554,292
OPERATING EXPENSE (202+206+214-201-205-209)	2 2 2	0	0
B. OTHER OPERATING INCOME AND EXPENSE			
1. Operating income (224+225)	2 2 3	0	0
a) Income from leasing activities	2 2 4	0	0
b) Other operating income	2 2 5	0	0
2. Operating expense (227 to 236)	2 2 6	114,484,425	119,558,115
a) Expenses of gross salaries and contribution expense	2 2 7	45,506,124	44,811,251
b) Expenses of fees for temporary and occasional work contracts	2 2 8	421,601	389,586
c) Other personnel expenses	2 2 9	4,007,209	4,831,081
d) Material expenses	2 3 0	3,475,546	3,619,725
e) Production services expenses	2 3 1	27,290,004	28,479,858
f) Depreciation expenses	2 3 2	10,142,322	13,885,058
g) Expenses from leasing activities	2 3 3	0	0
h) Non-material expenses (excluding taxes and contributions)	2 3 4	21,976,931	21,829,917
i) Tax and contributions expenses	2 3 5	1,664,688	1,711,639
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	114,484,425	119,558,115
C) GAIN AND LOSS ON PROVISIONS			
1. Bad debts recovered (240 to 243)	2 3 9	195,252,965	162,614,743
a) Income from recovered provisions for placements	2 4 0	172,234,773	142,107,014

The financial statements presented in the form prescribed by the Regulations on the content and form of financial statements for banks and financial institutions (CONTINUED)

INCOME STATEMENT (Statement of financial position as at 31 December 2014) (CONTINUED) in KM

b) Income from recovered provisions for off-balance sheet items	2	4	1	22,666,602	19,765,533
c) Income from recovered provision for liabilities	2	4	2	351,590	742,196
d) Income from other provisions recovered	2	4	3	0	0
2. Provision charges (245 to 248)	2	4	4	218,286,003	184,953,304
a) Provisions charges for placements	2	4	5	191,042,385	163,513,054
b) Provision charges for off-balance sheet items	2	4	6	26,026,223	20,591,828
c) Charges based on provisions for liabilities	2	4	7	794,613	764,878
d) Other provision charges	2	4	8	422,782	83,544
PROVISIONS INCOME (239-244)	2	4	9	0	0
PROVISION CHARGES (244-239)	2	5	0	23,033,038	22,338,561
D. OTHER INCOME AND EXPENSES **1. Other income (252 to 258)**	2	5	1	1,379,311	1,184,733
a) Income from bad debts previously written off	2	5	2	37,945	30,646
b) Losses from sales of fixed assets, and intangible investments	2	5	3	102,920	58,159
c) Income from reduction in liabilities	2	5	4	0	0
d) Income from dividends and shares	2	5	5	9,282	9,478
e) Surplus	2	5	6	39,886	26,691
f) Other income	2	5	7	1,189,278	1,059,759
g) Gains grom discounted operations	2	5	8	0	0
2. Other expense (260 to 266)	2	5	9	886,529	1,127,696
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	0
c) Losses from disposals and write-offs of fixed and intangible assets	2	6	2	203,317	353,435
d) Shortfalls	2	6	3	10,708	8,130
e) Inventorywrite-offs	2	6	4	0	0
f) Other expenses	2	6	5	672,504	766,131
g) Expenses from discontinued operations	2	6	6	0	0
GAIN FROM OTHER INCOME AND EXPENSES (251-259)	2	6	7	492,782	57,037
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	68,499,357	61,714,653
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	124,741,609	145,409,621
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	124,741,609	145,409,621
2. Expenses from change in value of assets and liabilities (278 to 282)	2	7	7	124,256,186	144,118,853
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	0	81,584
e) Expenses from unfavorable foreign exchange differences	2	8	2	124,256,186	144,037,269

INCOME STATEMENT (Statement of financial position as at 31 December 2014) (CONTINUED) in KM

PROFIT ARISING FROM THE CHANGE IN VALUE OF ASSETS AND LIABILITIES (271-277)	2	8	3	485,423	1,290,768
LOSS FROM CHANGE IN VALUE OF ASSETS AND LIABILITIES (277-271)	2	8	4	0	0
PROFIT BEFORE TAX (269+283-270-284)	2	8	5	68,984,780	63,005,421
LOSS BEFORE TAX (270+284-269-283)	2	8	6	0	0
F. CURRENT AND DEFFERED INCOME TAX **1. Income tax**	2	8	7	7,586,906	7,434,864
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	61,397,874	55,570,557
LOSS AFTER TAX (286+287+289-288) ili (287+289-285-288)	2	9	1		0
G. OTHER PROFIT AND LOSSES FOR THE PERIOD **1. Capital gains (293 to 298)**	2	9	2	0	0
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	0	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	168,758	261,465
a) Losses from change in fair value of securities available for sale	3	0	0	168,758	261,465
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) or (299-292)	3	0	5	-168,758	-261,465
H. INCOME TAX RELATING TO OTHER TOTAL RESULT FOR THE PERIOD	3	0	6	16,876	26,146
OTHER TOTAL RESULT FOR THE PERIOD (305±306)	3	0	7	-151,882	-235,319
TOTAL NET PROFIT FOR THE YEAR (290±307)	3	0	8	61,245,992	55,335,238
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	515	467
Diluted earings per share	3	1	3	515	467
Average number of employees based on hours worked	3	1	4	1,249	1,293
Average number of employees based on periods end	3	1	5	1,259	1,281

Address 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) 33 491 708
CORPORATE	00387 (0) 36 312 112
RISK MANAGEMENT	00387 (0) 33 491 708
FINANCE	00387 (0) 36 356 610
GBS	00387 (0) 36 312 112

Business network of UniCredit Bank d.d. as at 31 December 2014

Branch	Address	City	ZIP code	Phone
BUSINESS CENTER MOSTAR				
Branch 1 Mostar (Mepas)	Kardinala Stepinca bb	Mostar (Mepas Mall)	88000	036/356-346
Branch 2 Mostar - Mostarka	Dubrovačka 4	Mostar (Mostarka)	88000	036/333-972
Branch 3 Mostar - Revija	Mostarskog bataljona 4	Mostar (Revija)	88000	036/501-418
Branch 5 Mostar(Ledara)	Kardinala Stepinca bb	Mostar (Ledara)	88000	036/333-900
Branch Čapljina	Gojka Šuška bb	Čapljina	88300	036/806-883
Branch Stolac	Hrvatskih branitelja bb	Stolac	88360	036/853-306
Branch Neum	Dr. Franje Tuđmana bb	Neum	88390	036/885-201
Branch Čitluk	Kralja Tvrtka 1	Čitluk	88260	036/640-435
Branch Konjic	Trg Državnosti bb	Konjic	88400	036/725-205
BUSINESS CENTER ZAPADNA HERCEGOVINA				
Branch Grude	Franje Tuđmana br. 124	Grude	88340	039/660-747; 039/660-745
Branch 1 Široki Brijeg	Fra Didaka Buntića 13	Široki Brijeg	88220	039/700-214
Branch 2 Široki Brijeg	Fra Didaka Buntića bb	Široki Brijeg	8822	039/703-963
Branch Ljubuški	Kralja Zvonimira bb	Ljubuški	88320	039/835-933; 039/835-936
Branch Livno	Kralja Tvrtka bb	Livno	80101	034/201-072; 034/208-220
Branch Tomislavgrad	Brigade Kralja Tomislava bb	Tomislavgrad	80240	034/356-200
Branch Posušje	Fra Grge Martića 28	Posušje	88240	039/685-157; 039/685-413
BUSINESS CENTER BOSNA SI				
Branch Orašje	Treća ulica 47	Orašje	76270	031/716 700; 031/716-701; 031/716-709
Branch Odžak	Titova 17	Odžak	76290	031/762-437
Branch Doboj	Kralja Dragutina 2a	Doboj	74000	053/209-400
Branch Brčko	Trg mladih 1	Brčko	76120	049/233-770 (obit.bank.)
Branch Bijeljina	Svetog Save br 38	Bijeljina	76300	055/225-090
BUSINESS CENTER SREDNJA BOSNA				
Branch Vitez	Petra Krešimira IV	Vitez	72250	030/718-745; 030/718-746;
Branch 1 Vitez	Poslovni centar 96, FIS	Vitez	72250	030/718-683; 030/718-684
Branch Uskoplje	Bana Jelačića bb	Uskoplje	70240	030/494-181; 030/496-596
Branch Donji Vakuf	770 Slavne Brdske brigade 23	Donji Vakuf	70220	030/259-660; 030/259-661
Branch Novi Travnik	Kralja Tvrtka bb	Novi Travnik	72290	030/795-505; 030/795-500
Branch Fojnica	Mehmeda Spahe 18	Fojnica	71270	030/547-024; 030/547-022
Branch 1 Travnik	Bosanska 56	Travnik	72270	030/547-016; 030/547-012;
Branch Jajce	Hrvoja Vukčića Hrvatinića bb	Jajce	70101	030/654-564; 030/654-565
Branch Rama	Kralja Tomislava bb	Rama	88440	036/771-990; 036/770-919
Branch Bugojno	Zlatnih ljiljana 16	Bugojno	70230	030/259-570; 030/259-575
Branch Kiseljak	Josipa Bana Jelačića bb	Kiseljak	71250	030/877-125; 030/877-129
BUSINESS CENTER ZENICA				
Branch Žepče	Stjepana Tomaševića bb	Žepče	72230	032/880-785; 032/887-904; 032/887-905
Branch 1 Visoko	Branilaca 20a	Visoko	71300	032/730-052, 061
Branch Zenica	Školska bb	Zenica	72000	032/449-340
Branch 1 Zenica	Londža 75/b	Zenica	72000	032/202-620
Branch Kaknj	Alije Izetbegovića bb	Kakanj	72240	032/557-215; 032/557-219
Branch Tešanj	Titova bb	Tešanj	74260	032/665-194
Branch Jelah	Titova bb	Jelah	74264	032/667-892
Branch Breza	Alije Izetbegovića 80	Breza	71370	032/786-014
Branch Zavidovići	Pinkasa Bandta 3	Zavidovići	72220	032/869-200, 201, 202, 203, 204
Branch Vareš	Zvijezda 63	Vareš	71330	032/848-031

Business network of UniCredit Bank d.d. as at 31 December 2014 (continued)

Branch	Address	City	ZIP code	Phone
BUSINESS CENTER ZENICA (continued)				
Branch Olovo	Branilaca 17	Olovo	71340	032/829-530
Branch Maglaj	Aleja ljiljana bb	Maglaj	74250	032/609-810, 812, 815, 816
BUSINESS CENTER BIHAĆ				
Branch Bihać	Ulica V. Korpusa bb	Bihać	77000	037/229-970
Branch 1 Bihać	Trg slobode 7	Bihać	77000	037/229-270
Branch Velika Kladuša	Maršala Tita 23	Velika Kladuša	77230	037/776-600
Branch 1 Cazin	Cazinskih brigada bb	Cazin	77220	037/515-012
Branch Bosanska Krupa	Slavne brigade 511	Bosanska Krupa	77240	037/476-885
Branch 1 Sanski Most	Trg oslobodilaca bb	Sanski Most	79260	037/688-540
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	033/253-970
Branch 4 Sarajevo	Alipašina 45a	Sarajevo (Ciglane)	71000	033/560-794
Branch 11 Sarajevo	Gajev trg 2	Sarajevo	71000	033/251- 953
Branch 12 Sarajevo	Zelenih beretki 24	Sarajevo	71000	033/491-744
Branch 13 Sarajevo	Branilaca grada 53	Sarajevo	71000	033/491-932
Branch 15 Sarajevo	Bolnička 25	Sarajevo	71000	033/297-705
Branch 16 Sarajevo	Fra Anđela Zvizdovića 1	Sarajevo UNITIC	71000	033/ 252-284
BUSINESS CENTER NOVO SARAJEVO				
Branch 2 Sarajevo	Zmaja od Bosne 14C	Sarajevo	71000	033/723-690
Branch 7 Sarajevo	Trg međunarodnog prijateljstva 14	Sarajevo	71000	033/776-134
Branch 17 Sarajevo	Dr.Fetaha Bećirbegovića 23A	Sarajevo (OTOKA)	71000	033/721-800
Branch 18 Novo Sarajevo	Zmaja od Bosne 74	Sarajevo	71000	033/657-147
Branch 19 Sarajevo	Mustafe Kamarića 5	Sarajevo (Dobrinja)	71000	033/775-853
Branch 20 Sarajevo	Brčanska 14	Sarajevo (OTOKA)	71000	033/721-973
Branch Vogošća	Igmanska 60	Vogošća	71320	033/476-360
Branch Ilidža	Mala Aleja 10	Ilidža	71210	033/776-146
Branch Hadžići	Hadželi 153	Hadžići	71240	033/475-390
BUSINESS CENTER TUZLA				
Branch 1 Tuzla	Džafer Mahala 53-55	Tuzla	75000	035/259-059; 035/259-044
Branch 2 Tuzla	Armije BiH 3	Tuzla	75000	035/306-471
Branch 3 Tuzla	Aleja Alije Izetbegovića 10	Tuzla	75000	035/302-470
Branch Gradačac	Ulica šehida 1	Gradačac	76250	035/822-500
Branch Lukavac	Kulina Bana bb	Lukavac	75300	035/551-330
Branch Gračanica	22 Divizije bb	Gračanica	75320	035/701-470
Branch Srebrenik	21 Srebreničke Brigade	Srebrenik	75350	035/646-093
Branch Živinice	Ulica Oslobođenja bb	Živinice	75270	035/743-145
Branch Kalesija	Trg šehida bb	Kalesija	75260	035/610-110
BUSINESS CENTER BANJA LUKA				
Branch Banja Luka	I Krajiškog korpusa br.39	Banja Luka	78000	051/348-055
Branch Laktaši	Karađorđeva bb	Laktaši	78250	051/535-961
Branch Prijedor	Zanatska bb	Prijedor	79101	052/240-765

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