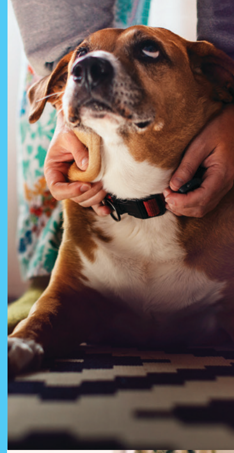
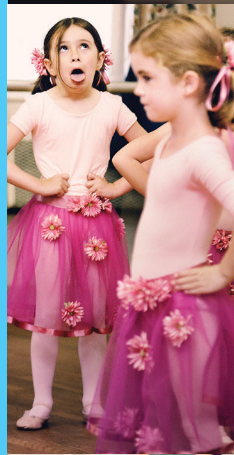



Inside real life. A 360° view.

2015 Consolidated Reports and Accounts

Welcome to
UniCredit Bank

Imagine you're hungry.

You need food, of course. But you also need a plate and a fork. Maybe even a knife. After that, you'll need water to wash the dishes and before that, the right tools to cook your meal. And don't forget the table, or the chair, or the roof over your head.

In the end, food is just a small part of our far more complicated system of needs – a system that is contained by its own set of values. Consider, for example, the entire production chain behind the food on your table. Food comes from a farm. It has to be tended by people, and inspected by others to ensure it is safely made, processed and transported to market. Every link in this chain is crucial for today's consumers, who are increasingly sensitive to the quality of their food, as well as the environmental and working conditions that produce it.

UniCredit firmly believes that to truly understand real life, we must directly experience it. That way we are more prepared to find sustainable solutions while the world's needs and values constantly change.

For us, helping customers fulfill the basic necessities of modern life is just as important as offering the very best financial and banking products.

This means providing a complete range of services to support families and businesses, fully aware that responding to their needs builds a sustainable future for everyone.

Our products begin with real human insights that help us accompany customers throughout their lives. Because life is full of ups and downs, but it is also full of many other things, like buying a home, getting married, having children and sending them to university, etc.

We know life often takes unexpected twists and turns while many of us work to buy a home, get married, have children and send them to university.

It's a 360-degree approach that we call Real Life Banking.

Over the following pages, our aim is not just to present data and numbers about our Group's performance. We also want to share stories that show how we have helped people realize their dreams and supported the communities that host our branches.

Because the drive to build a better future is what keeps people going.

And supporting people keeps us going too.

Life is full of ups and downs.
We're there for both.

Welcome to
UniCredit Bank

My ideas are so big, they make me feel small.

Let’s talk about realizing your projects.

Stefan runs his family’s company in Bucharest. He has designed and built kitchens since he was a boy, and still loves it. But since he also loves to cook, he thinks it would be perfect to combine his passions by opening a special show room that hosts cooking classes and workshops with famous chefs.

A place like that would have some cultural value and give his whole neighborhood a boost, so he thinks he could apply to receive public funds. But he doesn’t know where to start. He needs a partner, someone who helps prove the feasibility of the project to the government.

Hey Stefan, why not ask us? We often give advice to customers who want to get grants and other funding. In Romania, for instance, we provide 360° support, from the stage when a client gets an investment idea, to when the client secures funding, until even after that, while the client’s use of funding is monitored.

Thanks to our preliminary advice, including guidance on where to apply for funds, and our full range of banking products and attentive monitoring service, Stefan can make his idea a reality. And, who knows, maybe it will also help him become the world’s next great artisan-cook.

Director's report

"We will continue with development trends, with the focus of our activities on digitalisation and development of new channels of services that will allow our clients more flexibility in using services of our Bank."

Ivan Vlaho
DIRECTOR

Dear clients, shareholders and business partners,

With exceptional pride and pleasure we present to you business results of UniCredit Bank d.d. (hereinafter the "Bank") in 2015. In a particularly challenging economic environment as it was in the previous year as well, the Bank showed remarkable efficiency in realising its business objectives and achieving results.

We have made significant steps forward in 2015, and strengthened our position of the market leader in the banking sector in Bosnia and Herzegovina by all significant financial criteria, including profit, total assets, total revenue, total loans and total deposits. As the leading bank on the market, we have additionally increased our market shares in segments of credit and deposit operations in the previous year.

In addition, I consider strengthening our key fundamentals important to emphasize, including increasing our client base and preserving quality of the loan portfolio. Fundamental baseline of our operation is providing high quality services and solutions for financial needs of our clients, who gave us their trust. Hence, in 2015 we worked hard on improving our service model for individual clients and developing application solutions, which enable faster and more efficient service for increasing our client's satisfaction.

The Bank closed the financial year 2015 with net profit of KM 79.6 million, which is KM 18.1 million more compared to 2014. This business result is primarily the result of increasing revenue, which in 2015 reached the all time high, and cost efficiency.

The Bank confirmed its capability of self-sustainable growth and development in different segments by applying the successful business model developed for years. Loan to deposit ratio in the previous year was 78.9 %, and we have also achieved positive effects in the field of covering loans with provisions in both non-performing and performing portfolios. The Bank's assets in 2015 were increased to KM 4,376 million. Total net loans amounted to KM 2,617 million, with the corresponding growth of 5.6% compared to prior year. The growth of client's deposits of 12.0% was also achieved, so we close this year with the amount of KM 3,317 million. Our strong equity position was additionally reinforced in 2015, with the growth of 12.4% compared to the year before, and the equity amounts to KM 719.4 million. The Bank confirmed its solvency through the high capital adequacy ratio of 15.2%, which confirms stability and safety of operations with the Bank.

During the previous year we actively worked on optimising business models, synergy with other members of UniCredit Group in Bosnia and Herzegovina, which resulted in acquiring 100% of ownership share in the company UniCredit Leasing and 49% share in the company UniCredit Broker d.o.o.

First of all, I would like to use this opportunity to thank all employees of the Bank, who contributed to achieving such success with their everyday efforts and commitment. Quality human resources management has always been and always will be the primary focus of our Bank. Dedication to this segment aligns us with the most desirable employers each year, which is an acknowledgement coming from the market.

Social responsibility is our strategic destination. Hence, in a year behind us we dedicated special attention to our social role by supporting humanitarian projects, development of art, culture, sports, and our young talents. In the following period our priority will be contributing to welfare of all of our interest groups and sustainable economic growth.

In the previous year, the Bank received many local and international awards for its business success. The financial magazine EMEA Finance and the British financial magazine Euromoney named UniCredit Bank the best bank in Bosnia and Herzegovina. In addition, Euromoney named us the best provider of services for trade financing in Bosnia and Herzegovina. The magazine Banke & Biznis u BiH awarded us three golden BAMs for the amount of total assets, total equity and return on equity rate (ROE). Consulting firm Revicon and regional business magazine Prizma awarded us with Crystal Prysm for the most successful bank in Bosnia and Herzegovina.

Our objective for 2016 is further strengthening our fundamentals that make us distinguishable on the local market. We will continue with development trends, with the focus of our activities on digitalisation and development of new channels of services that will allow our clients more flexibility in using services of our Bank.

Primary interest of the Bank in the following period will be to support all quality projects in Bosnia and Herzegovina and to contribute to the development of BiH as its main partner, by using our vast expert knowledge and rich experience of UniCredit Group.

On behalf of the Management of the Bank, I would like to thank all clients and business partners for their loyalty and granted trust. We hope that we will justify your trust in the year before us as well.

Sincerely yours,

Ivan Vlaho
Director

Ok guys, where's the stage?

Let's talk about getting the goods on time.

Every summer, major music festivals are held in the countryside. The line-ups are announced months in advance, and thousands of people buy tickets to see their favorite bands live. But sometimes … things can go wrong.

Tens of thousands of goods pass through the customs every day. It's so ordinary that you never even think about it. Until one day, when goods vital to your business operation absolutely must arrive in time.

From concert equipment to spare parts, it can take up to three working days to get your customs payments processed. That is why in Russia we introduced the PayHD card. It speeds up import/export operations and helps our customers avoid bad surprises. With PayHD, goods are always processed quickly, with no extra paper work required.

Now entrepreneurs in Russia can concentrate on their own business and stop worrying about import/export timings.

Economic Environment in Bosnia and Herzegovina

Macroeconomic review of year 2015

Global economy growth in 2015 remained moderate, but the recovery was not sufficient to be characterised as global expansion. Joint impact of global factors and internal economic factors in Bosnia and Herzegovina resulted in improved indicators compared to previous year.

Export character of the economy in Bosnia and Herzegovina, primarily oriented to the most developed economies in the European Union (16% of total exports from BiH is related to Germany), enables positive correlation with positive business trends in those markets. Gradual improvement of macroeconomic environment in EU countries is positively reflected mainly through increased external demand and direct foreign investments.

Substantial growth of economic indicators was recorded in 2015 despite numerous challenges faced by Bosnia and Herzegovina from the very beginning of the year. Many responses to such challenges have formed and will form the future direction of the development of the overall economy, and the planned implementation of EU accession of BiH. One of the factors that affected the moderate GDP growth in 2015 was the fact that 2014 as a basic year had inferior performance indicators due to natural disasters that struck the significant portion of the country in the middle of the year.

The most significant event that marked 2015 and inspired optimism by giving the fresh opportunity to make a leap from unsustainable model toward functional future, is certainly the Decision of the Parliament of the EU on approval of activation of **Stabilisation and Association Agreement** and its official entering into force on 1 June 2015.

The set of key socio-economic reforms, supplemented by measures for creating sustainable economic model of growth, under the common name **Reform Agenda 2015-2018**, will be the benchmark of political compromise that is currently the most important. Reform Agenda is composed of six main areas: Public finance, taxation and fiscal sustainability, Business climate and competitiveness, Labour market, Reform of social security and pensions, Rule of law and good governance, and the Reform of public administration.

Despite the readiness of Bosnia and Herzegovina to support the Reform Agenda, because of significant backlog in completing agreed reforms and adopting laws, the IMF froze its final payments of IV SBA in September 2014 until the expiry of the arrangement in June 2015. IMF's funds are the main pillar of fiscal stability of the country, and their absence was clearly felt in the budget for 2015, especially considering the significant amount of funds allotted during 2014, that was additionally increased for the support after the natural disasters. The Government of FBiH managed to find a temporary solution and partially overcome the missing budgetary funds by issuing securities on the local market.

During three visits to Bosnia and Herzegovina during 2015, the delegation of the IMF monitored all events while evaluating whether there was any improvement, but still setting the clear conditions, such as adopting Budget for 2016 as a critical point for further discussion on the new V SBA for BiH.

The adoption of amendments to the Criminal Code in April 2015 was also an additional challenge that Bosnia and Herzegovina faced, thus avoiding sanctions that could have resulted from non-compliance with EU regulations.

Although the functional **labour market** is in fact one of the main reform priorities, every change in this area is difficult to implement in Bosnia and Herzegovina, which is demonstrated by the process of adopting the Labour Act. Employment is planned to be one of the priority reforms in the country. However, it is not likely that it will result in a significant decrease of unemployment rate, that remained at the level of almost 44% in 2015, with an almost unchanged amount of gross and net salaries. Besides the Labour Act, restricting the grey economy and reform of education system are important parts of key defined activities for 2016.

Industrial production recorded negative changes in the first quarter of 2015 compared to the previous year, and the particular change of trend started only in May, which was primarily induced by bad results in the previous year due to natural disasters. Industrial production growth remained on a very low level throughout the entire year (2.6%), which is lower than initially expected. Electricity sector, which is decreasing compared to the previous year has a significant impact on low growth rates.

Current account deficit has been slightly decreasing during 2015 based on lower import rates. It is expected that, by the end of the year, it will be on a slightly lower level than last year (7.3% of GDP), led by lower oil and food prices. With respect to import-oriented economy of Bosnia and Herzegovina, with the negative import-export ration, the continued economic growth should lead to the strengthening the current account deficit.

Consumer price index remained on very low levels during almost the entire year, led by imported deflatory pressures through oil and food prices. The level of consumer price index in November 2015 was on level of -1.3%, and the achievement of positive value is not expected until the second quarter of 2016.

Rating of Bosnia and Herzegovina has not been changed yet, i.e. it was again confirmed in November 2015 by S&P in the category "B with stable outlook". According to Moody's, the rating is still at the same level since 2012 "B3 with stable outlook".

Measured by the **Doing Business 2016** index, Bosnia and Herzegovina is on the 79th place of the ranking list of 189 countries,

Macroeconomic review of year 2015 (continued)

while by the **Competitiveness Index 2015-2016** it is on the very bottom among the countries in the region on 111th place on the list of 140 countries.

Key macroeconomic indicators in Bosnia and Herzegovina

	2012	2013	2014	2015F
Nominal GDP (KM billion)	26.2	26.7	27.3	27.6
Population (in thousand)	3,836	3,832	3,827	3,822
GDP per capita (in KM)	6,828	6,980	7,122	7,209
Real GDP (Annual change, %)	-0.9	2.4	1.1	2.0
Consumer prices (Annual change, %)	1.8	-1.2	-0.4	-0.7
Average	2.1	-0.1	-0.9	-0.9
Monthly salary (Annual change, %)	1.5	0.2	-0.2	0.1
Unemployment rate (registered, %)	44.1	44.6	43.9	43.2
Balance of state budget (in % of GDP)	-1.9	-2.2	-3.0	-2.0
Balance of the current account of balance of payments (in % of GDP)	-8.8	-5.5	-7.8	-7.3
Foreign direct investments (in % of GDP)	1.9	1.4	2.6	3.6
Foreign currency reserves (in KM billion)	6.5	7.1	7.8	8.1
FX rate EUR/KM	1.96	1.96	1.96	1.96
1M EURIBOR, end of the period	0.1	0.2	-	-0.2
Average	0.3	0.1	0.1	-0.1

Expectations for 2016

The continuation of a substantial business growth of 3% is expected in the following year. Fiscal adjustments and reforms are crucial for supporting economic recovery. Significant risks and challenges remain present, primarily in the form of creating potential new political uncertainty, delays in implementation of reforms because of possible local elections planned for 2016, deficiency of timely and adjusted adopting and enforcement of laws in both entities, and the like. New Stand-By Arragnement that is still being discussed with the IMF will certainly still serve as an important source of external financial support. Since further improvement of economies of main trade partners is expected in the following year, the positive impact on the economy in Bosnia and Herzegovina may be expected as well. Further improvement of labour market is also expected in 2016, but it is still far away from forming solid foundations for growth. The opportunity to be exploited is the utilisation of EU funds in accordance with Indicative strategic document drafted in 2015 and the corresponding sector strategies necessary for access to the funds.

Banking Sector in 2015

The banking sector in Bosnia and Herzegovina went through long and large consolidation phases throught its not so long history. In the last 18 years the number of banks was reduced for 29. The complexity of following operations and reporting indicates the importance of further consolidation of banking sector, and regulatory and legal frameworks among entities. Structural weaknesses of the banking sector in combination with weak business growth are becoming even more prominent.

Bosnia and Herzegovina is in early phases of banking system development according to European standards, even though a certain progress has been achieved in certain areas. For example, the Cooperation Agreement was signed in 2015 by the European Banking Authority (EBA) and the banking agencies in BiH, with which the signatories obtain the status of equal participation in information exchange with European Union (EU) members in the area of operations and supervision of the country's banking system.

According to that Agreement, Bosnia and Herzegovina will aspore to adjusting laws, supervisory standards and institutional regulations in accordance with the European Union.

In 2015, the following drafts of decisions have been delivered: Decision on calculation of banks' equity – Pillar 1; Decision on risk management in banks – Pillar 2; Decision on process of internal capital adequacy assessment in banks with the corresponding Report on the application of ICAAP – Pillar 2; Decision on large exposures – Pillar 2; and the Decision on interest risk management in banking books – Pillar 2. The application is expected in 2017, yet with the obligation for parallel reporting from the middle of the following year.

Upon observation of the structure of banking sector in 2015, of total 26 banks, only four banks achieved volumes of loans and deposits of over KM 1 billion, while 9 banks on the market have less than KM 200 million in their balances. It is important to note in the balance structure that the share of foreign resources on resources side is proceeding to decrease with the growth of clients' deposits share, while monetary assets and securities comprise over 30% of total assets in banks in BiH. Banking sector liquidity is significantly higher than prescribed limits, mainly deposited in accounts in the Central Bank.

Capital adequacy of the banking sector is maintained significantly above the prescribed limit of 12% and it amounts to 16%, albeit with significant discrepancies among banks. Four banks in FBiH and three Banks in RS were recapitalised until the third quarter of 2015.

In void of more significant investment cycle, the main drive of loan growth is the Retail segment with the annual growth rate of 4.8%, while Corporate clients achieved growth of only 0.4%, given that in the last months of the year there was visible recovery on the side of long-term loans as well. Loan growth rates are still low and lower than deposit growth. Annual loan growth is additionally slowed down by the fact that one liquidated bank was excluded since January 2015 from consolidated data for the banking sector, whose exclusion was reflected mainly in Corporate clients' segment.

The level of share of non-performing loans (NPL) portfolion indicates issues in repayment on the one hand, while on the other indicates non-existence of adequate regulatory and legal framework for their resolution. The share of NPL portfolio in total loans in the third quarter of 2015 was 13.8%. The latest significant change of this indicator for the banking sector was recorded in the fourth quarter of 2014 as an effect of sale of NPL portfolio of one banking group and liquidation of one bank, which affected the visible ratio improvement. During 2015 there were no major departures nor one-time effects, except for recorded slight improvement of loan portfolio structure in FBiH, while even certain degradations were recorded in RS.

Banking sector deposits recorded growth of 7.5% compared to the previous year. Retail sector has recorded steady upward trend from the very beginning of the year, reaching the growth rate of 9.1%. Channeling individuals' savings and transfers through formal financial channels should still remain recognised as the potential for furthers strengthening this segment on BiH market. Corporate clients started 2015 with somewhat weaker intensity, primarily fostered by the exclusion of the liquidated bank from consolidated numbers of the sector and complete absence of IMF's funds from IV SBA in 2015. However, the growth rate of 5.3% and successfully recovered arrears from the beginning of the year was mainly driven by the inflow of avista funds of the central government through more intensive issuing of securities in accordance with the plan for redeeming missing funds in the budget, incorporated in the last Budget amendment for 2015. Sufficient level of local sources (mainly from Retail) and weaker loan growth resulted in the loan to deposit ratio of 102%.

The more intensive issuing of securities by the governments of both entities compared to last year was recorded in 2015. Total of KM 463 million in treasury bills and KM 552 million in bonds was issued. The Government of FBiH issued total of KM 298 million in treasury bills and KM 310 million in bonds. The Government of RS issued total of KM 165 million in treasury bills and KM 242 million in bonds. Even though the banking sector is still the main buyer of securities, the share of that portfolio in the total assets of the sector is still far below the average in other countries in Central and Eastern Europe.

Record low level of market rates in 2015 affected further pressure on net interest margins. While interest income continued to decrease in such an unfavourable market environment, savings in interest expense caused by a still significant return of info funding are managing to mitigate, at least partially, the decline of total net interest income.

Banking Sector in 2015 (continued)

Expectations for 2016

The banking sector outlook anticipates that a significant reversal in the banking sector will not occure soon. Since the share of NPLs is still high, an adequate strategy for maintaining sector profitability in mid-term will be required. The lack of quality demand, together with capital requirements and non-recoverability of loans, will be the largest challenge in financial systems in the mid-term period. Significant influence on the financial system, smaller banks in particular, is expected from the harmonisation of statutory and regulatory frameworks in both entities, based on the best practice in EU directives. Banking sector profitability will remain in the focus primarily because of the fact that the provisions costs are still the ones that determine the course of sector profitability movement. Announced activities in the Reform Agenda should also positively form further development of real and financial sectors in the country.

Look, I just made a mess!

Let's talk about everyday challenges.

Who said that everyday life is boring? It certainly isn't if you're dealing with a rascal like Agata. Around her, simple things like getting to school on time, managing the family budget or walking the puppy become far more complicated. Agata's mom and dad – and countless other parents – face more complications every day. Clearly they could use our help.

For Agata's parents we have designed dozens of new services that simplify life. Take, for example, what Zagrebačka banka is doing in Croatia. Its two-in-one web token enables customers to not only to do their banking online, but also have access to their public administration documents.

This means you can check your account balance or transfer funds online in the same place where you can get your child's school grades, see an electronic copy of your birth or marriage certificate or order your European Health Insurance card.

Now with a bit more time for cleaning up her messes, maybe Agata's parents can laugh a little more too.

I'd rather play basketball.

Let's talk about making the right investments.

Nina's father thinks she has a future as a dancer, but she has other plans. What exactly? Well, actually, she changes her mind every day ... basketball player, pop singer, pianist, actress. Right now, she's probably just not mature enough to invest seriously in her future. But Nina's father doesn't see that. He could use some wise advice.

Everyone has different goals and needs – and everyone can use a good consultant to help meet them. That's why we take care of each of our customers by tailoring our solutions to their individual needs.

This premium approach is especially popular with our clients in Germany, thanks to the FinanzKonzept project, which provides an interactive consulting platform for integrated advice.

This is financial counseling 2.0: Smart, transparent, available via video and telephone, from advisors with the right skills. We are doing this because, in a world of data and numbers, it makes a difference to have a personal relationship with clients and figure out together what to expect from the future.

Business description

UniCredit Bank d.d. Mostar (hereinafter the “Bank”) is a licensed commercial bank headquartered in Bosnia and Herzegovina, and it is mother company of the Group UniCredit Bank d.d. Mostar.

The Group UniCredit Bank d.d. Mostar (hereinafter the “Group”) is a group headquartered in Bosnia and Herzegovina consisting of UniCredit Bank d.d. and its subsidiaries and associates. The Group provides the full range of services, including services to individuals and companies, risk operations, and financial and operating leases operations.

The Bank provides the full set of banking financial services, including corporate banking, retail banking, financial institutions, international operations, and investment banking services.

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.

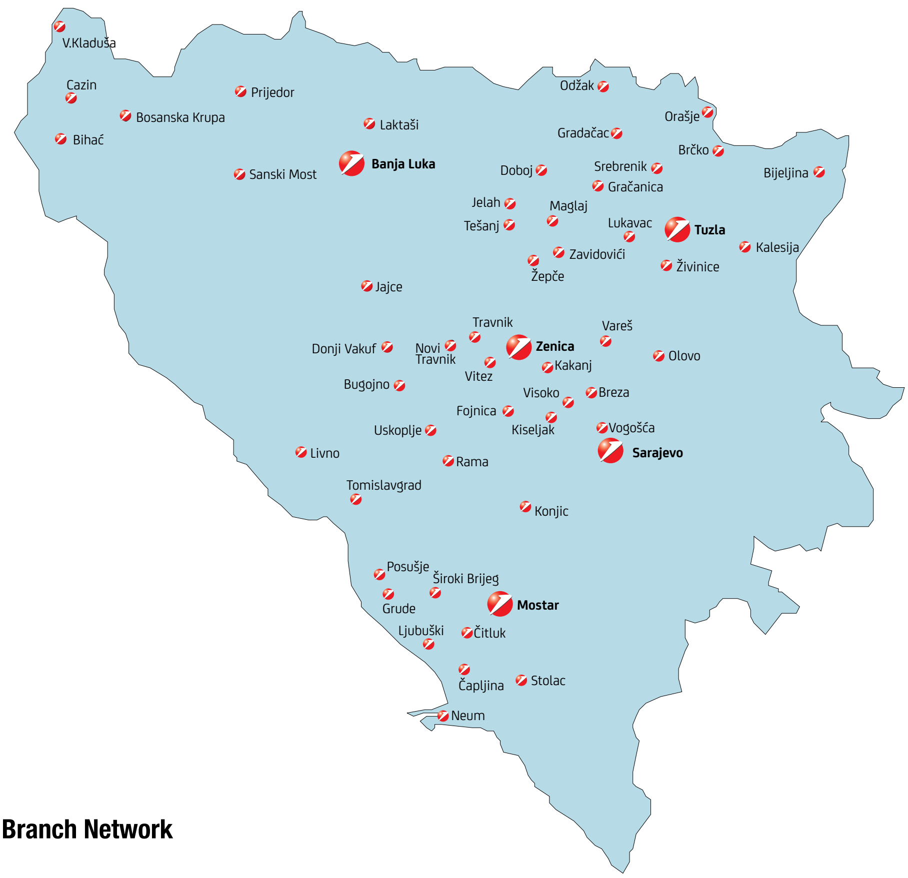
The Bank’s subsidiaries and associates as of 31 December 2015 are presented in the tables below:

Subsidiaries in full consolidation

Legal entity	Address	Headquarters country	Area of operations	Equity owned by the Bank %
UniCredit Leasing d.o.o	Ložionička 7 Sarajevo	Bosnia and Herzegovina	Leasing	100%

Associates consolidated using share method

Legal entity	Address	Headquarters country	Area of operations	Equity owned by the Bank %
UniCredit Broker d.o.o	Obala Kulina Bana 15 Sarajevo	Bosnia and Herzegovina	Brokering companies in insurance	49%



Map of the Branch Network

Retail Segment

Organisation

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 9 regions, which are further split into agencies located throughout Bosnia and Herzegovina, and as of the end of 2015, there were 79 such agencies

Business in 2015

The client oriented business, continuous improvement of processes and services, which result in a more efficient and simpler 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 competition.

According to 2015 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.

Clients recongnise the Bank as a reliable partner and during 2015 a growth of the Bank's market share has been recorded, not only in deposits, but also in retail loans.

Highly important part of UniCredit Bank's multiannual business strategy is the development in the field of digitalisation, and the first phase of this process is the launch of an entirely new website adjusted to current online trends. Continued activities on developing the new website have been conducted during 2015, the display of loan calculator has been additionally improved and the deposit calculator with more details for the client has been also developed. The new website enables simple and quick information search through clear and articulate view that provides even better experience user experience.

By introducing the new, redesigned m-ba application for existing and new users with Android and iOS operating systems, we have once again proved to be an innovative and modern Bank, which follows market trends and clients' needs. The number of agreed services also increased for more than 30% upon improvement of electronic banking applications. Continuous promotion of advantages of electronic services during the entire year resulted in the increase of share of electronic accounts in total transactions of local payment operations, which is almost 50%.

With the end of 2015 the Bank's ATM network consists of total 260 ATM machines in production. Following market requirements and clients' needs, we continued broadening our network of pay-in/pay-out ATMs, so that with the end of 2015, we have 44 devices in production that offer or clients possibility to deposit money on current accounts of retail/transaction accounts corporate clients in any given moment.

We are continuously working on organising our business network according to modern organisation concept, which will meet all our clients' needs and expectations. New branch design is completely different, designed to alleviate client operations and enable completing all transactions in one place, and hence make the time spent in a branch office more comfortable. Modern 24h zone, "quick zone" in which all employees usually performing cash and treasury operations and sales of simple products are located, "advisory zone" where employees oriented to advisory and sale activities are located, and modern waiting room, are all at our clients' disposal.

In the credit card business, a diverse range of card products is tailored to the demands of our clients. During 2015 a range of card products has been enriched by a new debit no-contact card.

The new, technologically advanced card provides users with many possibilities in form of simpler and quicker payments using no-contact technology.

With every step, we are working hard to confirm the reputation of a dynamic and modern bank that follows the requirements of the market, considers the needs of its clients and strives to be the number one bank in their opinions.

Corporate and Investment Banking Sector

Organisation

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

Through its business centers organised within Corporate and Investment Banking, the Bank covers the entire Bosnia and Herzegovina and has business relations with over 3,800 clients, segment of large and medium-sized enterprises.

Business in 2015

Business environment in 2015 on local market was extremely challenging, particularly because of continuous absence of investment cycle in private sector, but business growth, although modest, was recorded nonetheless. Due to insufficient quality investment projects on the market, increased liquidity is present, which has pronounced decrease of interest rates as a consequence, and the competition, besides local banks, is composed of foreign banks and international financial institutions. Adopting new laws and amendments to existing regulations initiated during 2015 additionaly contributed to complexity of operations.

Despite complex business environment, we have managed to ensure leading position in operations with corporate clients and achieve planned results. We have increased our market share in all important segments of operating with legal entities, and timely recognition of new market conditions and adjusting to them was key for our success. The Bank has risen in the segment of lending to corporate entities, and the total amount of loans at the end of 2015 amounted to KM 1,319 million, which resulted in the growth of market share to over 14.5%, while deposits of corporate clients at the end of 2015 amounted to KM 1,154 million with an increase in market share to over 16.7%. Additionally, we strengthened the structure and stability of our loan portfolio and increased its quality by decreasing the hare of NPLs in total loans.

In 2015, 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. We are particularly proud of our participation in the field of infrastructure projects of building the highway through BiH which we supported with our active role of Agent of transaction of structural financing and largest creditor in the transaction, but also through guarantee operations on this project, which confirms that our interest remains in strengthening economy and public sector through transactions and comprehensive support.

In operations with private sector clients, our focus was on small and medium enterprises (SME), which were recognised on the level of UniCredit Group as attractive client segment, where new opportunities and growth possibilities are opened by changing approach and improving business relations.

The results we achieved in operations with these clients provides us with the foundation to believe that we have timely recognised the potential and hence defined our position as a partner bank.

UniCredit Bank has made a significant leap in 2015 in operations with international clients by adapting the business model and introducing UniCredit International business center dedicated solely to international clients, and perfecting our approach to this market segment. All members of UniCredit Group are strongly dedicated to development and increase of quality of operations with international clients, and improving work efficiency of its business network by using synergy of our presence on markets throughour Europe and through unique range of services offered to these 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 more than KM 50 million was approved for loans available customers through a number of available credit lines.

We continued our successful cooperation with international financial institutions with the aim of ensuring favourable financial funds to small and medium entrepreneurs clients, and stimulating their business growth. The Bank has, in cooperation with KfW, ensured new credit line for micro, small and medium entrepreneurs with the aim of investing, improving operations, improving payment capability and opening new workplaces.

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

Business description (CONTINUED)

Corporate and Investment Banking Sector (continued)

of customers about the products and services which Markets, financing and advice can offer to improve the business of clients.

We are continuously improving our business through innovation and new technology, because we strive to be adapted to real needs of our clients and to be their first choice bank. By relying on the strength of UniCredit Group, considering the nature of the local market, we ensure integrated approach to solutions, quality supply of products and services, and efficiency and simplicity of operations.

UniCredit Group signed an agreement with which it became the key banking partner of the London Stock Exchange Group in supporting development of SMEs from their portfolio of clients from Central and Eastern Europe through ELITE program. It is an innovative platform offering top-quality specialisation of executives with the support of leading European business schools, direct contact with financial and advisory community, and sharing know-how and best practices, all with the aim of enabling faster development to ambitious European companies. Thanks to the strength and capacity of UniCredit Group, we may offer unique possibility and privilege of joining ELITE program to clients from BiH.

We have conducted a number of business activities during 2015 in the domain of product and process management to improve and perfect our present operations. We have significantly increased synergy with other members of the UniCredit Group on local and overseas markets to create added value to all clients that decided to cooperate with UniCredit Group.

Our business model, which is based on ensuring high quality services in line with clients' business expectations and needs, ensures us a place of partner bank in transactions of public sector and private enterprises, and it provides us with the possibility to answer all of the client's requests which are in line with our risk culture.

Business conditions on the local market remain difficult in the following period as well. A new opportunity for our country to display readiness on its way to joining European Union will reflect in completing reforms necessary for achieving this objective. Our country's advancement in performing this task will be the foundation to future investments and foreign investments.

In such conditions, long-term business relations with our clients and possibility for growth and strengthening our economy remain a priority.

Financial Overview and Business Performance

Financial indicators

(in KM '000)	Group 31 December 2015	Bank 31 December 2015	Bank 31 December 2014
Total operating income	221,899	221,899	206,905
Profit before provisions and taxation	105,035	105,035	91,418
Profit before taxation	89,171	89,171	68,985
Net profit for the year	79,584	79,584	61,398
Equity and reserves	726,209	719,442	640,074
Loans and receivables from clients	2,618,456	2,617,373	2,478,823
Current accounts and deposits of clients and banks	3,441,609	3,444,803	3,056,717
Total assets	4,517,037	4,375,656	3,961,762
Performance indicators			
Capital adequacy		15.2%	16.4%
Operating costs in total income		52.7%	55.8%
Return after taxation on equity and reserve (ROE)		11.8%	10.1%
Return before taxation on average total assets (ROA)		2.0%	1.8%

Overview of business operations of the Group

By the end of 2015, the Bank acquired 100% share in the company UniCredit Leasing d.o.o. Sarajevo (subsidiary), and 49% share in the company UniCredit Broker d.o.o. Sarajevo (associate). In the financial statements for 2015, the consolidation of the subsidiary was presented using full consolidation method, and the consolidation of the associate was presented using share method.

Consideringd the date of acquisition (22 December 2015) and materiality of effects, only Bank's results are presented in the statement of profit or loss and other comprehensive income for the Group UniCredit Bank d.d., and in the statement of financial position, the positions of income and expenses of the subsidiary are presented cumulatively within the retained earnings position. Data for 2014 relates to the Bank only.

Assets and liabilities of the Group

Group's assets amounted to KM 4,517 million.

Net loans and receivables from clients amount to KM 2,618 million, where net loans and receivables from clients of the Bank are KM 2,617 million, and net loans and receivables from clients of the subsidiary are KM 1 million.

Net receivables on financial lease amount to KM 117 million and they relate to net receivables on financial leases of the subisidiary.

Other assets amount to KM 47.3 million, where Bank's other assets are KM 34 million, and the other assets of the subsidiary are KM 13.3 million.

Property and equipment amount to KM 58.9 million, where Bank's property and equipment comprise KM 50.8 million, subsidiary's property and equipment comprise KM 8.1 million.

Current accounts and deposits of clients amount to KM 3,314 million, where current accounts and deposits of clients of the Bank are KM 3,317 million, and current accounts and deposits of the subsidiary are KM 3 million.

Current accounts and deposits of banks and borrowings amount to KM 371 million, where current accounts and deposits of banks and borrowings of the Bank are KM 234 million, and current accounts and deposits of banks and borrowings of the subsidiary are KM 137 million.

The Group has a high capital position with total capital in the amount of KM 726 million.

Overview of business operations of the Bank

In 2015, the Bank generated KM 89.2 million profit before taxation, which is the growth of KM 20.1 million (+29.3%) compared to the previous year. Achieved results are primarily affected by the achievement of higher revenue due to higher interest revenue, fees and commissions revenue, and income from the sale of foreign currencies and exchange rates, with the increase of operating expenses as a result of investing in projects with the aim of further improving operating efficiency and development of new products.

The Bank retained its leading position in the market and additionally solidified its position compared to competitors through continuous orientation to improvement of the quality of services, recognising and meeting clients' needs by focusing on simplifying products and improving process efficiency.

Income and expenses

Total income of the Bank for 2015 amounts to KM 221.9 million, which is KM 15 million more than the last year (+7.2%).

Total net interest income in the amount of KM 152.3 million, which is 68.6% of total income, displayed growth of KM 13.7 million (+9.9%) as a result of both higher interest income and lower interest expenses. Net income from fees and commissions in the amount of KM 58.5 million represents 26.4% in the structure of total income, and it displays growth of 1.4% compared to 2014.

Net interest income

The 2015 net interest income amounted to KM 152.3 million, which is the increase of KM 13.7 million (+9.9%) compared to previous year. Despite continuous trend of decreasing interest rates on the market, the Bank achieved a significant growth of volume of client loans and securities, and hence increased interest income. The increase of interest income (+5.4%) is the effect of larger volume of gross loans and receivables from clients (+5.0%), larger volume of securities (+34.4%), and higher revenue from invesments in securities compared to the last year. The decrease of interest expenses (-9.6%) was achieved by optimising prices and structure of deposits, with the simultaneous retaining client trust and double digit growth of volume of current accounts and deposits of clients (+12.0%).

Net fee and commission Income

The net fee and commission income amounts to KM 58.5 million, with an annual growth of KM 0.8 million (+1.4%).

The increase in fees commission income is mainly a result of higher income from fee rates for current and transaction and package accounts, card operations, but also the growth of income from foreign and local payment operations as a result of larger volume of 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 2015 amounted to KM 11.1 million, displaying growth of KM 0.5 million compared to the previous year. FX gains were decreased by KM 0.4 million compared to previous year, while other income is increased by KM 0.1 million.

Operating expenses

The 2015 total operating expenses amount to KM 116.9 million, which is higher by KM 1.4 million (+1.2%) compared to previous year.

Personnel costs amounted to KM 54.5 million and are higher by KM 0.8 million (+1.6%) compared to the previous year.

Administrative expenses display growth compared to the previous year affected by increasing deposit insurance costs, marketing costs, project investment costs, and advertising with emphasized optimisation of real estate costs as a result of continuous optimisation of business network.

The focus on improving process efficiency contributes to the decrease of share of operating costs in operating income by 3.2 pp compared to last year, and they amount to 52.7%.

Impairment losses and provisions

In 2015, total impairment and provisions costs amounted to KM 15.9 million, which is KM 6.6 million (-29.3%) less compared to the previous year.

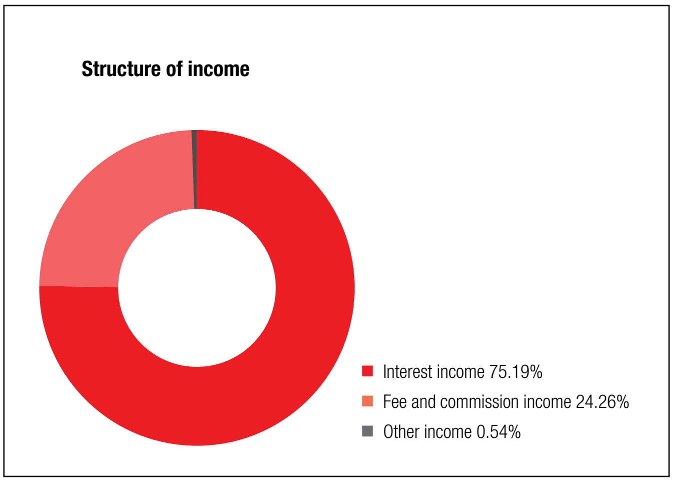
Lower provisioning costs compared to last year relate to smaller volume of NPLs, affected by client restructuring and orientation to collection, while the unstable macroeconomic picture still marks the environment.

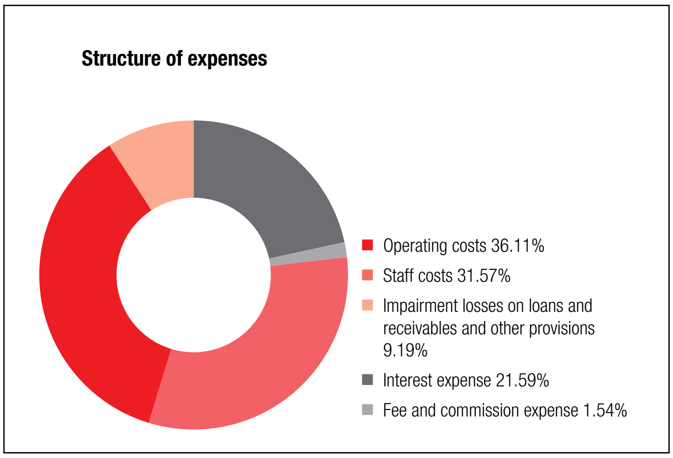
Overview of business operations of the Bank (Continued)

Impairment losses on loans and receivables amounted to KM 11.7 million and this was KM 6.5 million (-35.8%) decrease compared to previous year, and they resulted from KM 2.5 million new provisioning costs (out of which KM 3.8 million for corporate loans, and KM 1.3 million of release for retail loans), plus new costs of provisioning for the performing portfolio in the amount of KM 9.2 million.

Other impairment and provisioning amounted to KM 4.1 million of additional charges, including off-balance provisioning of KM 1.8 million and allowance for other assets and receivables of KM 0.1 million, provisioning costs for litigations of KM 0.9 million, while provisioning costs for intangible assets were KM 1.3 million.

Income and expenses structure for 2015



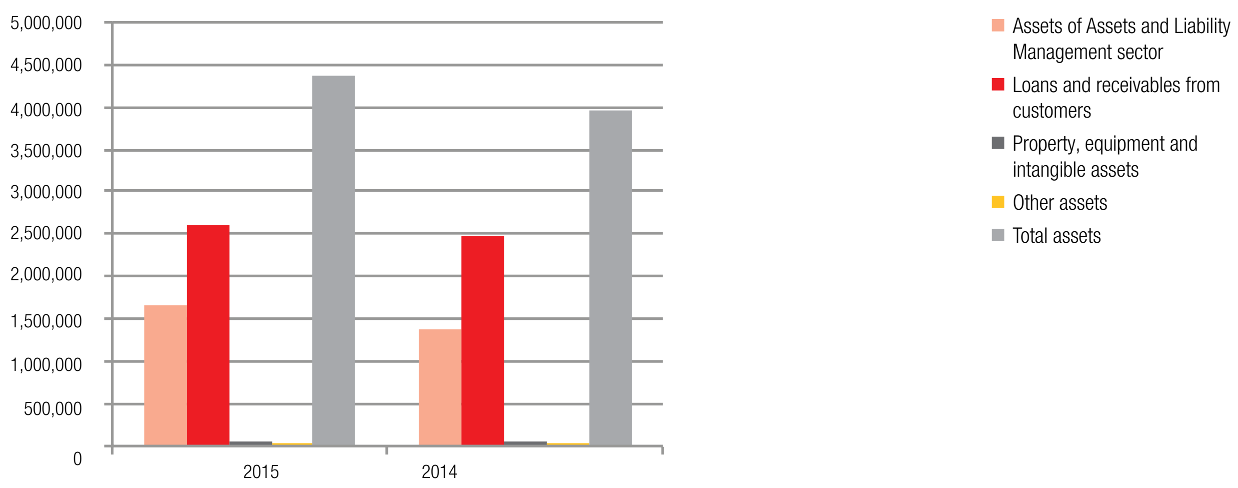


Bank's assets and liabilities

Bank's assets

As of 31 December 2015, the Bank's assets amounted to KM 4,375.7 million, with an increase in the amount of KM 413.9 million (+10.4%) compared to previous year. Significant increase of assets compared to the previous year is mainly a result of increase in Loans and receivables from clients, which display growth of KM 138.6 million (-5.6%), and growth of assets in Assets and liabilities management (+KM 271.8 million/+19.6% compared to the previous year).

Assets structure (000) BAM



Assets of Assets and Liability Management sector

Assets of Assets and Liabilities Management sector consists of: cash and cash equivalents, statutory reserve and free funds with the Central Bank of Bosnia and Herzegovina, loans and receivables from banks, and securities.

Total assets of Assets and Liabilities Management sector amounted to KM 1,660 million in 2015, achieving an increase of KM 271.8 million (+19.6%) compared to previous year. Participation in total assets amounted to 37.9%, an increase of 2.9 pp compared to the end of previous year.

Cash and cash equivalents volumes, followed by volumes of financial assets available-for-sale, and obligatory reserves in CBBH, and loans to and receivables from banks keep the largest share within the structure of these assets.

	Bank	Bank
(in KM '000)	31 December 2015	31 December 2014
Cash and cash equivalents	776,735	471,476
Obligatory reserve with CBBH	302,868	267,416
Placements and loans to other banks	151,808	330,456
Financial assets available-for-sale	428,547	318,839
	1,659,958	1,388,187

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.

Bank's assets and liabilities (continued)

Loans and receivables from clients

The structure of loans and receivables from Bank's clients is as follows:

(in KM '000)	31 December 2015	31 December 2014	Change
Gross loans			
Corporate	1,319,205	1,269,684	49,521
Retail	1,594,302	1,505,071	89,231
	2,913,507	2,774,755	138,752
Provisions			
Corporate	197,607	(201,830)	(4,223)
Retail	98,527	(94,102)	4,425
	296,134	(295,932)	202
Net loans			
Corporate	1,121,598	1,067,854	53,744
Retail	1,495,775	1,410,969	84,806
	2,617,373	2,478,823	138,550

Gross loans to clients increased by KM 138.8 (+5.0%) million on a yearly basis, and with the end of 2015 amount to KM 2,913.5 million

Gross loans to corporate clients (including state and public institutions) at the end of 2015 amounted to KM 1,319.2 million and are increased by KM 49.5 milion (+3.9%), despite the still present absence of quality investments. Their participations in the total portfolio amounted 45.4% and is decreased by 0.5 pp compared to the last year.

Gross loans to citizens at the end of 2015 amounted to KM 1,594.3 million, and are increased in the amount of KM 89.2 million (+5.9%), as a result of structuring of loan arrangements according to client's demands and needs.

Their share in the total portfolio amounts to 54.7% and is increased compared to the previous year by 0.5 pp

The largest portion in the overall retail loans portfolio referred to long-term all-purpose loans (70.3%), long-term housing loans (16.2%), and receivables based on current accounts (7.5%) and credit card loanss (5.3%).

Long-term loans participate with 66.2% in the total gross loans, while short-term loans made 33.8% of the total gross loans.

Allowance for impairment losses on loans compared to the previous year increased by KM 0.2 million, out of which provisions for corporate loans decreased by KM 4.2 million, and provisions for retail loans increased by KM 4.4 million.

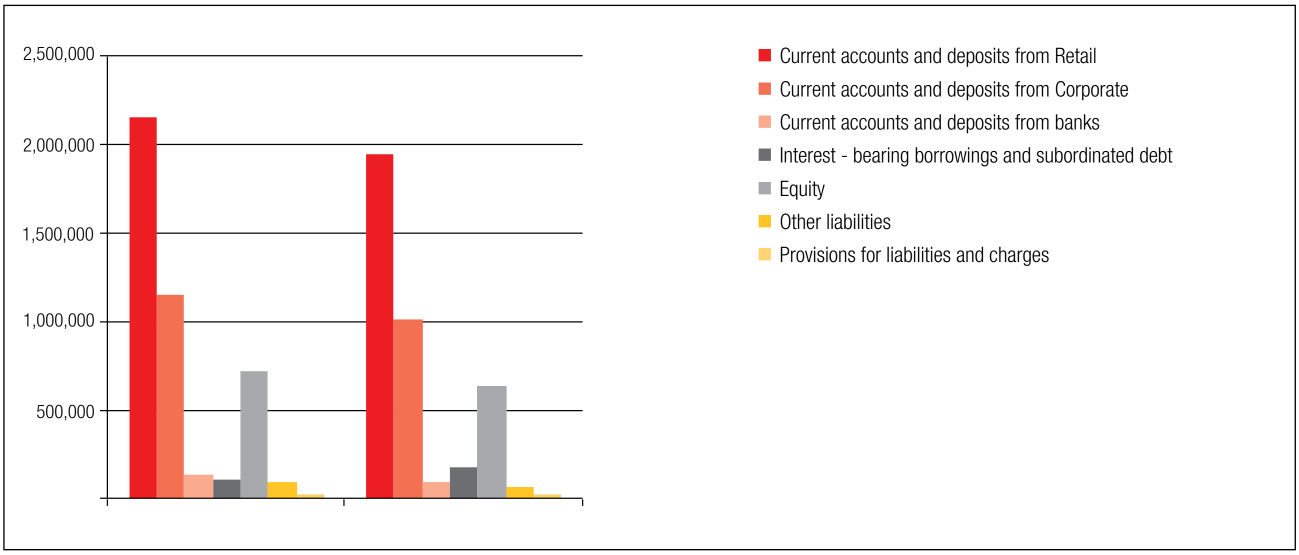
The Bank is continually focused on preserving the quality of the loan portfolio are therefore non-performing loans are monitored and adequately secured.

Net loans to clients amounted to KM 2,617.4 million, recording an increase of KM 138.6 million (+5.6%) compared to the previous year.

Bank's liabilities

Liabilities, equity and reserves

Structure of Bank's liabilities, equity and reserves – comparison to the previous year:



Current accounts and deposits from clients

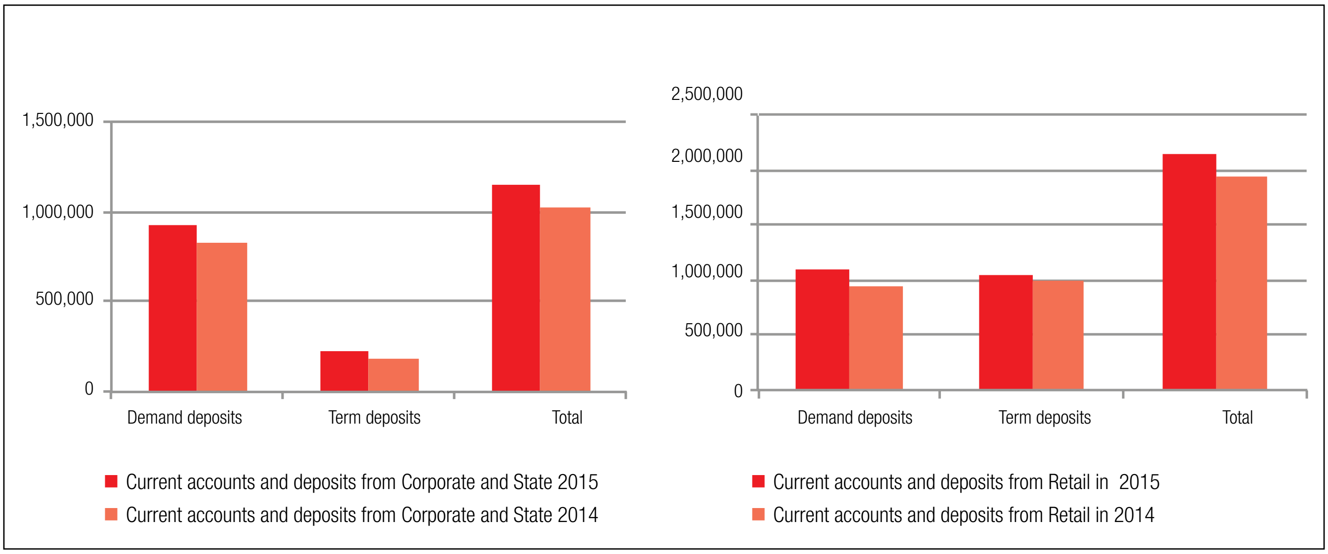
Total current accounts and deposits from clients at the end of 2015 amount to KM 3,316.9 million and are increased by KM 355.7 million (+12%) compared to the previous year.

Current accounts and deposits of corporate clients and the state amount to KM 1.154.1 million and were increased by KM 137.6 million (13.5%), compared to previous year. Their share in total current accounts and deposits of clients amounted to 34.8%.

The share of total a vista corporate deposits (including state and public institutions) amounts to 80.3%, and term deposits 19.7%. Compared to previous year, the deposit ratio shifted in favour of term deposits by 0.1 pp.

Current accounts, savings and term deposits of retail clients at the end of 2015 amounted to KM 2,162.8 million, and are higher compared to previous year by KM 218 million (+11.2%). Their share in total current accounts and client deposits amounted to 65.2%. Within the total retail deposits, term deposits make up 49% and a vista deposits make up 51%.

Structure of current accounts and deposits from clients of the Bank – comparison with previous year:



Bank's assets and liabilitie (continued)

Current accounts and deposits with banks, and borrowings

Current accounts and bank deposits at the end of 2015 amounted to KM 127.9 million and are increased by KM 32.4 million (+33.9%) compared to the previous year.

Borrowings at the end of 2015 amounted to KM 106.9 million and are decreased by KM 51.4 million (-32.%) compared to the previous year.

Borrowings consist of assets of UniCredit Bank Austria AG, EIB[1]), the EBRD[2]), 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 bank deposits in total liabilities and equity of the Bank is 2.9%, while the share of borrowings is 2.5%. Compared to the previous year, the share of bank deposits and borrowings in total liabilities and equity of the Bank was reduced by 1.5 pp.

Equity and reserve

The Bank's equity amounted to KM 719.4 million and compared to the end of previous year is increased by KM 79.4 million, as a result of including the current year profit into the Bank's reserves.

Equity and reserves make 16.5% of the total funding which in an increase of 0.3 pp growth in comparison to the end of previous year.

The capital adequacy ratio, presented according to the local regulator methodology, is 15.2%, and it is lower compared to the previous year for 1.3 pp due to change of local regulations.

The capital adequacy according to the Basel III methodology for 2015 is also significantly above the prescribed limit.

Key performance indicators

The profitability ratio ROE is 11.8% and it's significantly above the last year's level (+1.6pp).

ROA is also increasing (+0.4pp) compared to the previous year and it is at the level of 2.0%.

The efficiency indicator (cost to income ratio) is 52.7% and it's improved by 3.1 pp compared to the previous year, as a result of higher revenue growth.

Net loans to deposits ratio is 78.9% and it continuously confirms the ability to maintain high level of 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 86.9 thousand and it has increased by KM 12 thousand compared to the previous year, as a result of operating revenue growth and optimization of number of employees.

1 European Investment Bank
2 European Bank for Reconstruction and Development
3 Hrvatska banka za obnovu i razvoj

I know it's not the best time, but I need to check my finances.

Let's talk about financial advice anywhere, anytime.

Imagine you are in the middle of a ski holiday. Everything is beautiful and the conditions are just right. You feel like you don't have a single worry in the world. But suddenly a thought comes along to disturb your peace: Did you forget to settle your financial business last week?

That's exactly what happened to Nico. During his first romantic holiday with Emma, he realized that this little banking detail was driving him crazy, and spoiling the fun. And he thought to himself: "You know what would be really useful right now? A bank manager I can call or, even better, text."

No sooner said than done.

Thanks to SmartBanking in Austria, it's possible to bring the branch to you. Whether at home with your laptop or on the go with your mobile phone, SmartBanking enables you to manage your finances in the most convenient way for you.

Relationship managers will give advice quickly and conveniently, by any possible method you want, from SMS to video chat. So now answers that you need on every possible financial topic, from taking out a loan to explaining your banking transactions, are at your fingertips.

That means we can help you save for your holiday, and save your holiday.

Management and Corporate governance

Management and Corporate governance

Pursuant to the provisions of the Law on banks, Law on legal entities and the Bank's Articles of Incorporation, 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 operations of the Bank's General Assembly.

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

As of 31 December 2015, the Bank had 36 shareholders. The top shareholder was Zagrebačka banka d.d. Zagreb with 118,189 ordinary shares and 184 prefered shares, which represented an equity stake of 99.3%.

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 prefered "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 stipulated 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, and 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 internal 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's method of functioning and decision-making is regulated by the Rulebook on operation of the Bank's Supervisory Board.

Members of the Bank's Supervisory Board as of 31 December 2015 are:

1. Miljenko Živaljić	Chairman	Zagrebačka banka d.d., Zagreb, Croatia
2. Romeo Collina	Deputy Chairman	Zagrebačka banka d.d., Zagreb, Croatia
3. Marko Remenar	Member	Zagrebačka banka d.d., Zagreb, Croatia
4. Dijana Hrastović	Member	Zagrebačka banka d.d., Zagreb, Croatia
5. Jasna Mandac	Member	Zagrebačka banka d.d., Zagreb, Croatia
6. Helmut Franz Haller	Member	UniCredit Bank Austria AG, Vienna, Austria
7. Christian Emil Michalek	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 operations, represents the Bank and bears responsibility for the Bank's lawful operations.

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

As of 31 December 2015, 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
4.	Gordan Pehar	Executive Director for Finance management / CFO
6.	Stefano Gison	Executive Director for Support to banking bussines

Audit Committee

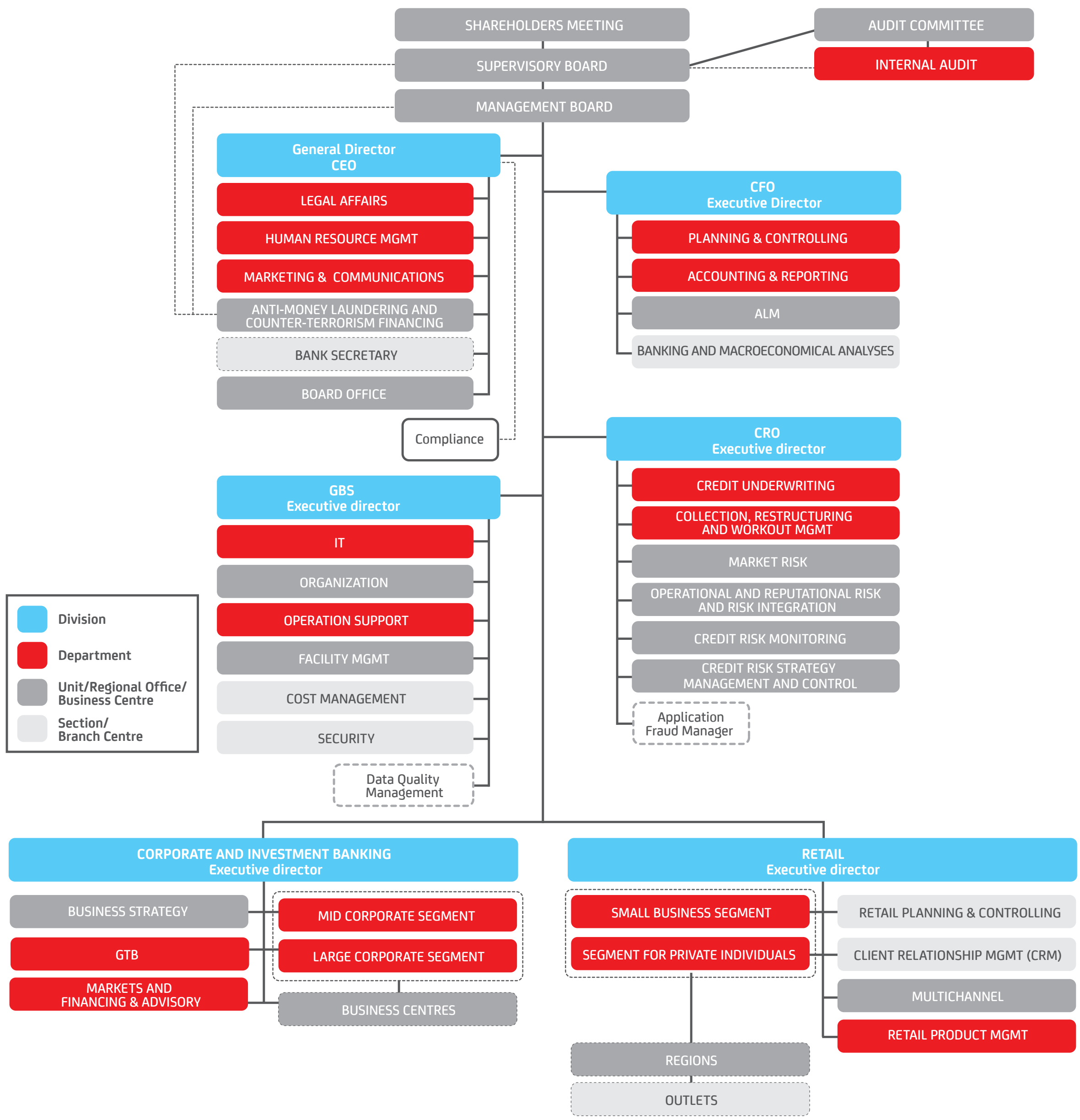
The Audit Committee is responsible for supervising performance and appointment of an external audit company that will conduct an audit of the annual financial statements, and supervises the work of the internal audit, including annual calculation control. The Audit Committee has 5 members who are appointed by the Supervisory Board for a period of 4 years.

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

As of 31 December 2015, 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 2015 - key organisational units of the Bank:



Employees

As of 31 December 2015, the group employed 1,248 persons, while the Bank employed 1,208 persons.

The Bank implements a policy of continuous improvement and internal mobility of employees in order to adapt the requirements of the Bank and Group, to regulatory requirements and the current economic environment, new competition and technological innovations that affect operations of the Bank. Today's challenging business environment and increased complexity require 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, clients, community and owners. Our diverse workforce allows us a better understanding of different cultures, business opportunities and client 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

Rewarding employees is also support to Bank's strategy. 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.

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 2015, the Bank had the following shareholder structure:

	Shareholders	% Participation of all owned shares	Amount of equity KM 000
1.	Zagrebačka banka d.d., Zagreb, Hrvatska	99.30%	118,360
2.	Other shareholders	0.70%	835
	TOTAL	**100%**	**119,195**

Responsibility for the Financial Statements

Pursuant to the Law on Accounting and Auditing in 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"), and its subsidiaries and associates (together the "Group") 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. Moreover, the Management Board is also responsible for safeguarding the assets of the Bank and the Group 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

UniCredit Bank dioničko društvo

Chief Financial Officer
Gordan Pehar

UniCredit Bank d.d. Mostar
Kardinala Stepinca b.b.
88000 Mostar
Bosna i Hercegovina

16 February 2016

Independent Auditors’ report

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

We have audited the accompanying consolidated financial statements of UniCredit Bank d.d. Mostar (the “Bank”) and its subsidiaries and associates (together the “Group”), which comprise of the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In addition, we have audited the accompanying unconsolidated financial statements of UniCredit Bank d.d. Mostar (the “Bank) which comprise of the statement of financial position as at 31 December 2015, 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 other 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 Group’s and Bank’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2015 and of their 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
16 February 2016

Statement of profit or loss and other comprehensive income for the year ended 31 December 2015

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

		Group and Bank	Bank
	Notes	**2015**	**2014.**
Interest and similar income	6	189,569	179,825
Interest expense and similar charges	7	(37,288)	(41,229)
Net interest income		**152,281**	**138,596**
Fee and commission income	8	61,161	60,333
Fee and commission expenses	9	(2,655)	(2,613)
Net fee and commission income		**58,506**	**57,720**
Dividend income		12	9
Net gains from foreign exchange trading and translation of monetary assets and liabilities	10	9,719	9,292
Net gains from security investments		1	-
Other income	11	1,380	1,288
Operating income		**221,899**	**206,905**
Depreciation and amortization	25,26	(9,677)	(10,142)
Operating expenses	12	(107,187)	(105,345)
Profit before impairment losses and taxation		**105,035**	**91,418**
Impairment losses and provisions, net	13	(15,864)	(22,433)
Profit before taxation		**89,171**	**68,985**
Income tax expense	14	(9,587)	(7,587)
NET PROFIT		**79,584**	**61,398**
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Net change in fair value of financial assets available-for-sale		(216)	(152)
TOTAL COMPREHENSIVE INCOME		**79,368**	**61,246**
Basic and diluted earnings per share (KM)	36	669,13	516,23

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

Statement of financial position as at 31 December 2015

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

		Group	Bank	Bank
	Notes	31 December 2015	31 December 2015	31 December 2014
ASSETS				
Cash and cash equivalents	15	776,736	776,735	471,476
Obligatory reserve at the CBBH	16	302,868	302,868	267,416
Loans to and receivables from banks	17	151,819	151,809	330,456
Financial assets available-for-sale	18	428,547	428,547	318,839
Financial assets at fair value through profit or loss	19	8	8	18
Loans and receivables from clients	20	2,618,456	2,617.373	2,478,823
Financial lease receivables	21	116,894	-	-
Other assets and receivables	22	47,276	34,011	31,033
Investments in associates	23	460	460	
Investments in investment property	24	1,871	-	-
Property and equipment	25	58,911	50,788	52,254
Intangible assets	26	13,191	13,057	11,447
TOTAL ASSETS		**4,517,037**	**4,375,656**	**3,961,762**
LIABILITIES				
Current accounts and deposits from banks	27	127,921	127,921	95,517
Clients' current accounts and deposits	28	3,313,688	3,316,882	2,961,200
Loan users' participation deposits	29	553	-	-
Financial liabilities at fair value through profit or loss	19	6	6	17
Borrowings	30	243,512	106,864	158,316
Subordinated debt	31	-	-	19,694
Other liabilities	32	82,256	81,840	68,485
Provisions for liabilities and charges	33	19,824	19,699	16,767
Current tax liability		1,767	1,701	307
Deferred tax liability	14	1.301	1,301	1,385
TOTAL LIABILITIES		**3,790,828**	**3,656,214**	**3,321,688**
EQUITY				
Share capital	34	119,195	119,195	119,195
Treasury shares		(81)	(81)	(81)
Share premium		48,317	48,317	48,317
Revaluation reserve for investments		(334)	(334)	(118)
Regulatory reserves for credit losses		20,682	20,682	20,682
Retained earnings		538,430	531,663	452,079
TOTAL EQUITY		**726,209**	**719,442**	**640,074**
TOTAL LIABILITIES AND EQUITY		**4,517,037**	**4,375,656**	**3,961,762**

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

Statement of cash flows for the year ended 31 December 2015

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

	Group	Bank	Bank
	2015	**2015**	**2014**
Cash flow from operating activities			
Interest receipts	188,121	188,121	177,826
Fee and commission receipts	61,056	61,056	60,308
Interest payments	(37,323)	(37,323)	(38,578)
Fee and commission payments	(2,603)	(2,603)	(2,655)
Operating expenses paid	(102,768)	(102,768)	(92,965)
Net receipts from trading activities	9,718	9,718	9,290
Other receipts	1,379	1,379	1,288
Net cash inflow from operating activities before changes in operating assets and liabilities	**117,580**	**117,580**	**114,514**
(Increase) / decrease in operating assets:			
Obligatory reserve with Central Bank of BiH	(35,453)	(35,453)	(24,457)
Loans to and receivables from banks	188,765	188,765	193,012
Loans and receivables from clients	(151,249)	(151,249)	(184,825)
Other assets	(3,546)	(3,546)	2,289
Net increase in operating assets, net	**(1,483)**	**(1,483)**	**(13,981)**
Increase / (decrease) in operating liabilities:			
Current accounts and deposits from banks	32,163	32,163	(48,878)
Current accounts and deposits from clients	337,200	337,200	214,928
Other liabilities	10,730	10,730	(11,658)
Net increase in operating liabilities, net	***380,063***	***380,063***	***154,392***
Net cash inflow from operating activities before corporate income tax paid	**496,160**	**496,160**	**254,925**
Corporate income tax paid	(8,252)	(8,252)	(7,562)
Net cash from operating activities	**487,908**	**487,908**	**247,363**
Cash flow from investing activities			
Acquisition of property and equipment	(5,601)	(5,601)	(2,957)
Proceeds from sale of property and equipment	225	225	211
Acquisition of intangible assets	(5,709)	(5,709)	(3,700)
(Expenses) / Receipts on redemption of financial assets available-for-sale	(161,066)	(161,066)	77,041
Purchases of financial assets available-for-sale	(266,102)	(266,102)	(249,734)
Acquisition of associates	(460)	(460)	-
Dividend receipts	12	12	9
Cash acquired from the subsidiary	**1**	**-**	**-**
Net cash used in investing activities	**(116,568)**	**(116,569)**	**(179,130)**

	Group	Bank	Bank
	2015	**2015**	**2014**
Cash flows from financing activities			
Repayment of subordinated debt	(19,558)	(19,558)	-
Proceeds from interest bearing borrowings	20,828	20,828	4,708
Repayment of interest bearing borrowings	(72,352)	(72,352)	(25,961)
Net cash used in financing activities	***(71,082)***	***(71,082)***	***(21,253)***
Net cash inflow	**300,258**	**300,257**	**46,980**
Effect of foreign exchange rate changes on cash and cash equivalents	5,002	5,002	1,231
Net increase in cash and cash equivalents	305,260	305,259	48,211
Cash and cash equivalents at the beginning of the year	**471,476**	**471,476**	**423,265**
Cash and cash equivalents at the end of the year	**776,736**	**776,735**	**471,476**

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

Statement of changes in equity
for the year ended 31 December 2015

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

Group	Share capital	Treasury shares	Share premium	Revaluation reserve for investments	Regulatory reserves for credit losses	Retained earnings	Total
Balance as at 1 January 2014	**119,195**	**(81)**	**48,317**	**(118)**	**20,682**	**452,079**	**640,074**
Effects of subsidiary acquisition (Note 35)	-	-	-	-	-	6,767	6,767
Net profit for the year	-	-	-	-	-	79,584	79,584
Change in fair value of financial assets available-for-sale	-	-	-	(216)	-	-	(216)
FX differences on fair value of financial assets available-for-sale	-	-	-	(24)	-	-	(24)
Deferred tax on financial assets available-for-sale (Note 14)	-	-	-	24	-	-	24
Other comprehensive income	-	-	-	(216)	-	-	(216)
Total comprehensive income	**-**	**-**	**-**	**(216)**	**-**	**79,584**	**79,368**
Balance as at 31 December 2015	**119,195**	**(81)**	**48,317**	**(334)**	**20,682**	**538,430**	**726,209**

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

Statement of changes in equity
for the year ended 31 December 2015

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

Bank	Share capital	Treasury shares	Share premium	Revaluation reserve for investments	Regulatory reserves for credit losses	Retained earnings	Total
Balance as at 1 January 2014	**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 fair value of 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**
Net profit for the year	-	-	-	-	-	79,584	79,584
Change in fair value of financial assets available-for-sale	-	-	-	(216)	-	-	(216)
FX differences on financial assets available-for-sale	-	-	-	(24)	-	-	(24)
Deferred tax on financial assets available-for-sale (Note 14)	-	-	-	24	-	-	24
Other comprehensive income	-	-	-	(216)	-	-	(216)
Total comprehensive income	***-***	***-***	***-***	***(216)***	***-***	***79,584***	***79,368***
Balance as at 31 December 2015	**119,195**	**(81)**	**48,317**	**(334)**	**20,682**	**531,663**	**719,442**

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. Mostar (the "Bank") is a joint stock company incorporated and headquartered in Bosnia and Herzegovina. The registered office is at Kardinala Stepinca bb, Mostar. The Bank is a parent company of the Group UniCredit Bank d.d. Mostar (the "Group"), operating in Bosnia and Herzegovina. The Group consists of UniCredit Bank d.d. and its subsidiaries and associates. The Group provides a full range of services including retail and corporate banking, risk operations, and finance and operating lease operations. The Bank is a member of Zagrebačka banka Group (Zagrebačka banka d.d., a bank headquartered in Zagreb, Republic of Croatia, is its immediate parent company) and UniCredit Group. The ultimate parent company is UniCredit Bank SpA., a bank headquartered in Milan, Italy.

On 22 December 2015, the Bank became the owner of the company UniCredit Leasing d.o.o. Sarajevo, headquartered in Bosnia and Herzegovina, Ložionička 7, Sarajevo, with 100% equity share (main operations in financial and operating leasing), and 49% equity share in the company UniCredit Broker d.o.o., Obala Kulina Bana 15, Sarajevo (main operations in insurance intermediation).

The financial statements encompass separate financial statements of the Bank and consolidated financial statements of the Group (together "financial statements"), as defined by International Financial Reporting Standard 10: "Consolidated Financial Statements".

The Bank did not consolidate the statement of profit or loss of the subsidiary - UniCredit Leasing d.o.o. Sarajevo for the period from 22 to 31 December 2015, because the effects are considered as immaterial to the Group's financial statements, and they were recognised as a part of negative goodwill (resulted from acquisition of the subsidiary) in Group's retained earnings.

In addition, the Bank did not consolidate the share in the financial result of the associate - UniCredit Broker d.o.o. Sarajevo for the period from 22 to 31 December 2015, because these effects are also considered as immaterial to the Group's financial statements.

Comparatives for both consolidated and unconsolidated financial statements for 2014 relate to the Bank only.

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 Group's normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

2.3 Basis of presentation

The Group's 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of presentation (continued)

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 Group takes into account the characteristics of the asset or liability wich 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 Group can access at the measurement date;
- Level 2 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.

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 compliance with IFRS requires Management to make estimates and assumptions that affect the application of accounting policies and disclosed assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

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

Information on amounts where significant uncertainty exists in their estimate and critical judgments in applying accounting policies that have the most significant 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 Consolidation

Consolidated financial statements include financial statements of the Bank and entities controlled by the Bank and its subsidiaries (together the “Group”), together with Group’s shares in associates.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Consolidation (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. Their financial statements are included in the consolidated financial statements starting with the date of acquisition until the date the control ceases.

Accounting policies of subsidiaries are revised as necessary to be adjusted to Group's policies. Losses relating to non-controlling shares in the subsidiary are allocated to owners of non-controlling shares, even though they may have negative balance as a result.

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less any impairment in the value of individual investments if needed.

Effects of acquisition of entities under common control

Business mergers resulting from transfer of share in subjects, which are under common control of ultimate shareholder that controls the Group, are recognised at the expense/to the benefit of Group's retained earnings.

Transactions eliminated during consolidation

Intragroup positions and transactions, and non-performed revenues and expenses (except FX revenues and expenses), which result from intragroup transactions, are eliminated during preparation of consolidated financial statements. Non-performed losses are eliminated in the same manner as non-performed revenues, but only if there is no evidence of impairment.

Associates

Associates are all companies in which the Group has significant influence, but no control over them. Investments in associates are initially recognised at acquisition cost basis, and are subsequently valued in consolidated financial statements applying share method basis. Group's investments in associates also include goodwill (reduced for accumulated impairment loss) identified during acquisition. In separate financial statements of the Bank, investments in associates are valued at acquisition cost basis reduced for potential impairments.

Group's share in profit or losses of its associates after acquisition is recognised in the statement of profit or loss, and its share in reserve changes after acquisition is recognised in reserves.

Carrying value of investment is corrected for total movements after acquisition. When the Group's share in losses of the associate is equal or higher than its share in the associate, including any uncollateralised receivables, the Group ceases to recognise further losses, except when it has further liabilities toward the associate or it completed payments to the benefit of the associate. The dividend received from associates is recognised as the decrease of investment in associates in the consolidated statement of financial position of the Group, and as revenue from dividends in the separate statement of profit or loss of the Bank.

Non-performed gains from transactions between the Group and its associates are eliminated up to the size of Group's share in the associate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Consolidation (continued)

Non-performed losses are also eliminated, except when the transaction offers evidence of impairment of transferred assets. Accounting policies of associate are revised as necessary to be adjusted to Group's policies.

2.5. Interest income and expense

Interest income and expense are recognised in the statement 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 paid or received transaction costs, fees and points that form an integral part of the effective interest rate) through the expected life of the financial asset / liability, or, where appropriate, a shorter period.

2.6 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 recognised 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 recognised as an expense upon incurrence of services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases

A lease where the Group transfers all essential risks and benefits related to the ownership of assets to the receiver of the lease, is classified as financial lease. All other lease forms are classified as operating lease.

Financial lease

The amount owed by lessees under financial lease are booked as receivables in the amount of Group's net investment in leases.

Operating lease

Assets that are subject to operating lease are presented in the statement of financial position by the nature of the assets. Amortisation policy for these assets is consistent with Group's policy for amortisation of similar assets.

2.8 Employee benefits

On behalf of its employees, the Group 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 pension and health funds 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 recognised in the statement of profit or loss and comprehensive income in the period in which the salary expense is incurred.

2.8.1 Long-term employee awards

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

2.8.2 Other employee benefits

Liabilities based on other long-term employee benefits, such as jubilee awards and statutory severance payments, 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.

2.9 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Foreign currency translation

Foreign exchange differences arising on translation are recognised in the statement of profit or loss, except in case of differences arising on non-monetary financial assets available-for-sale, which are recognised 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 is approximate to market rates. The exchange rates set forth by CBBH and used in the preparation of the Group's and Bank's statement of financial position at the reporting dates were as follows:

31 December 2015	EUR 1 = KM 1.95583	USD 1 = KM 1.790070
31 December 2014	EUR 1 = KM 1.95583	USD 1 = KM 1.608413

2.10 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 exclude 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.

2.11 Financial instruments

Financial assets and financial liabilities are recognised 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 recognised immediately in profit or loss.

2.11.1 Financial assets – classification and valuation

Financial assets are recognised and derecognised 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

2.11.1 Financial assets – classification and valuation (continued)

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), 'loans and receivables', and 'financial lease'.

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) Effective interest rate method

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 payments or 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 recognised on an effective interest basis for financial instruments: 'available-for-sale' and 'loans and receivables'.

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

Financial assets are classified by the Group as at FVTPL when the financial asset is either "held for trading", for the purpose of selling or purchasing 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
- it is part of an identified portfolio of 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:

- such designation 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, whose 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 pursuant to IAS 39 that permits the entire combined contract (asset or liability) to be designated as at FVTPL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

2.11.1 Financial assets – classification and valuation (continued)

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the statement of profit or loss. The net gain or loss recognised in statement of profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 41.

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.

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. Fair value is determined in the manner described in Note 41. Exceptionally, equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at acquisition cost, less potential impairment.

Gains and losses arising from changes in fair value are recognised directly in equity, i.e. 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 recognised directly in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on financial assets "available-for-sale" are recognised in profit or loss when the Group'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 recognised in profit or loss, and other changes are recognised in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

2.11.1 Financial assets – classification and valuation (continued)

d) Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market may be classified as loans and receivables. Loans and receivable arise when the Group 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 recognised 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 potential impairment.

Interest income is recognised 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 clients, cash and cash equivalents, and obligatory reserves with CBBH.

e) Financial Lease

Amount owed by lessees under financial lease is booked as receivables in the amount of net investment in leases. Financial lease income is allocated to accounting periods in a manner that it reflects periodical constant return rate on the outstanding net investment in relation to leases.

2.11.2 Impairment of financial assets

a) Financial assets carried at amortised cost

The Group 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 includes:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that it would not otherwise consider;
- 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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

2.11.2 Impairment of financial assets (continued)

a) Financial assets carried at amortised cost (continued)

- 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 on group basis.

Those individually significant assets which are not identified as impaired are subsequently included in the basis for impairment assessment on group basis. For the purposes of a group evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

For the purposes of a group evaluation of impairment for incurred but not reported losses (IBNR) and specific provisions calculated on a group basis the Gruop uses statistical models and historical data on the probability of events 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 Group 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.

The carrying value of the asset is reduced through an impairment allowance account and the amount of loss is recognised 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 recognised (such as an improvement in the debtor's credit worthiness), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised 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 recognised as a reversal of impairment losses in profit or loss.

The adjustment for impairment of receivables on financial lease is booked if there is objective evidence that the Group will not be able to collect the whole amount of receivable upon maturity. Amounts of adjustments for impairment on financial leases presented in the report are calculated pursuant to IFRS in a manner that it is first assessed whether there is objective evidence of impairment separately for assets that are individually material and on portfolio basis for assets that are not individually material.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

2.11.2 Impairment of financial assets (continued)

a) Financial assets carried at amortised cost (continued)

Assets assessed separately as assets that are not impaired are included in the group of assets with similar credit risk characteristics and it is considered on portfolio basis for impairment as such.

When assessing collective impairment for receivables on financial lease, the following general guidelines are considered:

- future cash flows for clients estimated based on experience on historical loss for clients with similar credit risk characteristics;
- information on return rates that are applied consistently to defined assets categories;
- methodology and assumptions used for estimating future cash flows that are regularly revised and updated as necessary.

When assessing individual impairment for receivables on financial lease, the following items are considered:

- estimated value of immovable/movable property based on independent court appraiser’s opinion.

The Group estimates adjustments for impairment monthly to maintain adequate amount of provisions for receivables impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

2.11.2 Impairment of financial assets (continued)

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 recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

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

2.11.2.1 Derecognition of financial assets

Group derecognises 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise 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 recognised in other comprehensive income is recognised in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

2.11.3 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.

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")

The Group classifies financial liabilities as at FVTPL when the financial liability is either "held for trading" or it is initially designated as financial liability 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 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, pursuant to IAS 39 that permits the entire combined contract (asset or liability) to be designated as financial liability at FVTPL.

Financial liabilities recognised as 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 41.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

2.11.4 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 Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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

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 recognised less, where appropriate, cumulative amortization recognised in accordance with the revenue recognition policies set out at above.

2.11.5 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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.

Revenues and expenses are presented on a net basis only when that is allowed pursuant to IFRS, and for gains and losses from the group of similar transactions, e.g. based on trade activity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

2.11.6 Derivative financial instruments

The Group uses derivative financial instruments to hedge economically its exposure to foreign exchange risk arising from operating, financing and investing activities. The Group 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 are initially recognised 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.

2.12 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 recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group 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%-3%
Computers	20% - 25%
Leasehold improvement	Lease term
Other equipment	10%-20%

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit or loss as other income or other expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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%

2.14 Investments in investment property

Investments in investment property encompass property held for earning lease profits or for increase of value of capital property, or both, and they are measured at acquisition const, including transaction costs.

Amortisation of such assets starts at the moment when the property is ready for use.

Amortisation is calculated using linear method during estimated useful life of property, where the amortisation rate for buildings is 3%.

2.15 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.

2.15.1 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.

2.15.2 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 or 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 Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15.2 Deferred income tax (continued)

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 assets and/or liabilities 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 Group 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.

2.16 Impairment of non-financial assets

Non-financial assets (other than deferred tax assets) of the Group are tested for impairment only when there is indication of impairment and their recoverable amount is then estimated. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

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 recognised.

2.17 Provisions

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

The amount recognised 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions (continued)

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 recognised at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

2.18 Equity and reserves

2.18.1 Share capital

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

2.18.2 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.

2.18.3 Regulatory reserves for credit losses

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

2.18.4 Retained earnings

Profit for the period after appropriations to owners is transferred to retained earnings.

2.18.5 Revaluation reserve for securities

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

2.18.6 Dividends

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

2.19 Off-balance-sheet commitments and contingent liabilities

In the ordinary course of business, the Group 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.

2.20 Managed funds for and on behalf of third parties

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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 Investment Banking, Assets and Liabilities Management, and Central Unit.

"Lease" segment in the segments notes is added for the purpose of presenting data for the Group and because of specificity of the company related to the Bank.

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.

2.22 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 2015 and 2014 there were no dilution effects.

2.23 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 2015 and 2014, there were neither qualifying assets nor capitalized borrowing costs.

2.24 Assets acquired in lieu of uncollectible receivables

The Group assesses the marketability of assets acquired in lieu of uncollectible receivables, loans and financial lease, the value of which can be measured reliably, and they are recognised as assets in the statement of financial position. The Group'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 Group and amortised within buildings, which are part of property and equipment.

The items acquired based on lease, property and equipment agreements are included in assets acquired in lieu of uncollectible receivables of the Group. These assets are recognised by cost or net realisable value, depending on which is lower.

Impairment of assets is described under the item impairment of non-financial assets 2.16.

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 IAS 19: “Employee Benefits” – Defined plans of employee benefits: employee contributions (effective for annual periods beginning on or after 1 July 2014);
- 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);

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

3.2 Standards and Interpretations in issue not yet adopted

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

- IFRS 9 (2014): “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 2018),
- IFRS 16: “Leases” (effective for annual periods beginning on or after 1 January 2019);
- 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 date postponed indefinitely);
- Amendments to IAS 1: “Presentation of Financial Statements” – Disclosure initiative (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 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);

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

3. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

3.2 Standards and Interpretations in issue not yet adopted (continued)

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 IAS 7: "Statement of Cash Flows" – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017);

Amendments to IAS 12: "Income Taxes" – Recognition of deferred tax assets from non-performed losses (effective for annual periods beginning on or after 1 January 2017);

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are described in Note 2, the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Significant estimates of the Group as of 31 December 2015 and 2014 in these financial statements are presented below.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of 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 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. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.1 Key sources of estimation uncertainty (continued)

4.1.1 Useful lives of property and equipment

As described in Notes 2.12 and 2.14 above, the Group reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

4.1.2 Impairment losses on loans and receivables

As described in Note 2.11.2 above, at each reporting period date, the Group assesses indicators for impairment of loans and receivables, and receivables on financial lease, 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 Group continuously monitors the creditworthiness of its clients on an ongoing basis. The need for impairment of the Group'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 clients (summarised in Note 20), carrying value of financial lease (summarised in Note 21), and as provisions for liabilities and charges arising from off-balance-sheet risk exposure to clients, mainly in the form of unused loan facilities and guarantees (summarised in Note 33). 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.

		Group	Bank	Bank
		2015	2015	2014
	Note	KM '000	KM '000	KM '000
Allowances for impairment losses on credit risk exposure				
Allowances for impairment losses on loans and receivables from clients	20	296,417	296,134	295,932
Provisions for financial lease	21	14,552	-	-
Provisions for off-balance-sheet items	33	13,112	13,112	11,338
Allowances for impairment losses on loans to and receivables from banks	17	124	124	124
Total		**324,205**	**309,370**	**307,394**

(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)

Financial assets carried at amortised cost

The Group first assesses whether objective evidence of impairment exists individually for assets that are individually significant (significance defined by Group members' acts) and on portfolio basis for assets that are not individually significant or a group of clients. However, assets assessed individually as unimpaired are then included in groups of assets with similar credit risk characteristics and then assessed on portfolio basis 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 Group also calculates provisions under FBA rules, as well as estimating impairment allowances under IFRS. The provisions calculated under FBA rules are not recognised by the Bank in its books, but form the basis for capital adequacy calculations, and in previous periods, formed the basis for transfers to non-distributable reserves within equity.

The subsidiary recognises provisions calculated under FBA rules in its books.

Non-performing portfolio – calculation in accordance with IFRS

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

(in KM '000)		31 December 2015					31 December 2014
Group	Corporate (including both state and public sector)	Retail	Financial lease	Total	Corporate (including both state and public sector	Retail	Total
Gross exposure	219,777	91,628	30,897	342,302	238,317	89,793	328,110
Impairment rate	81.45%	80.48%	45.71%	77.96%	78.09%	84.02%	79.72%

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)

(in KM '000)		31 December 2015				31 December 2014
Bank	**Corporate (including both state and public sector)**	**Retail**	**Total**	**Corporate (including both state and public sector**	**Retail**	**Total**
Gross exposure	219,564	91,365	310,929	238,317	89,793	328,110
Impairment rate	81.44%	80.64%	81.20%	78.09%	84.02%	79.72%

Any additional increase in the impairment rate of 1 pp on the gross non-performing exposure, identified as of 31 December 2015, would lead to the recognition of an additional impairment loss of KM 3,109 thousand (2014: KM 3,281 thousand) for the Bank and impairment of KM 3,423 for the Group.

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 2015				31 December 2014
Group	**Corporate (including both state and public sector)**	**Retail**	**Financial lease**	**Total**	**Corporate (including both state and public sector**	**Retail**	**Total**
Gross exposure	212,988	66,566	23,280	302,834	226,320	64,123	290,443
Impairment rate	79.86%	92.42%	48.58%	80.22%	77.22%	90.32%	80.11%

(in KM '000)			31 December 2015			31 December 2014
Bank	**Corporate (including both state and public sector)**	**Retail**	**Total**	**Corporate (including both state and public sector**	**Retail**	**Total**
Gross exposure	212,775	66,303	279,078	226,320	64,123	290,443
Impairment rate	79.94%	92.75%	87.78%	77.22%	90.32%	80.11%

(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)

Any additional increase in the impairment rate of 1 pp on the gross non-performing exposure identified as of 31 December 2015, would lead to additional impairment provisions of KM 2,791 thousand (2014: KM 2,904 thousand) and impairment of KM 3,028 thousand for the Group.

Under FBA regulations, exposures with installments up to 90 days overdue are treated as performing. The Bank also calculates provisions on such performing loans with delays in repayment of up to 90 days (risk category B), at rates in the range from 5% to 15%, while the subsidiary calculates at the rate of 10%. Special reserve for credit losses for the Group at 31 December 2015, recognised for risk category B, amounted to KM 4,932 thousand, while gross exposure amounted to KM 59,957 thousand.

Special reserve for credit losses for the Bank at 31 December 2015, recognised for risk category B, amounted to KM 4,493 thousand (2014: KM 4,922 thousand), , while gross exposure amounted to KM 53,173 thousand (2014: KM 58,411 thousand).

IBNR

In addition to identified losses on impaired loans, as described in previous paragraph, the Group 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.

Group's IBNR at 31 December 2015, amounted to KM 54,567 thousand or 2.0 % of loans and receivables from clients and financial lease, and 0.9% of total on- and off-balance-sheet credit risk exposure to clients, in both cases of amounts assessed as performing loans.

Bank's IBNR at 31 December 2015, amounted to KM 54,117 thousand (2014: KM 43,361 thousand) or 2.1% (2014: 1.8%) of loans and receivables from clients, and 1.1% (2014: 1.0%) of total on- and off-balance-sheet credit risk exposure to clients, in both cases of amounts assessed as performing loans.

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 (Bank only)

For the purposes of assessing capital adequacy and recognising credit loss reserve formed from gains in equity and reserve, in accordance with local regulations and relevant FBA regulations, the Bank also calculates provisions in accordance with those regulations. In accordance with these regulations and for FBA's purposes, the relevant placements are classified into appropriate risk groups, depending on days past due, the financial position of the borrower and collateral, and are provided for at prescribed rates.

The regulatory provisions pursuant to FBA regulations include both specific reserves for credit losses and general credit loss reserves. The general credit loss reserves is added back as Tier 2 capital in the computation of capital adequacy under FBA rules. General reserve for credit losses of KM 53,847 thousand at 31 December 2015 added back as Tier 2 capital exceeds by KM 12,365 thousand the combined amount of regulatory reserves of KM 20,682 thousand excluded from Tier 1 capital and KM 20,800 thousand further deducted from capital at that date (2014: regulatory reserves KM 46,007 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.

As of 31 December 2015 the Group has provided KM 4,210 thousand, which Management estimates as sufficient for covering risk of potential liability from legal proceedings against the Group . 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 41, 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.

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

5. SEGMENT REPORTING

The segments of the Bank include:

1. "Retail": individuals, small business and sole traders;
2. "Corporate and Investment 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.
5. "Lease": operationsof the subsidiary UniCredit Leasing d.o.o. Sarajevo.

Segmentation of positions of the statement of profit or loss and the statement of financial position is based on financial statements prepared for parent company reporting purposes, which use different criteria for the calculation of fair value of assets available-for-sale and derivatives, as well as different classification of particular positions.

Income statement per segment

Group and Bank **Year ended 31 December 2015**	**Retail**	**Corporate and Investment Banking**	**Assets and Liabilities Management**	**Central Unit**	**Total by management reports**	**Adjustment before financial statements**	**Total**
Net interest income	107,067	36,775	7,781	(1,819)	149,804	2,477	152,281
Net fee and commission income	43,822	15,726	(1,042)	-	58,506	-	58,506
Dividend income	-	-	-	12	12	-	12
Net gains from investment securities	-	-	-	-	-	1	1
Net gains from foreign exchange trading and translation of monetary assets and liabilities	6,332	3,391	-	-	9,723	(4)	9,719
Other income	342	147	1	10	500	880	1,380
Operating income	**157,563**	**56,039**	**6,740**	**(1,797)**	**218,545**	**3,354**	**221,889**
Depreciation and amortization	(7,069)	(702)	(29)	(1,892)	(9,692)	15	(9,667)
Operating expenses	(88,098)	(19,847)	(1,065)	1,418	(107,592)	405	(107,187)
Profit before impairment losses and taxation	**62,396**	**35,490**	**5,646**	**(2,271)**	**101,261**	**3,774**	**105,035**
Impairment losses and provisions, net	(6,038)	(4,996)	-	(930)	(11,964)	(3,900)	(15,864)
Profit before taxation	**56,358**	**30,494**	**5,646**	**(3,201)**	**89,297**	**(126)**	**89,171**
Income tax expense	(5,636)	(3,049)	(565)	(337)	(9,587)	-	(9,587)
NET PROFIT	**50,722**	**27,445**	**5,081**	**(3,538)**	**79,710**	**(126)**	**79,584**

5. SEGMENT REPORTING (CONTINUED)

Income statement per segment (continued)

Bank Year ended 31 December 2014	Retail	Corporate and Investing Banking	Assets and Liabilities Management	Central Unit	Total by management reports	Adjustment before financial statements	Total
Net interest income	103,366	36,250	(607)	(413)	138,596	-	138,596
Net fee and commission income	42,504	16,282	(1,061)	(5)	57,720	-	57,720
Dividend income	-	-	-	9	9	-	9
Net gains from investment securities	-	-	-	-	-	-	-
Net gains from foreign exchange trading and translation of monetary assets and liabilities	6,119	3,182	(3)	(2)	9,296	(4)	9,292
Other income	280	56	19	(254)	101	1,187	1,288
Operating income	**152,269**	**55,770**	**(1,652)**	**(665)**	**205,722**	**1,183**	**206,905**
Depreciation and amortization	(6,908)	(573)	(21)	(1,322)	(8,824)	(1,318)	(10,142)
Operating expenses	(85,845)	(19,663)	(1,243)	923	(105,828)	483	(105,345)
Profit before impairment losses and taxation	**59,516**	**35,534**	**(2,916)**	**(1,064)**	**91,070**	**348**	**91,418**
Impairment losses and provisions, net	(2,914)	(18,724)	-	(443)	(22,081)	(352)	(22,433)
Profit before taxation	**56,602**	**16,810**	**(2,916**	**(1,507)**	**68,989**	**(4)**	**68,985**
Income tax expense	(5,660)	(1,681)	292	(538)	(7,587)	-	(7,587)
NET PROFIT	**50,942**	**15,129**	**(2,624)**	**(2,045)**	**61,402**	**(4)**	**61,398**

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

5. SEGMENT REPORTING (CONTINUED)

Statement of financial position per segment

Group

31 December 2015	Retail (banking)	Corporate and Investment Banking	Assets and Liabilities Management	Central Unit	Lease	Total by management reports	Adjustment before financial statements	Total
Segment assets	1,589,647	1,084,511	1,428,511	271,158	141,498	4,515,325	1,712	4,517,037
Total assets	**1,589,647**	**1,084,511**	**1,428,511**	**271,158**	**141,498**	**4,515,325**	**1,712**	**4,517,037**
Segment liabilities	2,381,143	912,321	234,750	124,998	134,665	3,787,877	(117)	3,787,760
Current tax liability	-	-	-	1,701	66	1,767	-	1,767
Deferred tax liability	-	-	-	3,283	-	3,283	(1,982)	1,301
Total liabilities	**2,381,143**	**912,321**	**234,750**	**129,982**	**134,731**	**3,792,927**	**(2,099)**	**3,790,828**
Acquisition of property, equipment and intangible assets	-	-	-	11,310	-			11,310

Bank

31 December 2015	Retail	Corporate and Investing Banking	Assets and Liabilities Manageme-nt	Central Unit	Total by management reports	Adjustment before financial statements	Total
Segment assets	1,589,647	1,084,511	1,428,511	271,158	4,373,827	1,829	4,375,656
Total assets	**1,589,647**	**1,084,511**	**1,428,511**	**271,158**	**4,373,827**	**1,829**	**4,375,656**
Segment liabilities	2,381,143	912,321	234,750	124,998	3,653,212	-	3,653,212
Current tax liability	-	-	-	1,701	1,701	-	1,701
Deferred tax liability	-	-	-	3,283	3,283	(1,982)	1,301
Total liabilities	**2,381,143**	**912,321**	**234,750**	**129,982**	**3,658,196**	**(1,982)**	**3,656,214**
Acquisition of property, equipment and intangible assets	-	-	-	11,310			11,310

5. SEGMENT REPORTING (CONTINUED)

Statement of financial position per segment (continued)

Bank

31 December 2014	Retail	Corporate and Investing Banking	Assets and Liabilities Manageme-nt	Central Unit	Total by management reports	Adjustment before financial statements	Total
Segment assets	1,504,254	1,010,589	1,192,377	253,048	3,960,268	1,494	3,961,762
Total assets	**1,504,254**	**1,010,589**	**1,192,377**	**253,048**	**3,960,268**	**1,494**	**3,961,762**
Segment liabilities	2,129,386	808,240	273,527	108,843	3,319,996	-	3,319,996
Current tax liability	-	-	-	323	323	(16)	307
Deferred tax liability	-	-	-	3,338	3,338	(1,953)	1,385
Total liabilities	**2,129,386**	**808,240**	**273,527**	**112,504**	**3,323,657**	**(1,969)**	**3,321,688**
Acquisition of property, equipment and intangible assets	-	-	-	6,657	6,657		6,657

6. INTEREST AND SIMILAR INCOME

Analysis by source

	Group and Bank	Bank
	2015	**2014**
Retail	119,596	116,811
Corporate	45,306	45,556
State and public sector	22,711	16,058
Banks and other financial instititutions	1,956	1,400
	189,569	179,825

Banks and other financial institutions include CBBH.

Analysis by product

	Group and Bank	Bank
	2015	**2014**
Loans and receivables from clients	178,124	172,405
Debt securities (financial assets available-for-sale)	10,744	6,673
Loans to and receivables from banks	701	452
Obligatory reserves and cash reserves with CBBH	-	295
	189,569	179,825

Interest income on impaired loans and receivables amounted to KM 5,423 thousand (2014: KM 1,717 thousand). In 2015, recognised effects of unwinding in interest income are KM 2,476 thousand.

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

7. INTEREST EXPENSE AND SIMILAR CHARGES

Analysis by recipient

	Group and Bank	Bank
	2015	**2014**
Retail	27,690	28,762
Banks and other financial institutions	4,293	5,759
Corporate	3,772	4,723
State and public sector	1,533	1,985
	37,288	**41,229**

Analysis by product

	Group and Bank	Bank
	2015	**2014**
Current accounts and deposits from retail clients	27,690	28,762
Current accounts and deposits from corporate, and state and public sector	5,308	6,708
Borrowings	3,597	4,366
Current accounts and deposits from banks	563	829
Subordinated debt	130	564
	37,288	**41,229**

8. FEE AND COMMISSION INCOME

	Group and Bank	Bank
	2015	**2014**
Credit cards	20,924	20,662
Domestic payment transactions	17,085	16,753
Foreign payment transactions	10,233	9,816
Guarantees and letters of credit	5,558	5,902
Other	7,361	7,200
	61,161	**60,333**

9. FEE AND COMMISSION EXPENSES

	Group and Bank	Bank
	2015	**2014**
Foreign payment transactions	1,141	1,142
Domestic payment transactions	754	862
Other	760	609
	2,655	**2,613**

10. NET GAINS FROM FOREIGN EXCHANGE TRADING AND TRANSLATION OF MONETARY ASSETS AND LIABILITIES

	Group and Bank	Bank
	2015	**2014**
Net foreign exchange spot trading gains	9,808	8,756
Net foreign exchange loss from translation of monetary assets and liabilities	(2)	(2)
Net (losses) / gains from FX forwards	(87)	538
	9,719	**9,292**

11. OTHER INCOME

	Group and Bank	Bank
	2015	**2014**
Income from expenses recharged to clients	249	195
Net gains on disposal of property and equipment	225	103
Write-offs of other liabilities and reversal of accrued expenses	188	10
Income from claims settled by insurance companies	169	529
Net income from repossessed collaterals	160	88
Income from IT services	109	100
Rent income	89	34
Other	191	229
	1,380	**1,288**

12.OPERATING EXPENSES

	Group and Bank	Bank
	2015	**2014**
Personnel costs	54,506	53,662
Administration and marketing expenses	37,807	37,046
Savings deposit insurance expenses	7,133	6,418
Rental costs	6,489	7,003
State contributions (excluding personnel-related)	822	732
Other expenses	430	484
	107,187	**105,345**

Personnel costs include KM 9,542 thousand of defined contributions paid into the state-owned pension plans (2014: KM 9,845 thousand).

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

13. IMPAIRMENT LOSSES AND PROVISIONS, NET

	Group and Bank	Bank
	2015	**2014**
Loans and receivables from clients (Note 20)	11,738	18,278
Off-balance-sheet exposure to credit risk (Note 33)	1,773	3,360
Impairment of intangible assets (Note 26)	1,340	-
Provisions for legal proceedings (Note 33)	684	443
Provisions for other items (Note 33)	246	-
Other assets (Note 22)	83	352
	15,864	**22,433**

14. INCOME TAX EXPENSE

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

	Group and Bank	Bank
	2015	**2014**
Current income tax	9,646	7,587
Deferred income tax	(59)	-
	9,587	**7,587**

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

	Group and Bank	Bank
	2015	**2014**
Profit before income tax	89,171	68,985
Tax calculated at rate of 10%	8,917	6,899
Effects of non-deductible expenses	730	708
Effects of expenses not deducted in prior years	(1)	(20)
Current income tax	9,646	7,587
Average effective income tax rate	10.8%	11.0%

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:

	Group and Bank	Group and Bank	Group and Bank
	Deferred tax assets	Deferred tax liabilities	Net deferred tax assets / (liabilities)
Balance at 1 January 2014	**-**	**1,402**	**1,402**
Change in fair value of financial assets available-for-sale, recognised in other comprehensive income	(13)	(4)	(17)
Net tax assets / (liabilities)	13	(13)	-
Balance as at 31 December 2014	**-**	**1,385**	**1,385**
Change in fair value of financial assets available-for-sale, recognised in other comprehensive income	(25)		(25)
Other provisions for loans and receivables from clients through income statemet	-	(59)	(59)
Net tax assets/ (liabilities)	25	(25)	-
Balance as at 31 December 2015	**-**	**1,301**	**1,301**

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

	Group and Bank	Bank
	31 December 2015	31 December 2014
Deferred tax assets		
	-	-
Deferred tax liabilities		
Net deferred tax liability for financial assets available-for-sale	38	13
Net deferred tax liability for other provisions for loans and receivables from clients	(1,339)	(1,398)
Net deferred tax liabilities	(1,301)	(1,385)

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

15. CASH AND CASH EQUIVALENTS

	Group	Bank	Bank
	31 December 2015	31 December 2015	31 December 2014
Current accounts with other banks	197,311	197,311	175,047
Giro account with CBBH	419,404	419,404	150,698
Cash in hand	159,897	159,896	145,567
Items in the course of collection	124	124	164
	776,736	**776,735**	**471,476**

16. OBLIGATORY RESERVE AT THE CENTRAL BANK of BOSNIA AND HERZEGOVINA

	Group	Bank	Bank
	31 December 2015	31 December 2015	31 December 2014
Obligatory reserve at CBBH	302,868	302,868	267,416
	302,868	**302,868**	**267,416**

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% (2014: 10%) of deposits and borrowings with maturity of up to one year (short-term deposits and borrowings)
- 7% (2014: 7%) on deposits and borrowings with maturity over one year (long-term deposits and borrowings).

17. LOANS TO AND RECEIVABLES FROM BANKS

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Placements with other banks – gross	151,943	151,933	330,571
Loans to banks – gross	-	-	9
	151,943	**151,933**	**330,580**
Less: Impairment allowance	(124)	(124)	(124)
	151,819	**151,809**	**330,456**
Expected to be recovered:			
- no more than twelve months after the reporting period	151,943	151,933	330,580
- more than twelve months after the reporting period	-	-	-
Less: Allowance for impairment losses	(124)	(124)	(124)
	151,819	**151,809**	**330,456**

Loans to and receivables from banks included KM 4,836 thousand pledged as collateral for the Bank's liabilities to Visa and MasterCard in respect of credit card operations (2014: KM 4,343 thousand).

Loans to and receivables from banks include KM 51,294 thousand (2014: KM 41,689 thousand) of placements and loans to related parties.

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

	Group	Bank	Bank
	2015	**2015**	**2014**
Balance as at 1 January	124	124	124
Changes	-	-	-
Balance as at 31 December	124	124	124

18. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	Group	Bank	Bank
	31 December 2015	31 December 2015	31 December 2014
Debt securities available-for-sale	428,333	428,333	318,623
Equity securities available-for-sale	214	214	216
	428,547	428,547	318,839

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

18. FINANCIAL ASSETS AVAILABLE-FOR-SALE (continued)

During 2015 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

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Bonds of the Government of Federation of BiH	236,236	236,236	171,961
Bonds of the Government of Republika Srpska	74,751	74,751	25,570
Treasury bills of the Government of Federation of BiH	16,976	16,976	27,633
Treasury bills of the Government of Republika Srpska	8,422	8,422	5,334
Treasury bills of the Government of Republic of Croatia	3,444	3,444	3,431
Foreign bank bonds	88,504	88,504	84,694
	428,333	**428,333**	**318,623**

Equity securities available-for-sale

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Listed or quoted	214	214	214
Unlisted or unquoted	-	-	2
	214	**214**	**216**

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 2015		31 December 2014
Bank	**Notional amount**	**Fair value**	**Notional amount**	**Fair value**
Financial assets				
Forward foreign exchange contracts	1,911	8	4,162	18
Foreign exchange swap contracts	54,206	-	190,960	-
	56,117	**8**	**195,122**	**18**
Financial liabilities				
Forward foreign exchange contracts	842	5	24,185	17
Foreign exchange swap contracts	117	1	200	-
	959	**6**	**24,385**	**17**

20. LOANS AND RECEIVABLES FROM CLIENTS

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Corporate (including state and public sector)			
- in domestic currency	1,284,312	1,283,801	1,231,134
- in foreign currency	35,404	35,404	38,550
	1,319,716	1,319,205	1,269,684
Retail			
- in domestic currency	1,594,772	1,593,917	1,504,678
- in foreign currency	385	385	393
	1,595,157	1,594,302	1,505,071
Total loans before allowance	2,914,873	2,913,507	2,774,755
Less: allowance for impairment losses	(296,417)	(296,134)	(295,932)
Net loans	2,618,456	2,617,373	2,478,823
Expected to be recovered:			
- no more than twelve months after the reporting period	1,209,697	1,208,809	1,184,804
- more than twelve months after the reporting period	1,705,176	1,704,698	1,589,951
Less: Allowance for impairment losses	(296,417)	(296,134)	(295,932)
	2,618,456	**2,617,373**	**2,478,823**

Included in Group's retail loans in domestic currency is KM 869,074 thousand of gross loans, and in corporate loans and the state in KM 731,838 thousand, which have an EUR countervalue.

Included in Bank's retail loans in domestic currency is KM 869,073 thousand of gross loans (2014: KM 763,124 thousand), and in corporate loans in domestic currency KM 731,838 thousand (2014: KM 680,763 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.

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

20. LOANS AND RECEIVABLES FROM CLIENTS (CONTINUED)

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

Group	Retail	Corporate	Total
Balance as at 1 January 2014	**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 recognised 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	(23)	(18)	(41)
Balance as at 31 December 2014	**94,102**	**201,830**	**295,932**
Effects of acquisition of subsidiary	70	213	283
Increase in impairment losses	22,207	9,237	31,444
Release of provisions due to exposure	(7,364)	(360)	(7,724)
Release on the basis of recoveries of amounts previously reserved	(10,080)	(1,902)	(11,982)
Impairment losses recognised in the profit or loss (Note 13)	*4,763*	*6,975*	*11,738*
Release due to writte-offs	(202)	(8,715)	(8,917)
Other movements	(138)	(2,464)	(2,602)
Effect of foreign exchange	2	(19)	(17)
Balance as at 31 December 2015	**98,597**	**197,820**	**296,417**

20. LOANS AND RECEIVABLES FROM CLIENTS (CONTINUED)

Bank	Retail	Corporate	Total
Balance as at 1 January 2014	**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 recognised 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	(23)	(18)	(41)
Balance as at 31 December 2014	**94,102**	**201,830**	**295,932**
Increase in impairment losses	22,207	9,237	31,444
Release of provisions due to exposure	(7,364)	(360)	(7,724)
Release on the basis of recoveries of amounts previously reserved	(10,080)	(1,902)	(11,982)
Impairment losses recognised in the profit or loss (Note 13)	*4,763*	*6,975*	*11,738*
Release due to writte-offs	(202)	(8,715)	(8,917)
Other movements	(138)	(2,464)	(2,602)
Effect of foreign exchange	2	(19)	(17)
Balance as at 31 December 2015	**98,527**	**197,607**	**296,134**

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

20. LOANS AND RECEIVABLES FROM CLIENTS (CONTINUED)

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

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Corporate (including state and public sector)			
Manufacturing:			
Food and drinks	69,204	69,204	66,127
Wood and paper	64,621	64,621	60,409
Electricity, gas and water	42,900	42,900	38,537
Metal and engineering	34,557	34,557	42,532
Chemicals	23,650	23,650	29,966
Electrical and optical equipment	2,201	2,201	4,899
Textile and leather	1,993	1,993	6,799
Tobacco	897	897	973
Other manufacturing	38,207	38,207	30,401
Total manufacturing	**278,230**	**278,230**	**280,643**
Retail and wholesale trade	381,763	381,748	349,372
Central and local governments	138,763	138,763	93,927
Construction	98,896	98,896	74,003
Real estate	58,010	58,010	85,957
Transport and communications	53,973	53,690	62,549
Health and social care	34,577	34,577	33,406
Tourism	27,583	27,583	30,075
Agriculture, forestry and fisheries	11,861	11,861	11,942
Financial intermediaries	4,217	4,217	2,901
Education and other public services	991	991	1,705
Other	33,032	33,032	41,374
Total corporate	**1,121,896**	**1,121,598**	**1,067,854**
Retail			
Non-purpose loans	1,067,708	1,067,708	984,228
Housing loans	241,142	241,142	252,646
Other retail loans	187,710	186,925	174,095
Total retail	**1,496,560**	**1,495,775**	**1,410,969**
Total loans and receivables from clients	**2,618,456**	**2,617,373**	**2,478,823**

21. RECEIVABLES ON FINANCIAL LEASE

	Group	Bank	Bank
	31 December 2015	31 December 2015	31 December 2014
Maturity up to 1 year	54,557	-	-
Maturity from 2 to 5 years	76,423	-	-
Maturity over 5 years	21,262	-	-
Gross lease investments	152,242	-	-
Less: unrealised lease income	(20,796)	-	-
Less: allowance for impairment loss	(14,552)	-	-
	116,894	**-**	**-**

The Group provides financial lease for equipment, vehicles and property. Average current term of financial lease is 40 months for vehicles and equipment, and 131 months for property. Interest rate is variable and depends on market conditions.

22. OTHER ASSETS AND RECEIVABLES

	Group	Bank	Bank
	31 December 2015	31 December 2015	31 December 2014
Receivables from debit and credit cards	26,980	26,980	27,389
Assets acquired in lieu of uncollectible receivables	20,909	5,056	4,568
Accrued fees	603	603	499
Other assets	12,416	10,070	7,954
	60,908	**42,709**	**40,410**
Less: allowance for impairment losses	(13,632)	(8,698)	(9,377)
	47,276	**34,011**	**31,033**

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

22. OTHER ASSETS AND RECEIVABLES (CONTINUED)

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

	Group	Bank	Bank
	2015	**2015**	**2014**
Balance as at 1 January	**9,377**	**9,377**	**9,565**
Effects of acquisition of subsidiary	4,934	-	
Net charge to profit or loss (Note 13)	83	83	352
Release due to writte-offs	(759)	(759)	(547)
Effects of foreign exchange	(3)	(3)	7
Balance as at 31 December	**13,632**	**8,698**	**9,377**

Assets acquired in lieu of uncollectible receivables are assets (property, vehicles and other equipment) acquired because uncollectability of receivables from clients, loans and financial lease.

23. INVESTMENTS IN ASSOCIATES

The Bank purchased 49% of share in UniCredit Broker d.o.o. Sarajevo on 22 December 2015, whose 100% owner was the related party UniCredit Insurance Management CEE GmbH Austria. Acquisition costs of purchased share is KM 460 thousand (EUR 235 thousand).

24. INVESTMENTS IN INVESTMENT PROPERTY

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Acquisition value	5,953	-	-
Allowances for impairment losses	(4,082)	-	-
	1,871	**-**	**-**

Fair value measurement of investment property was conducted by ZANE BH, member company of UniCredit Group, whose personnel has adequate qualification and experience in assessing fair value of property in relevant locations.

Fair value of investment property was ascertained using income approach, which reflects current market expectations related to future amounts – cash flows (revenues and expenses) that arise from investment property which discount into a single amount.

25. PROPERTY AND EQUIPMENT

Group	Land and buildings	Buildings under operating lease	Vehicles under operating lease	Motor vehicles and equipment	Computers	Leasehold improvement	Assets in progress	Total
COST								
Balance as at 31 December 2014	**52,040**	**-**	**-**	**33,986**	**53,375**	**-**	**1,326**	**140,727**
Additions	-	-	-	-	-		2,957	2,957
Transfer from intangible assets	-	-	-	-	-	29,047	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**
Effects of acquisition of subsidiary	-	4,884	6,621	743	397	-	-	12,645
Additions	-	-	-	-	-	-	5,601	5,601
Write-offs	-	-	-	(921)	(3,363)	(6,806)	-	(11,090)
Disposals	-	-	-	(835)	(908)	-	-	(1,743)
Transfers (from) / to	158	-	-	1,674	2,242	848	(4,922)	-
Other movements	-	-	-	1	36	-	-	37
Balance as at 31 December 2015	**52,033**	**4,884**	**6,621**	**34,970**	**50,892**	**22,950**	**2,706**	**175,056**
ACCUMULATED DEPRECIATION								
Balance as at 31 December 2014	**16,312**	**-**	**-**	**24,239**	**46,905**	**-**	**-**	**87,456**
Depreciation charge for the year	1,006	-	-	2,349	3,190	1,318	-	7,863
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**
Effects of acquisition of subsidiary	-	2,302	1,301	628	291	-	-	4,522
Depreciation charge for the year	1,003	-	-	2,155	2,535	1,324	-	7,017
Write offs	-	-	-	(910)	(3,348)	(6,805)	-	(11,063)
Disposals	-	-	-	(835)	(884)	-	-	(1,719)
Other movements	-	-	-	-	36	-	-	36
Balance as at 31 December 2015	**18,124**	**2,302**	**1,301**	**26,923**	**46,520**	**20,975**	**-**	**116,145**
NET BOOK VALUE							**-**	
31 December 2015	**33,909**	**2,582**	**5,320**	**8,047**	**4,372**	**1,975**	**2,706**	**58,911**
31 December 2014	**34,754**	**-**	**-**	**8,423**	**4,598**	**2,454**	**2,027**	**52,254**

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

25. PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Land and buildings	Motor vehicles and equipment	Computers	Leasehold improvement	Assets in progress	Total
COST						
Balance as at 31 December 2014	**52,040**	**33,986**	**53,375**	**-**	**1,326**	**140,727**
Additions	-	-	-		2,957	2,957
Transfers from intangible assets (Note 26)	-	-	-	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**
Additions	-	-	-	-	5,601	5,601
Write-offs	-	(921)	(3,363)	(6,806)	-	(11,090)
Disposals	-	(835)	(908)	-	-	(1,743)
Transfers (from) / to	158	1,674	2,242	848	(4,922)	-
Other movements	-	1	36	-	-	37
Balance as at 31 December 2015	**52,033**	**34,227**	**50,495**	**22,950**	**2,706**	**162,411**
ACCUMULATED DEPRECIATION						
Balance as at 31 December 2014	**16,312**	**24,239**	**46,905**	**-**	**-**	**87,456**
Depreciation charge for the year	1,006	2,349	3,190	1,318	-	7,863
Transfers from intangible assets (Note 26)	-	-	-	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**
Depreciation charge for the year	1,003	2,155	2,535	1,324	-	7,017
Write offs	-	(910)	(3,348)	(6,805)	-	(11,063)
Disposals	-	(835)	(884)	-	-	(1,719)
Other movements	-	-	36	-	-	36
Balance as at 31 December 2015	**18,124**	**26,295**	**46,229**	**20,975**	**-**	**111,623**
NET BOOK VALUE					**-**	
31 December 2015	**33,909**	**7,932**	**4,266**	**1,975**	**2,706**	**50,788**
31 December 2014	**34,754**	**8,423**	**4,598**	**2,452**	**2,027**	**52,254**

25. PROPERTY AND EQUIPMENT (CONTINUED)

The Group's assets in progress as at 31 December 2015 and 2014 represent equipment, motor vehicles and investment for long-term business lease that have not been activated yet.

The carrying value of the Group's and Bank's non-depreciating land within land and buildings amounted to KM 404 thousand on 31 December 2015 (2014: KM 404 thousand).

During 2015 and 2014, the Group and the Bank did not capitalise any borrowing costs related to the acquisition of property and equipment. During 2015 and 2014, property and equipment were not pledged as collateral for the Group's and the Bank's borrowings.

Operating lease relates to vehicles and property owned by the group with the lease term of 3 to 5 years. lease does not have the option to purchase leased object after contract expiration. The following table summarises non-cancellable receivables on operating lease:

	Group
	31 December 2015
Maturity up to one year	2,318
Maturity of one to five years	-
Maturity over five years	5,501
	7,819

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

26. INTANGIBLE ASSETS

Group	Software	Leasehold improvements	Other intangible assets	Assets in progress	Total
COST					
Balance as at 31 December 2014	**37,636**	**28,047**	**7,124**	**5,815**	**78,622**
Additions	-	-	-	3,700	3,700
Write-offs	-	-	-	-	-
Transfer to tangible assets	-	(28,047)	-	(1,452)	(29,499)
Transfers (from) / to	1,202		-	(1,202)	-
Other movements	-	-	(1)	(3)	(4)
Balance as at 31 December 2014	**38,838**	**-**	**7,123**	**6,858**	**52,819**
Additions	-	-	-	5,709	5,709
Write-offs	(3,364)	-	(4)	(788)	(4,156)
Effects of acquisition of subsidiary	176	-	505	-	681
Transfer to tangible assets (Note 25)	-	-	-	-	-
Transfers (from) / to	5,637	-	56	(5,693)	-
Other changes	-	-	-	(99)	(99)
Balance as at 31 December 2015	**41,287**	**-**	**7,680**	**5,987**	**54,954**
ACCUMULATED DEPRECIATION					
Balance as at 31 December 2014	**33,548**	**25,266**	**5,545**	**-**	**64,359**
Depreciation charge for the year	1,513	-	766	-	2,279
Transfer to tangible assets	-	(25,266)	-	-	(25,266)
Balance as at 31 December 2014	35,061	-	6,311	-	41,372
Effects of acquisition of subsidiary	122	-	425	-	547
Depreciation charge for the year	2,236	-	424	-	2,660
Write-offs	(3,364)	-	(4)	(788)	(4,156)
Impairment (Note 13)	-	-	-	1,340	1,340
Balance as at 31 December 2015	**34,055**	**-**	**7,156**	**552**	**41,763**
NET BOOK VALUE					
31 December 2015	**7,232**	**-**	**524**	**5,435**	**13,191**
31 December 2014	**3,777**	**-**	**812**	**6,858**	**11,447**

26. INTANGIBLE ASSETS (CONTINUED)

Bank	Software	Leasehold improvments	Other intagible assets	Assets in progress	Total
COST					
Balance as at 31 December 2014	**37,636**	**28,047**	**7,124**	**5,815**	**78,622**
Additions	-	-	-	3,700	3,700
Transfer to tangible assets (Note 25)	-	(28,047)	-	(1,452)	(29,499)
Write-offs	-	-	-	-	-
Transfers (from) / to	1,202	-	-	(1,202)	-
Other movements	-	-	(1)	(3)	(4)
Balance as at 31 December 2014	**38,838**	**-**	**7,123**	**6,858**	**52,819**
Additions	-	-	-	5,709	5,709
Write-offs	(3,364)	-	(4)	(788)	(4,156)
Transfers (from) / to	5,637	-	56	(5,693)	-
Other changes	-	-	-	(99)	(99)
Balance as at 31 December 2015	**41,111**	**-**	**7,175**	**5,987**	**54,273**
ACCUMULATED DEPRECIATION					
Balance as at 31 December 2014	**33,548**	**25,266**	**5,545**	**-**	**64,359**
Depreciation charge for the year	1,513	-	766	-	2,279
Write-offs	-	-	-	-	-
Transfer to tangible assets (Note 25)	-	(25,266)	-	-	(25,266)
Balance as at 31 December 2014	**35,061**	**-**	**6,311**	**-**	**41,372**
Depreciation charge for the year	2,236	-	424	-	2,660
Write-offs	(3,364)	-	(4)	(788)	(4,156)
Impairment (Note 13)	-	-	-	1,340	1,340
Balance as at 31 December 2015	**33,933**	**-**	**6,731**	**552**	**41,216**
NET BOOK VALUE					
31 December 2015	**7,178**	**-**	**444**	**5,435**	**13,057**
31 December 2014	**3,777**	**-**	**812**	**6,858**	**11,447**

The Group's and Bank's assets in progress as at 31 December 2015 and 2014 represent software that was not activated.

During 2015 and 2014, the Group and the Bank did not capitalise any borrowing costs related to the acquisition of intangible assets. During 2014 and 2015, intangible assets were not pledged as collateral for the Group's and the Bank's borrowings.

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

27. CURRENT ACCOUNTS AND DEPOSITS FROM BANKS

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Demand deposits			
- in foreign currency	7,870	7,870	8,391
- in KM	5,965	5,965	3,317
Term deposits			
- in foreign currency	107,545	107,545	80,191
- in KM	6,541	6,541	3,618
	127,921	**127,921**	**95,517**

Current accounts and deposits from banks include KM 115,881 thousand due to related parties (2014: KM 85,058 thousand).

28. CURRENT ACCOUNTS AND DEPOSITS FROM CLIENTS

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Retail			
Current and savings accounts and term deposits - foreign currency	1,289,880	1,289,880	1,188,214
Current and savings accounts and term deposits - KM	872,910	872,910	756,532
	2,162,790	**2,162,790**	**1,944,746**
Corporate (including state and public sector)			
Demand deposits			
- in KM	722,120	724,512	603,900
- in foreign currency	201,282	202,084	222,761
Term deposits			
- in KM	155,497	155,497	117,040
- in foreign currency	71,999	71,999	72,753
	1,150,898	**1,154,092**	**1,016,454**
	3,313,688	**3,316,882**	**2,961,200**

The Bank's retail deposits in KM include KM 825 thousand (2014: KM 1,098 thousand) and corporate deposits in KM include KM 85,328 thousand (2014: KM 69,961 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 clients of the Bank also include KM 13,383 thousand from related parties (2014: KM 18,551 thousand).

29. RECEIVED PARTICIPATION DEPOSITS OF LEASE USERS

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Client participation	553	-	-
	553	**-**	**-**

Client participations present deposits received on lease agreements to which interest is not calculated. All deposits have maturity of up to one year.

30. BORROWING

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Foreign banks	227,583	90,935	146,867
Domestic banks	15,929	15,929	11,449
	243,512	**106,864**	**158,316**
Maturity analysis:			
Within one year	55,384	14,764	134,346
In the second year	131,582	70,478	8,994
Third to fifth year	46,247	18,224	14,092
After five years	10,299	3,398	884
	243,512	**106,864**	**158,316**

Interest-bearing borrowings include KM 58,789 thousand (2014: KM 117,372 thousand) of borrowings from related parties.

31. SUBORDINATED DEBT

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Subordinated debt	-	-	19,694
	-	**-**	**19,694**

Subordinated debt in the amount of EUR 10 million, matured in March 2015, relates to the loan 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 was subordinated to all other liabilities of the Bank.

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

32. OTHER LIABILITIES

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Liabilities for items in the course of settlement	47,049	47,049	38,407
Accrued expenses	19,849	19,646	14,480
Credit card payables	6,352	6,352	7,143
Deferred income	2,926	2,870	1,858
Other liabilities	6,080	5,923	6,597
	82,256	**81,840**	**68,485**

33. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Provisions for off-balance-sheet items	Provisions for legal proceedings	Long-term provisions for employees	Provisions for other items	Total
Balance at 1 January 2014	**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**
Effects of acquisition of subsidiary	4	88	33		125
Net charge in profit or loss	1,773	684	656	246	3,359
Release due to usage of provisions	-	(154)	(274)	-	(428)
Foreign currency differences	1	-	-	-	1
Balance as at 31 December 2015	**13,116**	**4,210**	**2,252**	**246**	**19,824**

33. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Bank	Provisions for off-balance-sheet items	Provisions for legal proceedings	Long-term provisions for employees	Provisions for other items	Total
Balance at 1 January 2014	**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**
Net charge in profit or loss	1,773	684	656	246	3,359
Release due to usage of provisions	-	(154)	(274)	-	(428)
Foreign currency differences	1	-	-	-	1
Balance as at 31 December 2015	**13,112**	**4,122**	**2,219**	**246**	**19,699**

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.

34. ISSUED SHARE CAPITAL

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

35. INVESTMENTS IN SUBSIDIARIES

On 22 December 2015, the Bank acquired 100% share in UniCredit Leasing d.o.o. Sarajevo in the amount of KM 1.95 (EUR 1).

Acquired assets and liabilities as of 22 December 2015 may be presented as follows:

Acquired share	100%
Acquisition cost	-
Fair value of acquired assets	144,575
Fair value of acquired liabilities	(137,808)
Negative goodwill	**6,767**

Effects of acquisition (negative goodwill) is recognised in Group's retained earnings.

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

36. 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.

	2015	2014
Net profit for the period attributable to ordinary shareholders	79,583	61,398
Weighted average number of ordinary shares during the period	118,935	118,935
Basic earnings per share (KM)	**669,13**	**516,23**

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

37. COMMITMENTS AND CONTINGENT LIABILITIES

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

	Group	Bank	Bank
	31 December 2015	31 December 2015	31 December 2014
Unused loan facilities	493,823	492,977	516,831
Payment and custom guarantees	172,919	172,919	176,077
Performance bonds	112,704	112,704	88,837
Letters of credit	12,493	12,493	11,921
	791,939	**791,093**	**793,666**

38. FUNDS MANAGED ON BEHALF OF THIRD PARTIES AND CUSTODY SERVICES

	Group	Bank	Bank
	31 December 2015	31 December 2015	31 December 2014
Assets under custody	443,292	443,292	466,320
Loans managed on behalf of third parties	70,937	70,937	57,256
	514,229	**514,229**	523,576

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

39. 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% (2011: 65.59%) and UniCredit Bank Austria AG with 24.4% (2011: 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.

An overview of related party transactions as of 31 December 2015 is presented in the table below:

		2015		2015
Bank	**Income**	**Expenses**	**Income**	**Expenses**
UniCredit Bank Austria AG Beč, Austrija	1,423	2,712	745	3,889
UniCredit Bank a.d. Banja Luka	616	153	191	19
Zagrebačka banka d.d. Zagreb, Hrvatska	235	779	42	691
UniCredit Bank Slovenija d.d. Ljubljana, Slovenija	10	-	14	-
UniCredit Broker d.o.o. Sarajevo	4	24	-	42
BACA Nekretnine d.o.o. Sarajevo	2	1	-	43
Bamcard d.d. Sarajevo	1	-	-	-
UniCredit Global Information Services	-	4,705	-	4,454
UniCredit S.p.A Milano, Italija	-	431	-	-
UniCredit Bank AG Minhen, Njemačka	-	261	338	342
Bank Polska Kasa Opieki S.A. Varšava, Poljska	-	130	-	563
Public Joint Stock Company Ukrsotsbank	-	75	-	-
 ZANE BH d.o.o. Sarajevo	- -	64 51	- -	97 -
I-Faber SPA				
UniCredit Bank Srbija a.d. Beograd, Srbija	-	-	1	-
Unicredit Leasing d.o.o Sarajevo	-	-	-	15
Total related parties	**2,291**	**9,386**	**1,331**	**10,155**
Subsidiaries				
UniCredit Leasing d.o.o. Sarajevo[4]	87	3	-	-
Total subsidiaries	**87**	**3**	**-**	**-**
Management Board and other key management personnel, as well as the parties related to the Management Board and other key management personnel	130	5,835	92	4, 518
	2,508	**15,224**	**1,423**	**14,673**

There were no transactions with the members of the Supervisory Board during 2015 and 2014.

4 Since the Bank acquired the subsidiary on 22 December 2015, positions in the Statement of profit or loss in prior period are presented as related party relations, while the mentioned transactions are treated as intragroup transactions and eliminated on Group level in 2015.

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

39. RELATED PARTY TRANSACTIONS (CONTINUED)

Income from UniCredit Group members in 2015 includes interest income in the amount of KM 1,769 thousand (2014: KM 754 thousand) and fee and commission income in the amount of KM 407 thousand (2014: KM 109 thousand). Income in 2015 also includes other income in the amount of KM 202 thousand (2013: KM 468 thousand).

Expenses towards UniCredit Group members in 2015 include interest expense in the amount of KM 3,178 thousand (2014: KM 4,490 thousand), fees in the amount of KM 400 thousand (2014: KM 397 thousand), other administrative expenses in the amount of KM 5,514 thousand (2014: KM 4,817 thousand) and other expenses in the amount of KM 297 thousand (2014: KM 451 thousand).

An overview of balances at 31 December 2015 and 31 December 2014 is presented below:

		31 December 2015		31 December 2014
Bank	**Exposure***	**Liabilities**	**Exposure***	**Liabilities**
UniCredit Bank Austria AG Beč, Austrija	93,674	157,333	98,265	178,131
UniCredit Bank a.d. Banja Luka	41,555	6,544	38,633	3,624
Zagrebačka banka d.d. Zagreb, Hrvatska	11,499	11,117	10,561	1,257
UniCredit Global Information Services	2,797	-	1,648	-
UniCredit S.p.A Milano, Italija	1,092	686	6,772	544
UniCredit Bank AG Minhen, Njemačka	881	6	1,914	19,636
BACA Nekretnine d.o.o. Sarajevo	-	7,563	-	729
ZANE BH d.o.o. Sarajevo	-	1,463	-	1,458
Interkonzum d.o.o. Sarajevo	-	599	-	206
UniCredit Leasing Nekretnine	-	375	-	425
UniCredit Broker d.o.o. Sarajevo	-	189	-	2,515
UniCredit Bank Slovenija d.d. Ljubljana, Slovenija	-	90	1	268
Bank Polska Kasa Opieki S.A. Varšava, Poljska	-	-	-	19,694
Unicredit Leasing d.o.o Sarajevo				13,218
Total related parties	**151,498**	**185,965**	**157,794**	**241,705**
Subsidiary				
UniCredit Leasing d.o.o. Sarajevo[5]	-	3,194	-	-
Total subsidiaries	**-**	**3,194**	**-**	**-**
Management Board and other key management personnel, as well as the parties related to Management Board and other key management personnel	2,185	9,240	1,602	6,202
	153,683	**198,399**	**159,396**	**247,907**

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

5 Since the Bank acquired the subsidiary on 22 December 2015, positions in the Statement of profit or loss in the previous period are presented as related party relations, while the mentioned transactions are treated as intragroup transactions and eliminated on Group level in 2015.

39. RELATED PARTY TRANSACTIONS (CONTINUED)

Regarding exposure toward the related parties, the Bank did not have any impairment losses in 2015 and 2014, and the balance of impairment allowance at 31 December 2015 and 31 December 2014 was nil.

Further, the Bank received guarantees from UniCredit Bank Austria AG at 31 December 2015 in the amount KM 85,657 thousand (31 December 2014: KM 84,857 thousand), while as at 31 December 2015 the Bank had KM 18,309 thousand any given guarantees (31 December 2014: 23,363).

Remuneration paid to Management Board and other key management personnel:

	Bank	Bank
	2015	**2014**
Gross salaries	4,004	2,893
Bonuses	859	700
Other benefits	366	488
	5,229	**4,081**

37 employees were included in the Management Board and other key management personnel (2014: 23 employees).

40. 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 Group is exposed are credit risk, market risks and operational risk.

The Supervisory Board and the Management Board define the principles of risk management and internal acts related to risk management.

40.1 Credit risk

The Group 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 Group.

The exposure to credit risk is managed in accordance with the Group's applicable programmes and policies, as well as other internal regulations prescribed by the Supervisory Board and the Management Board. The exposure to credit risk 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.

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

40. RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

40.1.1 Maximum exposure to credit risk

The choice of collateral instruments for covering the Group'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 UniCredit Group, the Group has implemented standardized approach to the international standard Basel III.

The majority of credit risk exposures are secured with collateral in the form of cash deposits, 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).

The Group continuously 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:

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Statement of financial position			
Current accounts at CBBH and other banks (Note 15)	616,839	616,839	325,909
Obligatory reserve at CBBH (Note 16)	302,868	302,868	267,415
Loans to and receivables from banks (Note 17)	151,819	151,809	330,456
Debt securities within financial assets available-for-sale (Note 18)	428,333	428,333	318,623
Financial assets at fair value through profit or loss (Note 19)	8	8	18
Financial lease receivables (Note 21)	116,894	-	-
Loans and receivables from clients (Note 20)	2,618,456	2,617,373	2,478,823
Other assets exposed to credit risk (part of Note 22)	45,036	32,022	29,416
Total credit risk exposure relating to assets	**4,280,253**	**4,149,252**	**3,750,660**
Off-balance-sheet items (Note 36)			
Unused loan facilities	493,823	492,977	516,831
Guarantees	285,623	285,623	264,914
Letters of credit	12,493	12,493	11,921
Total off-balance sheet credit risk exposure	**791,939**	**791,093**	**793,666**
	5,072,192	**4,940,345**	**4,544,326**

40. RISK MANAGEMENT (CONTINUED)

40.1 Credit risk (continued)

40.1.1 Maximum exposure to credit risk (continued)

The above table represents the maximum credit risk exposure of the Group as at 31 December 2015 and 2014, 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, 51.6% of the Group's total maximum exposure to credit riskin 2015 is derived from loans and receivables from clients, while 2.9% refers to loans to and receivables from banks, and investments in financial assets available for sale 8.4%. 52.9% of the Bank's total maximum exposure to credit risk is derived from loans and receivables from clients (2014: 54.5%), while 3.0% refers to loans and receivables from banks (2014: 7%), and investments in financial assets available for sale 8.6% (2014: 7%). The Management is confident in its ability to continue to control and sustain acceptable exposure to credit risk.

40.1.2 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 Bosnia and Herzegovina and Republika Srpska.

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Current account with CBBH (Note 15)	419,404	419,404	150,698
Obligatory reserve at CBBH (Note 16)	302,868	302,868	267,416
Bonds of the Government of Federation of BiH (Note 18)	236,236	236,236	171,961
Treasury bills of the Government of Federation of BiH (Note 18)	16,976	16,976	27,633
Treasury bills of the Government of Republika Srpska (Note 18)	8,422	8,422	5,334
Current tax liability	(1,701)	(1,701)	(307)
Deferred tax liability (Note 14)	(1,301)	(1,301)	(1,385)
	980,904	**980,904**	**621,350**

The Bank had no off-balance sheet sovereign risk exposure at 31 December 2015 and 31 December 2014.

In addition, liabilities to state institutions are as follows:

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Short-term deposits	(4,232)	(4,232)	(4,173)
Off-balance-sheet exposure	5	5	3

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

40. RISK MANAGEMENT (CONTINUED)

40.1 Credit risk (continue)

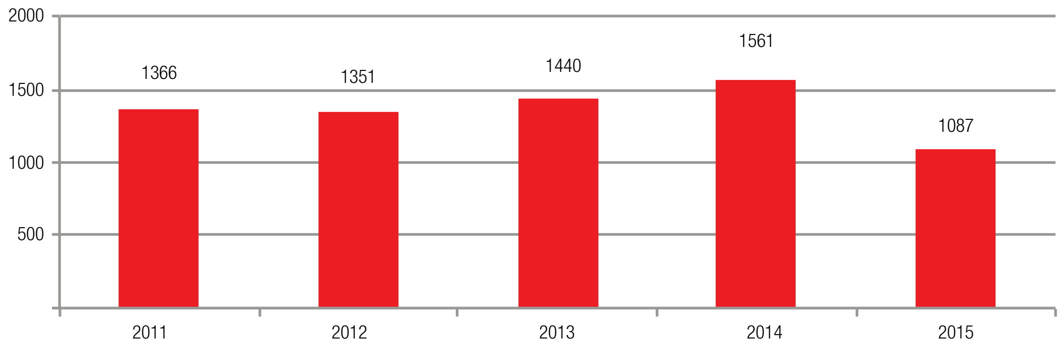
40.1.3 Real estate market trends

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

Furthermore, at the reporting period date KM 32,334 thousand (2014: KM 38,911 thousand) of the Bank's balance-sheet exposure to corporate clients is secured by the State's guarantees.

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 1,087, which is 30.4% less than in the same period of 2014. Unfinished apartments at the end of the third quarter of 2015 was 3,086, which is 45.3% more compared to the same period last year (2,125).

The number of complited dwelling in Bosnia and Herzegovina at the end of the third quarter by years



The average price of sold new dwellings, completed in the first half of 2015, is formed based on the report for 333 dwellings, and it amounts to KM 1,625 per square metre of living space, and it is 2.8% higher compared to the same period last year. Average construction costs comprise 70.9% of total average price and they are 5.7% lower compared to the same period last year.

Average prices of property on BH real estate market did not change significantly during 2015. After the stagnation period that marked the first part of 2015 with indication of slight property value decrease, the second part of the year saw further stagnation without indication of negative trends in most towns in Bosnia and Herzegovina. The prices of new buildings in major towns decreased in average, however caused mostly by a large number of newly built real estate that may be characterised as low quality, considering the fact that they are located on the city outskirts. Newly constructed buildings on good locations remain highly valued. Due to population's low buying power, smaller size appartments remain the most attractive. Clients are usually young couples, and a main way of financing is through loans. Every year there was a significant number of clients 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

40. RISK MANAGEMENT (CONTINUED)

40.1 Credit risk (continued)

40.1.4 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 Group.

Restructuring Department activities are based on cooperation with other organisational parts of the Group, which identify clients/exposures that should be the subject of restructuring, work on defining the appropriate restructuring strategy, analysing restructuring applications, suggesting measures and making recommendations for restructuring, monitoring progress, monitoring the portfolio, assessing the level of provisions and the Group's proposed measures to improve collateral coverage in order to strengthen its position in the collection of receivables.

The restructured corporate portfolio on Group level was KM 157,195 thousand in 2015, while the restructured retail portfolio was KM 3,943 thousand.

The restructured corporate portfolio on Bank level has increased in volume by 25% in 2015 compared to the end of 2014, amounting to KM 154,104 thousand (2014: KM 123,238 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 2015 was 28% (2014: 32%).

On the other hand, the restructured retail portfolio on Bank level recorded increase of 17%, amounting to KM 3,725 thousand (2014: KM 4,472 thousand), with provisions amounting to 19% of the portfolio (2014: 17%). An apparent decline in the portfolio 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.

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

Impairment allowance coverage of the non-performing loan portfolio in 2015 is 77.9% for the Group, while it is 81.2% for the Bank (2014: 79.7%).

Total impairment allowances for loans and receivables from clients of the Group for 2015 are KM 296,417 thousand, of which KM 252,751 thousand relates to impairment allowances for loans for which individual impairment had been identified, and the rest of the value of KM 43,666 thousand relates to impairment allowances on portfolio basis.

Total impairment allowances for loans and receivables from clients of the Bank are KM 296,134 thousand (2014: KM 295,932 thousand), of which KM 252,485 (2014: KM 261,556 thousand) relates to impairment allowances for loans for which individual impairment had been identified, while the rest of the value of KM 43,646 thousand (2014: KM 34,376 thousand) relates to impairment allowances on portfolio basis.

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

40. RISK MANAGEMENT (CONTINUED)

40.1 Credit risk (continued)

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

Total impairment allowances for financial lease for the Group in 2015 are KM 14,552 thousand, of which KM 14,123 thousand relates to individually identified impairment allowances, and the rest of the value of KM 428 thousand relates to impairment allowances on portfolio basis.

	Group	Bank	Bank
	31 December 2015	**31 December 2015**	**31 December 2014**
Retail loans			
Loans that are neither past due nor impaired	1,444,048	1,443,456	1,356,388
Past due loans that are not impaired	59,481	59,481	58,890
Impaired loans	91,628	91,365	89,793
Gross	**1,595,157**	**1,594,302**	**1,505,071**
Less: allowance for impairment losses	(98,597)	(98,527)	(94,102)
Net	**1,496,560**	**1,495,775**	**1,410,969**
Corporate, including state and public sector			
Loans that are neither past due nor impaired	1,070,902	1,070,604	999,374
Past due loans that are not impaired	29,037	29,037	31,994
Impaired loans	219,777	219,564	238,317
Gross	**1,319,716**	**1,319,205**	**1,269,685**
Less: impairment allowance	(197,820)	(197,607)	(201,830)
Net	**1,121,896**	**1,121,598**	**1,067,855**
Financial lease			
Financial lease receivables that are not past due	80,965	-	-
Past due receivables on financial leasing that are not impaired (Note 33.1b)	19,584	-	-
Non-performing receivables on financial leasing (impaired receivables on financial leasing)	30,897	-	-
Gross	**131,446**	**-**	**-**
Less: impairment allowances	(14,552)	-	-
Net	**116,894**	**-**	**-**

40. RISK MANAGEMENT (CONTINUED)

40.1 Credit risk (continue)

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

a) Loans that are neither past due nor impaired

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

	Retail					Corporate, including state and public sector				Financial lease
Group	**Cash and consumer loans**	**Credit cards and overdrafts**	**Housing loans**	**Sole traders**	**Total**	**Large**	**Medium**	**Small**	**Total**	**Total**
31 December 2015										
Standard monitoring	1,039,633	173,545	230,854	16	1,444,048	462,823	307,950	93,930	864,703	4,935
Special monitoring	-	-	-	-	-	122,115	81,729	2,355	206,199	76,030
	1,039,633	**173,545**	**230,854**	**16**	**1,444,048**	**584,938**	**389,679**	**96,285**	**1,070,902**	**80,965**
Bank										
31 December 2015	1,039,633	173,545	230,262	16	1,443,456	462,525	307,950	93,930	864,405	
Standard monitoring	-	-	-	-	-	122,115	81,729	2,355	206,199	-
Special monitoring	**1,039,633**	**173,545**	**230,262**	**16**	**1,443,456**	**584,640**	**389,679**	**96,285**	**1,070,604**	**-**
Bank										
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**	**-**

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

40. RISK MANAGEMENT (CONTINUED)

40.1 Credit risk (continue)

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

b) Past due loans that are not impaired

	Retail					Corporate, including state and public sector				Financial lease
Group	**Cash and consumer loans**	**Credit cards and overdrafts**	**Housing loans**	**Sole traders**	**Total**	**Large**	**Medium**	**Small**	**Large**	**Total**
31 December 2015										
Past due up to 30 days	33,292	13,174	6,764	4	53,234	1,995	24,145	2,155	28,295	14,383
Past due 31 to 60 days	3,771	947	848	-	5,566	-	-	260	260	3,279
Past due 61 to 90 days	370	172	139		681	-	-	482	482	1,922
	37,433	**14,293**	**7,751**	**4**	**59,481**	**1,995**	**24,145**	**2,897**	**29,037**	**19,584**
Estimated value of collateral	**889**	**-**	**2,820**	**-**	**3,709**	**-**	**3,927**	**487**	**4,414**	**8,271**

40. RISK MANAGEMENT (CONTINUED)

40.1 Credit risk (continue)

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

b) Past due loans that are not impaired (continued)

	Retail					Corporate, including state and public sector			
Bank	**Cash and consumer loans**	**Credit cards and overdrafts**	**Housing loans**	**Sole traders**	**Total**	**Large**	**Medium**	**Small**	**Total**
31 December 2015									
Past due up to 30 days	33,292	13,174	6,764	4	53,234	1,995	24,145	2,155	28,295
Past due 31 to 60 days	3,771	947	848	-	5,566	-	-	260	260
Past due 61 to 90 days	370	172	139		681	-	0	482	482
	37,433	**14,293**	**7,751**	**4**	**59,481**	**1,995**	**24,145**	**2,897**	**29,037**
Estimated value of collateral	**889**	**-**	**2,820**	**-**	**3,709**	**-**	**3,927**	**487**	**4,414**
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**

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.

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

40. RISK MANAGEMENT (CONTINUED)

40.1 Credit risk (continue)

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

c) Non-performing loans (impaired loans)

Gross amount of non-preforming loans to clients and financial lease receivables for the Group as of 31 December2015 amounts to KM 342,302 thousand, while on net level before cash flows from received collateral instruments they amount to KM 75,428 thousand.

Gross amount of non-preforming loans to clients for the Bank amounts to KM 310,929 thousand (2014: KM 328,110 thousand). The carrying value of impaired loans amounts to KM 58,444 thousand (2014: KM 66,554 thousand). The breakdown of the net amount of the individually impaired loans to clients, along with the fair value of related collateral held by the Bank as security, is as follows:

	Retail					Corporate, including state and public sector				Financial lease
Group	**Cash and consumer loans**	**Credit cards and overdrafts**	**Housing loans**	**Sole traders**	**Total**	**Large**	**Medium**	**Small**	**Total**	**Total**
31 December 2015										
Non-performing loans	9,784	902	7,110	1	17,887	29,520	8,435	2,903	40,858	16,774
Estimated value of collateral	**1,327**	**-**	**4,066**	**-**	**5,393**	**18,900**	**313**	**723**	**19,936**	**14,559**

40. RISK MANAGEMENT (CONTINUED)

40.1 Credit risk (continue)

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

c) Non-performing loans (impaired loans) (continued)

	Retail					Corporate, including state and public sector			
Bank	**Cash and consumer loans**	**Credit cards and overdrafts**	**Housing loans**	**Sole traders**	**Total**	**Large**	**Medium**	**Small**	**Total**
31 December 2015									
Non-performing loans	9,783	902	6,915	1	17,600	29,520	8,435	2,888	40,843
Estimated value of collateral	**1,327**	**-**	**3,870**	**-**	**5,197**	**18,900**	**313**	**723**	**19,936**
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**	**-**	**3,306**	**-**	**4,305**	**21,995**	**2,564**	**874**	**25,416**

The Group and the Bank expect 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)

40. RISK MANAGEMENT (CONTINUED)

40.2 Liquidity risk

Liquidity risk is the potential risk that the Group will not be able to meet its obligations as scheduled, in full and without delay. It arises in the Group'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, compliance of assets and liabilities, setting limits and planned liquidity indicators.

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 Group 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.

Liquidity needs 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.

The Bank was enabled to manage liquidity reserves more profitably by the change of regulations in the part of liquidity prescribed by the regulator FBA in 2015.

40.2.1 Structural liquidity risk

The profile of presented based on the remaining contractual maturity, with the following exceptions:

1) Certain balance positions are modified using a replication portfolio methodology: demand deposits and term deposits, overdrafts in current accounts and revolving loans to retail and corporate clients.

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.

40. RISK MANAGEMENT (CONTINUED)

40.2 Liquidity risk (continued)

40.2.1 Structural liquidity risk (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, and other receivables.
- Other liabilities include provisions for other risky 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.
- 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)

40. RISK MANAGEMENT (CONTINUED)

40.2 Liquidity risk (continued)

40.2.1 Structural liquidity risk (continued)

Group

31 December 2015 (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	**-**	**1,073**	**(69)**	**(54)**	**295**	**33**	**(776)**	**(504)**
Assets	**4,840**	**1,133**	**299**	**166**	**916**	**780**	**1,082**	**463**
Statement of financial position	***4,769***	***1,133***	***229***	***166***	***916***	***780***	***1,081***	***463***
Loans to and receivables from clients	*2,451*	*3*	*128*	*148*	*408*	*746*	*977*	*41*
Retail	1,235	2	22	44	179	389	578	21
Corporate	1,216	1	106	104	229	357	399	20
Mortgage loans to clients	*188*	*-*	*1*	*3*	*13*	*34*	*88*	*49*
Retail	188	-	1	3	13	34	88	49
Securities	425	45	3	-	377	-	-	-
Financial assets available-for-sale	425	45	3	-	377	-	-	-
Loans and receivables from banks	1,064	917	96	15	20	-	16	-
Current accounts	195	195	-	-	-	-	-	-
Deposits	147	-	96	15	20	-	16	-
Obligatory reserve at CBBH	722	722	-	-	-	-	-	-
Other assets	*638*	*167*	*-*	*-*	*97*	*-*	*-*	*374*
Cash	167	167	-	-	-	-	-	-
Impaired loans	295	-	-	-	-	-	-	295
Investments in subsidiaries and associates	1	-	-	-	-	-	-	1
Other assets	175	-	-	-	97	-	-	78
Off-balance sheet	***71***	***-***	***71***	***-***	***-***	***-***	***-***	***-***
Derivatives	71	-	71	-	-	-	-	-
Unused credit facilities	-	-	-	-	-	-	-	-
Liabilities	**4,840**	**59**	**368**	**220**	**620**	**747**	**1,858**	**968**
Statement of financial position	***4,769***	***59***	***297***	***220***	***620***	***747***	***1,858***	***968***
Demand deposits	*2,403*	*44*	*132*	*115*	*228*	*264*	*1,620*	-
Retail	1,452	15	29	29	58	87	1,234	-
Corporate	951	29	103	86	170	177	386	-
Time deposits	*911*	*4*	*65*	*97*	*213*	*322*	*210*	-
Retail	610	4	53	63	131	189	170	-
Corporate	301	-	12	34	82	133	40	-
Liabilities to banks	*353*	*11*	*100*	*8*	*46*	*161*	*27*	-
Borrowings	185	-	2	8	46	102	27	-
Current accounts and deposits	168	11	98	-	-	59	-	-
Other liabilities and equity	*1,101*	-	-	-	*133*	-	-	*968*
Equity	647	-	-	-	-	-	-	647
Other liabilities	134	-	-	-	133	-	-	1
Provisions	320	-	-	-	-	-	-	320
Issued debt securities	-	-	-	-	-	-	-	-
Off-balance sheet	***71***	***-***	***71***	***-***	***-***	***-***	***-***	***-***
Derivatives	71	-	71	-	-	-	-	-

40. RISK MANAGEMENT (CONTINUED)

40.2 Liquidity risk (continued)

40.2.1 Structural liquidity risk (continued)

Bank

31 December 2015 (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	**-**	**1,069**	**(72)**	**(55)**	**307**	**72**	**(788)**	**(532)**
Assets	**4,699**	**1,132**	**296**	**159**	**891**	**739**	**1,053**	**428**
Statement of financial position	***4,628***	***1,132***	***225***	***159***	***891***	***739***	***1,053***	***428***
Loans and receivables from clients	*2,326*	*3*	*125*	*141*	*384*	*705*	*949*	*19*
Retail	1,227	2	22	43	178	386	577	19
Corporate	1,099	1	103	98	206	319	372	-
Mortgage loans to clients	*188*	*-*	*1*	*3*	*13*	*34*	*88*	*49*
Retail	188	-	1	3	13	34	88	49
Securities	*425*	*45*	*3*	*-*	*377*	*-*	*-*	*-*
Financial assets available-for-sale	425	45	3	-	377	-	-	-
Loans and receivables from banks	*1,064*	*917*	*96*	*15*	*20*	*-*	*16*	*-*
Current accounts	195	195	-	-	-	-	-	-
Deposits	147	-	96	15	20	-	16	-
Obligatory reserve at CBBH	722	722	-	-	-	-	-	-
Other assets	*624*	*167*	*-*	*-*	*97*	*-*	*-*	*360*
Cash	167	167	-	-	-	-	-	-
Impaired loans	295	-	-	-	-	-	-	295
Investments in subsidiaries and associates	1	-	-	-	-	-	-	1
Other assets	161	-	-	-	97	-	-	64
Off-balance sheet	***71***	***-***	***71***	***-***	***-***	***-***	***-***	***-***
Derivatives	*71*	*-*	*71*	*-*	*-*	*-*	*-*	*-*
Unused credit facilities	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Liabilities	**4,699**	**63**	**368**	**214**	**586**	**667**	**1,841**	**960**
Statement of financial position	***4,628***	***63***	***297***	***214***	***586***	***667***	***1,841***	***960***
Demand deposits	*2,407*	*48*	*132*	*115*	*228*	*264*	*1,620*	*-*
Retail	1,452	15	29	29	58	87	1,234	-
Corporate	955	33	103	86	170	177	386	-
Time deposits	*911*	*4*	*65*	*97*	*213*	*322*	*210*	*-*
Retail	610	4	53	63	131	189	170	-
Corporate	301	-	12	34	82	133	40	-
Liabilities to banks	*216*	*11*	*100*	*2*	*11*	*81*	*11*	*-*
Borrowings	48	-	2	2	11	22	11	-
Current accounts and deposits	168	11	98	-	-	59	-	-
Other liabilities and equity	*1,092*	*-*	*-*	*-*	*132*	*-*	*-*	*960*
Equity	640	-	-	-	-	-	-	640
Other liabilities	132	-	-	-	132	-	-	-
Provisions	320	-	-	-	-	-	-	320
Issued debt securities	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Off-balance sheet	***71***	***-***	***71***	***-***	***-***	***-***	***-***	***-***
Derivatives	*71*	*-*	*71*	*-*	*-*	*-*	*-*	*-*

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

40. RISK MANAGEMENT (CONTINUED)

40.2 Liquidity risk (continued)

40.2.1 Structural liquidity risk (continued)

Bank

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 and receivables from clients	*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 clients	*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 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)	-

40. RISK MANAGEMENT (CONTINUED)

40.2 Liquidity risk (continued)

40.2.2 Future cash flows from financial instruments

The following table details the Group'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 Group and the Bank anticipate 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
Group							
31 December 2015							
Non-interest bearing	7.75%	164,695	1,212	0	0	0	165,907
Variable interest rate instruments	5.53%	957,635	67,587	297,606	1,207,491	582,961	2,933,280
Fixed interest rate instruments		316,639	241,014	304,331	806,690	117,725	1,786,399
		1,438,969	**309,813**	**601,937**	**1,834,181**	**700,685**	**4,885,585**
Bank							
31 December 2015							
Non-interest bearing	7.54%	163,957	0	0	0	0	163,957
Variable interest rate instruments	5.53%	954,490	61,282	269,208	959,465	545,619	2,790,064
Fixed interest rate instruments		316,517	240,788	303,319	804,510	117,677	1,782,812
		1,434,964	**302,070**	**572,527**	**1,763,975**	**663,296**	**4,736,832**
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**

The following table details the Group's and 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 Group and the Bank can be required to pay. The table includes both interest and principal cash flows.

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

40. RISK MANAGEMENT (CONTINUED)

40.2 Liquidity risk (continued)

40.2.2 Future cash flows from financial instruments (continued)

Maturity for non-derivative financial liabilities

	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
Group							
31 December 2015							
Non-interest bearing		15,993	4,315	13,427	12,968	665	47,369
Variable interest rate instruments	1.25%	2,049,952	50,890	208,324	384,414	10,815	2,704,394
Fixed interest rate instruments	2.11%	146,582	87,945	315,517	430,504	9,117	989,666
		2,212,527	**143,150**	**537,268**	**827,886**	**20,597**	**3,741,428**
Bank							
31 December 2015							
Non-interest bearing		15,687	4,315	12,889	12,968	665	46,524
Variable interest rate instruments	1.22%	2,053,042	44,669	171,403	291,870	3,680	2,564,664
Fixed interest rate instruments	2.11%	146,582	87,926	315,480	430,504	9,117	989,609
		2,215,311	**136,910**	**499,772**	**735,342**	**13,462**	**3,600,797**
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**

The Group and the Bank expect to meet their other obligations from operating cash flows and proceeds of maturing financial assets.

40. RISK MANAGEMENT (CONTINUED)

40.3 Market risk

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

Basic risk factors include:

- interest rate risk;
- credit margin risk, and
- currency risk and

The aim of market risk management on Group level is management and control of market risk exposure within acceptable parameters to ensure the solvency of the Group with the optimisation of risk return.

Overall exposure to market risks is monitored within Risk Management using various methodologies and techniques of risk measurement. Daily reports on market risk exposures are created together with defined limits of markt risk exposure for the purpose of risk management. 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 Group continuously works on improving its business processes and quality of data.

Market risk measurement techniques:

On Group level, market risk management includes continuous reporting on risk exposure, followed ba usage of limits and daily review of all positions where market risk exposures exist. The positions are aggregated on daily basis and compared with defined limits.

Market risk metrics, used both for measuring and internal reporting on Group's market risks, are compliant with UniCredit Group and they encompass:

- Value at Risk
- Sensitivity metrics (basis point value – BPV, basis point value for credit margin CPV, net open foreign currency position and other sensitivity measures),
- Alarming level of losses (applied to cumulative result through specific time horizon), and
- Results of stress resistance tests.

40.3.1 Value at Risk

The Group uses Value-at-Risk methodology (VaR) to estimate the market risk and the maximum potential losses expected on positions held for trading and other activities.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements, as a measure of maximum potential loss for the defined holding period or a period in which the position 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 model uses historical simulation based on last 500 observations of daily indicators.

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

40. RISK MANAGEMENT (CONTINUED)

40.3 Market risk (continued)

40.3.1 Value at Risk (continued)

Bank's VaR according to risk types in 2015 and 2014 is as follows:

Group	Minimum 2015	Average 2015	Maximum 2015	End of 2015
Interest risk	(89)	(215)	(299)	(250)
Currency risk	0	(3)	(8)	(1)
Securities price risk	(405)	(576)	(1 016)	(989)
Total VaR	(542)	(687)	(1 128)	(1 062)
Bank	**Minimum 2015**	**Average 2015**	**Maximum 2015**	**End of 2015**
Interest risk	(88)	(214)	(292)	(249)
Currency risk	0	(3)	(8)	(1)
Securities price risk	(405)	(576)	(1 016)	(989)
Total VaR	**(541)**	**(685)**	**(1 121)**	**(1 061)**

Bank	Minimum 2015	Average 2015	Maximum 2015	End of 2015
Interest risk	(18)	(29)	(107)	(115)
Currency risk	-	(2)	(5)	(3)
Securities price risk	(104)	(187)	(250)	(630)
Total VaR	**(108)**	**(189)**	**(264)**	**(688)**

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 for the Bank.

In 2015 there were no backtesting violations recorded.

40.3.2 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% for currencies KM and EUR.
- 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, interest rate level changes, curve rotation, increase of interest rates, including various shocks on currency interest rate curves.

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

40. RISK MANAGEMENT (CONTINUED)

40.4 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, and trading activities. It is monitored daily in accordance with regulations and internally set limits per certain foreign currencies, and in the total amount for all assets and liabilities denominated in foreign currencies or tied to foreign currencies.

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 Group directs bussines activities in order to minimise the gap between assets and liabilities denominated in foreign currency by aligning its positions with set limits.

Group	KM	EUR	USD	Other currencies	Total
As of 31 December 2015					
Assets					
Cash and cash equivalents	538,125	161,463	25,921	51,227	776,736
Obligatory reserve at CBBH	302,868	-	-	-	302,868
Loans and receivables from banks	41,557	9,749	85,392	15,121	151,819
Financial assets available-for-sale	221,169	164,942	38,992	3,444	428,547
Financial assets at fair value through profit or loss	-	8	-	-	8
Loans and receivables from clients	1,159,658	1,458,798	-	-	2,618,456
Receivables on financial lease	-	116,894	-	-	116,894
Other assets and receivables	23,550	297	-	1	23,848
Investments in subsidiaries and associates	460	-	-	-	460
	2,287,387	**1,912,151**	**150,305**	**69,793**	**4,419,636**
Liabilities					
Current accounts and deposits in banks	12,505	115,416	-	-	127,921
Current accounts and deposits from clients	1,664,528	1,429,613	150,902	68,645	3,313,688
Received deposits-participation of lease users	553	-	-	-	553
Financial liabilities at fair value through profit or loss	-	6	-	-	6
Borrowings and subordinated debt	-	243,512	-	-	243,512
Other liabilities	61,370	11,182	617	80	73,249
	1,738,956	**1,799,729**	**151,519**	**68,725**	**3,758,929**
Net position	**548,431**	**112,422**	**(1,214)**	**1,068**	**660,707**

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

40. RISK MANAGEMENT (CONTINUED)

40.4 Foreign currency risk (continued)

Bank	**KM**	**EUR**	**USD**	**Other currencies**	**Total**
As of 31 December 2015					
Assets					
Cash and cash equivalents	538,125	161,462	25,921	51,227	776,735
Obligatory reserve at CBBH	302,868	-	-	-	302,868
Loans and receivables from banks	41,557	9,739	85,392	15,121	151,809
Financial assets available-for-sale	221,169	164,942	38,992	3,444	428,547
Financial assets at fair value through profit or loss	-	8	-	-	8
Loans and receivables from clients	1,159,658	1,457,715	-	-	2,617,373
Other assets and receivables	23,219	51	-	1	23,271
Investments in subsidiaries and associates	460	-	-	-	460
	2,287,056	**1,793,917**	**150,305**	**69,793**	**4,301,071**
Liabilities					
Current accounts and deposits in banks	12,505	115,416	-	-	127,921
Current accounts and deposits from clients	1,666,916	1,430,419	150,902	68,645	3,316,882
Financial liabilities at fair value through profit or loss	-	6	-	-	6
Borrowings and subordinated debt	-	106,864	-	-	106,864
Other liabilities	61,167	11,182	617	80	73,046
	1,740,588	1,663,887	151,519	68,725	3,624,719
Net position	**546,468**	**130,030**	**(1,214)**	**1,068**	**676,352**

40. RISK MANAGEMENT (CONTINUED)

40.4 Foreign currency risk (continued)

Bank	KM	EUR	USD	Ostale valute	Ukupno
As of 31 December 2015					
Assets					
Cash and cash equivalents	267,123	146,890	11,494	45,969	471,476
Obligatory reserve at CBBH	267,416	-	-	-	267,416
Loans 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 clients	1,181,509	1,297,314	-	-	2,478,823
Other assets and receivables	22,903	-	-	1	22,904
	2,003,366	**1,694,315**	**131,376**	**60,875**	**3,889,932**
Liabilities					
Current accounts and deposits in banks	6,935	88,582	-	-	95,517
Current accounts and deposits from clients	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**

40.4.1 Foreign currency sensitivity analysis

The Group is mainly exposed to EUR and USD. Since currency bond arrangement is in force in Bosnia and Herzegovina, neither Group nor the Bank are exposed to risk of change of EUR exchange rate (fixed exchange rate, Convertible Mark (KM) is pegged to EUR).

The following table details the sensitivity to a 10% increase or 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 receivables and liabilities denominated in foreign currency 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
Group	**31 December 2015**	**31 December 2014**
Loss	(119)	(44)

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

40. RISK MANAGEMENT (CONTINUED)

40.5 Interest rate risk

Interest rate risk represents the risk of decrease in asset values caused by adverse interest rate changes. Interest rate changes directly 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).

40.5.1 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
Group						
31 December 2015						
KM	(2)	(15)	(56)	(40)	-	(113)
EUR	(4)	(2)	(16)	(71)	(1)	(94)
USD	-	1	(5)	1	-	(3)
	(6)	**(16)**	**(77)**	**(110)**	**(1)**	**(210)**

BPV sensitivity analysis for the Bank per currency:

	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 10 years	Over 10 years	Total
Group						
31 December 2015						
BAM	(2)	(15)	(56)	(40)	-	(113)
EUR	(4)	(2)	(15)	(70)	(1)	(93)
USD	-	1	(5)	1	-	(3)
	(6)	**(16)**	**(76)**	**(109)**	**(1)**	**(209)**
31 December 2014						
BAM	(3)	(12)	(41)	(35)	-	(91)
EUR	-	(1)	3	(10)	(1)	(9)
USD	-	1	(6)	-	-	(5)
	(3)	**(12)**	**(44)**	**(45)**	**(1)**	**(105)**

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

40. RISK MANAGEMENT (CONTINUED)

40.5 Interest rate risk (continued)

40.5.2 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:

	Group	Bank	Bank
	2015	2015	2014
	%	%	%
Cash and cash equivalents	-	-	0.05
Obligatory reserve at CBBH	-	-	0.05
Financial assets available-for-sale	3.05	3.05	3.48
Loans and receivables from banks	0.06	0.06	0.11
Loans and receivables from clients	6.27	6.27	6.48
Receviables on financial lease	6.16	-	-
Current accounts and deposits from banks	1.41	1.41	1.25
Current accounts and deposits from clients	1.23	1.23	1.48
Received deposits-participation from lease users	-	-	-
Interest-bearing borrowings	2.56	2.39	2.64
Subordinated debt	2.67	2.67	2.87
Issued debt securities	-	-	-

40.6 Operational risk

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

The Group 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 UniCredit 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 Group, through regular strategic management and supervision. In this way the Group has a special focus on continuous analysis and development of solutions to avoid, control and transfer operational risk to third parties.

The Group uses standard procedures within its established operational risk management system, which include gathering information about default events, monitoring key operational risk indicators, assessing operational risk when implementing new products/systems/procedures or before conducting new business activities, scenario analysis and analysis and reporting of the Management and other key management personnel on the Group’s exposure to operational risk, which also includes reporting on the results of operational risk management.

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

40. RISK MANAGEMENT (CONTINUED)

40.7 Reputational risk

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

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

The Group recognises the importance of preventing and mitigating actions in reputational risk management.

Responsibility for reputational risk management is distributed through the overall hierarchical structure and continuous rising of awareness on importance of reputational risk is one of the pillars of the risk management.

40.8 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 2015, the Bank has been in compliance with all regulatory capital requirements and according to the local regulations had a capital adequacy ratio of 15.2% as at 31 December 2015.

Net capital for 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 for credit losses (ORGK) calculated at prescribed rates by the regulator (see below). ORGK included as Tier 2 capital does not comprise total calculated ORKG. As of 31.12.2015, the Bank included ORKG in the amount of 1.625% of total rik weighted assets in Tier 2 capital pursuant to the Decision on minimum standards for equity management in banks and equity hedge.
- deducting capital items

As explained in Note 4, FBA also requires amounts of reserves for credit losses (RKG) calculated in accordance with FBA rules to be excluded or deducted from capital for capital adequacy assessment purposes, to the extent that those such calculated RKG exceed the total impairment allowances recognised by the Bank in the financial statements.

40. RISK MANAGEMENT (CONTINUED)

40.8 Capital management (continued)

In accordance with the above requirements, the Bank has excluded from capital an amount of KM 41,482 thousand. Out of this amount, KM 20,682 thousand were already recognised as within the equity in the financial statements; the rest of KM 20,800 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 2015 was also significantly above the prescribed limit. The composition of the Bank's net capital and ratios for the years ended 31 December 2015 and 2014 is given in the table below (information on risk-weighted assets is unaudited at the date of issuance of this report).

The composition of the Bank's net capital and ratios for the years ended 31 December 2015 and 2014 is given in the table below (information on risk-weighted assets is unaudited at the date of issuance of this report).

	Bank	**Bank**
	2015	**2014**
Core capital		
Ordinary shares	119,011	119,011
Treasury shares	(81)	(81)
Share premium	48,317	48,317
Reserve and retained earnings	316,747	316,666
Intangible assets	(13,057)	(11,447)
Defferred tax assets	(37)	(13)
Negative revalorisation reserves due to effects of fair value changes of assets	(516)	(426)
Total share capital	**470,384**	**472,027**
Supplement capital		
ORKG under FBA rules	53,847	65,820
Positive revalorisation reserves due to effects of fair value changes of assets	143	241
Preference shares	184	184
Subordinated debt	-	19,558
Total additional capital	**54,174**	**85,803**
Deductions from capital		
Adjustment for shortfall in regulatory reserves per regulatory requirement	(20,800)	(25,325)
Total deductions from capital	**(20,800)**	**(25,325)**
Net capital	**503,758**	**532,505**
Risk weighted assets		
Credit-risk – weighted assets	3,071,952	3,010,181
Other weighted assets	241,712	241,270
Total risk weighted assets	**3,313,664**	**3,251,451**
Capital adequacy ratio	**15.2%**	**16.4%**

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

40. RISK MANAGEMENT (CONTINUED)

40.9 Financial leverage rate

The Bank is obligated to ensure and maintain financial leverage rate starting with the position as of 31 December 2015, as an additional security and simple capital hedge, in the amount of at least 6%.

Bank's financial leverage rate for calendar quarter is a simple arithmetic average of the rate of core capital and the amount of total exposure of the bank to the risk with the position as of the last calendar day of the month, presented as percentage.

For the purpose of presenting the Bank's financial leverage rate, exposure and capital values are presented as an average of the last trimester of 2015.

	Average IV quarter 2015
Exposure value	**5,094,501**
Active balance positions	4,335,569
Off-balance positions	758,932
Financial leverage rate	**9.2%**

41. FAIR VALUE MEASUREMENT

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

41.1 Fair value of Group's financial assets and financial liabilities that are measured at fair value on a recurring basis, from period to period

Some of the Group'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).

Group			
31 December 2015		**Fair values**	
	Level 1	Level 2	Level 3
Financial assets available-for-sale (see Note 18)			
Listed equity securities in Bosnia and Herzegovina	214	-	-
Unlisted debt securities in Bosnia and Herzegovina:			
Bonds of the Government of Federation of BiH	-	-	236,236
Bonds of the Government of Republika Srpska	-	-	74,751
Treasury bills of the Government of Federation of BiH	-	-	16,976
Treasury bills of the Government of Republika Srpska	-	-	8,422
Unlisted debt securities in Croatia:			
Treasury bills of the Government of the Republic of Croatia	-	3,444	-
Unlisted debt securities in Austria (banking)	-	88,504	
Unlisted equity securities in Bosnia and Herzegovina	-	-	-
Foreign currency forward contracts (see Note 19)			
Assets	-	1	7
Liabilities	-	5	1

41. FAIR VALUE MEASUREMENT (CONTINUED)

41.1 Fair value of Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis, from period to period (continued)

Bank

31 December 2014	Fair values		
	Level 1	**Level 2**	**Level 3**
Financial assets available-for-sale (see Note 18)			
Listed equity securities in Bosnia and Herzegovina	214	-	-
Unlisted debt securities in Bosnia and Herzegovina:			
Bonds of the Government of Federation of BiH	-	171,961	-
Bonds of the Government of republika Srpska	-	25,570	-
Treasury bills of the Government of Federation of BiH	-	27,633	-
Treasury bills of the Government of Republika Srpska	-	5,334	-
Unlisted debt securities in Croatia:			
Treasury bills of the Government of 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

Valuation techniques and key inputs

Financial assets available-for-sale

For the securities presented under Level 1 valuation technique is based on quoted bid prices in an active market.

For the securities presented under Level 2 (unlisted debt securities in 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 future cash flows, considering the last available rate on owned or similar debt securities as yield rate.

For the securities presented under Level 3 (unlisted debt and equity securities in Bosnia and Herzegovina) discounted cash flow valuation technique is applied. Instruments classified in this category depend on factors not available on the market.

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 2015 and 2014.

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

41. FAIR VALUE MEASUREMENT (CONTINUED)

41.2 Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis, from period to period (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 recognised in the financial statements approximate their fair values.

	Group		Bank		Bank	
	31 December 2015		31 December 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Loans and receivables:						
Loans and receivables from clients	2,618,456	2,816,609	2,617,373	2,815,526	2,478,823	2,609,468
Receivables on financial lease	116,894	116,894				
Financial liabilities						
Financial liabilities held at amortised cost:						
- Current accounts and deposits from clients	3,316,882	3,336,849	3,316,882	3,336,849	2,961,200	2,982,685
- Borrowings	243,512	243,902	106,864	107,254	158,316	158,437

Group	Fair value hierarchy as at 31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables:				
- Loans and receivables from clients	-	196,724	2,619,885	2,816,609
- Receivables on financial lease	-	-	116,894	116,894
	-	196,724	2,736,779	2,933,503
Financial liabilities				
Financial liabilities held at amortised cost:				
- Current accounts and deposits from clients	-	910,809	2,426,040	3,336,849
- Borrowings	-	243,902	-	243,902
	-	**1,154,711**	**2,426,040**	**3,580,751**

41. FAIR VALUE MEASUREMENT (CONTINUED)

41.2 Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis, from period to period (but fair value disclosures are required) (continued)

Bank				**Fair value hierarchy as at 31 December 2015**
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables:				
- Loans and receivables from clients	-	196,724	2,618,802	2,815,526
	-	**196,724**	**2,618,802**	**2,815,526**
Financial liabilities				
Financial liabilities held at amortised cost:				
- Current accounts and deposits from clients	-	910,809	2,426,040	3,336,849
- Borrowings	-	107,254	-	107,254
	-	**1,018,063**	**2,426,040**	**3,444,103**

Presumptions used for estimate and measurement of fair value of particular financial instruments for 2015 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 concept of risk neutral "Probability of Default" approach based on market parameters, introduced for determining fair value by restricting dependence on internal parameters. The parameters included in the calculation are market premium and correlation of assets return and the market.

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 equal or greater than 2% instrument is classified as Level 3. Accordingly, if the total fair value is not significantly different from the risk-free fair value (less than 2%), the instrument is classified as Level 2.

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

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

41.3 Reconciliation of Level 3 fair value measurements

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

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

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on the pages 31 to 123 were approved by the Management Board on 16 February 2016 for the submission to the Supervisory Board:

UniCredit Bank dioničko društvo

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 (CONTINUED)

These financial statements include Balance Sheet (statement of financial position as at 31.12.2015) and Profit and Loss for UniCredit Bank d.d. and Group UniCredit Bank d.d 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 31.12.2015).

BALANCE SHEET (Statement of financial position as at 31 December 2015) **in BAM**

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	4,634,363,670	306,715,863	4,327,647,807	3,913,061,281
1. Cash and cash equivalents,gold and receivables from business (003 to 007)	0 0 2	824,067,742	9,601,283	814,466,459	506,621,854
a) Cash and cash equivalents in domestic currency	0 0 3	538,462,535	4,361,878	534,100,657	263,108,147
b) Other receivables in domestic currency	0 0 4	42,214,012	5,000,965	37,213,047	34,557,838
c) Cash and cash equivalents in foreign currency	0 0 5	242,634,025	0	242,634,025	208,368,139
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	720,629	238,440	482,189	551,189
2. Deposits and loans in local and foreign currency (009 + 010)	0 0 8	302,868,417	0	302,868,417	267,415,796
a) Deposits and loans in domestic currency	0 0 9	302,868,417	0	302,868,417	267,415,796
b) Deposits and loans in foreign currency	0 1 0	0	0	0	0
3. Fee and interest receivables,receivables based on sale and other receivables (012 + 013)	0 1 1	7,743,502	6,662,120	1,081,382	917,012
a) Fee and interest receivables,receivables based on sale and other receivables in local currency	0 1 2	7,496,159	6,416,852	1,079,307	914,876
b) Fee and interest receivables,receivables based on sale and other receivables in foreign currency	0 1 3	247,343	245,268	2,075	2,136
4. Loans and deposits (015 to 017)	0 1 4	2,365,539,643	69,180,111	2,296,359,532	2,381,044,800
a) Loans and deposits in local currency	0 1 5	1,084,139,943	23,780,216	1,060,359,727	1,071,878,114
b) Loans and deposits with hedge local currency currency	0 1 6	1,160,849,995	42,034,664	1,118,815,331	1,004,876,192
c) Loans and deposits in foreign currency	0 1 7	120,549,705	3,365,231	117,184,474	304,290,494
5. Securities (019 to 021)	0 1 8	425,505,107	28,477	425,476,630	316,452,488
a) Securities in local currency	0 1 9	218,620,297	28,477	218,591,820	198,468,113
b) Securities with hedge local currency	0 2 0	115,583,219	0	115,583,219	30,492,780
c) Securities in foreign currency	0 2 1	91,301,591	0	91,301,591	87,491,595
6. Other placements and prepayments (023 to 029)	0 2 2	706,342,117	221,236,813	485,105,304	439,066,789
a) Other placements in local currency	0 2 3	2,356,640	2,356,640	0	0
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	661,104,571	202,500,828	458,603,743	417,012,243
d) Prepayments in local currency	0 2 6	15,097,093	392,570	14,704,523	14,620,233
e) Other placements in foreign currency	0 2 7	10,867,070	6,930,155	3,936,915	3,718,288
f) Due placements and current maturities of long-term placements in foreign currency	0 2 8	14,423,365	9,049,956	5,373,409	2,821,993
g) Prepayments in foreign currency	0 2 9	2,493,378	6,664	2,486,714	894,032
7. Inventories	0 3 0	2,297,142	7,059	2,290,083	1,542,542
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	216,681,713	152,836,552	63,845,161	63,700,952
1. Tangible assets and investment in property (037 to 040)	0 3 6	162,409,828	111,621,656	50,788,172	52,253,599
a) Tangible assets owned by the bank	0 3 7	136,753,516	90,645,729	46,107,787	47,775,022
b) Investment in property	0 3 8	22,950,004	20,975,927	1,974,077	2,451,140
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	2,706,308	0	2,706,308	2,027,437
2. Intangible assets (042 to 046)	0 4 1	54,271,885	41,214,896	13,056,989	11,447,353
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	48,284,999	41,214,896	7,070,103	4,589,277
e) Advances and assets acquired but not brought into use	0 4 6	5,986,886	0	5,986,886	6,858,076
C. DEFFERED TAX ASSETS	0 4 7	37,143	0	37,143	13,056
D. OPERATING ASSETS (001+035+047)	0 4 8	4,851,082,526	459,552,415	4,391,530,111	3,976,775,289
E. OFF BALANCE SHEET ASSETS	0 4 9	865,074,751	0	865,074,751	1,022,475,174
F. TOTAL ASSETS (048+049)	0 5 0	5,716,157,277	459,552,415	5,256,604,862	4,999,250,463

ITEM		**Current year**	**Previous year (initial balance)**
1	**Code for AOP**	**3**	**4**
A. LIABILITIES (102+106+109+113)	1 0 1	3,672,088,914	3,336,701,478
1. Deposits and borrowings (103 to 105)	1 0 2	3,513,161,622	3,057,093,563
a) Deposits and interest-bearing borrowings in domestic currency	1 0 3	1,672,432,388	1,368,793,464
b) Hedging deposits and borrowings	1 0 4	101,768,784	79,637,676
c) Deposits and interest-bearing borrowings in foreign currency	1 0 5	1,738,960,450	1,608,662,423
2. Interests and fees (107+108)	1 0 6	24,133	35,253
a) Interests and fees in domestic currency	1 0 7	16,339	16,852
b) Interests and fees in foreign currency	1 0 8	7,794	18,401
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	158,903,159	279,572,662
a) Salaries and fees	1 1 4	2,221,172	2,828,580
b) Other liabilities in domestic currency , excluding liabilities for tax and contributions	1 1 5	62,248,394	49,686,309
c) Tax and contributions ,excluding current and deffered income tax	1 1 6	1,724,605	2,033,193
d) Current tax liability	1 1 7	9,645,941	7,586,908
e) Deffered tax liability	1 1 8	1,338,503	1,397,540
f) Provisions	1 1 9	19,698,688	16,767,058
g) Accruals in domestic currency	1 2 0	13,563,534	12,075,584
h) Commission operations,AFS assets,discontinued operation assets,subordinated debt liabilities and current liabilities	1 2 1	4,215,091	4,082,782
i) Other liabilities in foreign currency	1 2 2	12,175,162	11,767,516
j) Accruals in foreign currency	1 2 3	20,962,571	21,262,913

k) Commission operations, due and subordinated liabilities and current maturities in goreign currency	1	2	4	11,109,498	150,084,279
B. EQUITY (126+132+138+142-148)	1	2	5	719,441,197	640,073,811
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	-334,283	-117,508
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	-334,283	-117,508
c) Other revaluation resereves	1	4	1	0	0
4. Profit (143 to 147)	1	4	2	214,915,729	135,331,568
a) Profit for the year	1	4	3	79,584,161	61,397,874
b) Unallocated profit from prior years	1	4	4	135,331,568	73,933,694
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	4,391,530,111	3,976,775,289
D. OFF BALANCE SHEET LIABILITIES	1	5	2	865,074,751	1,022,475,174
E. TOTAL LIABILITIES (151+152)	1	5	3	5,256,604,862	4,999,250,463

PROFIT AND LOSS (Statement of financial result as at 31 December 2015)

in BAM

ITEM	Code for AOP	VALUE Current year	Prior year
1	2	3	4
A. OPERATING INCOME AND EXPENSES **1. Interest income**	2 0 1	189,450,448	179,857,219
2. Interest expense	2 0 2	37,077,956	40,967,747
Net interest income (201-202)	2 0 3	152,372,492	138,889,472
Net interest expense (202-201)	2 0 4	0	0
3. Fee and commissions income	2 0 5	79,961,089	77,885,217
4. Fee and commissions expense	2 0 6	12,557,799	11,250,651
Net fee and commission income (205-206)	2 0 7	67,403,290	66,634,566
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	1,475	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	1,475	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	1,475	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	219,777,257	205,524,038
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	115,936,167	114,484,425
a) Expenses of gross salaries and contribution expense	2 2 7	46,338,371	45,506,124
b) Expenses of fees for temporary and occasional work contracts	2 2 8	242,566	421,601
c) Other personnel expenses	2 2 9	3,429,205	4,007,209
d) Material expenses	2 3 0	3,778,179	3,475,546
e) Production services expenses	2 3 1	27,645,648	27,290,004
f) Depreciation expenses	2 3 2	9,677,353	10,142,322
g) Expenses from leasing activities	2 3 3	0	0
h) Non-material expenses (excluding taxes and contributions)	2 3 4	23,203,289	21,976,931
i) Tax and contributions expenses	2 3 5	1,621,556	1,664,688
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	115,936,167	114,484,425

C) GAIN AND LOSS ON PROVISIONS **1. Bad debts recovered (240 to 243)**	2	3	9	154,739,087	195,252,965
a) Income from recovered provisions for placements	2	4	0	128,342,297	172,234,773
b) Income from recovered provisions for off-balance sheet items	2	4	1	25,381,673	22,666,602
c) Income from recovered provision for liabilities	2	4	2	1,015,117	351,590
d) Income from other provisions recovered	2	4	3	0	0
2. Provision charges (245 to 248)	2	4	4	169,789,632	218,286,003
a) Provisions charges for placements	2	4	5	139,980,966	191,042,385
b) Provision charges for off-balance sheet items	2	4	6	27,154,524	26,026,223
c) Charges based on provisions for liabilities	2	4	7	1,945,003	794,613
d) Other provision charges	2	4	8	709,139	422,782
PROVISIONS INCOME (239-244)	2	4	9	0	0
PROVISION CHARGES (244-239)	2	5	0	15,050,545	23,033,038
D. OTHER INCOME AND EXPENSES **1. Other income (252 to 258)**	2	5	1	1,493,313	1,379,311
a) Income from bad debts previously written off	2	5	2	226	37,945
b) Losses from sales of fixed assets, and intangible investments	2	5	3	224,822	102,920
c) Income from reduction in liabilities	2	5	4	0	0
d) Income from dividends and shares	2	5	5	12,435	9,282
e) Surplus	2	5	6	42,402	39,886
f) Other income	2	5	7	1,213,428	1,189,278
g) Gains grom discounted operations	2	5	8	0	0
2. Other expense (260 to 266)	2	5	9	560,426	886,529
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	49,419	203,317
d) Shortfalls	2	6	3	10,000	10,708
e) Inventorywrite-offs	2	6	4	0	0
f) Other expenses	2	6	5	501,007	672,504
g) Expenses from discontinued operations	2	6	6	0	0
GAIN FROM OTHER INCOME AND EXPENSES (251-259)	2	6	7	932,887	492,782
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	89,723,432	68,499,357
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	260,321,334	124,741,609
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	260,321,334	124,741,609
2. Expenses from change in value of assets and liabilities (278 to 282)	2	7	7	260,873,704	124,256,186
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	1,339,622	0
e) Expenses from unfavorable foreign exchange differences	2	8	2	259,534,082	124,256,186
PROFIT ARISING FROM THE CHANGE IN VALUE OF ASSETS AND LIABILITIES (271-277)	2	8	3	0	485,423
LOSS FROM CHANGE IN VALUE OF ASSETS AND LIABILITIES (277-271)	2	8	4	552,370	0
PROFIT BEFORE TAX (269+283-270-284))	2	8	5	89,171,062	68,984,780
LOSS BEFORE TAX (270+284-269-283)	2	8	6	0	0
F. **CURRENT AND DEFFERED INCOME TAX** **1. Income tax**	2	8	7	9,645,939	7,586,906
2. Profit from increase of deffered tax assets and decrease of deffered tax liabilities	2	8	8	59,038	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	79,584,161	61,397,874
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	240,862	168,758
a) Losses from change in fair value of securities available for sale	3	0	0	240,862	168,758
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	-240,862	-168,758
H. INCOME TAX RELATING TO OTHER TOTAL RESULT FOR THE PERIOD	3	0	6	24,086	16,876
OTHER TOTAL RESULT FOR THE PERIOD (305±306)	3	0	7	-216,776	-151,882
TOTAL NET PROFIT FOR THE YEAR (290±307)	3	0	8	79,367,385	61,245,992
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	668	515
Diluted earings per share	3	1	3	668	515
Average number of employees based on hours worked	3	1	4	1,220	1,249
Average number of employees based on periods end	3	1	5	1,224	1,259

CONSOLIDATED BALANCE SHEET (Statement of financial position as at 31 December 2015)

in BAM

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	4,795,962,141	334,600,488	4,461,361,653	0
1. Cash and cash equivalents,gold and receivables from business (003 to 007)	0 0 2	824,137,197	9,601,283	814,535,914	0
a) Cash and cash equivalents in domestic currency	0 0 3	538,462,874	4,361,878	534,100,996	0
b) Other receivables in domestic currency	0 0 4	42,282,227	5,000,965	37,281,262	0
c) Cash and cash equivalents in foreign currency	0 0 5	242,634,926	0	242,634,926	0
d) Gold and other precious metals	0 0 6	36,541	0	36,541	0
e) Other receivables in foreign currency	0 0 7	720,629	238,440	482,189	0
2. Deposits and loans in local and foreign currency (009 + 010)	0 0 8	302,868,417	0	302,868,417	0
a) Deposits and loans in domestic currency	0 0 9	302,868,417	0	302,868,417	0
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	8,596,338	6,762,608	1,833,730	0
a) Fee and interest receivables,receivables based on sale and other receivables in local currency	0 1 2	8,348,995	6,517,339	1,831,656	0
b) Fee and interest receivables,receivables based on sale and other receivables in foreign currency	0 1 3	247,343	245,269	2,074	0
4. Loans and deposits (015 to 017)	0 1 4	2,366,916,395	69,431,553	2,297,484,842	0
a) Loans and deposits in local currency	0 1 5	1,084,139,943	23,780,216	1,060,359,727	0
b) Loans and deposits with hedge local currency currency	0 1 6	1,162,226,747	42,286,106	1,119,940,641	0
c) Loans and deposits in foreign currency	0 1 7	120,549,705	3,365,231	117,184,474	0
5. Securities (019 to 021)	0 1 8	425,505,107	28,477	425,476,630	0
a) Securities in local currency	0 1 9	218,620,297	28,477	218,591,820	0
b) Securities with hedge local currency	0 2 0	115,583,219	0	115,583,219	0
c) Securities in foreign currency	0 2 1	91,301,591	0	91,301,591	0
6. Other placements and prepayments (023 to 029)	0 2 2	849,609,048	243,778,157	605,830,891	0
a) Other placements in local currency	0 2 3	2,356,640	2,356,640	0	0
b) Other placements with hedge local currency	0 2 4	98,671,917	15,482,272	83,189,645	0
c) Due placements and current maturities of long-term placements in local currency	0 2 5	705,448,697	209,559,900	495,888,797	0
d) Prepayments in local currency	0 2 6	15,347,981	392,570	14,955,411	0
e) Other placements in foreign currency	0 2 7	10,867,070	6,930,155	3,936,915	0
f) Due placements and current maturities of long-term placements in foreign currency	0 2 8	14,423,365	9,049,956	5,373,409	0
g) Prepayments in foreign currency	0 2 9	2,493,378	6,664	2,486,714	0
7. Inventories	0 3 0	18,285,856	4,998,410	13,287,446	0
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	43,783	0	43,783	0
B. FIXED ASSETS (036+041)	0 3 5	235,962,340	161,872,785	74,089,555	0

1. Tangible assets and investment in property (037 to 040)	0 3 6	181,009,164	120,110,924	60,898,240	0
a) Tangible assets owned by the bank	0 3 7	149,399,336	95,052,939	54,346,397	0
b) Investment in property	0 3 8	28,903,520	25,057,985	3,845,535	0
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	2,706,308	0	2,706,308	0
2. Intangible assets (042 to 046)	0 4 1	54,953,176	41,761,861	13,191,315	0
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	48,966,290	41,761,861	7,204,429	0
e) Advances and assets acquired but not brought into use	0 4 6	5,986,886	0	5,986,886	0
C. DEFFERED TAX ASSETS	0 4 7	37,143	0	37,143	0
D. OPERATING ASSETS (001+035+047)	0 4 8	5,031,961,624	496,473,273	4,535,488,351	0
E. OFF BALANCE SHEET ASSETS	0 4 9	886,504,118	0	886,504,118	0
F. TOTAL ASSETS (048+049)	0 5 0	5,918,465,742	496,473,273	5,421,992,469	0

ITEM		**Current year**	**Previous year (initial balance)**
1	**Code for AOP**	**3**	**4**
A. LIABILITIES (102+106+109+113)	1 0 1	3,806,762,613	0
1. Deposits and borrowings (103 to 105)	1 0 2	3,606,548,556	0
a) Deposits and interest-bearing borrowings in domestic currency	1 0 3	1,672,985,525	0
b) Hedging deposits and borrowings	1 0 4	101,768,784	0
c) Deposits and interest-bearing borrowings in foreign currency	1 0 5	1,831,794,247	0
2. Interests and fees (107+108)	1 0 6	27,696	0
a) Interests and fees in domestic currency	1 0 7	16,339	0
b) Interests and fees in foreign currency	1 0 8	11,357	0
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	200,186,361	0
a) Salaries and fees	1 1 4	2,221,172	0
b) Other liabilities in domestic currency , excluding liabilities for tax and contributions	1 1 5	62,389,498	0
c) Tax and contributions ,excluding current and deffered income tax	1 1 6	1,736,174	0
d) Current tax liability	1 1 7	9,779,712	0
e) Deffered tax liability	1 1 8	1,338,503	0
f) Provisions	1 1 9	19,819,574	0
g) Accruals in domestic currency	1 2 0	13,822,694	0
h) Commission operations,AFS assets,discontinued operation assets,subordinated debt liabilities and current liabilities	1 2 1	4,215,091	0
i) Other liabilities in foreign currency	1 2 2	12,175,162	0
j) Accruals in foreign currency	1 2 3	20,962,571	0
k) Commission operations, due and subordinated liabilities and current maturities in goreign currency	1 2 4	51,726,210	0
B. EQUITY (126+132+138+142-148)	1 2 5	728,725,738	0

1. Issued share capital (127+128+129-130-131)	1	2	6	167,283,583	0
a) Share capital	1	2	7	119,195,000	0
b) Other forms of capital	1	2	8	0	0
c) Share premium	1	2	9	48,317,277	0
d) Registered but uncontributed capital	1	3	0	0	0
e) Repurchase of own shares	1	3	1	228,694	0
2. Reserves (133 to 137)	1	3	2	346,055,524	0
a) Reserves from profit	1	3	3	316,894,479	0
b) Other provisions	1	3	4	8,479,356	0
c) Provision for losses	1	3	5	20,681,689	0
d) General banking risk provisions	1	3	6	0	0
e) Transferred reserves (foreign exchange)	1	3	7	0	0
3. Revaluation reserve (139 to 141)	1	3	8	-334,283	0
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	-334,283	0
c) Other revaluation resererves	1	4	1	0	0
4. Profit (143 to 147)	1	4	2	216,224,839	0
a) Profit for the year	1	4	3	80,893,271	0
b) Unallocated profit from prior years	1	4	4	135,331,568	0
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	503,925	0
a) Loss for the period	1	4	9	0	0
b) Loss from previous years	1	5	0	503,925	0
C. LIABILITIES (101+125)	1	5	1	4,535,488,351	0
D. OFF BALANCE SHEET LIABILITIES	1	5	2	886,504,118	0
E. TOTAL LIABILITIES (151+152)	1	5	3	5,421,992,469	0

By the end of 2015, the Bank acquired 100% share in the company UniCredit Leasing d.o.o. Sarajevo (subsidiary), and 49% share in the company UniCredit Broker d.o.o. Sarajevo (associate). In the financial statements for 2015, the consolidation of the subsidiary was presented using full consolidation method, and the consolidation of the associate was presented using share method.

In the statement of financial position, the positions of income and expenses of the subsidiary are presented cumulatively within the retained earnings position. Data for 2014 relates to the Bank only considering that companies are aquired at the end of 2015.

CONSOLIDATED PROFIT AND LOSS as at 31 December 2015

in BAM

ITEM	Code for AOP	VALUE Current year	Prior year
1	2	3	4
A. OPERATING INCOME AND EXPENSES **1. Interest income**	2 0 1	189,450,448	0
2. Interest expense	2 0 2	37,077,956	0
Net interest income (201-202)	2 0 3	152,372,492	0
Net interest expense (202-201)	2 0 4	0	0
3. Fee and commissions income	2 0 5	79,961,089	0
4. Fee and commissions expense	2 0 6	12,557,799	0
Net fee and commission income (205-206)	2 0 7	67,403,290	0
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	1,475	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	1,475	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	1,475	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	219,777,257	0
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	115,936,167	0
a) Expenses of gross salaries and contribution expense	2 2 7	46,338,371	0
b) Expenses of fees for temporary and occasional work contracts	2 2 8	242,566	0
c) Other personnel expenses	2 2 9	3,429,205	0
d) Material expenses	2 3 0	3,778,179	0
e) Production services expenses	2 3 1	27,645,648	0
f) Depreciation expenses	2 3 2	9,677,353	0
g) Expenses from leasing activities	2 3 3	0	0
h) Non-material expenses (excluding taxes and contributions)	2 3 4	23,203,289	0
i) Tax and contributions expenses	2 3 5	1,621,556	0
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	115,936,167	0
C) GAIN AND LOSS ON PROVISIONS **1. Bad debts recovered (240 to 243)**	2 3 9	154,739,087	0

a) Income from recovered provisions for placements	2	4	0	128,342,297	0
b) Income from recovered provisions for off-balance sheet items	2	4	1	25,381,673	0
c) Income from recovered provision for liabilities	2	4	2	1,015,117	0
d) Income from other provisions recovered	2	4	3	0	0
2. Provision charges (245 to 248)	2	4	4	169,789,632	0
a) Provisions charges for placements	2	4	5	139,980,966	0
b) Provision charges for off-balance sheet items	2	4	6	27,154,524	0
c) Charges based on provisions for liabilities	2	4	7	1,945,003	0
d) Other provision charges	2	4	8	709,139	0
PROVISIONS INCOME (239-244)	2	4	9	0	0
PROVISION CHARGES (244-239)	2	5	0	15,050,545	0
D. OTHER INCOME AND EXPENSES **1. Other income (252 to 258)**	2	5	1	1,493,313	0
a) Income from bad debts previously written off	2	5	2	226	0
b) Losses from sales of fixed assets, and intangible investments	2	5	3	224,822	0
c) Income from reduction in liabilities	2	5	4	0	0
d) Income from dividends and shares	2	5	5	12,435	0
e) Surplus	2	5	6	42,402	0
f) Other income	2	5	7	1,213,428	0
g) Gains grom discounted operations	2	5	8	0	0
2. Other expense (260 to 266)	2	5	9	560,426	0
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	49,419	0
d) Shortfalls	2	6	3	10,000	0
e) Inventorywrite-offs	2	6	4	0	0
f) Other expenses	2	6	5	501,007	0
g) Expenses from discontinued operations	2	6	6	0	0
GAIN FROM OTHER INCOME AND EXPENSES (251-259)	2	6	7	932,887	0
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	89,723,432	0
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	260,321,334	0
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	260,321,334	0
2. Expenses from change in value of assets and liabilities (278 to 282)	2	7	7	260,873,704	0
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	1,339,622	0

e) Expenses from unfavorable foreign exchange differences	2	8	2	259,534,082	0
PROFIT ARISING FROM THE CHANGE IN VALUE OF ASSETS AND LIABILITIES (271-277)	2	8	3	0	0
LOSS FROM CHANGE IN VALUE OF ASSETS AND LIABILITIES (277-271)	2	8	4	552,370	0
PROFIT BEFORE TAX (269+283-270-284))	2	8	5	89,171,062	0
LOSS BEFORE TAX (270+284-269-283)	2	8	6	0	0
F. CURRENT AND DEFFERED INCOME TAX **1. Income tax**	2	8	7	9,645,939	0
2. Profit from increase of deffered tax assets and decrease of deffered tax liabilities	2	8	8	59,038	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	79,584,161	0
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	240,862	0
a) Losses from change in fair value of securities available for sale	3	0	0	240,862	0
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	-240,862	0
H. INCOME TAX RELATING TO OTHER TOTAL RESULT FOR THE PERIOD	3	0	6	24,086	0
OTHER TOTAL RESULT FOR THE PERIOD (305±306)	3	0	7	-216,776	0
TOTAL NET PROFIT FOR THE YEAR (290±307)	3	0	8	79,367,385	0
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	668	0
Diluted earings per share	3	1	3	668	0
Average number of employees based on hours worked	3	1	4	1,220	0
Average number of employees based on periods end	3	1	5	1,224	0

By the end of 2015, the Bank acquired 100% share in the company UniCredit Leasing d.o.o. Sarajevo (subsidiary), and 49% share in the company UniCredit Broker d.o.o. Sarajevo (associate). In the financial statements for 2015, the consolidation of the subsidiary was presented using full consolidation method, and the consolidation of the associate was presented using share method.

Consideringg the date of acquisition (22 December 2015) and materiality of effects, The Bank did not consolidate the statement of profit or loss. Only Bank's results are presented in the statement of profit or loss for the Group UniCredit Bank d.d.. Data for 2014 relates to the Bank only considering that companies are aquired at the end of 2015.

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 2015

Branch	Address	City	ZIP code	Phone
BUSINESS CENTER MOSTAR				
Branch 1 Mostar (Mepas)	Kardinala Stepinca bb	Mostar (Mepas Mall)	88000	036/356-277
Branch 2 Mostar - Mostarka	Dubrovačka 4	Mostar (Mostarka)	88000	036/325-702
Branch 3 Mostar - Revija	Mostarskog bataljona 4	Mostar (Revija)	88000	036/501-412
Branch 5 Mostar(Rondo)	Kralja Petra Krešimira IV B2	Mostar (Rondo)	88000	036/333-902
Branch Čapljina	Gojka Šuška bb	Čapljina	88300	036/810-712
Branch Stolac	Hrvatskih branitelja bb	Stolac	88360	036/858-444
Branch Neum	Dr. Franje Tuđmana bb	Neum	88390	036/880-149
Branch Čitluk	Kralja Tvrtka 1	Čitluk	88260	036/640-439
Branch Konjic	Trg Državnosti bb	Konjic	88400	036/725-205
BUSINESS CENTER ZAPADNA HERCEGOVINA				
Branch Grude	Franje Tuđmana br. 124	Grude	88340	039/660-123
Branch Široki Brijeg	Fra Didaka Buntića 13	Široki Brijeg	88220	039/700-212
Branch 2 Široki Brijeg	Fra Didaka Buntića bb	Široki Brijeg	88220	039/702-530
Branch Ljubuški	Kralja Zvonimira bb	Ljubuški	88320	039/831-340
Branch Livno	Kralja Tvrtka bb	Livno	80101	034/208-222
Branch Tomislavgrad	Brigade Kralja Tomislava bb	Tomislavgrad	80240	034/356-203
Branch Posušje	Fra Grge Martića 28	Posušje	88240	039/685-416
BUSINESS CENTER BOSNA SI				
Branch Vitez	Petra Krešimira IV	Vitez	72250	030/717-410
Branch 1 Vitez	Poslovni centar 96, FIS	Vitez	72250	030/718-683
Branch Uskoplje	Bana Jelačića bb	Uskoplje	70240	030/496-596
Branch Donji Vakuf	770 Slavne Brdske brigade 23	Donji Vakuf	70220	030/259-661
Branch Novi Travnik	Kralja Tvrtka bb	Novi Travnik	72290	030/795-502
Branch Fojnica	Mehmeda Spahe 18	Fojnica	71270	030/547-022
Branch 1 Travnik	Bosanska 56	Travnik	72270	030/547-017
Branch Jajce	Hrvoja Vukčića Hrvatinića bb	Jajce	70101	030/654-563
Branch Rama	Kralja Tomislava bb	Rama	88440	036/770-919
Branch Bugojno	Zlatnih ljiljana 16	Bugojno	70230	030/259-577
Branch Kiseljak	Josipa Bana Jelačića bb	Kiseljak	71250	030/877-122
BUSINESS CENTER ZENICA				
Branch Žepče	Stjepana Tomaševića bb	Žepče	72230	032/880-785
Branch 1 Visoko	Branilaca 20a	Visoko	71300	032/730-057
Branch Zenica	Školska bb	Zenica	72000	032/449-346
Branch 1 Zenica	Londža 75/b	Zenica	72000	032/202-623
Branch Kakanj	Alije Izetbegovića bb	Kakanj	72240	032/557-212
Branch Tešanj	Braće Pobrić bb	Tešanj	74260	032/665-196
Branch Jelah	Titova bb	Jelah	74264	032/667-892
Branch Breza	Alije Izetbegovića 80	Breza	71370	032/786-014
Branch Zavidovići	Pinkasa Bandta bb	Zavidovići	72220	032/869-200
Branch Vareš	Zvijezda 63	Vareš	71330	032/848-030
Branch Olovo	Branilaca 17	Olovo	71340	032/829-535
Branch Maglaj	Aleja ljiljana bb	Maglaj	74250	032/609-811

Branch	Address	City	ZIP code	Phone
BUSINESS CENTER BIHAĆ				
Branch Bihać	Ulica V. Korpusa bb	Bihać	77000	037/229-975
Branch 1 Bihać	Trg slobode 7	Bihać	77000	037/229-280
Branch Velika Kladuša	Maršala Tita 23	Velika Kladuša	77230	037/776-606
Branch 1 Cazin	Cazinskih brigada bb	Cazin	77220	037/515-016
Branch Bosanska Krupa	511. Slavne brdske brigade bb	Bosanska Krupa	77240	037/476-880
Branch 1 Sanski Most	Trg oslobodilaca bb	Sanski Most	79260	037/688-547
BUSINESS CENTER SARAJEVO STARI GRAD				
Branch Sarajevo	Maršala Tita 48	Sarajevo.	71000	033/201-981
Branch 3 Sarajevo	Zagrebačka 2-4	Sarajevo (Kovačići)	71000	033/253-973
Branch 4 Sarajevo	Alipašina 45a	Sarajevo (Ciglane)	71000	033/560-790
Branch 11 Sarajevo	Gajev trg 2	Sarajevo	71000	033/251-950
Branch 12 Sarajevo	Zelenih beretki 24	Sarajevo	71000	033/491-748
Branch 13 Sarajevo	Branilaca grada 53	Sarajevo	71000	033/221-700
Branch 15 Sarajevo	Bolnička 25	Sarajevo	71000	033/218-201
Branch 16 Sarajevo	Fra Anđela Zvizdovića 1	Sarajevo UNITIC	71000	033/252-280
BUSINESS CENTER NOVO SARAJEVO				
Branch 2 u Sarajevo	Zmaja od Bosne 14C	Sarajevo	71000	033/723-690
Branch 7 Sarajevo	Trg međunarodnog prijateljstva 14	Sarajevo	71000	033/776-130
Branch 17 u Sarajevo	Dr.Fetaha Bećirbegovića 23A	Sarajevo (OTOKA)	71000	033/721-815
Branch 18 Novo Sarajevo	Zmaja od Bosne 74	Sarajevo	71000	033/727-022
Branch 19 Sarajevo	Mustafe Kamarića 5	Sarajevo (Dobrinja)	71000	033/775-851
Branch Vogošća	Igmanska 60	Vogošća	71320	033/476-361
Branch Ilidža	Mala Aleja 10	Ilidža	71210	033/627-937 ; 776-140
Branch Hadžići	Hadželi 153	Hadžići	71240	033/475-390
BUSINESS CENTER TUZLA				
Branch 1 Tuzla	Džafer Mahala 53-55	Tuzla	75000	035/259-059
Branch 2 Tuzla	Armije BiH 3	Tuzla	75000	035/306-478
Branch 3 u 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	035/551-331
Branch Gračanica	22 Divizije bb	Gračanica	75320	035/701-471
Branch Srebrenik	21 Srebreničke Brigade	Srebrenik	75350	035/646-093
Branch Živinice	Ulica Oslobođenja bb	Živinice	75270	035/743-143
Branch Kalesija	Trg šehida bb	Kalesija	75260	035/610-111
Branch Orašje	Treća ulica 47	Orašje	76270	031/716-713
Branch Odžak	Titova 17	Odžak	76290	031/762-437
Branch Brčko	Trg mladih 1	Brčko	76120	049/233-760
BUSINESS CENTER BANJA LUKA				
Branch Banja Luka	I Krajiškog korpusa br.39	Banja Luka	78000	051/348-063
Branch Laktaši	Karađorđeva bb	Laktaši	78250	051/530-662
Branch Prijedor	Zanatska bb	Prijedor	79101	052/234-258
Branch Doboj	Kralja Dragutina 2a	Doboj	74000	053/241-785
Branch Bijeljina	Svetog Save br 38	Bijeljina	76300	055/225-090

UniCredit Bank