



## Our owner



**Sparkasse Bank** Holding Company has been present on the BiH market for ten years, with head office in Sarajevo, and as of 2007 it is a member of the Austrian group, Steiermärkische Sparkasse.

Until 2009 it operated as ABS BANKA, and then, aiming to integrate into the Sparkasse Group, it changed its name into **Sparkasse Bank dd.**


Our team is consisted of **430 employees** that serve **150,000** clients, offering all types of conventional and modern banking services, including S-Leasing financial services through a network of almost **50 affiliates** throughout Bosnia and Herzegovina.

Our bank is almost one hundred percent owned by Steiermärkische Sparkasse as the largest regional bank the south of Austria, that has 300 affiliates throughout Southeast Europe, almost 4.500 employees and 1.5 million clients.

The Group has a long-term and sustainable investment strategy in the region which makes it a reliable partner and investor backing up Sparkasse Bank and BiH. Steiermärkische Sparkasse has so far invested around 150 million KM in Bosnia and Herzegovina and put at the disposal 275 million KM of liquid funds for credit placement.

As a member of Erste Bank and Sparkassen Austria, it is a part of the strongest group of banks focused on operations with the population, small and medium enterprises in Europe.

### Sparkasse and sign.

Over almost 200 years of its operation, our mother bank, Steiermärkische Sparkasse, has developed into a recognizable trademark Sparkasse with the red  that stands for:

- safety, trust and tradition, which make it a reliable partner for employees and clients;
- solid, crisis-proof business model of a strong and successful group;
- successful economic concept that maintains social responsibility principles.

# Our directions

## Our vision

To become one of the strongest banks in the country using business tools based on the best banking practices.

## Our mission

Sparkasse Bank dd cares about the success of its clients:

- Competently;
- With custom made solutions;
- With continuous improvement of offer;
- In the long term.

## Our objective

Long-term growth and development made possible by satisfied employees and clients.

## Our guidelines

### **We take responsibility**

We consider the success of our clients and employees, and contribution to the society, our responsibility.

### **Reliability creates friendships**

We respect business ethics. Partnership with clients and employees is the key to their fidelity.

### **Cooperation with full trust**

We communicate openly and frankly.

We always keep to our word.

### **Safety with guaranty**

Protection of our clients and our employees for us is a must. We do it with all means available.

### **Custom made solutions**

There are no universal solutions – every client has the right to an offer created according to their individual needs.

That is why we devote our attention, time and commitment to each one of them.

### **Courage as a chance**

Our team is guided by the principles of self-initiative, accepting new ideas and challenges, and ambition in the fulfillment of our objectives.



# Statement of the Management



**Sanel Kusturica**  
Director



**Gerhard Maier**  
Executive Director



**Zahida Karić**  
Executive Director



**Nedim Alihodžić**  
Executive Director

For Sparkasse Bank 2009 was the year when assumptions for long-term sustainable growth were set and further developed, and strategic change in its business was defined by introduction of the strategic partner.

Therefore operations in 2009 can be summarized only if seen from two standpoints – firstly, through implementation of projects, investments and changes in the market approach that follow growth objectives and fulfillment of the group quality standard; secondly, through financial indicators and growth rates in different segments of operations, that can certainly be seen through the prism of crisis in the financial and real sector.

If we were to give a summary of growth rates, in the year of recession and banking sector stagnation, 2009, Sparkasse Bank managed to grow in different segments of business. Credit portfolio grew by 26.9%, which is a trend rarely seen in the past year in the banking segment, and deposits by 29.7%. Assets value is app. 650 mil KM, which is a growth by 24.7%, which can be understood as a result of significant growth of credits, while the capital assets grew by app. 20.5%.

Strengthening the Bank's market position can be seen through the significant growth of the number of clients

– over 30,000 new clients in 2009. Regional expansion, as one of assumptions for the increase of the market portion continued, certainly with some adjustments to macro-economic conditions. Business network was enhanced by five new affiliates, the most important step forward being the introduction on the market of the Republika Srpska. Further on, a number of existing affiliates were moved or adapted in line with the construction and visual standards of the Group. In 2009 our team grew by almost 50 new colleagues.

And, in the end, purchase of the new building for the central office in Sarajevo was completed, as well as the integration into the group, through change of the name, which are considered to be very important steps approaching standards of the Group.

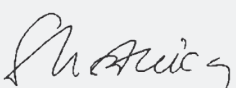
The year ahead of us will be marked by use and further development of all potentials for growth invested in this year, which will be another step ahead in achieving our five-year goal – to get to the top of the banking market in BiH.

This will be a success thanks to the exceptional cooperation with our investors, business partners and clients, and commitment of our team, that we have been able to count on so far, and for which we are sincerely grateful!

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## Sparkasse Bank Management

**Sanel Kusturica**



**Gerhard Maier**



**Zahida Karić**



**Nedim Alihodžić**







# Interview



**Franz Kerber MBA**

Chairman of the Supervisory Board and member of the Management of the mother bank, Steiermärkische Sparkasse

**1. Steiermärkische Sparkasse has proven to its members in the South-East Europe to be a reliable partner and investor. Especially the countries of former Yugoslavia are seen as an extended domestic market. What is the role of international affairs in the corporate strategy of Steiermärkische Sparkasse?**

**Franz Kerber:**

Global economic and financial crisis has left its trace in South East Europe as well and it will certainly present a challenge in the business year ahead of us. However, Steiermärkische Sparkasse still considers South East Europe a very important market, a market with a great development potential, where good investments are still certainly productive. Number of the population in this region speaks for itself. The population of the countries of former Yugoslavia is fifteen times the population of our Province of Styria, while, at the same time presence of modern banking products and services is relatively limited.

Members of Steiermärkische Sparkasse Group in this extended domestic market contribute considerably to the total financial result of the group as the largest regional bank of southern Austria. Employees of our subsidiaries and leasing houses already serve 1.6 million clients in the countries of former Yugoslavia, while the average growth rate in these countries is about 13%.

**2. What is your view of the potential of the markets in the region, especially BiH, and what will the future international operations of Steiermärkische Sparkasse look like in the following years?**

**Franz Kerber:**

As well as in 2009, in the following period we expect to have difficult conditions on the market, but we also hope to see some indicators of recovery and stabilization. In some countries, of course, macro-economic indicators will vary, but we generally expect that the economic growth will be preserved, with signals of new growth.

We are convinced that our members will successfully overcome these challenges thanks to the competitive advantage they have. What is certain is that Steiermärkische Sparkasse, as the mother bank, will continue giving support in every moment using all its strengths.

When we speak of BiH, macroeconomic recovery can be expected in 2011. October elections 2010 are currently in the center of political trends, so it is highly possible that certain reforms, necessary for the economic recovery of the country, will fall out of focus. This may endanger payout of some tranches of the stand-by arrangement, i.e. meeting IMF's conditions, which will eventually have negative influence on the liquidity in the country. Therefore, Steiermärkische Sparkasse has reserved a sufficient quantity of liquid funds for Sparkasse Bank and S-Leasing in Bosnia and Herzegovina, to ensure meeting planned growth rates, and incentive to the development of economy in BiH.

In the long run, we are convinced that the countries of former Yugoslavia will meet the conditions posed by Europe, and that they will firmly step on the path of the European integrations.

### **3. How do you see the development of Sparkasse Bank in Bosnia and Herzegovina after Steiermärkische Sparkasse took over the ownership in 2007?**

#### **Franz Kerber:**

Since 2007, Sparkasse Bank has successfully implemented some very important steps on the way to the integration into the group. This certainly includes network and business process reorganization, introduction of the new IT system, change of name and logo into Sparkasse Bank, and setting up the new network of affiliates on the markets of Herzegovina and Republika Srpska. In this way the Bank created conditions to come to the top of the BiH banking market in the mid term perspective. The number of employees has increased by 30%, so Sparkasse Bank has over 420 employees at the moment. The number of clients also grew evidently, by 50%, so that there are almost 150.000 clients at the moment, to testify that Sparkasse trade mark is a synonym for trust, stability and security.

Another important step in the development of Sparkasse Bank is opening of its new central office in Sarajevo, planned for May 2010. Purchase of this new building is intended to improve the working conditions for our employees, easier access to our clients and improved presence on the market. Steiermärkische Sparkasse has so

far put at the disposal of Sparkasse Bank in BiH 200 million EUR which is intended for investments and refinancing. Moreover, staff training investments also grew.

All these efforts and investments have the objective to help all members of the Erste Bank und Sparkassen Group have the same service quality. Sparkasse Bank is on the good way to achieve the standards of the Group.

### **4. Even in 2009, the year of economic crisis, Steiermärkische Sparkasse achieved respectable financial result. Conservative business model of postal savings bank has, thus, shown as a successful, crisis-proof concept. To what extent can this business model be applied to subsidiaries, to be precise, to Sparkasse Bank in BiH?**

#### **Franz Kerber:**

It is true that clear and sustainable business model of the bank oriented to operations with population, and small and medium enterprises has proved successful. Maintaining balance between credits and deposits, and keeping up with the market in terms of population and SME's demands, especially during crisis, is a safe approach. This conservative strategy of financing credit operations from collected deposits does mean a slower growth, but it also minimizes risk and exposure to negative macroeconomic oscillations. Steiermärkische Sparkasse will continue following this strategy and focus on its basic activity with wide dispersion of risks, which certainly goes for the Sparkasse Bank as well. It is our goal to achieve a sustainable volume growth and become one of the most attractive service providers in BiH. This means provision of a sufficient quantity of credits funds for clients, in order to maintain their liquidity, top of the scale security for our clients' deposits, and, finally, professional risk management and client servicing. This way we are supposed to establish profitable business that will supply our clients with modern and attractive banking product on one, and provide attractive and safe jobs for our employees on the other side.



# Management about the Year 2009

**Sanel Kusturica, Director**

**Pro-active sales for the new and dynamic force on the BiH market**

Thanks to the capital and structural assistance of the owner and the capacities at our disposal, in 2009 we had the space and possibility to enter the market with exceptionally attractive products. In combination with pro-active, even hard-hitting approach of our sales staff, we can say that Sparkasse Bank has created a dynamic force on the BiH market. Effects of such sales approach are visible in the credit and deposit portfolio growth, as well as increase of the basis to almost 150,000 clients.

The goal is to be recognizable by this dynamism, followed by top service quality standards, and to be positioned as a bank of first choice for satisfied clients and employees.

It remains for us to, in the years that come, maintain this dynamism and flexibility in response to the needs of the market. This will certainly be done continuously, in order to establish and maintain positive business trends.

**Zahida Karić, Executive Director**

**Managing portfolio in the direction of a healthy development**

The overflow of effects of the global financial crisis in BiH during the year 2009 reached its maximum. Therefore, the sustention of a quality loan portfolio became an outstanding skill.

The Bank made significant efforts in cooperation with the real sector in terms of client's financial position improvement, but also in terms of recognizing several signs of problems which helped to realize preventive activities so that a quality loan portfolio could be preserved.

Meanwhile, Management's and shareholder's expectations were not ignored, not even in difficult business circumstances. We insisted in the intention to create balance between the exposure of the Bank versus risks and goals of development, market position and the increase of income. These were additional challenges for the Bank, the employees and the Management.

Therefore, controlling became a very important function of the Bank. During this time, several projects were realized with the intention and the goal to increase the efficiency of processes, timely recognizing of trends, timely corrective measures realization and of course, a strict control of costs. The challenge was to efficiently supervise the movement of volume of loans and deposits, especially in segments that we are strategically focused at but also to supervise costs of organizational parts and products.

We didn't forget the segment of rationalization, where we accomplished to establish a balance between the centralized and decentralized approach that was implemented during the process of contracting with clients but also at the legal protection of the Bank by establishing placements of loans.

Our focus stays on providing security with guarantee, so that the protection of clients in segments of payments and lending business is still our imperative which we try to accomplish with all available tools of the Bank.

**Nedim Alihodžić, Executive Director**

### **Investments into infrastructure and optimization of processes for top quality of services**

Ambitious growth objectives defined by introduction of the owner in 2007 demanded that in the years that followed, Sparkasse Bank provides conditions for their fulfillment, which primarily meant intensive investments into infrastructure, information technologies and process optimization.

Investments were implemented through complex projects managed in the support department:

- Introduction of the new IT system, implemented and upgraded during 2009;
- Regional expansion project, with five new affiliates on the markets where we had not been present before;
- Visual unification of business units in line with the Group standards, where several affiliates have already been adapted, and by the end of 2011, the whole business network will be brought in line with the Group standards;
- Change of the name and logo of the Bank carried out in coordination of all support units, with full re-branding of the whole network, and new visual identity introduced to the market through powerful marketing campaign;
- Purchase and furnishing of the new head office of the Bank, with the final move planned for 2010.

Marketing and communication function that we certainly consider to be an investment into the long term and positive positioning of the bank on the market, with a range of campaigns, made considerable contribution to the sales segment and better visibility of the name and positive image in 2009.

**Gerhard Maier, Executive Director**

### **Internal control systems as management instrument**

Internal control systems are a part of the support function that had to be improved in 2009 in order to keep up with all the changes in the organizational segment, to process optimization, etc.

Minimization of all risks through internal control systems was the aim of all efforts invested this whole year, in order to provide uninterrupted, safe and legitimate business processes. Projects, such as introduction of internal control cards, are the beginning of the construction of a flexible system necessary to follow up the innovations within the bank, that are more and more intense in adjusting to the standards practiced in the group.

Support functions played an important role in the reorganization processes, and change of name and logo, as one of the key factors in the development of the Bank in 2009. It is sure that the success of the change of name required coordination and efforts in legal and administrative segment, in presentation of the Bank under the new name to go without problems and in line with legal regulations.





# Name changeover & rebranding



### Name changeover & rebranding

After ten years of operations under the name ABS Banka, integration into the Steiermärkische Sparkasse Concern was finalized with the change of the name into Sparkasse Bank dd in July 2009. Along with the new name and logo of the Bank, projects of rebranding into the new visual identity started. Five newly open offices were branded and arranged in line with the standards of the mother group, and existing business network and all other official and promotion elements went through a complex re-branding process.





**New organization of space in affiliates**

Organization of new affiliates is unified and should contribute to better visibility of the Bank's corporate design. Open communication zones and special advisor's spots give a more productive and open communication among employees, and to clients they offer a more direct communication and a more discrete service. Open spaces with a lit of light create pleasant atmosphere both for our employees and clients.





# Investments for a long-term sustainable growth



- Innovation in space organization and way of work - **Open space offices** for better communications and pro-activity
- New building for the **positive image** of the Bank
- **Better working conditions** and better ambience in the head office should serve the ultimate goal – better services for our clients
- Highest technological and safety standards



Nedim Alihodžić, member of the Management of Sparkasse Bank dd

## TOTAL INVESTMENT INTO THE NEW HEAD OFFICE BUILDING 25,5 million KM

The purchase contract was signed with the Klimavent SC and Teloptic Ltd. related to the business tower of the Important Center in Sarajevo. The total investment into the purchase and furnishing of the new head office building is 25,5 million KM.

The Bank has anticipated 40 million KM for investments in the period 2009-2010, largest part of which is the investment into the new head office building in Sarajevo.

We made the decision to purchase the business tower of the Important Center, where our employees will work in environment that is in line with the top standards, which will ultimately contribute to offering the top service to our clients. The business tower that has a total of 6,300 m<sup>2</sup> will consist of the Sparkasse Bank Head Office and our sister company, S-Leasing, while premises in the ground floor will allow access to our Sarajevo Affiliate for our clients.

Our investments are not only aimed at intensive, but primarily long-term sustainable growth. We feel that only a company with such a long-term visions and healthy, sustainable growth can provide reliable jobs and benefits to its employees, be a reliable partner to its clients and, ultimately, with its investments be a generator of the economic development in Bosnia and Herzegovina.







# Our clients



**Dejan and Damir Šaran**  
Management



## **SME's Grafika Šaran Ltd.**

Grafika Šaran Company has been present on the BiH market for 23 years, with its head office in Sarajevo. Tradition and experience of business in graphical and printing business in combination with the contemporary technologies made this company into one of the most successful medium-size companies in this industry.

The Company is owned and managed by a family, father Hidajet and sons Damir and Dejan Šaran, who pay special attention to this family feeling and ambience of togetherness among all 20 employees.

“What really matters is that the contracts we do are done with the best quality, at the total satisfaction of our clients, but also our employees.

We feel that satisfied employees, in combination with good organization and constant renewal of equipment and technology that follow the trends in business, are the key to success in any industry. As we do the creative part of the business for our clients too, we follow them through designer and photographer work, positive atmosphere and good energy are of great importance.

Of course, modern equipment is something that cannot be left out from the graphic part in order for the final product quality to be met, so we continuously invest into machinery and education of our staff that operate it.

In short – we certainly have the ambition to increase our market share and client basis. But only based on healthy growth, with top quality and satisfied clients and employees.”, Damir and Dejan Šaran.

### **Activity**

GRAFIKA ŠARAN offers complete graphic service in one place: photography, graphic design and DTP, offset print, digital print, large format print, finalization of graphic products.

“We have been working with Sparkasse Bank for a number of years and we have built an excellent partnership with them. The cooperation with the Bank has contributed to us being able to build our own facility of 1,200 m<sup>2</sup> that houses central office, printing house and studio. This new work space definitely is a hypothesis to offering better, faster and better quality service to our client”, Damir Šaran.



**Rusmir Hrvic**  
Deputy Director



#### **Corporate clients**

### **AS Ltd. Jelah**

AS Ltd. Company was established in 1995, with head office in Jelah/Tešanj, where management offices, biscuit production and head distribution center are placed.

#### **Activity**

Main activity of this company is wholesale and retail trade with consumer goods and its sales network covers Jelah, Cazin, Maglaj, Zavidovići, Sarajevo and Mostar. The Company's wholesale segment supplies over 2,000 buyers throughout the country and achieves continuous growth through average increase of annual turnover by 20%. Its activities were later enhanced to packing grains and powders, and production – the Company is today a leader in biscuit production in BiH.

The best known trade marks of the Company are biscuits and wafels "KENT" and "Master". "We today have a team of 320 employees, and our strategic determination is employment of young, highly educated staff. We feel that the human resources are a driving force that cannot be replaced by any kind of technical support. However, this does not mean that we do not realize that the continuous investments into the modern equipment, especially in the production segment, are crucial to success, which is demonstrated by our position on the market. Our brands are among the leaders on the market, with 25% of the total biscuit production is placed abroad.

Initial value of our investments into production is 7.000,000 KM, and they include purchase of the land plot, construction of the production and warehousing facility, and procurement of production equipment.

It is fundamental, especially in these pioneering projects, to have internal capacities to carry them out, but also to have good cooperation with business partners.

Sparkasse Bank is for us definitely the one of those business partners. Although we have had a successful cooperation ever since 1999, in the investments that we started, financing by our business bank was of great importance. Therefore, partnership that we have with Sparkasse Bank is a link that is just getting stronger", Deputy Director, Rusmir Hrvić.



**Željko Vidaković**  
Director



#### Corporate clients

### Centrum Ltd. Banja Luka

Centrum Trade, Ltd. Banja Luka is a trade company active since 1998, with about 200 employees.

#### Activities

Basic activity of the Centrum is wholesale and retail. In the broad specter of commodities, app. 30,000 goods are chemical products, final materials for construction, machinery and tools, ceramics, water fixtures, bolts and screws, paints, façades, cast iron fence materials, cutting and sanding boards, electric fittings, lamps, household appliances, hi-fi audio and video appliances, etc.

It contains 6 shopping centers, in Banja Luka, Zalužani, Laktaši, Gradiška and Kozarska Dubica. "We are a company on the rise. We are currently working on developing our capacities in order to take an even more important position on the market and increase our market share.

It is our vision to be positioned as a top provider in the construction materials and household appliances in the country, and that goal is very close. Our primary goal is to provide a wide range of products that can meet all the needs of our buyers related to home improvements in one space. Of course, the quality of brands and professional service by our employees is what we want to make our recognizable feature.

As well as in any other branch, investments are an assumption for a continuous growth. One of the key success factors in the segment of trade companies is broad coverage of the market through shopping network, which implies considerable investments. Therefore, opening markets, what we have already been doing, and even stronger presence on the market that we aim for, requires having strong partners among banks, partners that may meet our needs up to the optimum. When we entered the market last year, we recognized Sparkasse Bank as one of those – a bank with stability and capital strength to become one of our partners", Director, Željko Vidaković.

# SPARKASSE BANK DD

Financial Statements for the year ended 31 December 2009

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## Report of the Management Board

The Management Board has pleasure in submitting its report together with the audited financial statements for the year ended 31 December 2009.

### Review of operations

The result for the year ended 31 December 2009 of the Bank is set out in the income statement on page 37.

### Supervisory Board and Management Board

During the course of 2009 and up to the date of this report, the Supervisory Board comprised:

#### Supervisory Board

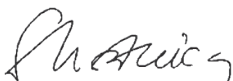
|                       |           |
|-----------------------|-----------|
| Franz Kerber          | President |
| Hamdija Alagić        | Member    |
| Georg Bucher          | Member    |
| Kristijan Schellander | Member    |
| Renate Ferlitz        | Member    |

As of 31 December 2009 the Management Board comprised 3 executive directors. The persons who served as executive directors during the year and up to the date of this report are as follows:

#### Management Board

|                 |   |
|-----------------|---|
| Gerhard Maier   | Executive Director (from 01 September 2009)<br>Director (from 01 March 2009 till 01 Sept. 2009)<br>Acting Director (from 01 Sept 2008 till 01 Mar 2009) |
| Nedim Alihodžić | Executive Director (from 01 March 2009)   |
| Zahida Karić    | Executive Director  |
| Sanel Kusturica | Director (from 01 Sept 2009)<br>Executive Director (from 08 June till 01 Sept. 2009)  |

On behalf of the Management Board



Sanel Kusturica  
Director



## Responsibilities of the Management and Supervisory Board for the preparation and approval of the annual financial statements

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

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

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

The financial statements set out on pages 37 to 73 were authorised by the Management Board on 8 March 2010 for issue to the Supervisory Board and are signed below to signify this.

Signed on behalf of the Management Board

Sanel Kusturica  
Director



Sparkasse Bank d.d.  
Trampina 12/6  
71000 Sarajevo  
Bosnia and Herzegovina



Zahida Karić  
Executive Director



March 8, 2010

## Independent auditors' report to the shareholders of Sparkasse Bank d.d.



We have audited the accompanying financial statements of Sparkasse Bank d.d. ("the Bank"), which comprise the balance sheet as at 31 December 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The financial statements as of and for the year ended 31 December 2008 were audited by another auditor whose report dated 19 February 2009 expressed an unqualified opinion on those financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations of the Banking Agency of the Federation of Bosnia and Herzegovina. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with the accounting regulations of the Banking Agency of the Federation of Bosnia and Herzegovina.

### KPMG B-H d.o.o. za reviziju

Registered auditors  
Fra Anđela Zvizdovića 1  
71000 Sarajevo  
Bosnia and Herzegovina



8 March 2010

**Income statement for the year ended 31 December 2009**  
(all amounts are expressed in thousands of KM, unless otherwise stated)

|   | Notes | 2009.           | 2008.           |
|---|-------|-----------------|-----------------|
| Interest and similar income                                       | 6     | 33.246          | 27.244          |
| Interest expense and similar charges                              | 7     | (12.507)        | (11.651)        |
| <b>Net interest income</b>  |       | <b>20.739</b>   | <b>15.593</b>   |
| Fee and commission income   | 8     | 10.241          | 7.897           |
| Fee and commission expense  | 9     | (1.521)         | (913)           |
| <b>Net fee and commission income</b>                              |       | <b>8.720</b>    | <b>6.984</b>    |
| Net foreign exchange gains  | 10    | 1.280           | 927             |
| Other operating income  |       | 397             | 222             |
| <b>INCOME FROM OPERATING ACTIVITIES</b>                           |       | <b>31.136</b>   | <b>23.726</b>   |
| Personnel expenses  | 11    | (12.661)        | (11.746)        |
| Depreciation expenses   | 24,25 | (1.802)         | (1.074)         |
| Other administrative expenses                                     | 12    | (10.434)        | (8.463)         |
| <b>Operating expenses</b>   |       | <b>(24.897)</b> | <b>(21.283)</b> |
| <b>PROFIT BEFORE IMPAIRMENT LOSSES, PROVISIONS AND INCOME TAX</b> |       | <b>6.239</b>    | <b>2.443</b>    |
| Impairment losses   | 13    | (16.292)        | (7.142)         |
| Other provisions  | 14    | 655             | (2.174)         |
| Recoveries  | 15    | 2.916           | 963             |
| <b>LOSS BEFORE INCOME TAX</b>                                     |       | <b>(6.482)</b>  | <b>(5.910)</b>  |
| Income tax expense  | 16    | -               | -               |
| <b>LOSS FOR THE YEAR</b>  |       | <b>(6.482)</b>  | <b>(5.910)</b>  |
| <b>Loss per share</b>   | 17    | <b>(0.0101)</b> | <b>(0.0191)</b> |

The accounting policies and other notes on pages 40 to 73 form an integral part of these financial statements.

**Balance sheet as at 31 December 2009**

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

|   | Notes | 2009.          | 2008.          |
|---|-------|----------------|----------------|
| <b>ASSETS</b>   |       |                |                |
| Cash reserves   | 18    | 44.765         | 40.804         |
| Obligatory reserve with the central bank              | 19    | 39.703         | 51.177         |
| Placements with and loans and advances to other banks | 20    | 135.826        | 84.629         |
| Loans and advances to customers                       | 21    | 420.250        | 336.518        |
| Financial assets available for sale                   | 22    | 254            | 160            |
| Other assets  | 23    | 1.289          | 2.124          |
| Property and equipment                                | 24    | 10.896         | 8.646          |
| Intangible assets                                     | 25    | 2.622          | 2.222          |
| <b>TOTAL ASSETS</b>                                   |       | <b>655.605</b> | <b>526.280</b> |
| <b>LIABILITIES</b>                                    |       |                |                |
| Current accounts and deposits from banks              | 26    | 169.601        | 29.466         |
| Current accounts and deposits from customers          | 27    | 285.476        | 211.514        |
| Borrowings  | 28    | 115.145        | 212.892        |
| Provisions  | 29    | 2.820          | 3.551          |
| Other liabilities                                     | 31    | 2.965          | 2.777          |
| <b>Total liabilities</b>                              |       | <b>576.007</b> | <b>460.200</b> |
| <b>SHAREHOLDERS' EQUITY</b>                           |       |                |                |
| Share capital   | 32    | 76.473         | 56.473         |
| Share premium   |       | 8.372          | 8.372          |
| Statutory reserves                                    |       | 1.235          | 7.145          |
| Accumulated losses                                    |       | (6.482)        | (5.910)        |
| <b>Total shareholders' equity</b>                     |       | <b>79.598</b>  | <b>66.080</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>     |       | <b>655.605</b> | <b>526.280</b> |

The accounting policies and other notes on pages 40 to 73 form an integral part of these financial statements.

## Cash flow Statement for the year ended 31 December 2009

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

|  | Notes     | 2009.           | 2008.            |
|--|-----------|-----------------|------------------|
| <b>OPERATING ACTIVITIES</b>  |           |                 |                  |
| Loss before tax  |           | (6.482)         | (5.910)          |
| <b>Adjustments:</b>  |           |                 |                  |
| Depreciation and amortization  |           | 1.802           | 1.074            |
| Impairment losses  |           | 16.292          | 7.142            |
| Provisions for employee benefits   |           | (29)            | 48               |
| Other provisions   |           | (655)           | 2.174            |
| Write-off of provision for contingent liabilities  |           | -               | (260)            |
| Write-off of property and equipment  |           | 79              | 15               |
| <b>Cash flows from operating activities before changes in operating assets and liabilities</b> |           | <b>11.007</b>   | <b>4.283</b>     |
| <b>(Increase)/decrease in operating assets</b>   |           |                 |                  |
| Obligatory reserve with the central bank   |           | 11.474          | (17.861)         |
| Placements with and loans and advances to other banks  |           | (51.236)        | (52.227)         |
| Loans and advances to customers  |           | (99.735)        | (137.088)        |
| Other assets   |           | 585             | 1.675            |
| <b>Increase/(decrease) in operating liabilities</b>  |           |                 |                  |
| Deposits from banks  |           | 140.135         | 17.902           |
| Deposits from customers  |           | 73.962          | (16.157)         |
| Provisions   |           | (47)            | 31               |
| Other liabilities  |           | 188             | 257              |
| <b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>                                     |           | <b>86.333</b>   | <b>(199.185)</b> |
| <b>Investing activities</b>  |           |                 |                  |
| Purchase of financial assets available for sale  |           | (94)            | -                |
| Purchase of property and equipment   |           | (3.616)         | (1.746)          |
| Purchase of intangible assets  |           | (915)           | (2.114)          |
| Proceeds from disposal of fixed assets   |           | -               | 65               |
| <b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>                                     |           | <b>(4.625)</b>  | <b>(3.795)</b>   |
| <b>Financing activities</b>  |           |                 |                  |
| (Repayment)/proceeds from borrowings   |           | (97.747)        | 160.730          |
| Issued share capital   |           | 20.000          | 30.000           |
| <b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>                                     |           | <b>(77.747)</b> | <b>190.730</b>   |
| <b>Net increase in cash and cash equivalents</b>   |           | <b>3.961</b>    | <b>(12.250)</b>  |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY   | 18        | 40.804          | 53.054           |
| <b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>  | <b>18</b> | <b>44.765</b>   | <b>40.804</b>    |

The accounting policies and other notes on pages 40 to 73 form an integral part of these financial statements.

## Statement of changes in equity for the year ended 31 December 2009

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

|                                       | Share capital | Share premium | Statutory reserves | (Accumulated losses)/ retained earnings | Total         |
|---------------------------------------|---------------|---------------|--------------------|---|---------------|
| <b>Balance as of 1 January 2008</b>   | <b>26.473</b> | <b>8.372</b>  | <b>5.608</b>       | <b>1.537</b>                            | <b>41.990</b> |
| Allocation of net profit for 2007     | -             | -             | 1.537              | (1.537)                                 | -             |
| Closed share issue                    | 30.000        | -             | -                  | -                                       | 30.000        |
| Loss for 2008                         | -             | -             | -                  | (5.910)                                 | (5.910)       |
| <b>Balance as of 31 December 2008</b> | <b>56.473</b> | <b>8.372</b>  | <b>7.145</b>       | <b>(5.910)</b>                          | <b>66.080</b> |
| Allocation of net loss for 2008       | -             | -             | (5.910)            | 5.910                                   | -             |
| Closed share issue                    | 20.000        | -             | -                  | -                                       | 20,000        |
| Loss for 2009                         | -             | -             | -                  | (6.482)                                 | (6.482)       |
| <b>Balance as of 31 December 2009</b> | <b>76.473</b> | <b>8.372</b>  | <b>1.235</b>       | <b>(6.482)</b>                          | <b>79.598</b> |

The accounting policies and other notes on pages 40 to 73 form an integral part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2009

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

### 1. REPORTING ENTITY

SPARKASSE Bank d.d. (the 'Bank') is registered at the relevant court in Sarajevo, registration No. U/I-1291/99 on 9 July 1999. The Bank was issued a banking licence by the Banking Agency of the Federation of Bosnia and Herzegovina on 28 July 1999, registration No. 01-376/99. The Bank's registered address is in Sarajevo, Trampina 12/6.

#### Principal activities

The Bank offers banking services through a developed network of branches in Bosnia and Herzegovina, including:

- Receiving and placing of term and demand deposits
- Making and purchasing of loans
- Buying and selling foreign currencies
- Cash transactions in the interbank market
- Cash payment and transfer, both national and abroad
- Debit/credit card operations



## Notes to the financial statements for the year ended 31 December 2009

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

### 2. BASIS OF PRESENTATION

#### Statement of compliance

As required by local legislation, the Bank prepares financial statements in accordance with the accounting regulations of the Banking Agency of the Federation of Bosnia and Herzegovina.

The Bank's operations are subject to the Law on Accounting and Auditing of the Federation of Bosnia and Herzegovina, Banking Law and other relevant banking regulations in accordance with which the Bank's financial reporting is regulated by the Banking Agency of the Federation of Bosnia and Herzegovina ("the Agency") which is the central monitoring institution of the banking system in the Federation of Bosnia and Herzegovina ("FBIH").

Although based on International Financial Reporting Standards ("IFRS") the statutory reporting requirements in accordance with which these financial statements have been prepared differ in a number of important aspects from IFRS. Accordingly these financial statements which have been prepared in accordance with statutory reporting requirements in FBIH are not equivalent to, and do not purport to be financial statements prepared in accordance with IFRS.

The principal accounting policies used in the preparation of the financial statements are summarised below. Where specific accounting policies are aligned with accounting principles set out in IFRS, reference may be made to certain Standards in describing the accounting policies of the Bank; unless otherwise stated, these references are to Standards applicable at 31 December 2009.

In addition to significant differences in respect of the required disclosures and presentation, the principal recognition and measurement differences between IFRS and the accounting regulations of the Agency are as follows:

- The Bank's management estimates specific allowances for the impairment of financial instruments, in particular regarding loans and receivables, in accordance with the Agency's regulations. Such a policy may result in significant departures from the amounts which would be determined, if the allowances for the impairment of loans and receivables were estimated based on discounted expected future cash flows by using the original effective interest rate, as is required under IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39").
- The Agency requires banks to recognise impairment losses, in income, on assets not specifically identified as impaired at the prescribed rate of 2%. The Bank has made portfolio-based provisions of BAM 9,182 thousand (2008: BAM 7,943 thousand) carried in the balance sheet in compliance with these regulations and has recognised a charge of BAM 1,239 thousand in relation to these provisions within the charge for impairment losses for the year (2008: charge of BAM 2,804 thousand). Such a policy may result in a significant departure from an IFRS-based methodology for measuring collective impairment which should ensure that only losses "incurred but not reported" ("IBNR") should be recognised. IBNR represents the situation where the losses have been incurred but it is not yet evident which individual financial assets are impaired, and is calculated by applying an estimated loss rate for an estimated emergence period to the balance of unimpaired loans.
- Suspended interest represents the accrued, but uncollected interest payments on assets which are classified as impaired assets. Upon the classification of risk-bearing assets as impaired assets, the Bank writes down the full amount of the accrued but unpaid interest. The Bank ceases to accrue further unpaid interest amounts on the impaired assets in its accounting records, and the accruals of the interest amounts due are booked on its off-balance sheet records, up to the moment in which the principal is fully collected. The only exception to this practice may occur in an instance in which the impaired assets have been secured by first-class or quality collateral, and are currently in the process of being collected. Such policy is not in accordance with IAS 18 "Revenue" ("IAS 18") and IAS 39 which require revenue from interest on impaired loans to be recognized using the effective interest method.

The Bank's financial statements were authorized for issue by the Management Board on 19 February 2010.

## Notes to the financial statements for the year ended 31 December 2009

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

### 2. BASIS OF PRESENTATION (CONTINUED)

#### Functional and presentation currency

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

The Central Bank of Bosnia and Herzegovina ("CBBH") implemented a currency board arrangement aligning BAM to EURO at an exchange rate of EUR 1: BAM 1.95583 throughout 2009 and 2008. This is expected to continue in the foreseeable future.

#### Basis of measurement

The financial statements are prepared under historical cost convention except for loans, receivables and borrowings which are presented at amortised cost.

#### Use of estimate and judgments

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of commitments and contingencies at the balance sheet date, as well as amounts of income and expense for the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and information available at the date of the preparation of the financial statements, the result of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these 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.

Judgements made by management in the application of applicable standards that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 5.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated at the balance sheet date.

|                         |                   |                    |
|-------------------------|-------------------|--------------------|
| <b>31 December 2009</b> | EUR 1= KM 1.95583 | USD 1= KM 1.364088 |
| <b>31 December 2008</b> | EUR 1= KM 1.95583 | USD 1= KM 1.387310 |

#### Interest income and expense

Interest income and expense are recognised in the income statement as they accrue, taking into account the effective yield of the asset or liability or an applicable floating rate. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. Origination fees are included in the calculation of effective interest.

#### Fee and commission income and expense

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

#### Dividend income

Dividend income from equity securities is recognised in the income statement when the rights to receive the dividend are established.

**Notes to the financial statements for the year ended 31 December 2009**  
(all amounts are expressed in thousands of KM, unless otherwise stated)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

**Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax expense is based on taxable income for the year. Taxable income differs from net income as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Bank has the ability and intention to settle on a net basis.

**Financial instruments**

**Classification**

The Bank classifies its financial instruments in the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets, held to maturity investments and other financial liabilities. The classification depends on the purpose for which the financial assets and liabilities were acquired. The management determines the classification of financial assets and liabilities upon initial recognition and re-evaluates this classification at every balance sheet date. At the balance sheet date the Bank did not have held-to-maturity investments or financial assets at fair value through profit and loss.

*1) Loans and receivables*

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

*2) Other financial liabilities*

Other financial liabilities comprise all financial liabilities.

**Recognition**

Loans and receivables and other financial liabilities are recognised when advanced to borrowers or received from lenders.

**Initial and subsequent measurement**

Financial instruments are measured initially at the fair value for the consideration given.

Loans and receivables and other financial liabilities are subsequently measured at amortised cost.

## Notes to the financial statements for the year ended 31 December 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Derecognition**

The Bank derecognises financial assets (in full or part) when the contractual rights to receive cash flows from the financial instrument have expired or when it loses control over the contractual rights on those financial assets. This occurs when the Bank transfers substantially all the risks and rewards of ownership to another business entity or when the rights are realised, surrendered or have expired.

The Bank derecognises financial liabilities only when the financial liability ceases to exist, ie when it is discharged, cancelled or has expired. If the terms of a financial liability change, the Bank will cease recognising that liability and will instantaneously recognise a new financial liability, with new terms and conditions.

#### **Impairment of financial assets**

##### *1) Loans and receivables*

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

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

Impaired financial assets are graded into categories according to their deemed recoverability, which is based on the level of overdue receivables, on an assessment of the borrower's financial position, and on the quality of any collateral secured. Provisions are then determined by applying provisioning rates, within the range prescribed by the Agency, to the principal amount outstanding.

The Bank calculates collective impairment provision for performing assets at a prescribed rate of 2%.

An increase in impairment provisions is recognised in the income statement.

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

The Bank's management enacts a decision with reference to the write-off of receivables in accordance with court decisions, based on a mutual agreement between parties concerned or as decided by the Supervisory Board.

##### *2) Financial assets carried at cost*

These include equity securities for which there is no reliable fair value. The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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

#### **Specific financial instruments**

##### *1) Cash and cash equivalents*

Cash and cash equivalents comprise cash balances on hand, cash deposited with the central bank, current accounts with other banks and items in the course of collection.

##### *2) Placements with, and loans and advances to banks and other financial institutions*

Loans and advances to banks are classified as loans and receivables and are carried at amortised cost less impairment losses.

##### *3) Loans and advances to customers*

Loans and advances to customers are presented at amortised cost net of impairment allowances to reflect the estimated recoverable amounts.

## Notes to the financial statements for the year ended 31 December 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Specific financial instruments (continued)

##### 4) Equity securities

Equity securities are stated at cost less impairment.

##### 5) Borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between proceeds (net of transaction costs) and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

##### 6) Current accounts and deposits from banks and customers

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

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalized. Gains or losses on the retirement or disposal of property and equipment are included in the statement of income in the period in which they occur.

Properties in the course of construction are carried at cost, less impairment loss, if any. Depreciation commences when the assets are ready for their intended use. Depreciation is calculated on a straight-line basis over the estimated useful life of the applicable assets.

Estimated depreciation rates were as follows:

|                                      | 31 December<br>2009. | 31 December<br>2008. |
|--------------------------------------|----------------------|----------------------|
| Buildings                            | 1,3% - 3%            | 1,3% - 3%            |
| Computers                            | 33,3%                | 33,3%                |
| Vehicles                             | 20%                  | 20%                  |
| Furniture and other office equipment | 15%-20%              | 15% - 20%            |

#### Impairment

At each balance sheet date, the Bank reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the greater of net selling price 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Notes to the financial statements for the year ended 31 December 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Intangible assets

Intangible assets acquired by the Bank are stated at historical cost less accumulated amortisation and impairment losses. Expenditure on development activities is capitalised if all of the features required by IAS 38 are satisfied.

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

Software - 5 years

Depreciation method and useful lives are reassessed, and adjusted if appropriate, at each balance sheet date.

#### Employee benefits

##### Short term benefits

The Bank pays pension and health insurance on behalf of its employees, which is calculated on the gross salary paid, as well as taxes on salaries, which are calculated on the net salary paid. The Bank pays the above contributions into the state pension and health fund, according to statutory rates during the course of the year. In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with local legislation. These expenses are recorded in the income statement in the period in which the salary expense is incurred.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

##### Long-term benefits: retirement severance payments and early retirement bonuses

The Bank pays to its employees retirement severance benefits upon retirement in an amount representing three times the average salary in the FBiH as calculated by the Federal Bureau of Statistics or three times the salary of the employee in question (depending of what is more favourable to the employee).

The obligation and costs of these benefits are determined by using a projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the estimated interest rate on government bonds.

#### Provisions

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

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

Provisions are 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.

#### Share capital

##### Share capital

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

##### Dividends

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

## Notes to the financial statements for the year ended 31 December 2009

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Statutory reserve

A statutory reserve has been created in accordance with company law of FBiH, which requires 10% of the profit for the year to be transferred to this reserve until statutory reserves reach 25% of issued share capital. If the statutory reserves do not reach 25% of issued share capital within 5 business years, a public limited company is required to increase its transfer to this reserve to 20% of its profit for the year at the end of the fifth and any following business year until capital reserves reach 25% of issued share capital. The legal reserve can be used for covering current and prior year losses.

#### Off-balance sheet commitments and contingent liabilities

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

#### Managed funds for and on behalf of third parties

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

#### Reclassification

Certain amounts in the previous year financial statements have been reclassified to conform to the current year presentation.

### 4. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and other price risk.

The Bank has established an integrated system of risk management by introducing a set of policies and procedures for analysis, evaluation, acceptance and risk management. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business.

The Management Board has overall responsibility for the establishment and oversight of the Bank's risk management framework.

Risk management is carried out by the Bank's departments in charge for individual risks under policies approved by the Management Board.

Risk-steering and risk-controlling processes are adjusted in a timely manner to reflect changes in the operating environment.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Bank's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. Exposures to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The Bank does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Bank defines counterparties as having similar characteristics if they are related entities.

Risk-steering and risk-controlling processes are adjusted in a timely manner to reflect changes in the operating environment.

## Notes to the financial statements for the year ended 31 December 2009

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

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit risk (continued)

##### Collateral

With a view to minimising credit risk, the Bank has a rulebook for security of loans and other placements and secures its credit exposures by taking one or more of the following instruments:

- cash,
- guarantors (retail and corporate),
- mortgages over properties,
- mortgage over movables,
- other rights over receivables.

The fair value of real estate and other assets charged as collateral is estimated by independent, external surveyor.

##### Credit risk management and impairment and provision policies

The Bank accounts for counterparty risks arising from the loan portfolio by making allowances for impaired loans. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only 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. The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In accordance with the “Decision regulating minimum standards for credit risk management and bank assets classifications” (“the Decision”) of the Agency, loans and advances and risk-bearing off- balance-sheet items are classified into the following categories with the following rates of impairment:

| Overdue days   | Bank's rating | Provisioning rates prescribed by the Agency |
|----------------|---------------|---|
| 0 - 30         | A             | 2%  |
| 31 - 90        | B             | 5% - 15%                                    |
| 91 - 180       | C             | 16% - 40%                                   |
| 181 - 270      | D             | 41% - 60%                                   |
| 271 - and more | E             | 100%  |

The classification of loan and receivables and risk-bearing off-balance-sheet items is made in accordance with the Decision. Besides the level of overdue receivables, the assessment of impairment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. “A” category loans and receivables are treated as assets not specifically identified as impaired (performing assets), while other categories are treated as individually impaired (non-performing assets).



## Notes to the financial statements for the year ended 31 December 2009

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

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit risk (continued)

The table below shows the gross amount of assets subjects to credit risk treated as performing and non performing, together with the related amount of impairment provision.

|   | Performing<br>assets - gross | Impairment<br>provision | Non performing<br>asset - gross | Impairment<br>provision | Total gross    | Total<br>impairment |
|---|------------------------------|-------------------------|---------------------------------|-------------------------|----------------|---------------------|
| <b>31 December 2009</b>                                 |                              |                         |                                 |                         |                |                     |
| Cash reserves   | 26.827                       | -                       | -                               | -                       | 26.827         | -                   |
| Obligatory reserve with the central bank                | 39.703                       | -                       | -                               | -                       | 39.703         | -                   |
| Placements with and loans and advances with other banks | 135.865                      | 39                      | -                               | -                       | 135.865        | 39                  |
| Loans and advances to customers                         | 387.683                      | 7.712                   | 48.670                          | 8.391                   | 436.353        | 16.103              |
| Financial assets available for sale                     | 259                          | 5                       | -                               | -                       | 259            | 5                   |
| Other assets  | 570                          | 11                      | 716                             | 72                      | 1.286          | 83                  |
| <b>TOTAL</b>  | <b>590.907</b>               | <b>7.767</b>            | <b>49.386</b>                   | <b>8.463</b>            | <b>640.293</b> | <b>16.230</b>       |
| <b>31 December 2008</b>                                 |                              |                         |                                 |                         |                |                     |
| Cash reserves   | 29.139                       | -                       | -                               | -                       | 29.139         | -                   |
| Obligatory reserve with the central bank                | 51.177                       | -                       | -                               | -                       | 51.177         | -                   |
| Placements with and loans and advances with other banks | 84.629                       | -                       | -                               | -                       | 84.629         | -                   |
| Loans and advances to customers                         | 320.067                      | 3.524                   | 26.365                          | 6.390                   | 346.432        | 9.914               |
| Financial assets available for sale                     | 163                          | 3                       | -                               | -                       | 163            | 3                   |
| Other assets  | 1.002                        | 20                      | -                               | -                       | 1.002          | 20                  |
| <b>TOTAL</b>  | <b>486.177</b>               | <b>3.547</b>            | <b>26.365</b>                   | <b>6.390</b>            | <b>512.542</b> | <b>9.937</b>        |

#### Maximum exposure to credit risk before collateral held or other credit enhancement

|   | Maximum exposure |                |
|---|------------------|----------------|
|   | 2009.            | 2008.          |
| <b>Balance-sheet items</b>                              |                  |                |
| Cash reserves   | 26.827           | 29.139         |
| Obligatory reserve with the central bank                | 39.703           | 51.177         |
| Placements with and loans and advances with other banks | 135.826          | 84.629         |
| Loans and advances to retail customers                  | 135.286          | 100.189        |
| Loans and advances to corporate customers               | 284.964          | 236.329        |
| Financial assets available for sale                     | 254              | 160            |
| Other assets  | 1.203            | 982            |
|   | 624.063          | 502.605        |
| <b>Off-balance-sheet items</b>                          |                  |                |
| Loan commitments  | 33.805           | 33.769         |
| Financial guarantees and letter of credits              | 32.044           | 36.762         |
| <b>Total</b>  | <b>689.912</b>   | <b>573.136</b> |

## Notes to the financial statements for the year ended 31 December 2009

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

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit risk (continued)

For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported at the balance sheet date.

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2009 and 31 December 2008, without taking account of any collateral held or other credit enhancements.

The Bank holds collateral against loans and advances to customers in the form of mortgage interest over property, other security over assets and guarantees. Estimates of collateral value are based on the value assessed by chartered court surveyors at the time of borrowing which is then reduced by a fixed percentage depending on the type of collateral (40-50% for residential properties, 33-50% for business premises and 25-40% for equipment). Estimated value of collateral is generally not updated.

#### Concentration of risk of loans and advances to customers

The Bank monitors concentrations of credit risk by economic sector and by geographic location. The economic sector risk concentration by gross value of on balance sheet exposure is as follows:

|                              | 31 December<br>2009. | 31 December<br>2008. |
|------------------------------|----------------------|----------------------|
| Individuals                  | 139.023              | 102.013              |
| Trade                        | 107.004              | 93.232               |
| Mining and industry          | 3.753                | 4.812                |
| Finance                      | 6.650                | 12.399               |
| Construction                 | 25.088               | 16.592               |
| Transport and communications | 11.568               | 10.778               |
| Hospitality and tourism      | 2.218                | 969                  |
| Agriculture and forestry     | 1.606                | 928                  |
| Real estate trade            | 4.191                | 987                  |
| Energetic                    | 427                  | 759                  |
| Other                        | 134.825              | 102.963              |
| <b>Total</b>                 | <b>436.353</b>       | <b>346.432</b>       |

**Notes to the financial statements for the year ended 31 December 2009**  
(all amounts are expressed in thousands of KM, unless otherwise stated)

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Credit risk (continued)**

Geographic risk concentrations of credit risk exposures mainly relate to the region of the Bosnia and Herzegovina. The geographic risk concentration by gross value of on-balance-sheet exposure is as follows:

|   | Bosnia and<br>Herzegovina | OECD<br>countries | Non-OECD<br>countries | Total          |
|---|---------------------------|-------------------|-----------------------|----------------|
| Cash reserves   | 26.793                    | -                 | 34                    | 26.827         |
| Obligatory reserve with the central bank                | 39.703                    | -                 | -                     | 39.703         |
| Placements with and loans and advances with other banks | 1.957                     | 108.443           | 25.465                | 135.865        |
| Loans and advances to retail customers                  | 139.023                   | -                 | -                     | 139.023        |
| Loans and advances to corporate customers               | 297.330                   | -                 | -                     | 297.330        |
| Financial investments available for sale                | 235                       | 24                | -                     | 259            |
| Other assets  | 1.286                     | -                 | -                     | 1.286          |
| <b>As at 31 December 2009</b>                           | <b>506.327</b>            | <b>108.467</b>    | <b>25.499</b>         | <b>640.293</b> |
| <b>As at 31 December 2008</b>                           | <b>423.023</b>            | <b>52.343</b>     | <b>37.176</b>         | <b>512.542</b> |

The structure of the loan portfolio is regularly reviewed within the Risk Department and Credit Risk Committee in order to identify potential events which could have an impact on large areas of the loan portfolio (common risk factors) and if necessary limit the exposure toward certain sectors of the economy.

**Market risk**

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, foreign currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Management Board sets limits and guidelines for monitoring and mitigating market risks, which is regularly monitored by risk committees of the Bank.

**Foreign exchange risk**

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

Treasury department is responsible for daily management of the Bank's currency position in accordance with legal and internal regulations.

In order to manage foreign exchange rate risk more efficiently, the Bank monitors economic and other business changes in the environment in order to predict possible changes in foreign currency activities, exchange rates, currencies and risk.

## Notes to the financial statements for the year ended 31 December 2009

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

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Market risk (continued)

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 December 2009.

#### Concentrations of currency risk of assets and liabilities

The Bank had the following significant currency positions:

| As of 31 December 2009                                | KM              | EUR            | USD          | Other currencies | Total          |
|---|-----------------|----------------|--------------|------------------|----------------|
| <b>Assets</b>   |                 |                |              |                  |                |
| Cash reserves   | 33.831          | 8.834          | 334          | 1.766            | 44.765         |
| Obligatory reserves with the central bank             | 39.703          | -              | -            | -                | 39.703         |
| Placements with and loans and advances to other banks | -               | 134.298        | 1.528        | -                | 135.826        |
| Loans and advances to customers                       | 92.101          | 328.149        | -            | -                | 420.250        |
| Financial assets available for sale                   | 230             | 24             | -            | -                | 254            |
| Other assets  | 1.154           | 134            | -            | 1                | 1.289          |
| Property and equipment                                | 10.896          | -              | -            | -                | 10.896         |
| Intangible assets                                     | 2.622           | -              | -            | -                | 2.622          |
| <b>Total assets</b>                                   | <b>180.537</b>  | <b>471.439</b> | <b>1.862</b> | <b>1.767</b>     | <b>655.605</b> |
| <b>Liabilities and equity</b>                         |                 |                |              |                  |                |
| Current accounts and deposits from banks              | 1.025           | 168.576        | -            | -                | 169.601        |
| Current accounts and deposits from customers          | 150.460         | 131.710        | 1.876        | 1.430            | 285.476        |
| Borrowings  | 694             | 114.451        | -            | -                | 115.145        |
| Provisions  | 2.820           | -              | -            | -                | 2.820          |
| Other liabilities                                     | 2.965           | -              | -            | -                | 2.965          |
| Share capital and reserves                            | 79.598          | -              | -            | -                | 79.598         |
| <b>Total liabilities and equity</b>                   | <b>237.562</b>  | <b>414.737</b> | <b>1.876</b> | <b>1.430</b>     | <b>655.605</b> |
| <b>Net foreign currency position</b>                  | <b>(57.025)</b> | <b>56.702</b>  | <b>(14)</b>  | <b>337</b>       | <b>-</b>       |

The local currency (KM) is pegged to EUR under a currency board arrangement.

A 10% fall in currencies (other than EUR) against KM, with other variables held constant, would result with a decrease of the result of the year by KM 32 thousand (2008: KM 38 thousand).

A 10% rise in such currencies would result with an increase of the result of the year by KM 32 thousand (2008: KM 38 thousand).

**Notes to the financial statements for the year ended 31 December 2009**  
(all amounts are expressed in thousands of KM, unless otherwise stated)

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Market risk (continued)**

| As of 31 December 2008                                | KM             | EUR             | USD          | Other currencies | Total          |
|---|----------------|-----------------|--------------|------------------|----------------|
| <b>Assets</b>   |                |                 |              |                  |                |
| Cash reserves   | 31.561         | 5.639           | 1.618        | 1.986            | 40.804         |
| Obligatory reserves with the central bank             | 51.177         | -               | -            | -                | 51.177         |
| Placements with and loans and advances to other banks | -              | 84.629          | -            | -                | 84.629         |
| Loans and advances to customers                       | 102.683        | 233.835         | -            | -                | 336.518        |
| Financial assets available for sale                   | 136            | 24              | -            | -                | 160            |
| Other assets  | 2.124          | -               | -            | -                | 2.124          |
| Property and equipment                                | 8.646          | -               | -            | -                | 8.646          |
| Intangible assets                                     | 2.222          | -               | -            | -                | 2.222          |
| <b>Total assets</b>                                   | <b>198.549</b> | <b>324.127</b>  | <b>1.618</b> | <b>1.986</b>     | <b>526.280</b> |
| <b>Liabilities and equity</b>                         |                |                 |              |                  |                |
| Current accounts and deposits from banks              | 129            | 29.337          | -            | -                | 29.466         |
| Current accounts and deposits from customers          | 106.851        | 101.448         | 1.583        | 1.632            | 211.514        |
| Borrowings  | 1.377          | 211.515         | -            | -                | 212.892        |
| Provisions  | 3.551          | -               | -            | -                | 3.551          |
| Other liabilities                                     | 2.777          | -               | -            | -                | 2.777          |
| Share capital and reserves                            | 66.080         | -               | -            | -                | 66.080         |
| <b>Total liabilities and equity</b>                   | <b>180.765</b> | <b>342.300</b>  | <b>1.583</b> | <b>1.632</b>     | <b>526.280</b> |
| <b>Net foreign currency position</b>                  | <b>17.784</b>  | <b>(18.173)</b> | <b>35</b>    | <b>354</b>       | <b>-</b>       |

## Notes to the financial statements for the year ended 31 December 2009

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

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Market risk (continued)

##### Interest rate risk

The Bank's activities are affected by changes in interest rates in that interest-bearing assets and liabilities mature, or their interest rates are changes, at different times or in different amounts.

The majority of loans and receivables to companies and individuals and deposits from companies and individuals are initially contracted at an interest rate that allows the Bank to vary the interest rate at the Management Board's decision. These financial instruments are classified as instruments that bear variable interest rates. The Management Board changes these interest rates in response to changes in the prevailing market rates.

##### Interest sensitivity of assets and liabilities

The tables below summarize the Bank's exposure to interest rate risks at year end. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

| As at 31 December 2009                                  | Non interest bearing | Up to 1 month  | 1 to 3 months  | 3 months to 1 year | 1 to 5 year     | Over 5 years | Total          | Amounts subject to fixed rates |
|---|----------------------|----------------|----------------|--------------------|-----------------|--------------|----------------|--------------------------------|
| <b>Assets</b>   |                      |                |                |                    |                 |              |                |                                |
| Cash reserves   | 17.938               | 26.827         | -              | -                  | -               | -            | 44.765         | -                              |
| Obligatory reserve with the central bank                | -                    | 39.703         | -              | -                  | -               | -            | 39.703         | 39.703                         |
| Placements with and loans and advances with other banks | -                    | 133.908        | -              | 1.918              | -               | -            | 135.826        | 133.253                        |
| Loans and advances to customers                         | -                    | 273.574        | 4.877          | 135.554            | 6.029           | 216          | 420.250        | 37.777                         |
| Financial assets available for sale                     | 254                  | -              | -              | -                  | -               | -            | 254            | -                              |
| Other assets  | 1.289                | -              | -              | -                  | -               | -            | 1.289          | -                              |
| Property and equipment                                  | 10.896               | -              | -              | -                  | -               | -            | 10.896         | -                              |
| Intangible assets                                       | 2.622                | -              | -              | -                  | -               | -            | 2.622          | -                              |
| <b>Total financial assets</b>                           | <b>32.999</b>        | <b>474.012</b> | <b>4.877</b>   | <b>137.472</b>     | <b>6.029</b>    | <b>216</b>   | <b>655.605</b> | <b>210.733</b>                 |
| <b>Liabilities</b>                                      |                      |                |                |                    |                 |              |                |                                |
| Current accounts and deposits from banks                | -                    | 3.356          | -              | 166.245            | -               | -            | 169.601        | -                              |
| Current accounts and deposits from customers            | 11.886               | 144.696        | 7.594          | 50.778             | 69.754          | 768          | 285.476        | 141.919                        |
| Borrowings  | -                    | 109.526        | 52             | 5.266              | 301             | -            | 115.145        | -                              |
| Provisions  | 2.820                | -              | -              | -                  | -               | -            | 2.820          | -                              |
| Other liabilities                                       | 2.965                | -              | -              | -                  | -               | -            | 2.965          | -                              |
| Share capital and reserves                              | 79.598               | -              | -              | -                  | -               | -            | 79.598         | -                              |
| <b>Total liabilities and equity</b>                     | <b>97.269</b>        | <b>257.578</b> | <b>7.646</b>   | <b>222.289</b>     | <b>70.055</b>   | <b>768</b>   | <b>655.605</b> | <b>141.919</b>                 |
| <b>Interest rate gap</b>                                | <b>(64.270)</b>      | <b>216.434</b> | <b>(2.769)</b> | <b>(84.817)</b>    | <b>(64.026)</b> | <b>(552)</b> | <b>-</b>       | <b>68.814</b>                  |

Based on the above interest rate sensitivity, at 31 December 2009, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Bank's profit for the year ended 31 December 2009 would increase/decrease by KM 243 thousand (2008: decrease/increase by KM 142 thousand). This is mainly attributable to the Bank's exposure to variable interest rates on borrowings.

**Notes to the financial statements for the year ended 31 December 2009**  
(all amounts are expressed in thousands of KM, unless otherwise stated)

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Market risk (continued)**

| As at 31 December 2008                       | Non interest bearing | Up to 1 month  | 1 to 3 months   | 3 months to 1 year | 1 to 5 year     | Over 5 years | Total          | Amounts subject to fixed rates |
|--|----------------------|----------------|-----------------|--------------------|-----------------|--------------|----------------|--------------------------------|
| <b>Financial assets</b>                      |                      |                |                 |                    |                 |              |                |                                |
| Cash reserves                                | 11.665               | 29.139         | -               | -                  | -               | -            | 40.804         | -                              |
| Obligatory reserve with the central bank     | -                    | 51.177         | -               | -                  | -               | -            | 51.177         | 51.177                         |
| Placements and loans with other banks        | -                    | 84.629         | -               | -                  | -               | -            | 84.629         | 84.492                         |
| Loans and advances to customers              | -                    | 158.924        | 13.550          | 145.206            | 17.621          | 1.217        | 336.518        | 104.868                        |
| Financial assets available for sale          | 160                  | -              | -               | -                  | -               | -            | 160            | -                              |
| Other assets                                 | 2.124                | -              | -               | -                  | -               | -            | 2.124          | -                              |
| Property and equipment                       | 8.646                | -              | -               | -                  | -               | -            | 8.646          | -                              |
| Intangible assets                            | 2.222                | -              | -               | -                  | -               | -            | 2.222          | -                              |
| <b>Total assets</b>                          | <b>24.817</b>        | <b>323.869</b> | <b>13.550</b>   | <b>145.206</b>     | <b>17.621</b>   | <b>1.217</b> | <b>526.280</b> | <b>240.537</b>                 |
| <b>Liabilities</b>                           |                      |                |                 |                    |                 |              |                |                                |
| Current accounts and deposits from banks     | -                    | 259            | 29.207          | -                  | -               | -            | 29.466         | -                              |
| Current accounts and deposits from customers | 38.010               | 96.034         | 3.128           | 22.955             | 50.838          | 549          | 211.514        | 85.956                         |
| Borrowings                                   | -                    | -              | 8.019           | 204.361            | 512             | -            | 212.892        | -                              |
| Provisions                                   | 3.551                | -              | -               | -                  | -               | -            | 3.551          | -                              |
| Other liabilities                            | 2.777                | -              | -               | -                  | -               | -            | 2.777          | -                              |
| Share capital and reserves                   | 66.080               | -              | -               | -                  | -               | -            | 66.080         | -                              |
| <b>Total liabilities</b>                     | <b>110.418</b>       | <b>96.293</b>  | <b>40.354</b>   | <b>227.316</b>     | <b>51.350</b>   | <b>549</b>   | <b>526.280</b> | <b>85.956</b>                  |
| <b>Interest rate gap</b>                     | <b>(85.601)</b>      | <b>227.576</b> | <b>(26.804)</b> | <b>(82.110)</b>    | <b>(33.729)</b> | <b>668</b>   | <b>-</b>       | <b>154.581</b>                 |

**Liquidity risk**

Liquidity risk arises in the funding of the Bank's activities and in the management of its positions. The Bank consolidates its operations in respect of liquidity risk in accordance with applicable decrees and internal policies aimed at maintenance of liquidity reserves, and harmonization of assets and liabilities with targeted liquidity indicators and liquidity limits.

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

The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

## Notes to the financial statements for the year ended 31 December 2009

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

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Liquidity risk (continued)

The following tables show the remaining contractual maturities of the Bank's assets and liabilities:

| As at 31 December 2009                                  | Up to 1 Month  | 1 to 3 months | 3 months to 1 year | 1 to 5 years   | Over 5 years     | Total          |
|---|----------------|---------------|--------------------|----------------|------------------|----------------|
| <b>Assets</b>   |                |               |                    |                |                  |                |
| Cash reserves   | 44.765         | -             | -                  | -              | -                | 44.765         |
| Obligatory reserve with the central bank                | 39.703         | -             | -                  | -              | -                | 39.703         |
| Placements with, and loans and advances to, other banks | 133.908        | 638           | -                  | 1.280          | -                | 135.826        |
| Loans and advances to customers                         | 18.921         | 32.083        | 129.024            | 186.967        | 53.255           | 420.250        |
| Financial assets available for sale                     | 254            | -             | -                  | -              | -                | 254            |
| Other assets  | 1.289          | -             | -                  | -              | -                | 1.289          |
| Property and equipment                                  | -              | -             | -                  | -              | 10.896           | 10.896         |
| Intangible assets                                       | -              | -             | -                  | -              | 2.622            | 2.622          |
| <b>Total assets</b>                                     | <b>238.840</b> | <b>32.721</b> | <b>129.024</b>     | <b>188.247</b> | <b>66.773</b>    | <b>655.605</b> |
| <b>Liabilities</b>                                      |                |               |                    |                |                  |                |
| Current accounts and deposits from banks                | 3.356          | -             | -                  | -              | 166.245          | 169.601        |
| Current accounts and deposits from customers            | 114.458        | 10.863        | 87.833             | 71.358         | 964              | 285.476        |
| Borrowings  | 109.526        | 21            | 5.202              | 319            | 77               | 115.145        |
| Provisions  | 401            | 445           | 628                | 1.346          | -                | 2.820          |
| Other liabilities                                       | 2.965          | -             | -                  | -              | -                | 2.965          |
| Share capital and reserves                              | -              | -             | -                  | -              | 79.598           | 79.598         |
| <b>Total financial liabilities</b>                      | <b>230.706</b> | <b>11.329</b> | <b>93.663</b>      | <b>73.023</b>  | <b>246.884</b>   | <b>655.605</b> |
| <b>Maturity gap</b>                                     | <b>8.134</b>   | <b>21.392</b> | <b>35.361</b>      | <b>115.224</b> | <b>(180.111)</b> | <b>-</b>       |



**Notes to the financial statements for the year ended 31 December 2009**  
(all amounts are expressed in thousands of KM, unless otherwise stated)

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (continued)**

| Na dan 31. decembra 2008.                               | Up to 1<br>Month | 1 to<br>3 months | 3 months<br>to 1 year | 1 to<br>5 years | Over<br>5 years | Total          |
|---|------------------|------------------|-----------------------|-----------------|-----------------|----------------|
| <b>Assets</b>   |                  |                  |                       |                 |                 |                |
| Cash reserves   | 40.804           | -                | -                     | -               | -               | 40.804         |
| Obligatory reserve with the central bank                | 51.177           | -                | -                     | -               | -               | 51.177         |
| Placements with, and loans and advances to, other banks | 84.629           | -                | -                     | -               | -               | 84.629         |
| Loans and advances to customers                         | 15.400           | 26.508           | 109.499               | 137.849         | 47.262          | 336.518        |
| Financial assets available for sale                     | 160              | -                | -                     | -               | -               | 160            |
| Other assets  | 2.124            | -                | -                     | -               | -               | 2.124          |
| Property and equipment                                  | -                | -                | -                     | -               | 8.646           | 8.646          |
| Intangible assets                                       | -                | -                | -                     | -               | 2.222           | 2.222          |
| <b>Total financial assets</b>                           | <b>194.294</b>   | <b>26.508</b>    | <b>109.499</b>        | <b>137.849</b>  | <b>58.130</b>   | <b>526.280</b> |
| <b>Financial liabilities</b>                            |                  |                  |                       |                 |                 |                |
| Current accounts and deposits from banks                | 259              | 29.207           | -                     | -               | -               | 29.466         |
| Current accounts and deposits from customers            | 108.328          | 9.887            | 53.932                | 38.968          | 399             | 211.514        |
| Borrowings  | -                | -                | 57.901                | 84.014          | 70.977          | 212.892        |
| Provisions  | 489              | 450              | 742                   | 1.870           | -               | 3.551          |
| Other liabilities                                       | 2.777            | -                | -                     | -               | -               | 2.777          |
| Share capital and reserves                              | -                | -                | -                     | -               | 66.080          | 66.080         |
| <b>Total financial liabilities</b>                      | <b>111.853</b>   | <b>39.544</b>    | <b>112.575</b>        | <b>124.852</b>  | <b>137.456</b>  | <b>526.280</b> |
| <b>Maturity gap</b>                                     | <b>82.441</b>    | <b>(13.036)</b>  | <b>(3.076)</b>        | <b>12.997</b>   | <b>(79.326)</b> | <b>-</b>       |

**Maturity of off-balance sheet items**

(a) Loan commitments

The maturity of the contractual amounts of the Bank's off-balance-sheet financial instruments that commit it to extend credit to customers and other facilities are summarized in the table below.

(b) Financial guarantees and letters of credits

Financial guarantees and letters of credits are also included in the table below based on the earliest contractual maturity date.

(c) Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are summarized in the table below.

## Notes to the financial statements for the year ended 31 December 2009

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

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Maturity of off-balance sheet items (continued)

|  | No later than 1 year | 1-5 year     | Over 5 years | Total         |
|--|----------------------|--------------|--------------|---------------|
| <b>As at 31 December 2009</b>              |                      |              |              |               |
| Loan commitments                           | 33.805               | -            | -            | 33.805        |
| Financial guarantees and letter of credits | 30.404               | 1.640        | -            | 32.044        |
| Operating lease commitments                | 198                  | 582          | -            | 780           |
| <b>Total</b>                               | <b>64.407</b>        | <b>2.222</b> | <b>-</b>     | <b>66.629</b> |
| <b>As at 31 December 2008</b>              |                      |              |              |               |
| Loan commitments                           | 33.769               | -            | -            | 33.769        |
| Financial guarantees and letter of credits | 32.779               | 3.983        | -            | 36.762        |
| Operating lease commitments                | 85                   | 637          | -            | 722           |
| <b>Total</b>                               | <b>66.633</b>        | <b>4.620</b> | <b>-</b>     | <b>71.253</b> |

#### Fair value of financial instruments

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Where available, fair value is based on quoted market prices. However, no readily available market prices exist for a significant portion of the Bank's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing techniques as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair market estimates may not be realisable in a current sale of the financial instrument, in particular considering in view of the impact of the global financial crisis and lack of liquid market in Bosnia and Herzegovina.

##### Cash and cash equivalents

The carrying values of cash and balances with banks are generally deemed to approximate their fair value.

##### Loans and advances to customers

As the Bank has a very limited portfolio of loans and advances with fixed rates and longer-term maturity, management considers that the fair value of loans and advances is not significantly different from their carrying value, prior to taking into account the effect of provisions at the rates specified by the Agency, and without taking into account expected future losses.

##### Customer deposits

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationship with depositors is not taken into account in estimating fair values. As the majority of Bank's portfolio has short term maturity the management considers that the fair value of customer deposits is not significantly different from their carrying value.

##### Borrowings and bank deposits

The fair value of variable yield borrowings that regularly reprice, with no significant change in credit risk, generally approximates their carrying value. The fair value of borrowings at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality. Management considers that the fair value of borrowings at fixed interest rates is not significantly different from their carrying value.

## Notes to the financial statements for the year ended 31 December 2009

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

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Capital risk management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the regulators of the banking markets;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the balance of capital are monitored regularly by the Assets and Liabilities Committee ("ALCO") and Bank's Management Board, based on the relevant internal acts and regulations prescribed by the Agency.

The table below summarizes the composition of regulatory capital and the capital adequacy ratio of the Bank for the years ended 31 December 2009 prepared in accordance with Agency regulations.

|  | 2009.          | 2008.          |
|--|----------------|----------------|
| Bank's net capital according to Banking Agency regulations | 85.911         | 72.118         |
| Risk of Risk Weighted Assets and Loan Equivalent           | 494.857        | 402.477        |
| Weighted operational risk                                  | 25.640         | 2.544          |
| <b>Total weighted risk</b>                                 | <b>520.497</b> | <b>405.021</b> |
| <b>Capital adequacy ratio</b>                              | <b>16,5%</b>   | <b>17,8%</b>   |

We note that the Agency regulations for calculation of capital assignment for operational risk is changed in 2009, resulting in lower capital adequacy ratio.

A minimum capital requirement according to the Banking agency regulations amounts to 12%.

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions about uncertain events, including estimates and assumptions about the future. Such accounting assumptions and estimates are regularly evaluated, and are based on historical experience and other factors such as the expected flow of future events that can be rationally assumed in existing circumstances, but nevertheless necessarily represent sources of estimation uncertainty. The estimation of impairment losses in the Bank's credit risk portfolio represents the major source of estimation uncertainty. This and other key sources of estimation uncertainty, that have a significant risk of causing a possible material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### *Impairment losses on loans and advances*

The Bank monitors the creditworthiness of its customers on an ongoing basis. As already mentioned under note 3 the impairment loss recognised in income statement is determined based on the category in which the asset is classified.

In determining the overall level of loan impairment allowance required, management considers delay in repayment, the financial condition of the borrower, capacity of repayments, quality of collateral economic environment, historic repayment and past debt experience.

#### *Taxation*

The Bank provides for tax liabilities in accordance with the tax laws of Federation of Bosnia and Herzegovina. Tax returns are subject to the approval of the tax authorities who are entitled to carry out subsequent inspections of taxpayers' records. The interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company may not coincide with that of the management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest, which can be significant. In accordance with the Law on Tax Authority of the Federation of Bosnia and Herzegovina, tax liabilities are normally open to inspection by the Tax Authority for a period of five years from the origination of the liability.

## Notes to the financial statements for the year ended 31 December 2009

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

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### *Court proceedings provisions*

The amount recognized as a provision for court proceedings is the best estimate of the consideration required to settle the present obligation at the balance sheet date, when the probability that the settlement will occur is greater than that it will not.

#### *Regulatory requirements*

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

### 6. INTEREST INCOME AND SIMILAR INCOME

|   | 2009.         | 2008.         |
|---|---------------|---------------|
| Interest on loans to individuals                                  | 11.215        | 15.234        |
| Interest on loans to companies                                    | 20.900        | 9.798         |
| Interest on placements with and loans and advances to other banks | 754           | 1.273         |
| Interest on placements with the central bank                      | 377           | 939           |
| <b>Total</b>  | <b>33.246</b> | <b>27.244</b> |

### 7. INTEREST AND SIMILAR CHARGES

|  | 2009.         | 2008.         |
|--|---------------|---------------|
| Interest on deposits and borrowings from banks | 3.398         | 5.623         |
| Interest on companies' deposits                | 3.943         | 3.221         |
| Interest on individuals' deposits              | 5.166         | 2.807         |
| <b>Total</b>                                   | <b>12.507</b> | <b>11.651</b> |

### 8. FEE AND COMMISSION INCOME

|  | 2009.         | 2008.        |
|--|---------------|--------------|
| Fees from payment transactions           | 8.486         | 6.273        |
| Fees from off-balance-sheet transactions | 957           | 1.019        |
| Fees from foreign exchange transactions  | 798           | 605          |
| <b>Total</b>                             | <b>10.241</b> | <b>7.897</b> |

### 9. FEE AND COMMISSION EXPENSE

|   | 2009.        | 2008.      |
|---|--------------|------------|
| Fees and commissions for payment transactions | 1.293        | 793        |
| Other fees to banks                           | 228          | 120        |
| <b>Total</b>                                  | <b>1.521</b> | <b>913</b> |

**Notes to the financial statements for the year ended 31 December 2009**  
(all amounts are expressed in thousands of KM, unless otherwise stated)

**10. NET FOREIGN EXCHANGE GAINS**

|   | 2009.        | 2008.      |
|---|--------------|------------|
| Foreign exchange translation gains, net | 23           | 62         |
| Foreign exchange trading gain, net      | 1,257        | 865        |
| <b>Total net</b>                        | <b>1.280</b> | <b>927</b> |

**11. PERSONNEL EXPENSES**

|                         | 2009.         | 2008.         |
|-------------------------|---------------|---------------|
| Net salaries            | 6.492         | 5.547         |
| Taxes and contributions | 4.676         | 3.858         |
| Other                   | 1.493         | 2.341         |
| <b>Total</b>            | <b>12.661</b> | <b>11.746</b> |

The average number of employees of the Bank during the years ended 31 December 2009 and 2008 was 397 and 343 respectively.

**12. OTHER ADMINISTRATIVE EXPENSES**

|                                   | 2009.         | 2008.        |
|-----------------------------------|---------------|--------------|
| Services                          | 828           | 922          |
| Communication costs               | 1.138         | 890          |
| Rent                              | 1.562         | 857          |
| Transportation                    | 1.272         | 846          |
| Material expenses                 | 615           | 765          |
| Insurance                         | 908           | 761          |
| Advertising and marketing         | 1.139         | 712          |
| Maintenance                       | 750           | 605          |
| Other taxes and dues              | 565           | 551          |
| Energy cost                       | 537           | 472          |
| Fees to Supervisory Board members | 130           | 73           |
| Fees to Agency                    | 427           | 258          |
| Other administrative expenses     | 563           | 751          |
| <b>Total</b>                      | <b>10.434</b> | <b>8.463</b> |

**13. IMPAIRMENT LOSSES**

|   | Notes | 2009.         | 2008.        |
|---|-------|---------------|--------------|
| Loans and advances to customers                 | 21    | 16.003        | 6.393        |
| Placements with and loans and advances to banks | 20    | 39            | -            |
| Other assets                                    | 23    | 250           | 749          |
| <b>Total</b>                                    |       | <b>16.292</b> | <b>7.142</b> |

## Notes to the financial statements for the year ended 31 December 2009

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

### 14. OTHER PROVISIONS

|  | Notes | 2009.        | 2008.        |
|--|-------|--------------|--------------|
| Provisions for off balance sheet items | 29    | (106)        | 647          |
| Provisions for court cases             | 29    | (549)        | 1.527        |
| <b>Total</b>                           |       | <b>(655)</b> | <b>2.174</b> |

### 15. RECOVERIES

|  | 2009.        | 2008.      |
|--|--------------|------------|
| Income from collection of written-off loan principle amounts | 1.907        | 425        |
| Income from collection of written-off interest receivable    | 979          | 424        |
| Income from collection of written-off other receivables      | 30           | 114        |
| <b>Total</b>   | <b>2.916</b> | <b>963</b> |

### 16. INCOME TAX

Income tax charged in the income statement comprises current tax only.

#### Income tax expense recognised in income statement

|                                | 2009. | 2008. |
|--------------------------------|-------|-------|
| Current tax expense            | -     | -     |
| Income tax charge for the year | -     | -     |

The official tax rate within the country is 10% (2008: 10%).

#### Reconciliation of the accounting profit and income tax expense

|  | 2009.   | 2008.   |
|--|---------|---------|
| Loss before income tax                         | (6.482) | (5.910) |
| Tax effects of items which are not deductible: |         |         |
| - non-taxable income                           | (256)   | (21)    |
| - non-deductible expenses                      | 2.691   | 5.310   |
| Income tax loss for the year                   | (4.047) | (621)   |
| Income tax charge for the year                 | -       | -       |

In accordance with Law on corporate profit tax, tax losses can be carried forward for relief against profit of future accounting periods, but for not longer than 5 years. For reasons of prudence, the Bank does not recognize deferred tax assets on tax losses carried forward.

## Notes to the financial statements for the year ended 31 December 2009

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

### 16. INCOME TAX (CONTINUED)

Tax losses can be carried forward as follows:

|               | 2009.        | 2008.      |
|---------------|--------------|------------|
| Up to 5 years | 4.047        | 621        |
| Up to 4 years | 621          | -          |
| Up to 3 years | -            | -          |
| Up to 2 years | -            | -          |
| Up to 1 year  | -            | -          |
|               | <b>4.668</b> | <b>621</b> |

The Bank's tax liabilities are ascertained in tax statements prepared by the Bank and might be a matter of subsequent inspection and consequent adjustment by tax authorities in a five year period after recognition. The Bank's Management Board is not aware of any circumstances, which may give rise to a potential material liability in this respect.

### 17. LOSS PER SHARE

|                                   | 2009.           | 2008.           |
|-----------------------------------|-----------------|-----------------|
| Weighted average number of shares | 638.108         | 271.715         |
| Net loss                          | (6.482)         | (5.910)         |
| <b>Basic loss per share</b>       | <b>(0,0101)</b> | <b>(0,0191)</b> |

### 18. CASH RESERVES

|   | 31 December 2009. | 31 December 2008. |
|---|-------------------|-------------------|
| Cash in hand  | 17.925            | 11.655            |
| Giro account with central bank                          | 25.104            | 25.805            |
| Current accounts with other banks in foreign currencies | 1.723             | 3.334             |
| Cheques in course of collection                         | 13                | 10                |
| <b>Total</b>  | <b>44.765</b>     | <b>40.804</b>     |

### 19. OBLIGATORY RESERVE WITH THE CENTRAL BANK

During the period from 1 January to 14 October 2008, the minimum obligatory reserve requirement was calculated as 18% of the average amount of total deposits and the borrowings for each working day during the previous 10 calendar days. On 14 October 2008, due to the impact of the global financial crisis, the rate of minimum obligatory reserve was decreased to 14%. In 2009 the central bank again changed obligatory reserve requirements. As at 31 December 2009 the obligatory reserve requirement amounted to 7% for liabilities with maturity above 1 year, and 14% for liabilities with maturity up to 1 year. The obligatory reserve is maintained through the average balance on the ordinary reserve account with the central bank.

The interest rate on funds kept up to the minimum obligatory reserve requirement was 1% during 2008 and until April 2009, when it was decreased to 0.5%. The average interest rate for the year ended 31 December 2009 for funds above obligatory reserve was 0.53% (2008: 3.61%). Cash held at the obligatory reserve account with the central bank is not available for daily operations without specific approval from the central bank and the Agency.

## Notes to the financial statements for the year ended 31 December 2009

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

### 20. PLACEMENTS WITH AND LOANS AND ADVANCES TO OTHER BANKS

|                                    | 31 December 2009. | 31 December 2008. |
|------------------------------------|-------------------|-------------------|
| <b>Placements with banks</b>       |                   |                   |
| Money market placements            | 133.272           | 84.492            |
| Restricted deposits                | 636               | 137               |
|                                    | <b>133.908</b>    | <b>84.629</b>     |
| <b>Loans and advances to banks</b> |                   |                   |
| Loans and advances to banks        | 1.957             | -                 |
|                                    | <b>1.957</b>      | -                 |
| <b>Total before impairment</b>     | <b>135.865</b>    | <b>84.629</b>     |
| Provisions                         | (39)              | -                 |
| <b>Total</b>                       | <b>135.826</b>    | <b>84.629</b>     |

The average interest rate for placements in EUR on 31 December 2009 was 0.22% (31 December 2008: 1.83%).

Changes in provisions are presented as follows:

|                                  | 2009.     | 2008. |
|----------------------------------|-----------|-------|
| Balance as at 1 January          | -         | -     |
| Impairment losses (Note 13)      | 39        | -     |
| <b>Balance as at 31 December</b> | <b>39</b> | -     |

### 21. LOANS AND ADVANCES TO CUSTOMERS

|  | 31 December 2009. | 31 December 2008. |
|--|-------------------|-------------------|
| <i>Short-term loans</i>                            |                   |                   |
| Corporate loans                                    | 98.413            | 92.840            |
| Retail loans                                       | 11.351            | 10.301            |
|  | <b>109.764</b>    | <b>103.141</b>    |
| <i>Long-term loans</i>                             |                   |                   |
| Corporate loans                                    | 198.917           | 151.579           |
| Retail loans                                       | 127.672           | 91.712            |
|  | <b>326.589</b>    | <b>243.291</b>    |
| <b>Total loans before provision for impairment</b> | <b>436.353</b>    | <b>346.432</b>    |
| Provision for loan impairment                      | (16.103)          | (9.914)           |
| <b>Total</b>                                       | <b>420.250</b>    | <b>336.518</b>    |



## Notes to the financial statements for the year ended 31 December 2009

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

### 21. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Changes in provision can be presented as follows:

|                                  | 2009.         | 2008.        |
|----------------------------------|---------------|--------------|
| Balance as at 1 January          | 9.914         | 6.127        |
| Impairment losses (Note 13)      | 16.003        | 6.393        |
| Write-offs                       | (9.814)       | (2.606)      |
| <b>Balance as at 31 December</b> | <b>16.103</b> | <b>9.914</b> |

Loans and advances to customers are presented including accrued interest in the amount of BAM 2,201 thousand (2008: BAM 2,252 thousand), and net of deferred fees in the amount of BAM 2,572 thousand (2008: BAM 1,474 thousand).

The Bank presents as part of loans and advances to customers funds granted to the company Teleoptic doo in the amount of KM 12,000 thousand for the purpose of completing the construction of a building which the Bank plans to use as its future administrative building when completed.

The weighted average interest rate on loans and advances to customers during the year can be presented as follows:

|           | 2009. | 2008. |
|-----------|-------|-------|
| Corporate | 7,95% | 8,81% |
| Retail    | 9,21% | 9,01% |

### 22. FINANCIAL ASSETS AVAILABLE FOR SALE

|                                     | 31 December 2009. | 31 December 2008. |
|-------------------------------------|-------------------|-------------------|
| BAMCARD d.d. Sarajevo               | 115               | 115               |
| S.W.I.F.T.                          | 24                | 24                |
| S Leasing                           | 120               | 20                |
| EBB Elektronsko bankarstvo Sarajevo |                   | 4                 |
| Subtotal                            | 259               | 163               |
| Less: Provision for impairment      | (5)               | (3)               |
| <b>Total</b>                        | <b>254</b>        | <b>160</b>        |

Investments are as follows:

| Company                   | Activity                    | % of ownership | Country              |
|---------------------------|-----------------------------|----------------|----------------------|
| BAMCARD d.d. Sarajevo     | Debit and credit cards      | 4,73           | Bosnia & Herzegovina |
| S.W.I.F.T.                | Interbank telecommunication | -              | Belgium              |
| S Leasing d.o.o. Sarajevo | Leasing                     | 10             | Bosnia & Herzegovina |

**Notes to the financial statements for the year ended 31 December 2009**  
 (all amounts are expressed in thousands of KM, unless otherwise stated)

**23. OTHER ASSETS**

|  | 31 December 2009.   | 31 December 2008.   |
|--|---------------------|---------------------|
| Prepaid income tax                             | 19                  | 1.076               |
| Receivables from domestic payment transactions | 663                 | 708                 |
| Fees and commissions receivable                | 405                 | 261                 |
| Prepaid expenses                               | 83                  | 62                  |
| Receivables from assignment contracts          | -                   | 33                  |
| Equipment and consumable stores                | 4                   | 32                  |
| Receivables from Western Union                 | 142                 | -                   |
| Other  | 182                 | 110                 |
| <i>Total other assets before provision</i>     | <u>1.498</u>        | <u>2.282</u>        |
| Less: Provision for impairment                 | (209)               | (158)               |
| <b>Total</b>                                   | <u><b>1.289</b></u> | <u><b>2.124</b></u> |

Changes in provisions are presented as follows:

|                                  | 2009.             | 2008.             |
|----------------------------------|-------------------|-------------------|
| Balance as at 1 January          | 158               | 489               |
| Impairment losses (Note 13)      | 250               | 749               |
| Write-offs                       | (199)             | (1.080)           |
| <b>Balance as at 31 December</b> | <u><b>209</b></u> | <u><b>158</b></u> |

**Notes to the financial statements for the year ended 31 December 2009**  
(all amounts are expressed in thousands of KM, unless otherwise stated)

**24. PROPERTY AND EQUIPMENT**

The movements in tangible fixed assets during the year ended 31 December 2009 are summarized as follows:

|   | Land and buildings | Computers    | Vehicles   | Furniture and office equipment | Assets in the course of construction | Total         |
|---|--------------------|--------------|------------|--------------------------------|--------------------------------------|---------------|
| <b>COST</b>                                   |                    |              |            |                                |                                      |               |
| <b>At 31 December 2007</b>                    | <b>5.660</b>       | <b>2.252</b> | <b>735</b> | <b>2.804</b>                   | <b>814</b>                           | <b>12.265</b> |
| Additions                                     | 135                | 99           |            | 1.030                          | 482                                  | 1.746         |
| Transfer (from) / to                          | -                  | 96           | -          | 554                            | (650)                                | -             |
| Reclassifications                             | 5                  | -            | -          | -                              | -                                    | 5             |
| Disposals                                     | -                  | (256)        | (87)       | (80)                           | -                                    | (423)         |
| <b>At 31 December 2008</b>                    | <b>5.800</b>       | <b>2.191</b> | <b>648</b> | <b>4.308</b>                   | <b>646</b>                           | <b>13.593</b> |
| Additions                                     | -                  | -            | -          | -                              | 3.616                                | 3.616         |
| Transfer (from) / to                          | 1.288              | 656          | 126        | 1.537                          | (3.607)                              | -             |
| Disposals                                     | -                  | -            | (199)      | -                              | -                                    | (199)         |
| <b>At 31 December 2009</b>                    | <b>7.088</b>       | <b>2.847</b> | <b>575</b> | <b>5.845</b>                   | <b>655</b>                           | <b>17.010</b> |
| <b>ACCUMULATED DEPRECIATION</b>               |                    |              |            |                                |                                      |               |
| <b>At 31 December 2007</b>                    | <b>428</b>         | <b>1.826</b> | <b>305</b> | <b>1.761</b>                   | -                                    | <b>4.320</b>  |
| Charge for the year                           | 106                | 254          | 122        | 492                            | -                                    | 974           |
| Correction of error                           | 5                  | -            | -          | (9)                            | -                                    | (4)           |
| Disposals                                     | -                  | (256)        | (16)       | (71)                           | -                                    | (343)         |
| <b>At 31 December 2008</b>                    | <b>539</b>         | <b>1.824</b> | <b>411</b> | <b>2.173</b>                   | -                                    | <b>4.947</b>  |
| Charge for the year                           | 124                | 379          | 102        | 682                            | -                                    | 1.287         |
| Correction of error                           | -                  | -            | -          | -                              | -                                    | -             |
| Disposals                                     | -                  | -            | -          | -                              | -                                    | -             |
| Otuđenja i otpisi                             | -                  | -            | (120)      | -                              | -                                    | (120)         |
| <b>At 31 December 2009</b>                    | <b>663</b>         | <b>2.203</b> | <b>393</b> | <b>2.855</b>                   | -                                    | <b>6.114</b>  |
| <b>Carrying amount as at 31 December 2009</b> | <b>6.425</b>       | <b>644</b>   | <b>182</b> | <b>2.990</b>                   | <b>655</b>                           | <b>10.896</b> |
| <b>Carrying amount as at 31 December 2008</b> | <b>5.261</b>       | <b>367</b>   | <b>237</b> | <b>2.135</b>                   | <b>646</b>                           | <b>8.646</b>  |

Assets in the course of construction represent computers and other equipment not yet put into use.

## Notes to the financial statements for the year ended 31 December 2009

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

### 25. INTANGIBLE ASSETS

|   | Intangible asset | Leasehold improvement | Assets in the course of construction | Total        |
|---|------------------|-----------------------|--------------------------------------|--------------|
| <b>COST</b>                                   |                  |                       |                                      |              |
| <b>At 31 December 2007</b>                    | <b>1.170</b>     | <b>375</b>            | -                                    | <b>1.545</b> |
| Additions                                     | 121              | 396                   | 1.597                                | 2.114        |
| Transfers                                     | -                | -                     | -                                    | -            |
| Disposals and write offs                      | (13)             | -                     | -                                    | (13)         |
| <b>At 31 December 2008</b>                    | <b>1.278</b>     | <b>771</b>            | <b>1.597</b>                         | <b>3.646</b> |
| Additions                                     | -                | -                     | 915                                  | 915          |
| Transfers                                     | 1.884            | 628                   | (2.512)                              | -            |
| Disposals and write offs                      | -                | -                     | -                                    | -            |
| <b>At 31 December 2009</b>                    | <b>3.162</b>     | <b>1.399</b>          | -                                    | <b>4.561</b> |
| <b>ACCUMULATED DEPRECIATION</b>               |                  |                       |                                      |              |
| <b>At 31 December 2007</b>                    | <b>964</b>       | <b>373</b>            | -                                    | <b>1.337</b> |
| Charge for the year                           | 72               | 28                    | -                                    | 100          |
| Disposals and write offs                      | (13)             | -                     | -                                    | (13)         |
| <b>At 31 December 2008</b>                    | <b>1.023</b>     | <b>401</b>            | -                                    | <b>1.424</b> |
| Charge for the year                           | 376              | 139                   | -                                    | 515          |
| Disposals and write offs                      | -                | -                     | -                                    | -            |
| <b>At 31 December 2009</b>                    | <b>1.399</b>     | <b>540</b>            | -                                    | <b>1.939</b> |
| <b>Carrying amount as at 31 December 2009</b> | <b>1.763</b>     | <b>859</b>            | -                                    | <b>2.622</b> |
| <b>Carrying amount as at 31 December 2008</b> | <b>255</b>       | <b>370</b>            | <b>1.597</b>                         | <b>2.222</b> |

Assets in the course of construction at 31 December 2008 represent software not yet put into use.

### 26. CURRENT ACCOUNTS AND DEPOSITS FROM BANKS

|                       | 31 December 2009. | 31 December 2008. |
|-----------------------|-------------------|-------------------|
| Demand deposits       |                   |                   |
| In domestic currency  | 932               | 122               |
| In foreign currencies | 27                | -                 |
|                       | 959               | 122               |
| Term deposits:        |                   |                   |
| In domestic currency  | 93                | 7                 |
| In foreign currencies | 168.549           | 29.337            |
|                       | 168.642           | 29.344            |
| <b>Total</b>          | <b>169.601</b>    | <b>29.466</b>     |

Term deposits in foreign currency as of 31 December 2009 include a long-term deposit in the amount of EUR 85 million received from Steiermarkische Bank und Sparkassen AG, with maturity date as at 30 June 2016.

**Notes to the financial statements for the year ended 31 December 2009**  
(all amounts are expressed in thousands of KM, unless otherwise stated)

**27. CURRENT ACCOUNTS AND DEPOSITS FROM CUSTOMERS**

|  | 31 December 2009. | 31 December 2008. |
|--|-------------------|-------------------|
| <b>Demand deposits:</b>                            |                   |                   |
| Individuals:                                       |                   |                   |
| In domestic currency                               | 31.970            | 29.308            |
| In foreign currencies                              | 14.896            | 13.308            |
|  | <hr/>             | <hr/>             |
|  | 46.866            | 42.616            |
| Companies:   |                   |                   |
| In domestic currency                               | 30.904            | 36.695            |
| In foreign currencies                              | 4.763             | 3.604             |
|  | <hr/>             | <hr/>             |
|  | 35.667            | 40.299            |
| Other government and non-government organizations: |                   |                   |
| In domestic currency                               | 16.129            | 14.542            |
| In foreign currencies                              | 2.135             | 1.005             |
|  | <hr/>             | <hr/>             |
|  | 18.264            | 15.547            |
| <b>Term deposits:</b>                              | <b>100.797</b>    | <b>98.462</b>     |
| Individuals:                                       |                   |                   |
| In domestic currency                               | 19.991            | 17.106            |
| In foreign currencies                              | 63.989            | 45.606            |
|  | <hr/>             | <hr/>             |
|  | 83.980            | 62.712            |
| Companies:   |                   |                   |
| In domestic currency                               | 12.603            | 16.416            |
| In foreign currencies                              | 40.426            | 8.777             |
|  | <hr/>             | <hr/>             |
|  | 53.029            | 25.193            |
| Other government and non-government organizations: |                   |                   |
| In domestic currency                               | 38.856            | 18.311            |
| In foreign currencies                              | 8.814             | 6.836             |
|  | <hr/>             | <hr/>             |
|  | 47.670            | 25.147            |
|  | <hr/>             | <hr/>             |
|  | <b>184.679</b>    | <b>113.052</b>    |
| <b>Total</b>                                       | <b>285.476</b>    | <b>211.514</b>    |

## Notes to the financial statements for the year ended 31 December 2009

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

### 28. BORROWINGS

|   | Short-term     |               | Long-term  |                | Total          |                |
|---|----------------|---------------|------------|----------------|----------------|----------------|
|   | 2009.          | 2008.         | 2009.      | 2008.          | 2009.          | 2008.          |
| Steiermarkische Bank und Sparkassen AG (i)                    | 114.356        | 49.547        | 94         | 153.952        | 114.450        | 203.499        |
| European Fund for Southeast Europe (ii)                       | -              | 8.016         | -          | -              | -              | 8.016          |
| Investment Bank of Federation of Bosnia and Herzegovina (iii) | 201            | 170           | 297        | 420            | 498            | 590            |
| Government of Zenica-Doboj Canton (iv)                        | 192            | 168           | 5          | 619            | 197            | 787            |
|   | <b>114.749</b> | <b>57.901</b> | <b>396</b> | <b>154.991</b> | <b>115.145</b> | <b>212.892</b> |

(i) The borrowing comprises one short term borrowing repayable in full on January 6, 2010.

ii) A long-term loan agreement was signed as of 24 July 2006, in the total amount of EUR 5 million. The loan is divided into two components: (1) funding for financing of small and medium sized enterprises in the amount of EUR 1.5 million, with maturity in five years, and (2) funding for housing loans in amount of the EUR 3.5 million, with maturity in ten years. Loan repayment is on a semi-annual basis. From 1 January 2008, the interest rate is EURIBOR + 2% p.a.

(iii) Borrowed funds are for the purpose of restructuring of existing loans for working capital as well as financing of development programs and projects of small and medium sized enterprises in the Federation of Bosnia and Herzegovina. The funds are approved for periods ranging between 2.5 - 5 years, with an interest rate of 6-month EURIBOR. Repayments are made in equal monthly installments.

(iii) On 24 May 2004, Zenica-Doboj Canton approved a credit line for financing of economic development and improvement of employment. Loan maturity is up to 10 years, with a grace period of up to 24 months, depending on the particular loan approved to the final beneficiary. Interest rate is EURIBOR + 1.5% p.a., but not less than 6% p.a.

### 29. PROVISIONS

|                                       | 31 December 2009. | 31 December 2008. |
|---------------------------------------|-------------------|-------------------|
| Provision for legal proceedings       | 958               | 1.527             |
| Provision for off-balance-sheet items | 1.303             | 1.409             |
| Provisions for employee benefits      | 559               | 615               |
| <b>Total</b>                          | <b>2.820</b>      | <b>3.551</b>      |

## Notes to the financial statements for the year ended 31 December 2009

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

### 29. PROVISIONS (CONTINUED)

Changes in provisions are presented as follows:

|                                       | Legal proceedings | Off-balance-sheet items | Provisions for employee benefits | Total        |
|---------------------------------------|-------------------|-------------------------|----------------------------------|--------------|
| <b>Balance as of 1 January 2008</b>   | -                 | <b>1.022</b>            | <b>567</b>                       | <b>1.589</b> |
| Net charge to income statement        | 1.527             | 647                     | 48                               | 2.222        |
| Write-off                             | -                 | (260)                   | -                                | (260)        |
| <b>Balance as of 31 December 2008</b> | <b>1.527</b>      | <b>1.409</b>            | <b>615</b>                       | <b>3.551</b> |
| Net release to income statement       | (549)             | (106)                   | (29)                             | (684)        |
| Provisions used during the year       | (20)              | -                       | (27)                             | (47)         |
| <b>Balance as of 31 December 2009</b> | <b>958</b>        | <b>1.303</b>            | <b>559</b>                       | <b>2.820</b> |

Net (release)/charge to income statement for provisions for employee benefits are presented as part of personnel expenses.

### 30. COMMITMENTS AND CONTINGENCIES

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

|                             | 31 December 2009. | 31 December 2008. |
|-----------------------------|-------------------|-------------------|
| Undrawn lending commitments | 33.805            | 33.769            |
| Performance guarantees      | 8.500             | 29.116            |
| Payment guarantees          | 23.011            | 7.194             |
| Letters of credit           | 533               | 452               |
| <b>Total</b>                | <b>65.849</b>     | <b>70.531</b>     |

### 31. OTHER LIABILITIES

|  | 31 December 2009. | 31 December 2008. |
|--|-------------------|-------------------|
| Liabilities to suppliers                             | 829               | 772               |
| Liabilities from interbank transactions              | 6                 | 329               |
| Liabilities to employees                             | 1.093             | 320               |
| Liabilities from on-lending activities (see Note 34) | 2                 | 300               |
| Liabilities toward Federal Employment Institute      | 236               | 236               |
| Liabilities for dividends                            | 148               | 148               |
| Tax payables   | 20                | 29                |
| Other  | 631               | 643               |
| <b>Total</b>   | <b>2.965</b>      | <b>2.777</b>      |

## Notes to the financial statements for the year ended 31 December 2009

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

### 32. SHARE CAPITAL

The Bank's ownership structure was as follows:

|   | 31 December 2009.        |                     |                | 31 December 2008.        |                     |                |
|---|--------------------------|---------------------|----------------|--------------------------|---------------------|----------------|
|   | Share capital<br>KM '000 | Number of<br>shares | % of ownership | Share capital<br>KM '000 | Number of<br>shares | % of ownership |
| Steiermarkische Bank und Sparkassen AG, Graz, Austria | 73.812                   | 738.118             | 96,5           | 53.811                   | 538.108             | 95,29          |
| Other   | 2.661                    | 26.615              | 3,5            | 2.662                    | 26.625              | 4,71           |
| <b>Total</b>  | <b>76.473</b>            | <b>764.733</b>      | <b>100,00</b>  | <b>56.473</b>            | <b>564.733</b>      | <b>100,00</b>  |

Share capital is made up of 764.733 ordinary shares with a nominal value of KM 100 per share.

Share premium represents the excess of the paid-in amount over the nominal value of the issued shares.

### 33. RELATED-PARTY TRANSACTIONS

Transactions with related parties as at 31 December 2009 are summarized as follows:

|   | 31 December 2009. |                | 31 December 2008. |                |
|---|-------------------|----------------|-------------------|----------------|
|   | Receivables       | Payables       | Receivables       | Payables       |
| Steiermarkische Bank und Sparkassen AG, Graz, Austria | -                 | 282.999        | 362               | 203.598        |
| Erste Bank der Oesterreichischen Sparkassen AG Wien   | 14.533            | -              | 13.891            | -              |
| Erste and Steiermarkische bank dd Zagreb              | 6                 | -              | 5                 | -              |
| <b>Total</b>  | <b>14.539</b>     | <b>282.999</b> | <b>14.258</b>     | <b>203.598</b> |

|  | 2009.     |              | 2008.      |              |
|--|-----------|--------------|------------|--------------|
|  | Income    | Expenditures | Income     | Expenditures |
| Steiermarkische Bank und Sparkassen AG, Graz, Austrija | 33        | 5.016        | 154        | 4.947        |
| Erste bank der oeserreichen sparkassen AG W            | 41        | -            | 194        | -            |
| Erste and Steiermarkische bank dd Zagreb               | 4         | -            | -          | -            |
| <b>Total</b>   | <b>78</b> | <b>5.016</b> | <b>348</b> | <b>4.947</b> |

All of the transactions stated above have been made under commercial and banking terms and conditions.

#### Director's and executives' remuneration

The total remuneration of the Management Board and other members of key management during the year ended 31 December 2009 was as follows:

|  | 2009.        | 2008.        |
|--|--------------|--------------|
| Salaries and other income                            | 1.008        | 1.026        |
| Taxes and contributions on salaries and other income | 772          | 636          |
| <b>Total</b>   | <b>1.780</b> | <b>1.662</b> |



**Notes to the financial statements for the year ended 31 December 2009**  
(all amounts are expressed in thousands of KM, unless otherwise stated)

**34. ON-LENDING ACTIVITIES**

Funds managed by the Bank on behalf of individuals, trusts and other institutions are not assets of the Bank and, therefore, are not included in its balance sheet.

The table below provides analysis of the funds managed on behalf of customers by investment type:

|  | 2009.         | 2008.         |
|--|---------------|---------------|
| <b>LOANS</b>   |               |               |
| Companies  | 18.762        | 21.038        |
| Individuals  | 4.193         | 4.515         |
| <b>Total</b>   | <b>22.955</b> | <b>25.553</b> |
| <b>LIABILITIES</b>   |               |               |
| Employment agency of the Federation of Bosnia and Herzegovina          | 19.292        | 19.011        |
| Citizens and companies   | -             | 3.272         |
| Ministry of War veterans of Zenica-Doboj Canton                        | 1.072         | 1.258         |
| Ministry of Trade of Bosnia-Drina Canton                               | 810           | 810           |
| Ministry of Trade of Bosansko-podrinjski Canton-„stambeni-BIZ“         | 31            | -             |
| International Guarantee Agency   | 655           | 360           |
| Government of Zenica-Doboj Canton                                      | 295           | 318           |
| Employment agency of Zenica-Doboj Canton                               | 229           | 258           |
| USAID  | 248           | 248           |
| Humanitarian organization MOJ BLIŽNJI                                  | -             | 165           |
| Lutheran World Federation  | 73            | 65            |
| Housing fund of Una-Sana Canton  | 32            | 38            |
| Employment agency of Bosnia-Drina Canton                               | 24            | 25            |
| War veterans Bihać   | 14            | 25            |
| Bor banka  | 42            | -             |
| Organizacija poginulih Šehida i poginulih boraca Zenica                | 140           | -             |
| <b>Total</b>   | <b>22.957</b> | <b>25.853</b> |
| <b>Current liabilities from managed funds activities (see Note 31)</b> | <b>2</b>      | <b>300</b>    |

The Bank does not bear the risk for these placements and charges a fee for its services.

## Branches

| PLACE                    | ADDRESS                                      | TELEPHONE          | FAX                |
|--------------------------|--|--------------------|--------------------|
| <b>BRANCH SARAJEVO</b>   | <b>Zmaja od Bosne 7</b>                      | <b>033/722 400</b> | <b>033/722 419</b> |
| Centar                   | Maršala Tita 15                              | 033/722 431        | 033/722 430        |
| Novi Grad                | Bulev. Meše Selimovića 97                    | 033/769 690        | 033/769 710        |
| Vogošća                  | Braće Halać 18                               | 033/424 070        | 033/424 715        |
| Dobrinja                 | Dobrinjske bolnice 11                        | 033/788 460        | 033/788 455        |
| Novo Sarajevo            | Zmaja od Bosne 60                            | 033/718 335        | 033/718 375        |
| Ilidža                   | Samira Čatovića Kobre 2                      | 033/764 925        | 033/764 945        |
| <b>BRANCH GORAŽDE</b>    | <b>Alije Hodžića 3</b>                       | <b>038/241 095</b> | <b>038/241 098</b> |
| <b>BRANCH BIHAĆ</b>      | <b>Hasana Kfajije Pruččaka nn, Ozimice I</b> | <b>037/229 056</b> | <b>037/224 191</b> |
| Bihać                    | V Korpusa 1                                  | 037/229 055        | 037/229 079        |
| Bos. Petrovac            | Trg šehida nn                                | 037/883 166        | 037/883 163        |
| Bos. Krupa               | Kolodvorska nn                               | 037/470 046        | 037/470 047        |
| Cazin                    | Cazinskih brigada 24                         | 037/510 045        | 037/510 044        |
| V. Kladuša               | Trg A. M. Brene nn                           | 037/775 035        | 037/775 083        |
| Sanski Most              | Mahala 2                                     | 037/688 588        | 037/688 606        |
| Ključ                    | Branilaca nn                                 | 037/660 148        | 037/660 013        |
| <b>BRANCH TUZLA</b>      | <b>Aleja Alije Izetbegovića 2</b>            | <b>035/300 750</b> | <b>035/300 757</b> |
| Sjenjak                  | Ismeta Mujezinovića blok B                   | 035/300 767        | 035/300 771        |
| Gračanica                | Fridriha Foglera 8                           | 035/700 171        | 035/700 075        |
| Živinice                 | Tuzlanskog odreda blok 1                     | 035/740 900        | 035/740 950        |
| Gradačac                 | Husein kap. Gradašćevića nn                  | 035/821 505        | 035/822 040        |
| Lukavac                  | Sarajevska 5                                 | 035/550 140        | 035/550 435        |
| Čelić                    | Alije Izetbegovića nn-Tržni centar           | 035/668 091        | 035/668 220        |
| <b>BRANCH BRČKO</b>      | <b>Bulevar mira 30</b>                       | <b>049/235 453</b> | <b>049/235 455</b> |
| <b>BRANCH ZENICA</b>     | <b>Maršala Tita 9</b>                        | <b>032/449 220</b> | <b>032/449 229</b> |
| Zenica                   | Aska Borića 23                               | 032/449 232        | 032/449 230        |
| Žepče                    | Stjepana Tomaševića nn                       | 032/888 240        | 032/888 156        |
| Kakanj                   | Alije Izetbegovića nn                        | 032/552 950        | 032/552 960        |
| Tešanj                   | Nesuha Mešića 3                              | 032/665 130        | 032/665 135        |
| Maglaj                   | Viteška nn                                   | 032/609 320        | 032/609 800        |
| Jelah                    | Titova Ulica nn                              | 032/667 710        | 032/667 870        |
| <b>BRANCH MOSTAR</b>     | <b>Husnije Repca nn</b>                      | <b>036/501 800</b> | <b>036/501 810</b> |
| Konjic                   | Željeznička nn                               | 036/734 120        | 036/735 980        |
| Jablanica                | Putnikova nn                                 | 036/750 570        | 036/752 233        |
| Mostar                   | Kralja Tvrtka 12                             | 036/333 450        | 036/333 448        |
| Ljubuški                 | Z. Frankopanska 102                          | 039/830 797        | 039/830 023        |
| Čapljina                 | Trg Kralja Tomislava 26                      | 036/810 612        | 036/810 610        |
| Široki Brijeg            | Trg Ante Starčevića 6                        | 039/700 031        | 039/700 414        |
| <b>BRANCH VISOKO</b>     | <b>Alije Izetbegovića 16</b>                 | <b>032/730 382</b> | <b>032/730 355</b> |
| Fojnica                  | Bosanska nn                                  | 030/544 131        | 030/544 135        |
| <b>BRANCH TRAVNIK</b>    | <b>Bosanska 121</b>                          | <b>030/519 451</b> | <b>030/519 498</b> |
| N. Travnik               | Kalinska nn                                  | 030/519 491        | 030/542 590        |
| Gornji Vakuf             | Mehmed bega Stočanina nn                     | 030/270 502        | 030/270 540        |
| Bugojno                  | Trg Zlatnih ljljljana 3                      | 030/270 410        | 030/260 160        |
| <b>BRANCH BANJA LUKA</b> | <b>Aleja Svetog Save 7</b>                   | <b>051/340 015</b> | <b>051/340 030</b> |
| Doboj                    | Nemanjina 64                                 | 053/205 531        | 053/206 940        |
| Prijedor                 | Svetosavska nn                               | 052/242 151        | 052/243 290        |

**Notes**

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