

Annual Report 2014





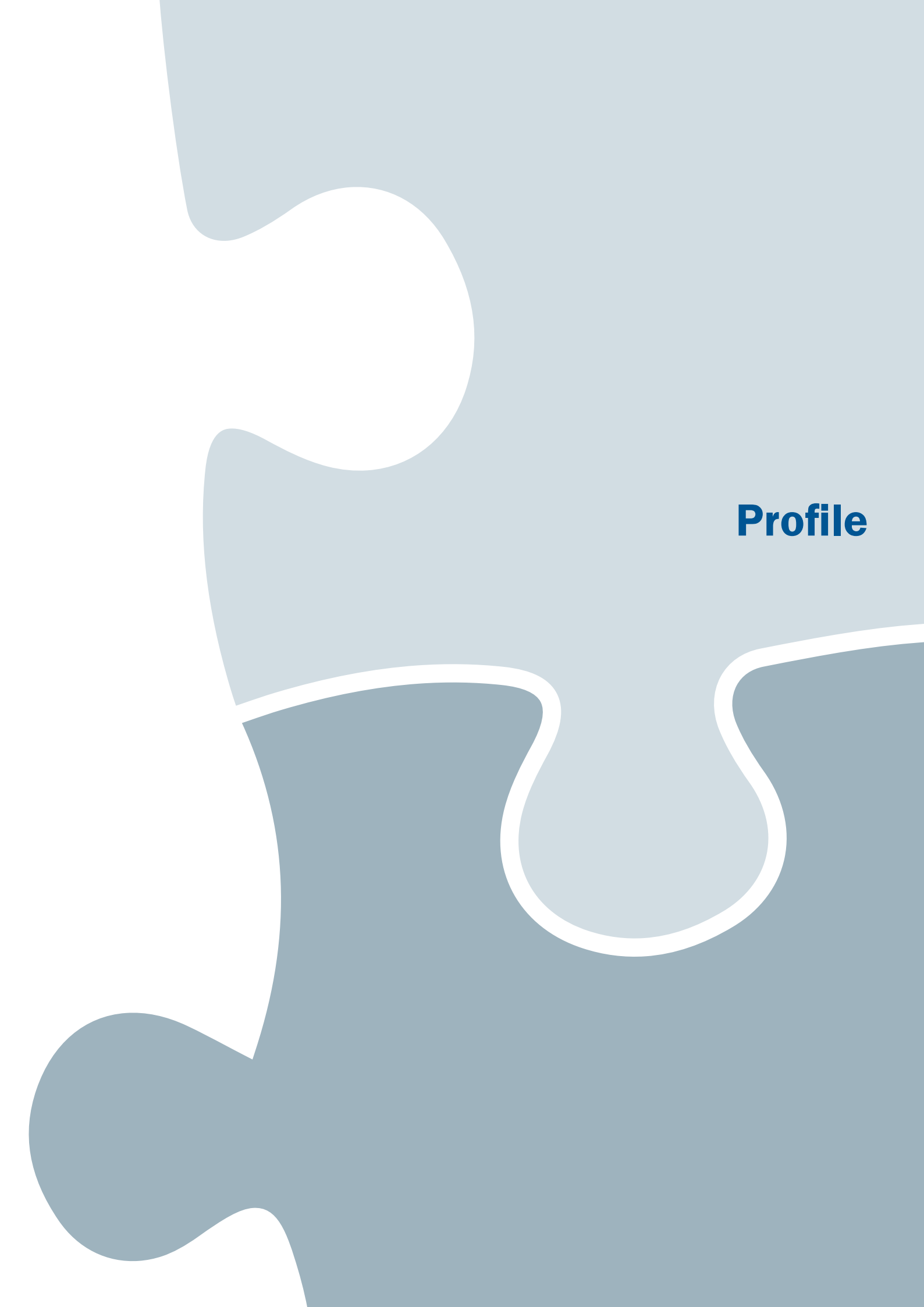
Sparkasse Bank dd BiH

Annual Report

2014

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Profile

Profile

Sparkasse Bank dd BiH

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Sjedište

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Podaci (2014. godina)

Founded in: 1999. godina
Assets: 1,03 billion KM
Owner: Steiermärkische Sparkasse, Austrija
Number of affiliates: 44
Number of clients: 175,705
Number of employees: 475



Članice grupe u BiH



Company for leasing of vehicles, machinery and vessels.



Nekretnine

Company for mediation in real estate trade.



Company for mediation in insurance operations.

Management

CEO

Sanel Kusturica, MBA

Executive director

Mag. Nedim Alihodžić

Executive director

Mag. Amir Softić

Supervisory Board

Chair

Sava Dalbokov, MBA

Members

mr. Gerhard Maier

Ismeta Čardaković

mr. Renate Ferlitz

dr. Georg Bucher

Our owner

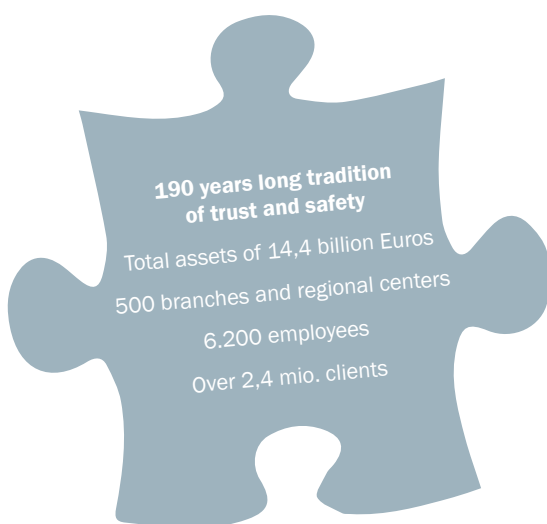
Sparkasse Bank dd BiH is majority-owned by Steiermärkische Bank und Sparkassen AG, which holds 97% of the Bank's shares. Steiermärkische Bank und Sparkassen AG, headquartered in Graz, is one of the largest regional banks in the south of Austria. As a member of the Austrian Savings Banks Group (Sparkassengruppe, consisting of 47 savings banks and the Erste Group Bank, as its lead institution), it is part of one of the strongest banking groups in Europe. The group has a long-term strategic orientation toward the Western Balkans region, making it a reliable parent institution for Sparkasse Bank dd BiH and committed investor in Bosnia and Herzegovina as a whole.

Steiermärkische Sparkasse is a universal bank offering broad services for retail customers, SMEs, private banking customers, large corporations and public authorities. It was founded 190 years ago, in 1825 by a group of wealthy and socially conscious individuals known as the "association of philanthropists". These new savings banks were intended to provide simple financial services (savings & loans) to an emerging middle class of workers, craftsmen and small income-earners, thus giving them increased security and better development prospects. Originally, the Sparkasse was set up as a non-profit organisation and the generated profits were invested in „public benefit projects“, such as building public infrastructure, supporting culture, the regional economy and the socially weak. To this day, the business activities of Steiermärkische Sparkasse and its group companies aim not only to create material wealth but also to support social development, culture and other projects for the common good. Steiermärkische Sparkasse dedicates a material portion of its profits to such initiatives.



Twenty years ago, Steiermärkische Sparkasse embarked on an expansion strategy for its home market to include the emerging markets in South-Eastern Europe (SEE). As a consequence, the Steiermärkische Sparkasse now has strategic banking participations in Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Macedonia and Serbia – this is one of the most comprehensive banking networks in the region. The number of customers in the region has grown significantly over the past 15 years and today Steiermärkische Sparkasse Group serves some 2 million clients in SEE. The Group is also very well positioned to support Austrian and international clients in their activities in the region, building more and more „economic bridges“ between SEE and Austria / Central Europe.

„In 2014 Sparkasse Bank dd BiH had the best result in its history, in a particularly challenging year for the country. I can see no better confirmation of our strategy to develop banks that have long-term orientation and offer stability and safety to clients even – and especially – when times are tough. But I feel much more fulfillment and pride with the very strong engagement that our Bank showed in supporting the people who were affected by the catastrophic floods in May and June 2014. In terms of professionalism, achievements and social engagement, Sparkasse BiH is among the best banks we have in our Group. It has greatly contributed to our positive attitude toward doing business in Bosnia & Hercegovina. Allow me to express my gratitude and appreciation to the clients and colleagues at Sparkasse Bank dd BiH for making this possible“, explains Sava Dalbokov, management board member of Steiermärkische Sparkasse and chairman of the supervisory board Sparkasse Bank dd BiH.



Profile

**Sparkasse
and
sign .**

Our parent company Steiermarkische Sparkasse during business tradition of nearly 200 years has built recognizable “Sparkasse brand” with a red , which represents:

- security, trust and tradition, which makes it a reliable partner for employees and clients;
- solid, crisis-resistant business model of strong and successful group;
- economically successful concept that follows the principles of social responsibility

**Our
vision.**

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

**Our
objective.**

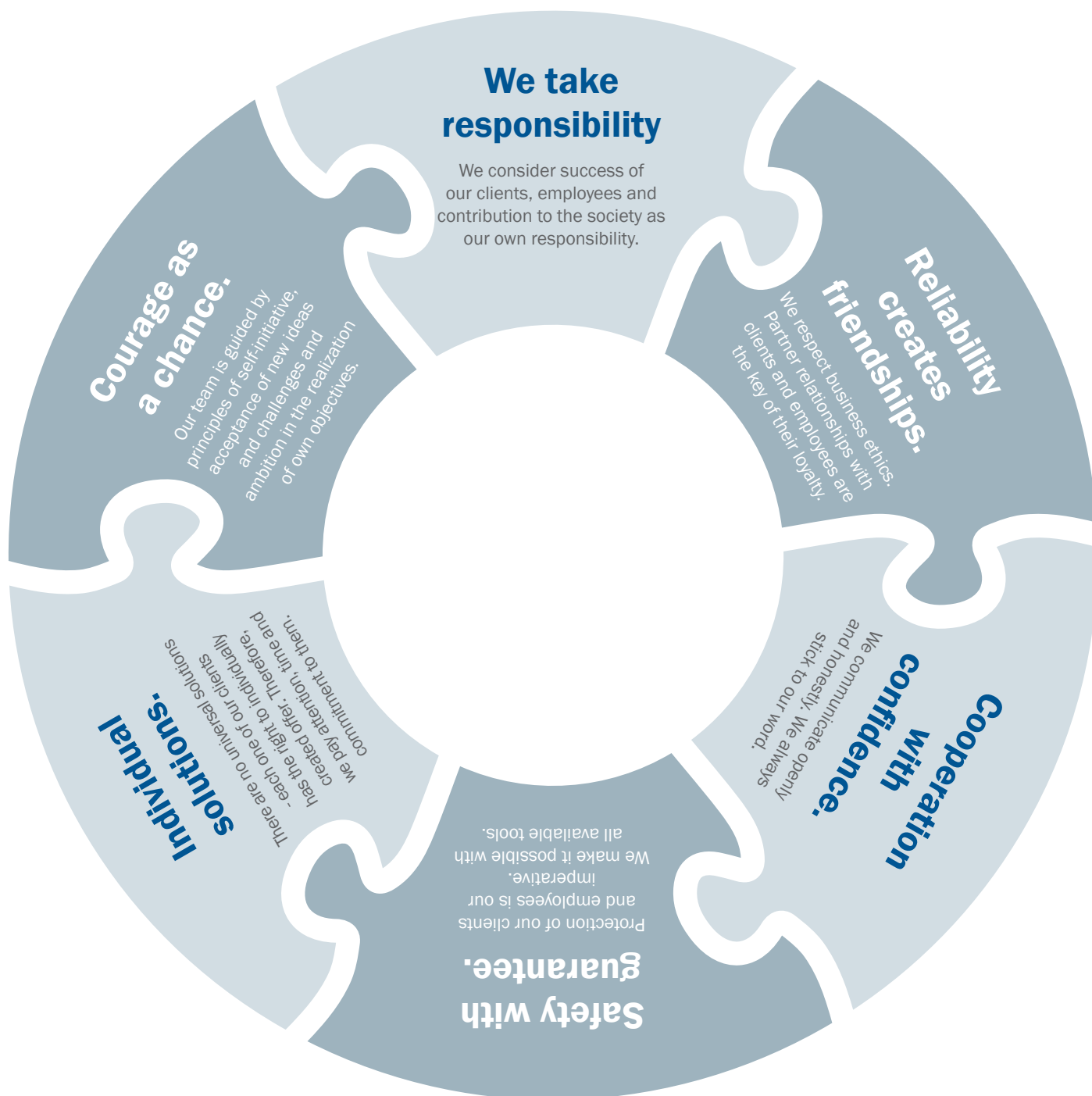
Our ultimate objective is to develop according to the international standards of the group into a modern bank that retains the traditional value of Sparkasse, with orientation towards retail banking and small and medium enterprises.

**Our
mission.**

Sparkasse Bank dd BiH cares about success of its clients:

- competently
- with individual solutions
- by constant improvement of its offer
- in long term

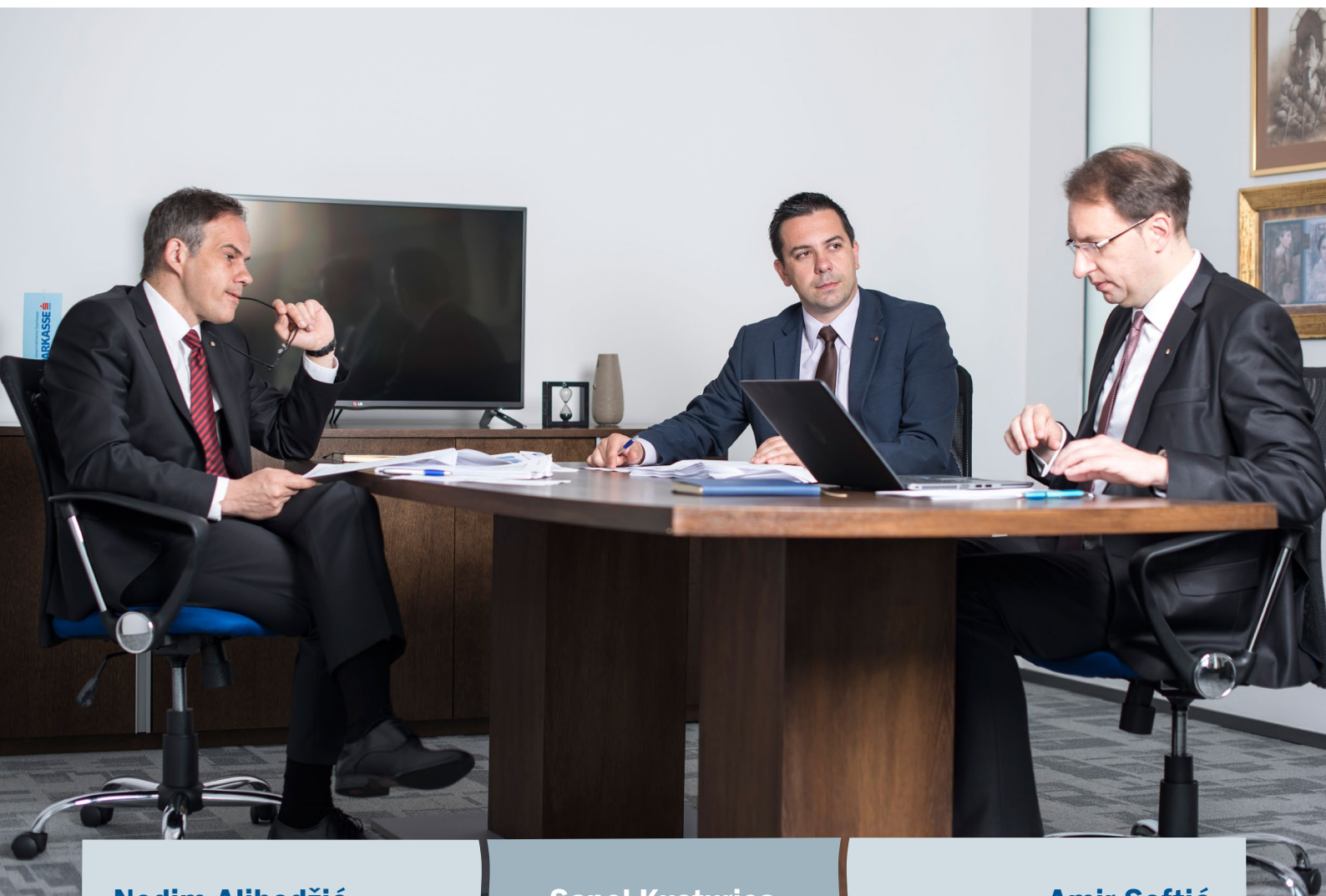
Our guidelines





Management Board

Management Board



Nedim Alihodžić

Executive manager

Corporate, IT and organization, Property and security management

Sanel Kusturica

General manager

Retail, Human Resources, Marketing, communications and service quality, Treasury, Operations, Secretariat.

Amir Softić

Executive manager

RISK management, Legal operations, Accounting and controlling, AML, Compliance.

Words of Sanel Kusturica, CEO of the Bank

Continuation of quality sustainable growth, responsible business and long-term stability

Dear all,

It is my great pleasure to address you at the end of this, for Sparkasse Bank in Bosnia and Herzegovina, very successful business year.

Running business in 2014 has been anything but easy. In macroeconomic terms, very little came our way. The disastrous floods that happened mid-year brought catastrophic consequences to the infrastructure, businesses and citizens directly, particularly in the affected areas, and even wider...

The industrial production is reduced, foreign trade deficit grew, and foreign investments have stayed on a very low level. All this, combined with, for us already predictable, political instabilities and lack of structural reforms, brought upon further stagnation of the main economic indicators, high unemployment rate, growth of GDP below 1%, and maintenance of poor credit rating.

Although all of the above mentioned has had adverse influence to the banking sector, especially to the inadequate level of the necessary credit activity, the effects on performance of Sparkasse Bank were not critical, and we managed to meet all our strategic goals set for 2014. The year behind us has been the fifth year of our above-the-average growth in almost all segments of our business. Our key financial indicators once again prove our long-term stability and reliability.

Our assets amount to more than one billion BAM, operating profit increased by 20% and capital by 11% in relation to the previous year. At the same time, we managed to maintain high quality of the loan portfolio, while non-performing loans are kept at the level under 10% and are almost 100% covered by loan loss provisions, which makes our bank one of the leaders on the market.

How have we done all that?

Through focusing on development and quality and reliable, timely and efficient services to all categories of clients.

We in Sparkasse Bank follow the market trends, macroeconomic situation in BiH and abroad, moves and strategies of our competition, but simultaneously we are more focused to the internal improvements and our own development.

We have been investing in our human resources, and we are committed to continue doing so, as we believe that **our employees** and development of their competences is the key to our success.

Year after year, our **stability** is confirmed through a high quality deposit structure where I have to emphasize that more than 60% are deposits of retail clients, which is also a direct consequence of the high degree of trust that population has in the Sparkasse brand.

Our **long-term** commitment to active contribution to the economic development is mirrored in the fact that for many years almost 70%



of new loans are disbursed to legal entities, by which we confirmed our status of a strong financial institution, ready to offer necessary support to its clients and be reliable backbone for all their business endeavors.

Moreover, along with all we have achieved so far, I would like to especially emphasize our principle of **corporate social responsibility**. Following the floods, we helped our clients and local communities distributing emergency kits and reconstructing of flooded homes, schools and bridges. We supported reconstruction of the Sarajevo City Hall, as well different sporting and cultural events and projects in the field of education. Our commitment to socially-responsible activities remains, reflected in the support to social entrepreneurship, sports, marginalized groups, education and youth employment.

However, the strongest, and for us the most important, confirmation of the quality of our work comes from **our clients**. Research completed by independent external agencies shows that Sparkasse Bank has very loyal clients that are among the most satisfied in the banking sector. This proves that we are on the right path with our uncompromised commitment to the **quality of service**.

If you are among the satisfied shareholders, employees, clients, vendors or partners of Sparkasse Bank, be sure that you have not yet seen the best of us.

The best from Sparkasse Bank dd Bosnia and Herzegovina is yet to come in the years ahead.

And that is our promise!


Sanel Kusturica, CEO

**Economy of BiH
in 2014 and
outlook for 2015**

Economy of BiH in 2014 and outlook for 2015

Investments and exports shaping the outlook for 2015

Growth prospects, hindered by mid-year flood disasters, were marked by the recovery of the GDP that moved to the green zone already in the third quarter of 2014. The 2015 outlook is promising, given the major role of the investments, exports and stable household consumption. Fiscal trends will mostly be marked by the outcomes of the political negotiations, and negotiations on the new IMF arrangement.

- 2015 should be more encouraging, with the main upsides coming from the investment side (reconstruction of flooded regions) and export sector (more promising growth outlook for main trade partners). Household consumption should maintain its supportive role, while we expect a gradual decline of public consumption.

- Inflation trajectory is expected to be mostly shaped by low base effect, fading effects of low food prices, intensified investment activity and more favorable movements on the labor market. These factors should outweigh week cost side pressures (primarily falling oil prices) so we expect inflation moving back to the positive territory, with average 1.5% being our best guess.
- On the international front we expect stabilization of C/A balance, supported by more promising export performance, given the fading effects of floods and more favorable economic outlook for main trade partners. On the financing side we expect stronger FDI footprint, with several projects already in the pipeline.
- Monetary outlook for the year 2015 is marked by a corporate credit portfolio recovery and a continuation of the robust performance of individual crediting. Moreover, we expect improvements of the fiscal stability indicators, although we cannot exclude risks for NPL stemming from a weaker performance of the corporate sector in the second half of 2014 (caused by the flood caused damages).
- Monetary outlook for 2015 is shaped by expected recovery of corporate lending and continuation of robust household lending performance. We also expect improvements of financial stability indicators, although we cannot exclude some upside risks to NPLs coming from the weaker performance of the corporate sector in the second half of 2014 (resulting from flood damage)
- The program supported by the IMF has brought some results, but fiscal consolidation dynamic was slowed by elections held in October 2014 and flood-related damages. In 2015 fiscal performance will depend heavily on the political situation; depending on agreement in the coalition in the first three months of the year, we expect the reform agenda to come into focus only in the second half of the year.

Real economy

Although BiH was strongly hit by massive floods, GDP returned to green territory in the third quarter of 2014 . After a recessionary 2012, Bosnia and Herzegovina was one of the growth leaders in the CESEE region, with robust 2.5% y/y growth in 2013. Detailed data on GDP components shows that household consumption and net exports served as the main supportive factors, outweighing the fall in investments, primarily in the construction sector. The 2014 outlook seemed promising, but it was shaken by the onset of massive floods in May, with estimated direct and indirect damages to housing, energy and transport sectors spanning from EUR 1 billion to EUR 1.5 billion (around 10% of GDP). The effects of the flooding translated into the official GDP figures, as the economy shrank 0.5% y/y in 2Q14 (vs. +3.2% y/y in the first quarter of 2014). However, already in the third quarter of 2014, the economy bounced back into green territory (supported by a stable consumption footprint and recovery of net



Economy of BiH in 2014 and outlook for 2015

exports), with the headline figure landing at 0.6% y/y, thus wrapping up the first three quarters of 2014 at 1.1% y/y.

Short-term indicators for the last three months of 2014 show that we could see some acceleration of the growth figure in the fourth quarter of 2014, with average 1.8% y/y growth in the retail sector and 8.5% y/y growth of exports offsetting a 1% yearly decline in industrial production. The growth of 39% y/y of completed dwellings indicates that the construction sector will also be supportive of the headline figure. In the same period, we could also see some positive developments on the labor market, with a mild increase of employment, primarily in the manufacturing and energy sector. Growth FY14 that is expected is in the 0.5%-1% band.

Mid-term economic outlook is mostly shaped by domestic and foreign investments. Looking ahead, 2015 could be more encouraging, with the main upsides coming from the investment side and export sector. Announced investments related to reconstruction of flooded regions (mainly financed by IFI assistance funds) and infrastructure projects (e.g. corridor Vc, TP "Tuzla" and TP "Stanari") should give a boost to the construction sector, while the more favorable growth outlook for main trading partners should continue to support exports, which have already shown strong resilience in recent years. We expect increased investments in the energy sector

(e.g. Una Kostela and Vranduk hydroelectric plants) and there are announcements of FDI projects in the tourism sector (e.g. UAE investment in tourist resort Buroj Ozon). Household consumption should maintain its supportive role, while we expect a gradual decline of public consumption, as the government postponed some of the fiscal consolidation measures, backed by the 2012-2014 IMF stand-by arrangement, for the post-election period (elections were held in October 2014). With all of this in mind, we see the growth figure in the 2-3% region, although we anticipate implementation risks down the road, coming primarily from politically related uncertainties.

Inflation returns to the positive zone in 2015. Deflationary pressures in EU also spilled to the CPI footprint in BiH, with the headline figure moving in the negative territory throughout most of 2014. After a 1.5% decline in prices in first half of 2014, in second half of the year we could see some easing of deflation pressures so the FY14 inflation came at -0.9%. In 2015, we expect upside pressures coming from low base effect, fading effects of low food prices, intensified investment activity and more favorable movements on the labor market. These factors should outweigh week cost side pressures (primarily falling oil prices) so we expect inflation moving back to the positive territory, with average around 1.5% being our best guess.

BOSNIA AND HERZEGOVINA	2009.	2010.	2011.	2012.	2013.	2014.f	2015.f
Nominal GDP (BAM mn)	24.307	24.879	25.772	25.734	26.123	26.175	27.196
Population (mn)	3,8	3,8	3,8	3,8	3,8	3,8	3,8
GDP per capita (EUR)	3.264	3.340	3.460	3.455	3.507	3.500	3.637
Real GDP (growth YoY %)	-2,7	0,8	1,0	-1,2	2,5	1,1	2,4
Private consumption (growth YoY %)	-4,6	0,1	15,8	3,5	-3,0	4,0	5,0
Fixed capital formation (growth YoY %)	-28,8	-15,9	15,8	3,5	-3,0	4,0	6,0
Nominal gross salary (EUR)	614	621	652	656	659	672	697
Gross salary growth (%)	8,6	1,2	5,0	0,5	0,5	2,1	3,6
CPI (YoY, average %)	-0,4	2,1	3,7	2,1	-0,1	-0,9	1,5
CPI (YoY, year end %)	1,5	0,7	2,8	1,8	-1,2	-0,4	3,1
Unemployment (%)	25,7	27,2	27,6	28,0	27,5	27,5	26,0
Exports fob (EUR mn)	2.828,1	3.628,8	4.205,0	4.018,7	4.285,9	4.441,1	4.729,8
Import cif (EUR mn)	6.317,0	6.961,7	7.937,8	7.798,5	7.756,0	8.282,4	8.737,9
Trade balance (% GDP)	-31,6	-30,7	-33,2	-34,0	-30,7	-32,3	-29,1
Current account balance (% GDP)	-6,4	-6,2	-9,9	-9,6	-6,1	-7,0	-6,2
FDI inflow (% GDP)	0,9	2,6	2,7	2,1	1,9	2,2	4,0
General government budget balance (% GDP)	-4,4	-2,5	-1,3	-2,0	-2,2	-3,0	-2,0
Public debt (% GDP)	33,9	31,5	38,7	40,7	39,9	42,8	42,0
Foreign debt to GDP (%)	53,5	51,6	49,1	52,2	50,8	54,6	53,9
EUR/BAM	1,96	1,96	1,96	1,96	1,96	1,96	1,96
USD/BAM	1,40	1,47	1,41	1,52	1,47	1,46	1,77

From: Research Erste Group/Sparkasse Bank dd BiH

**Companies under
the brand
in BiH**

We continue our way to the top of the real estate market

With the multiple increase of the number of mediation services in sale of real-estate on the open market, Sparkasse Nekretnine successfully concluded the last year as one of the few relevant and reputable real estate agencies. The expanded portfolio of services provided by our professional agents and close cooperation with Sparkasse Bank are resulting into daily positive reactions of a large number of satisfied clients whose recommendations are the key for further expansion of the agency.

The plans for 2015 include continuous strengthening in the field of public relations, with a focus on publishing real market values of real-estate in the Sarajevo region, based on the research conducted and our own data bases. Numerous promotions will help us get closer to our future clients who would like to sell or trade their real-estate in a safe and elegant manner.

The efforts we invested so far into the quality of value appraisals for both real-estate and movable assets based on the Sparkasse Group methodology, are awarded by the trust of very renowned corporate clients and a growing number of individuals who would like to have reliable information about the market value of their assets.

Along with professional offering of services of already recognizable quality, along with security that we provide for our clients, in 2015 we continue our way to the top of the real-estate market.

SPARKASSE 
Nekretnine

Year of establishment: 2011
Number of employees: 3
CEO: Tamara Šerić

Ownership structure:
Sparkasse Bank dd BiH Sarajevo – 49% share
Steiermärkische Bank
und Sparkassen AG – 46% share
Realservice fuer steirische
Sparkassen Realitaetenvermittlungs
GmbH - 5% share



Despite increasing turbulence of the leasing market S-Leasing records exceptional results year after year

Headquartered in Sarajevo, S-Leasing was established in 2007, and since March 2011 it also provides its services to the clients in Banja Luka. It is a part of the Erste and Sparkasse Group that for years has been operating successfully in Austria, CEE and SEE region and operates as an independent legal entity in Bosnia and Herzegovina.. Majority share holder, with 51% of the shares, is Steiermärkische Sparkasse from Graz, while the rest of the capital of 49% is owned by Sparkasse Bank dd BiH. So far, S-Leasing has successfully cooperated with state institutions, large, medium and small enterprises, as well as individuals. S-Leasing offers financial services based on the model of finance and operating leaseing, by financing passenger cars and trucks, construction and production equipment and industrial plants.

S-Leasing's competitive advantage stems from creating business solutions suitable to the needs of the clients, aiming towards cooperation and long-term partnership. Moreover, through an integrated appearance with Sparkasse Bank, by offering its services through the branch network of the Bank, the growing success and market share of S-Leasing in the new financing is almost in disproportion with the team of 13 employees.

In terms of efficiency and the sales effect per employee in the leasing sector, S-Leasing stands out as the most dynamic sales force in the market. The average of the annual new volume of financing per employee at the level of the sector in 2014 amounts to €530 thousand, while the same average for S-Leasing amounts to €1.2 million which means that employees of S-Leasing achieve over twice as much volume as the sector average. In comparison to 2013, the new financed volume is higher by 24%. With its exceptional sales

energy, this team is a significant player on a very competitive market, increasing its market share from 14% in 2013 to 21% in 2014. In 2014 leasing sector in general recorded a decrease in assets, while S-Leasing is the only one in the market with a positive growth of 5.8%.

S-Leasing team, lead by the Management Board consisting of the CEO Elma Hošo and Executive Director Sanel Bosnić, achieves its successes by following the mission to measure success by profitability, efficiency and total growth, and to create new business values based on recognition of the client needs and long-term partnership.



S-LEASING

Year of establishment: 2007
Number of employees: 13
CEO: Elma Hošo

Ownership structure:
Steiermärkische Bank und
Sparkassen AG – 51% share
Sparkasse Bank dd BiH
Sarajevo – 49% share



Companies under the brand in BiH

For S-Premium team 2014 is a year of growth and good business results

S-Premium d.o.o. has been a member of Sparkasse Group since 2010. For the past five years we are proud to good business results, which is confirmed by information that in 2014 we have achieved growth of even 16% compared to the last year.

In cooperation with ten renowned insurance companies, S-Premium offers to its client professional and individual solutions in the field of insurance. S-Premium does not act as an insurance sales agent, but as an advisor seeking for the best solution for the client which it monitors during the whole insurance period.

The floods last year caused great damage in our country. Feeling the need for security has become more pronounced, and we have become aware of the fact that we have to take care of own financial security. Thus, the need to control risk, i.e. acquire insurance is the need of all of us.

During the past years of business, S-Premium provided mechanisms that completely meet the basic objectives of its business, such as the care of adequate coverage of the portfolio of Sparkasse dd BiH and S-Leasing d.o.o. Sarajevo, protection of the client's interests linked to the insurer's needs, continuous development of new products with additional benefits for the clients, etc. In 2014 we identified new potential for growth and business improvement. S-Premium in late

2014 focused on the open market, thereby focusing on individuals by offering life insurance, which can be a form of savings and insurance.

 **PREMIUM**

Year of establishment: 2010
Number of employees: 5
CEO: Nada Hrustanović

Ownership structure:
Sparkasse Bank dd BiH Sarajevo - 49% share
S-Leasing d.o.o. Sarajevo - 40% share
Steiermärkische Bank
und Sparkassen AG - 11% share





**Benefits for
the community**

Benefits for the community



CEO of Sparkasse Bank Sanel Kusturica and Advan Akeljić, Mayor of Municipality Vitez (from right to left)

New branch office in Vitez

Sparkasse Bank on 4th of March 2014 has officially opened a new branch office in Vitez.

By cutting the ribbon the opening was formalized by CEO of Sparkasse Bank Sanel Kusturica and the Mayor of Municipality Vitez Advan Akeljić. The Mayor in his speech expressed his satisfaction because the arrival of Sparkasse Bank will open new jobs, strengthen the economic sector of the Municipality and enrich the financial services to citizens.

The CEO of Sparkasse Bank, Sanel Kusturica emphasized that Sparkasse Bank has already established many successful business relationships with business community of Vitez and participates with 15% in loans to legal entities of the Business Center 96 in Vitez.

Association “INFOHOUSE” organized the Fair of lending in cooperation with Sparkasse Bank

Sparkasse Bank attended the Fair of lending held in Sarajevo as a part of the project “Volontiraj-Kreditiraj” (Volunteer and Credit) organized by “INFOHOUSE” Association.

Bank supports this project because it represents an idea of continuous improvement of the local community. An additional motivation for assisting the Association “INFOHOUSE” are young people who grow intellectually and thus participate in the development of the entire society.

This is only one segment of the “Volontiraj-Kreditiraj” project aimed at the promotion of young people in terms of presenting project ideas and implementing of the same with aim of developing local communities.

The fair hosted 500 participants from 90 schools and 42 cities of Bosnia and Herzegovina. Participation at the fair gives them the chance to interconnect and exchange ideas. A total of 46 schools were awarded.

This project is a proof that the authorities, non-governmental organizations and companies from different industries can function together so as to raise the social value to the extremely high level.



Benefits for the community

Sparkasse Bank supports Employment Fair organized by the American University in Bosnia and Herzegovina

Sparkasse Bank provided support to the young students at the Employment Fair organized by the American University in BiH. As the human resources are very important component of business processes, Sparkasse Bank pays special attention to the process of recruitment and employment.

This event helps the students find business engagement after graduation, but it also gives a chance to the 3rd and 4th year students for internship and additional benefits. During the Employment Fair, the final year students had the chance to present themselves in individual interviews and also present their knowledge and skills to the representatives of Sparkasse Bank. This was also an opportunity for the potential employers to be the first to meet the best candidates.

Not only have the representatives of renowned local and foreign companies been present at the Fair, as well as representatives of posao.ba and boljiposao.com portals, but they all could exchange their opinion and information on the opportunities and trends on the labor market in Bosnia and Herzegovina.



Business start-up donations given to women – victims of violence

Steiermärkische Sparkasse and Sparkasse Bank dd BiH have been mutually supporting the project of "INFOHOUSE" Association and "CURE" Foundation for several years now. This project has the objective to offer unemployed women who have been exposed to violence support in achieving economic independence. Under the motto "Say NO to violence, say YES to economic independence", they also continued in this year to offer support to women victims of violence.

Besides financial assistance offered through grants for small business start-up education in the field of management and marketing organized by the Sparkasse Bank employees was provided to the selected women who were exposed to violence.

Through this project, unemployed women who were victims of violence have not only received a cash incentive to start their businesses, but they also acquired the knowledge needed to develop business ideas, succeed in the business world, and continually and successfully run their business.



Aleksandra Karamahmedović, Deputy Head of Human Resource Management Division

Benefits for the community

We supported European Youth Summit “100 for the Next 100 in the Danube region”

Organized by the Initiative Group “Alpbach” together with initiative groups from the region, Sparkasse Bank provided 3,000 Euros of financial support to the project of gathering of 100 young leaders from the Danube region and South-east Europe, held in Sarajevo. The countries which participated in this summit are also the countries where **Steiermärkische Sparkasse Group** is present, **which gave the Sparkasse Bank** one more reason to support this project.

The primary objective of this project is to give a chance to young experts, representatives of the political life, civil society and academic community to discuss challenges that Europe and this region are currently faced with.

In line with the values we support, the project run by the Initiative Group “Alpbach” and this event turned towards the future, have been recognized by the Bank as an excellent contribution to the strengthening of the shared values and bridging the gaps between generations, countries and regions. Even the president of the Supervisory Board of Steiermärkische Sparkasse Group, Sava Dalbokov, took part in the panel. This is a proof that Sparkasse Bank fully supports the symbol of synergy and responsibility that this project lies upon, but also recognizes the needs of the society.



We also supported the International Cycling Race “Sarajevo Grand Prix”

The International Cycling Race “Sarajevo Grand Prix” was held in Sarajevo and financially supported by Sparkasse Bank in cooperation with Sparkasse and Erste Group in the amount of 5.000 Euros. This project, organized under the sponsorship of the International Cycling Union (UCI), with active support of the Tour de France, and within the “Sarajevo in the Heart of Europe” project, gathered a large number of professional and recreational cyclists. Many Sparkasse Bank employees took active part in multiple activities promoting the cycling.

The race gathered **around 140 cyclists from more than 40 countries worldwide**, as well as **5.000 recreational cyclists**. In cooperation with the Cycling Union of the Balkans, the race was also held in form of the 2014 Balkan Championship. Sarajevo was visited not only by twelve Tour de France champions, but also **by a large number of public figures from France**. Sarajevo was visited by many important representatives of the European cycling that spent time and rode bicycles together with the citizens of Sarajevo. The Sarajevo Tour participants received symbolic prizes. The “Fun Zone” offered a special atmosphere where participants could enjoy in many different activities.

This spectacular event made Sarajevo a center of cycling and contributed a lot to the further development of cycling as a sport in our country. We must not forget that the youngest among us, together with their families, had a chance to spend time in the “Fun Zone” with our Markić.



Benefits for the community

Sparkasse supports reconstruction of the City Hall and Vienna Philharmonic Orchestra concert with 10.000 KM

In cooperation with Erste and Sparkasse Group, we supported the reconstruction of the Sarajevo City Hall and Vienna Philharmonic Orchestra concert organized by the Town of Sarajevo with 10,000 KM. The concert took place on the 100th anniversary of the Sarajevo Assassination and the beginning of the First World War. The hall of the newly reconstructed City Hall hosted presidents and ambassadors, prime ministers and ministers of many countries, mayors of town-friends of Sarajevo, as well as the representatives of the most important cultural institutions of Bosnia and Herzegovina and renowned business entities.

It has been our privilege and honor to take part in the reconstruction of one of the most beautiful buildings constructed in the Austro-Hungarian period in Bosnia and Herzegovina – Sarajevo City Hall, that symbolizes strong and unbreakable link between the citizens of Austria and Bosnia and Herzegovina, the link of utmost importance for the future of Bosnia and Herzegovina and its inclusion into the European integrations.

The messages sent from this event are those of harmony, cooperation, unity and peace.



BEST OF SOUTH EAST

The Best of South East scholarship recipients selected

The selection process within the Best of South East project, aimed at the students of the final year of economic, law and technical universities in Bosnia and Herzegovina, organized by Erste and Sparkasse Group and Karl-Franzens University in Graz has once more been finalized. The selected candidates have been awarded one-year scholarship for studies or internship in Graz.

This program is a way in which the Bank gives the selected students a chance to spend one year in Austria, studying or working, and return to Bosnia and Herzegovina enriched with international experience and new knowledge.

The objective of this project is for the young people to open employment opportunities for themselves and develop a stronger awareness that they should be more active and more open for new chances, as well as to support a healthy competitive spirit through local selection.

This year two candidates from BiH were selected for the program: Boris Pivić from Mostar for the trainee program and Sanida Aličehajić from Tešanj for the internship program. The scholarship covers full expenses of life in Austria, including accommodation, tuition, health insurance and allowance. Considering the large number of applicants, there is an idea to offer the next two best ranked candidates short internship in Sparkasse Bank dd BiH.

This project is a proof that studying, internship and life in a different cultural context directly contribute to a better starting position of the young people at the labor market, especially as the international experience becomes more and more appreciated and required in the current dynamic and unpredictable business environment.

Benefits for the community

Scholarship awarded to five-time swimming champion of BiH, Emina Pašukan

Sparkasse Bank has signed an agreement on three-year scholarship with Emina Pašukan, five-time swimming champion of Bosnia and Herzegovina.

Emina Pašukan is a young swimming talent who achieves great success and praises and does what she knows best – she wins medals by swimming. Her exceptional talent, strength and perseverance are values that this young, thirteen-year old girl possesses. There are many remarkable results behind her, but she does not stop and continues winning.

From 2008 to 31st of March 2014, Emina won 353 medals: 170 gold, 120 silver and 63 bronze medals, out of which 20 gold, 18 silver and 8 bronze medals in individual competitions on state championships of BiH. In year 2013 she broke the national record in 50m breaststroke cadets in 25-m swimming pool.

She was the youngest in the BiH national swimming team on this year's COMEN CUP in Israel, among 210 best younger junior swimmers from 18 countries (Spain, Italy, France, Cyprus, Belgium, Poland, Bosnia and Herzegovina, Serbia, Slovenia, Macedonia, Greece, Turkey, Bulgaria, San Marino, Israel, Andorra, Albania and Portugal). Emina competed in four disciplines – 100 and 200m breaststroke, and 200 and 400m medley. This competition was very important for Emina, as she now has the experience of large international competitions.

Especially important was the Summer National Championship held



Emina Pašukan

on 19th and 20th of July 2014 in Banja Luka, where Emina won five gold, two silver and one bronze medal, which is a total of eight medals which made her five-time national champion of BiH.

We simply could not disregard and fail to support such talent and her fulfillment through sport. There are lots of young talented people like Emina in our country who certainly do not have adequate support in their communities and who should be helped. The very support to the development of young people through sport is our strategic priority, as they are the strength this country needs, that need to be motivated and kept. We believe that this is the best way for an institution to show responsibility towards the society and create a positive atmosphere and spirit needed to create world-class existing individuals.

Sparkasse Bank financially supports 16th International Youth Basketball Tournament “KENGUR KUP 2014”

Sparkasse Bank provided financial support to the 16th International Youth Basketball Tournament “Kengur Kup 2014”. “Kengur Kup” gathered young basketball players of both genders from the following clubs: Maribor and Koroška (Slovenia), UBSC Graz (Austria), ZTE Zalaegerszeg (Hungary), Zadar and Cedevita (Croatia), Lazarevac (Serbia), Skopje (Macedonia), as well as several best clubs from Bosnia and Herzegovina: Bosna Sarajevo, Spars Sarajevo, Falcons, Magic, Čelik, Jedinstvo, Konjic and Vitez.

It has been sixteen years that young basketball players from

ten European countries gather in Zenica. There were 38 teams, with a total of about 500 participants (players, coaches and club officials). The games were played in five different courts in Zenica, and the best teams and individuals had the chance to win awards, cups, medals, diplomas and presents.

The guiding idea of giving support to this event was to support development of sporting spirit, knowledge and creativity of the young people through various programs which have a positive effect on the overall development of individuals, but also the whole society.

Benefits for the community

Sparkasse Bank and JUFA Hotels awarded young volunteers from Maglaj and Doboj with a trip to Austria

Together with JUFA Hotels from Austria, we recognized the need to award young volunteers from Maglaj and Doboj with a visit to Austria from August 24 to August 29, 2014. Following the natural disaster that hit Bosnia and Herzegovina, the Bank initiated a number of humanitarian activities that resulted in providing support to the most vulnerable categories of citizens. As many young people participated in assisting the communities of Maglaj and Doboj, the idea was to have twenty young volunteers from these two communities, accompanied by two adults, visit Deutschlandsberg in Austria. The travel, insurance, accommodation, food and events were financially covered by JUFA Austria. This non-profit private association of youth and tourist pensions, is owner of more than 50 hotels, restaurants and boarding houses in Austria, Germany and Hungary.

Having in mind the situation in our country and difficulties that the people hit by floods had to face, we thought that the young people who selflessly worked to help others in Maglaj and Doboj had to be awarded in an adequate way. In regards to that, we are proud of this project allowing the visit to Austria.



Successful completion of the project of reconstruction of the bridge on Jadar River in Konjević Polje in cooperation with Hastor Foundation

In the community of Konjević Polje close to Bratunac, rivers Kravica and Jadar flooded and destroyed seven bridges during the floods in May. The only safe passage in Konjević Polje that the inhabitants used to cross the Jadar River was a bridge in one part of the city. When it was taken away by floods, the inhabitants had to go several kilometers away, to cross an old and damaged bridge that was in such a poor state that crossing it was life-threatening, especially for school children who used it daily to get to school. In order to make daily life and transport easier for the inhabitants of this village, the Hastor Foundation, together with Sparkasse Bank, reconstructed the bridge. This reconstruction included a new bearing construction, protection fence and cleaning the area around the bridge.

The Hastor Foundation and Sparkasse Bank are proud of former cooperation, and especially of the positive effects of this mutual project.

As a group active in the Southeast Europe whose activities are closely linked to the population of this region, we were deeply shaken by the consequences that the floods left, especially in Bosnia and Herzegovina. Besides many individual actions of our employees in offering the first aid to the population hit by floods, we decided to support a specific project with results that people could use over a number of years. We liked this project of bridge reconstruction very much because a bridge is a symbol of peace and ties among people. We sincerely hope that this bridge will be not only of practical daily use, but that it will help bridge over the differences and boundaries in this region.



Benefits for the community

Sparkasse Bank sets aside 20,000 KM for the socially vulnerable families of the City of Bijeljina

The Bank donated 20,000 KM to the City of Bijeljina for financing the project of support to socially vulnerable families without secured housing in this town. Many people lost all they had in the floods in May, and even before the floods the large number of citizens of Bijeljina were in difficult financial situation and received help from the Social Welfare Center. We decided to help Bijeljina as a town where Sparkasse has been active for more than four years. The end goal of this support is taking care of people who live in inadequate housing, the number of which grew due to the floods, especially in the city of Bijeljina. Respecting the needs of the most vulnerable groups in the society of Bosnia and Herzegovina, this humanitarian action will not be the last, and we will continue helping those who need our help.



Velibor Ostojić, Manager of Branch Bijeljina and Mićo Mičić, Mayor of Bijeljina (from left to right)

*Jedna kartica 😊
jedan novi osmijeh*



SPARKASSE  **BANK**

Sparkasse Bank gives valuable donations to maternity hospitals in BiH during large humanitarian action

Through the humanitarian project called "One Card, One New Smile", the Bank donated 50,000 KM to maternity hospitals in Bosnia and Herzegovina. This project included a donation of 50 KM for each credit card and 10 KM for each debit card and the funds were directly paid to maternity hospitals in Bosnia and Herzegovina.

The donations were used for the procurement of modern equipment that will certainly contribute to the better quality of treatment and a more pleasant time the mothers and babies have at the hospitals.

This project shows that we are faithful to our mission and that we have the best way of paying the community back for the years of trust that we mutually acquired through the years of successful business. We are especially thankful to our clients who recognized this project as worth of their trust.

Benefits for the community

Joint donation of Sparkasse Bank and Mozaik Foundation leads to reconstruction of the roof and façade of the primary school in Rudanci near Doboj

Ceremonial celebration and performance prepared by students of Primary school "Milan Rakić" from Rudanci marked the completion of the reconstruction of this school. Reconstruction of the roof and the façade of the school was performed using donations of Sparkasse Bank and Mozaik Foundation that invested 43,000 KM in the necessary works. The roof was damaged during the rains and floods in May, and Sparkasse Bank and Mozaik Foundation collected the funds and completed the reconstruction in record time.

The reasons for selection of Primary School "Milan Rakić" for this project were explained by Amir Softić, the Executive Director, pointing out that the education is the only true investment in the development of the society, and that only investing in education can provide a long-term development of economy, and other segments of our society.

Besides the Executive Director of Sparkasse Bank, the students and staff of the school were addressed by Radmila Kocić-Čučić, Deputy Minister for education and culture of the Government of Republic of Srpska, Amela Šiber, deputy Executive Director of the Mozaik Foundation and Duško Lukić, the principal of the Primary School "Milan Rakić".



Amir Softić, Executive Director of Sparkasse Bank with students of Primary School "Milan Rakić" (left to right)

"Photopay" – the unique way to pay your bills

We are the first bank to offer the market of Bosnia and Herzegovina this revolutionary service of paying utility bills called Photopay. The new functionality of Photopay service is a part of the Sparkasse mBanking Smartphone application available for Android and iPhone systems. This functionality enables the clients to pay their bills by automatically filling the orders based on simply taking a photo of their bill. In this way the clients can pay any supported bill (electricity, phone, utilities, etc.) without any time or space limits. It is enough to take a photo of the bill by the phone, and the payment order is automatically filled. After the data entered is checked, only one step remains – sending the order.

As an innovative bank, we follow the trends in banking services, and leaning on the growing number of Smartphone users, we recognized the need of clients for a more complete mBanking service.

Besides this new Photopay service, Sparkasse mBanking applications can execute various financial transactions in a simple and fast way, for fees much lower than those paid in the



bank office, but also give insight into account statement, due payments, and other useful information.

Sparkasse mBanking is slowly replacing the bank office, while mobile phones are becoming "a bank on the palm of your hand". Through development of new functionalities, such as Photopay, we aim to make the daily tasks easier for our clients.



Sparkasse Bank dd BiH

Financial Reports

Financial statements for the year ended
31 December 2014 prepared in accordance
with International Financial Reporting Standards and
Independent Auditors' Report

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Responsibility for the financial statements

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

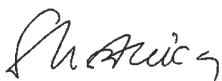
After making enquiries, the Management Board has a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

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

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

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

Signed on behalf of the Management Board



Sanel Kusturica, director

Sparkasse Bank dd BiH
Zmaja od Bosne 7
71000 Sarajevo
Bosnia and Herzegovina

16 April 2015

Responsibility for the financial statements

We have audited the accompanying consolidated financial statements of Sparkasse Bank dd BiH (the "Bank") and its related companies (together referred to as: the "Group"), set out on pages 4 to 47 which comprise of the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. Also, we have audited the accompanying unconsolidated financial statements of Sparkasse Bank dd BiH (the "Bank"), which comprise of the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

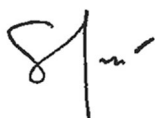
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated and unconsolidated 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated and unconsolidated financial statements.

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

Opinion

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

Deloitte d.o.o.



Sead Bahtanović, director and licensed auditor

Sarajevo, Bosnia and Herzegovina

16 April 2015



Adnan Bahtanović, licensed auditor

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

(all amount are expressed in thousand KM, unless otherwise stated)

	Notes	Group 2014.	Group 2013.	Bank 2014.	Bank 2013.
Interest income and similar income	5	56,888	57.136	56.888	57.136
Interest expense and similar expenses	6	(15,481)	(16.770)	(15.481)	(16.770)
Net interest income		41,407	40.366	41.407	40.366
Fee and commission income	7	17,891	16.475	17.891	16.475
Fee and commission expense	8	(2,194)	(1.956)	(2.194)	(1.956)
Net fee and commission income		15,697	14.519	15.697	14.519
Foreign exchange gains, net	9	1,569	1.631	1.569	1.631
Other operating income	10	1,878	1.190	1.964	1.244
Operating income		3,447	2.821	3.533	2.875
Personnel expenses	11	(17,234)	(16.438)	(17.234)	(16.438)
Depreciation and amortization	24, 25	(3,211)	(3.172)	(3.211)	(3.172)
Other administrative expenses	12	(16,733)	(15.908)	(16.733)	(15.908)
Operating expenses		(37,178)	(35.518)	(37.178)	(35.518)
Profit participation in joint companies	21	(20)	596	-	-
PROFIT BEFORE IMPAIRMENT LOSSES, PROVISIONS AND INCOME TAX		23,373	22.188	23.459	22.242
Impairment losses and provisions	13	(11,216)	(11.266)	(11.216)	(11.266)
Other provisions	14	(1,582)	(1.928)	(1.582)	(1.928)
Collected written off receivables		1,312	692	1.312	692
PROFIT BEFORE TAXATION		11,867	10.282	11.973	9.740
Income tax	15	(1,252)	(1.015)	(1.252)	(1.015)
NET PROFIT FOR THE YEAR		10,615	9.267	10.721	8.725
Other comprehensive income					
Items that that can be subsequently transferred to statement of profit or loss					
Changes in fair value of financial assets available-for- sale, net		(82)	(217)	(82)	(217)
TOTAL COMPREHENSIVE INCOME		10,533	9.050	10.639	8.508
Earnings per share (in KM)	16	12.28	10,72	12,40	10,09

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

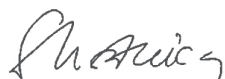
Statement on cash flow for the year ending 31 December 2014

(all amount are expressed in thousand KM, unless otherwise stated)

	Notes	Group 31. decembar 2014.	Group 31. decembar 2013.	Bank 31. decembar 2014.	Bank 31. decembar 2013.
ASSETS					
Cash and accounts with other Banks	17	140.478	90.774	140.478	90.774
Obligatory reserve with the CBBH	18	63.162	55.044	63.162	55.044
Placements with other Banks	19	395	133	395	133
Loans and advances to customers	20	758.186	736.160	758.186	736.160
Investment in joint companies	21	1.195	1.301	705	705
Financial assets available-for-sale	22	29.391	36.175	29.391	36.175
Other assets	23	3.718	2.728	3.718	2.728
Prepaid expenses		1.071	1.358	1.071	1.358
Tangible and intangible assets	24	31.342	31.882	31.342	31.882
Investment property	25	5.926	6.054	5.926	6.054
		1.034.864	961.609	1.034.374	961.013
EQUITY					
Share capital	31	86.473	86.473	86.473	86.473
Share premium		3.000	3.000	3.000	3.000
Accumulated profit		23.998	14.731	23.402	14.677
Regulatory reserves		790	790	790	790
Revaluation reserves		44	126	44	126
Profit for the period		10.615	9.267	10.721	8.725
		124.920	114.387	124.430	113.791
LIABILITIES					
Due to other banks	26	228.783	256.120	228.783	256.120
Due to customers	27	639.306	560.824	639.306	560.824
Due for loans taken	28	28.864	19.888	28.864	19.888
Provisions	29	7.827	6.310	7.827	6.310
Income tax liabilities		10	30	10	30
Other liabilities	30	5.154	4.050	5.154	4.050
		909.944	847.222	909.944	847.222
TOTAL LIABILITIES AND EQUITY		1.034.864	961.609	1.034.374	961.013

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

Signed for the and in the name of Sparkasse Bank dd BiH on 16 April 2015.



Sanel Kusturica, Director



Amir Softić, Executive director

Statement on cash flow for the year ending 31 December 2014

(all amount are expressed in thousand KM, unless otherwise stated)

	Group 2014.	Group 2013.	Bank 2014.	Bank 2013.
Operating activities				
Profit before taxation	11.867	10.282	11.973	9.740
<i>Adjustments:</i>				
Depreciation and amortization	3.211	3.172	3.211	3.172
Impairment of tangible and intangible assets	314	-	314	-
Impairment losses and provisions	12.484	13.194	12.484	13.194
Gain on sale of tangible and intangible assets, net	(860)	(75)	(860)	(75)
Profit participation in joint companies	20	(596)	-	-
Interest income from financial assets available-for-sale in the statement of profit and loss and other comprehensive income	(1.231)	(1.184)	(1.231)	(1.184)
<i>Dividend income recognized in the statement of profit and loss and other comprehensive income</i>	-	(9)	(86)	(63)
Cash flow before changes in operating assets and liabilities:	25.805	24.784	25.805	24.784
Increase in obligatory reserve with the CBBH, net	(8.118)	(1.754)	(8.118)	(1.754)
(Increase) / decrease in placements with other banks, before allowance, net	(311)	10.604	(311)	10.604
Increase in loans and advances to customers, before allowance, net	(32.462)	(44.947)	(32.462)	(44.947)
Increase in other assets, before allowance, net	(1.139)	(120)	(1.139)	(120)
Decrease in due to other banks, net	(27.337)	(7.590)	(27.337)	(7.590)
Increase in due to customers, net	78.482	43.477	78.482	43.477
Decrease in provisions, net	(65)	(27)	(65)	(27)
Increase / (decrease) in other liabilities, net	1.104	(26)	1.104	(26)
Cash generated operating activities	35.959	24.401	35.959	24.401
Income tax paid	(1.272)	(985)	(1.272)	(985)
NET CASH GENERATED IN OPERATING ACTIVITIES	34.687	23.416	34.687	23.416
Investing activities				
Proceeds / (sale) of financial assets available-for-sale	8.038	(11.988)	7.952	(11.435)
Investment in joint companies	-	-	-	(607)
Purchase of tangible and intangible assets	(3.044)	(3.378)	(3.044)	(3.378)
Purchase of investment property	-	(3)	-	(3)
Proceeds from disposal of tangible assets	1.047	101	1.047	101
Dividend received	-	9	86	63
NET CASH GENERATED / (USED) IN INVESTING ACTIVITIES	6.041	(15.259)	6.041	(15.259)
Financial activities				
Repayment of loans taken	8.976	17.225	8.976	17.225
NET CASH GENERATED IN FINANCIAL ACTIVITIES	8.976	17.225	8.976	17.225
NET INCREASE IN CASH AND CASH EQUIVALENTS	49.704	25.382	49.704	25.382
CASH AND CASH EQUIVALENTS AT 1 JANUARY	90.774	65.392	90.774	65.392
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	140.478	90.774	140.478	90.774

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

Statement on changes in equity for the year ending 31 December 2014

(all amount are expressed in thousand KM, unless otherwise stated)

Group	Share capital	Share premium	Accumulated income	Regulatory reserves	Revaluation reserves	Profit for the year	Total
31 December 2012	86.473	3.000	7.681	790	343	7.050	105.337
Profit distribution for year 2012	-	-	7.050	-	-	(7.050)	-
Net profit for the year	-	-	-	-	-	9.267	9.267
Other comprehensive income	-	-	-	-	(217)	-	(217)
Total comprehensive income	-	-	-	-	(217)	9.267	9.050
31 December 2013	86.473	3.000	14.731	790	126	9.267	114.387
Profit distribution for year 2013	-	-	9.267	-	-	(9.267)	-
Net profit for the year	-	-	-	-	-	10.615	10.615
Other comprehensive income	-	-	-	-	(82)	-	(82)
Total comprehensive income	-	-	-	-	(82)	10.615	10.533
31 December 2014	86.473	3.000	23.998	790	44	10.615	124.920

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

Statement on changes in equity for the year ending 31 December 2014

(all amount are expressed in thousand KM, unless otherwise stated)

Bank	Share capital	Share premium	Accumulated income	Regulatory reserves	Revaluation reserves	Profit for the year	Total
31 December 2012	86.473	3.000	7.667	790	343	7.010	105.283
Profit distribution for year 2012	-	-	7.010	-	-	(7.010)	-
Net profit for the year	-	-	-	-	-	8.725	8.725
Other comprehensive income	-	-	-	-	(217)	-	(217)
Total comprehensive income	-	-	-	-	(217)	8.725	8.508
31 December 2013	86.473	3.000	14.677	790	126	8.725	113.791
Profit distribution for year 2013	-	-	8.725	-	-	(8.725)	-
Net profit for the year	-	-	-	-	-	10.721	10.721
Other comprehensive income	-	-	-	-	(82)	-	(82)
Total comprehensive income	-	-	-	-	(82)	10.721	10.639
31 December 2014	86.473	3.000	23.402	790	44	10.721	124.430

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

Notes to financial statements for the year ending 31 December 2014

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

1. General

History and incorporation

SPARKASSE Bank dd BiH („Bank“) has been registered on July 9, 1999. with the relevant court in Sarajevo, under the number U/I-1291/99. On July 28, 1999 the Bank obtained, from Federal Banking Agency the permit to conduct its business, number 01-376/99. Banks headquarter is in Sarajevo, in the Zmaja od Bosne 7 street.

The majority shareholder of the Bank is Steiermarkische Bank und Sparkassen AG, Graz Austria its share amounting 97%. The ultimate owner is Erste Group Austria. The consolidated financial statements can be found on the following address: Graben 21, Wien, Austria.

The Bank invested in joint companies in accordance with share method, as follows:

Name of the company	Business activity	Country	31 December 2014 Share %	31 December 2013 Share %
S-Leasing d.o.o Sarajevo	Leasing	Bosnia and Herzegovina	49	49
S-Premium d.o.o Sarajevo	Insurance agent	Bosnia and Herzegovina	49	49
Sparkasse Nekretnine d.o.o. Sarajevo	Real estate	Bosnia and Herzegovina	49	49

Principal activities of the Bank

The Bank offers its banking services through its developed branch network in Bosnia and Herzegovina as follows:

- Accepting deposit and placing of deposits,
- Providing current and term deposit accounts,
- Granting short and long-term loans and guarantees,
- Transactions on the interbank money market,
- Performing local and international payments,
- Debit and credit card operations,
- Providing banking services through a branch network in the Federation of Bosnia and Herzegovina.

Managing bodies of the Bank

Supervisory board

Sava Dalbokov	President
Gerhard Maier	Member
Ismeta Čardaković	Member as of 19.11.2014
Hamdija Alagić	Member until 19.11.2014
Georg Bucher	Member
Renate Ferlitz	Member

Uprava:

Sanel Kusturica	Director
Nedim Alihodžić	Executive director
Amir Softić	Executive director

Odbor za reviziju:

Samir Omerhodžić	President
Walburga Seidl	Member
Bernd Egger	Member
Slaviša Kojić	Member
Manfred Lackner	Member

Notes to financial statements for the year ending 31 December 2014

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

2. Adoption of new and revised standards

2.1. Standards and Interpretations effective in current period

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

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

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

2.2. Standards and Interpretations in issue not yet adopted

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

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

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

Notes to financial statements for the year ending 31 December 2014

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

3. Summary of significant accounting policies

Statement of compliance

These financial statements consist of consolidated and unconsolidated financial statements of the Bank, defined in International Financial Reporting Standard 10: "Consolidated financial statements" and International Accounting Standard 27: "Separate financial statements".

The consolidated and unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee of the IASB (IFRIC).

Basis of preparation

These financial statements have been prepared on a historical cost basis, except for certain for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

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

Fair value is the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except leasing transactions that are within the scope of IAS 17 and measurement that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

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

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

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

Information on amounts where significant uncertainty exists in their estimate and critical judgments in applying accounting policies that have the most impact on the amounts disclosed in these financial statements are disclosed in Note 4.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the Bank's shares in associates.

Investments in associates

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting from the date that significant influences commences until the date the significant influences ceases.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Bank's interest in that associate which includes any long-term interests that, in substance, form part of the Bank's net investment in the associate are not recognised.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities after reassessment is recognised immediately in profit or loss. Where the companies within the Group transact with the Bank, profits and losses are eliminated to the extent of the Bank's interest in the relevant associate.

Notes to financial statements for the year ending 31 December 2014

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

3. Summary of significant accounting policies (continued)

Measurement and recognition of investments in unconsolidated financial statements

Investments in associates in unconsolidated financial statements are stated at cost less any impairment in the value of individual investments if needed.

Going concern

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

Interest income and expense

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Loan origination fees, after approval and drawdown of loans, are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loan over its life.

Interest charged on deposits is added to the principal where this is foreseen by the agreement. Interest income is suspended when it is considered that recovery of the income is unlikely. Suspended interest is recognized as income when collected.

Fee and commission income and expense

Fees and commissions consist mainly of fees earned on domestic and foreign payment transactions, and fees for loans and other credit instruments issued by the Bank.

Fees for payment transactions are recognised in the period when services are rendered.

Taxation

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 statement of profit or loss and other comprehensive income 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 reporting period 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting period 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 realised. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income, 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.

The Bank is subject to various indirect taxes which are included in administrative expenses.

Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash, balances with the Central Bank of Bosnia and Herzegovina (the "CBBH") and current accounts with other banks.

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

Notes to financial statements for the year ending 31 December 2014

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

3. Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

Financial assets are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Bank currently does not have a financial asset at fair value through profit or loss.

Method of effective interest rate

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

Income is recognized on an effective interest basis for financial instruments: “at fair value through profit or loss”(FVTPL), “held-to-maturity investments”, “available-for-sale” and “loans and receivables”.

Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus incremental costs. After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets available-for-sale (“AFS”)

Listed shares and listed redeemable notes held by the Bank that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in the Note 35. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss and other comprehensive income for the period.

Dividends on AFS equity instruments are recognized in profit or loss when the Bank’s right to receive payments is established.

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation,.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance account for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in statement of profit or loss and other comprehensive income.

Notes to financial statements for the year ending 31 December 2014

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

3. Summary of significant accounting policies (continued)

Financial assets (continued)

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

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank continues to recognize the financial asset.

Financial liabilities

Classification as debt or equity

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

Equity instruments

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

Financial guarantee contract liabilities

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

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

Financial liabilities

Financial liabilities are classified either as "financial liabilities at FVTPL" or "other financial liabilities". The Bank creates one category of financial liabilities for which accounting basis is represented as follows.

Other financial liabilities

Other financial liabilities, including due to banks, due to customers and subordinated debt, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Other financial liabilities, including due to banks, due to customers and subordinated debt, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities

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

Tangible and intangible assets

Property and equipment are stated at cost, less accumulated depreciation and any recognized accumulated impairment losses. The purchase cost includes the purchase price and all costs directly related to bringing the asset into operating 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 capitalised. Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use.

Depreciation is charged from the moment the fixed asset is ready for its intended use. It is calculated in the basis of the estimated useful life of the asset, using the straight-line method as follows.

Intangible assets are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Notes to financial statements for the year ending 31 December 2014

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

3. Summary of significant accounting policies (continued)

Tangible and intangible assets (continued)

Estimated depreciation rates were as follows:

	2014.	2013.
Buildings	33 – 50 years	33 – 50 years
Computers	5 years	5 years
Vehicles	6 years	6 years
Furniture and other office equipment	5 – 10 years	5 – 10 years
Intangible assets	5 years	5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss and other comprehensive income in the period they occur.

Impairment

At each reporting period date, the Bank reviews the carrying amounts of its property 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.

As of 31 December 2014 tangible assets of the Bank are impaired in amount of KM 314 thousand. As of 31 December 2013 tangible assets of the Bank are not impaired.

Employee benefits

On behalf of its employees, the Bank pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Bank pays the tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina (on federal and cantonal level). In addition, transport allowances, meal allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recognized in the statement of profit or loss and comprehensive income in the period in which the salary expense is incurred.

Retirement severance payments

The Bank makes provision for retirement severance payments in the amount of either 3 average net salaries of the employee disbursed by the Bank or 3 average salaries of the Federation of Bosnia and Herzegovina as in the most recent published report by the Federal Statistics Bureau, depending on what is more favourable to the employee.

The cost of retirement severance payments are recognized when earned.

Notes to financial statements for the year ending 31 December 2014

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

3. Summary of significant accounting policies (continued)

Foreign currency translation

Transactions in currencies other than Bosnia and Herzegovina KM are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities are translated at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Profits and losses arising on translation are included in the statement of profit or loss and other comprehensive income for the period.

The Bank values its assets and liabilities by middle rate of the CBBH valid at the reporting period date. The principal rates of exchange set forth by the Central Bank and used in the preparation of the Bank's statement of financial position at the reporting dates were as follows:

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

Provisions

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

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

Equity and reserves

Share capital

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

Regulatory reserves for credit losses

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

Investments revaluation reserve

Investments revaluation reserve comprises changes in fair value of financial assets available-for-sale.

Retained earnings

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

Dividends

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

Earnings per share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

During 2013 and 2014 there were no dilution effects.

Notes to financial statements for the year ending 31 December 2014

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

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Bank's accounting policies, which are described in Note 3, the Management is required to make judgments, estimates and make assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Useful lives of property and equipment

As described in Note 3 above, the Bank reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

Impairment losses on loans and receivables

As described in Note 3 above, at each reporting period date, the Bank assesses indicators for impairment of loans and receivables and their impact on the estimated future cash flows from the loans and receivables.

Regulatory provisions calculated in accordance with the regulations of the FBA

For the purposes of capital adequacy assessment and recognition of provisions for credit losses from profit in equity and reserve, in accordance with local regulations and the relevant regulations of the FBA, the Bank also calculates provisions in accordance with these regulations. Relevant investments are classified in the appropriate groups for FBA in accordance with these regulations depending on days of delay, the financial position of the debtor and collateral, and are reserved in accordance with the provisions laid down in percentages.

Litigation

Bank's Legal Department makes individual assessment of all court cases and makes provisions on a portfolio basis.

As stated in Note 29, the Bank has reserved KM 1,177 thousand (2013: KM 1,192 thousand), which Management estimates as sufficient. It is not practical to estimate the financial impact of changes in the assumptions on which management assesses the need for provisions.

Provisions for employee benefits

As described in Note 3, in the paragraph named Employee benefits, provision for employee benefits are calculated on the basis of an independent actuarial report on the implementation of IAS 19 – Employee benefits.

Provisions for employee benefits

As described in Note 3, in the paragraph named Employee benefits, provision for employee benefits are calculated on the basis of an independent actuarial report on the implementation of IAS 19 – Employee benefits.

Fair value of financial instruments

As described in Note 35, the Management use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Financial instruments, other than loans and receivables, are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates.

Notes to financial statements for the year ending 31 December 2014

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

5. Interest income and similar income

Group and Bank	2014.	2013.
Interest on loans to companies	28.009	28.490
Interest on loans to individuals	27.432	27.143
Interest on bond investment	1.231	1.184
Interest on placements with other banks	178	300
Interest on funds with the CBBH	38	19
	56.888	57.136

6. Interest expense and similar expenses

Group and Bank	2014.	2013.
Interest on deposits from individuals	8.257	7.850
Interest on deposits from companies	4.043	5.477
Interest on deposits and loans from banks	3.181	3.443
	15.481	16.770

7. Fee and commission income

Group and Bank	2014.	2013.
Fees from payment transactions	14.682	13.246
Fees from conversion transactions	1.751	1.942
Fees from off-balance sheet transactions	1.458	1.287
	17.891	16.475

8. Fee and commission expense

Group and Bank	2014.	2013.
Fees and commissions from payment transactions	1.807	1.582
Other fees from banks	387	374
	2.194	1.956

9. Foreign exchange gains, net

Group and Bank	2014.	2013.
Gain on foreign exchange transactions	1.569	1.630
Gain from foreign exchange due to monetary assets and liability revalorization	-	1
	1.569	1.631

Notes to financial statements for the year ending 31 December 2014

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

10. Other operating income

	Group 2014.	Group 2013.	Bank 2014.	Bank 2013.
Income on disposal of tangible and intangible assets	860	75	860	75
Rent income	612	588	612	588
Dividends from financial assets available-for-sale (Note 22)	-	9	-	9
Dividends from investment in joint companies (Note 21)	-	-	86	54
Other	406	518	406	518
	1.878	1.190	1.964	1.244

11. Personnel expenses

The average employee number of the Bank during the year ending December 31, 2014, and year ending December 31, 2013 was 468, 463 respectively.

Group and Bank	2014.	2013.
Net salaries	9.253	8.872
Taxes and contributions	5.516	5.296
Other	2.465	2.270
	17.234	16.438

12. Other administrative expenses

Group and Bank	2014.	2013.
Services	3.954	3.424
Insurance	2.263	2.495
Rent	1.724	1.708
Telecommunication	1.550	1.355
Maintenance	1.305	1.319
Transport	1.030	1.089
Advertising and entertainment	1.097	1.030
Other taxes and contributions	978	885
Energy	799	827
Material	692	605
Agency fees	628	587
Supervisory board reimbursement	118	126
Other administrative expenses	595	458
	16.733	15.908

13. Impairment losses and provisions

Group and Bank	2013.	2012.
Loans and advances to customers (Note 20)	10.436	11.077
Other assets (Note 23)	436	359
Tangible and intangible assets (Note 24)	314	-
Cash and accounts with other Banks (Note 17)	44	25
Placements with other Banks (Note 19)	5	(207)
Financial assets available-for-sale (Note 22)	(19)	12
	11.216	11.266

Notes to financial statements for the year ending 31 December 2014

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

14. Other provisions

Group and Bank	2014.	2013.
Provisions for off balance (Note 29)	1.002	1.195
Employee benefits (Note 29)	215	317
Provision for legal proceedings (Note 29)	50	289
Other provisions (Note 29)	315	127
	1.582	1.928

15. Income tax

Tax liability is based on accounting income taking into the account non-deductible expenses. Tax income rate for the years ended 31 December 2014 and 31 December 2013 was 10%. Total tax recognized in the statement of profit or loss and other comprehensive income may be presented as follows:

Group and Bank	2014.	2013.
Current income tax	1.252	1.015
	1.252	1.015

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

	Group 2014.	Group 2013.	Bank 2014.	Bank 2013.
Profit before income tax	11.867	10.282	11.973	9.740
Income tax expense at prescribed rate of 10%	1.187	1.028	1.197	974
Non taxable income	(9)	(6)	(9)	(6)
Effects of non-deductible expenses	64	47	64	47
Effects of dividends and profit participation for which the taxes have been paid	10	(54)	-	-
Current income tax	1.252	1.015	1.252	1.015
Effective income tax rate	10,55%	9,87%	10,46%	10,42%

16. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by weighted average number of ordinary shares in issue during the year.

	Group 2014.	Group 2013.	Bank 2014.	Bank 2013.
Profit attributable to ordinary shareholders	10.615	9.267	10.721	8.725
Weighted average number of regular shares for the year	864.733	864.733	864.733	864.733
Basic earnings per share (KM)	12,28	10,72	12,40	10,09

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

Notes to financial statements for the year ending 31 December 2014

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

17. Cash and accounts with other banks

Group and Bank	31 December 2014	31 December 2013
Cash at hand	37.273	51.321
Correspondent accounts with other banks in foreign currencies	74.280	31.233
Account with the CBBH in domestic currency	29.028	8.278
Cheque collectibles	-	1
Total before provisions	140.581	90.833
Less: Impairment losses	(103)	(59)
	140.478	90.774

Provisions are in regard to the cheques and cash on correspondent accounts with other banks in foreign currencies. The movements in the allowance for impairment losses are summarized as follows:

Group and Bank	2014.	2013.
Balance at 1 January	59	34
Movements in provisions, net (Note13.)	44	25
Balance at 31 December	103	59

18. Atory reserve with the Central Bank of Bosnia and Herzegovina

Group and Bank	31 December 2014	31 December 2013
Specific reserve by Law on banks, article 42a	-	-
Obligatory reserve with the CBBH	63.162	55.044
	63.162	55.044

In accordance with Law on banks (article 42 a), the Bank is obliged to hold 50% of daily balance of received payments from public funds, deposits and transactions for budgetary and off budgetary funds in cash as specific reserve in the CBBH. As of 31 December 2014, specific reserves in accordance with the Law on banks, article 42 a, were not needed.

Minimum obligatory reserve was calculated as a percentage of the average amount of total deposits and borrowings for each working day during 10 calendar days following the period of maintaining the obligatory reserve. The rates of minimum obligatory reserve were 10% of total short-term deposits and borrowings and 7% of total long-term deposits and borrowings.

Interest rate on funds kept up to minimum obligatory reserve amounted from 0.000% to 0.147% (2013: 0.01% to 0.128%), and on excess over minimum obligatory reserves amounted 0.000% to 0.189% (2013; 0.013% to 0.165%). Cash held at the obligatory reserve account with the CBBH is not available for daily operations without specific approval from the CBBH and FBA.

Notes to financial statements for the year ending 31 December 2014

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

19. Placements with other banks

Group and Bank	31 December 2014	31 December 2013
<i>Placements with other banks</i>		
Placements on money market	403	136
	403	136
Total before provisions	403	136
Less: Impairment losses	(8)	(3)
	395	133

At 31 December 2014 the placements with other banks in EUR represent noninterest assets.

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

Group and Bank	2014.	2013.
Balance at 1 January	3	210
Movements (Note 13)	5	(207)
Balance at 31 December	8	3
Expected to be recovered:		
- no more than 12 months after the reporting period	403	136
- more than 12 months after the reporting period	-	-
Less: Impairment	(8)	(3)
	395	133

20. Loans and advances to customers, net

Group and Bank	31 December 2014	31 December 2013
<i>Long-term loans</i>		
Retail	336.081	318.404
Corporate	282.176	293.457
	618.257	611.861
<i>Short-term loans</i>		
Corporate	193.787	172.830
Retail	24.167	22.331
	217.954	195.161
Total loans before impairment losses	836.211	807.022
Less: Impairment losses based on individual assessment	(44.879)	(45.493)
Less: Impairment losses based on group assessment	(33.146)	(25.369)
	758.186	736.160

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

Group and the Bank	2014.	2013.
Balance at 1 January	70.862	68.027
Movements in provisions, net (Note 13)	10.436	11.077
Transfer to other assets (Note 23)	(3.253)	(1.637)
Write-offs	(20)	(6.605)
Balance at 31 December	78.025	70.862

Notes to financial statements for the year ending 31 December 2014

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

20. Loans and advances to customers, net (continues)

Loans and allowances presented in table above include loan principle increased by interest receivables amounting KM 4,895 thousand (2013: KM 4,778 thousand) and decreased for prepaid loan fees amounting KM 3,764 thousands (2013: KM 4,502 thousand).

Industry gross loan analysis before impairment losses can be presented as follows:

Grupa i Banka	31 December 2014	31 December 2013
Financial services	4.395	5.763
Construction	32.669	32.953
Hotels and restaurants	5.795	6.136
Public administration and defence, obligatory social insurance	394	780
Real and rent estates and business activities	26.359	26.189
Education	565	778
Energy, gas and water supply	2.176	1.695
Other	276.757	261.448
Manufacture	117.705	119.899
Mining	4.792	2.518
Healthcare and social work	4.358	8.128
Stanovništvo	360.246	340.735
	836.211	807.022

The amounts presented in table above include loan principle increased by interest receivables and decreased for prepaid loan fees as of 31 December 2014, and 31 December 2013. Total amount of non-performing loans was KM 79,967 thousand and KM 74,830 thousand as at 31 December 2014 and 2013, respectively.

Weighted average interest rate can be presented as follows:

Group and Bank	2014.	2013.
Corporate	6,20%	6,58%
Individuals	7,60%	7,78%

21. Investment in joint companies

The Bank invested in joint companies in accordance with share method, as follows:

Name of the company	Group 31 December 2014	Group 31 December 2013	Bank 31 December 2014	Bank 31 December 2013
S-Leasing d.o.o Sarajevo	998	1.118	607	607
S-Premium d.o.o Sarajevo	147	133	49	49
Sparkasse Nekretnine d.o.o Sarajevo	50	50	49	49
	1.195	1.301	705	705

Notes to financial statements for the year ending 31 December 2014

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

21. Investment in joint companies (continues)

For all joint companies reporting date is 31 December. The summary of financial information on joint companies is presented below:

	31 December 2014	31 December 2013
Total assets	57.558	54.099
Total liabilities	(55.118)	(51.442)
Net assets	2.440	2.657
Participation in net assets of joint companies	1.195	1.301

The change of joint company investment can be shown as follows:

	Group	Group	Bank	Bank
	Share method		Cost method	
	2014.	2013.	2014.	2013.
Balance at 1 January	1.301	152	705	98
Buying of new shares	-	607	-	607
Dividends paid (Note 10)	(86)	(54)	-	-
Share of joint company net result	(20)	596	-	-
Balance at 31 December	1.195	1.301	705	705

22. Financial assets available-for-sale

Group and Bank	31 December 2014	31 December 2013
Total equity instruments:	139	139
<i>Government of Federation Bosnia and Herzegovina and Republic of Srpska – bonds</i>	10.766	10.910
Government of Republic Croatia – bonds	9.793	10.515
Government of Federation Bosnia and Herzegovina and Republic of Srpska – treasury bills	8.919	14.856
Total equity instruments	29.478	36.281
Less: Impairment losses	(226)	(245)
Manje: Rezervisanja za umanjena vrijednosti	29.391	36.175
	36.175	23.785

Interest rate on treasury bills amounted from 0.8% to 2.432% (2013: 1% to 2.07%), and on bonds amounted 2.5% to 6.5% (2013: 2.5% to 6.5%).

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

Group and Bank	2014.	2013.
Balance at 1 January	245	233
Movements in provisions, net (Note 13)	(19)	12
Balance at 31 December	226	245
Expected to be recovered:		
- no more than 12 months after the reporting period	13.662	14.549
- more than 12 months after the reporting period	15.955	21.871
Less: Impairment	(226)	(245)
	29.391	36.175

Notes to financial statements for the year ending 31 December 2014

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

23. Other assets

Group and Bank	31 December 2014	31 December 2013
Acquired tangible assets	4.826	1.871
Authorized exchange office receivables	1.641	1.303
Fees and commission receivables	1.128	886
Domestic transactions receivables	747	628
Inventories	117	82
Western union receivables	68	44
VAT receivables	2	1
Other assets	1.737	1.533
Total other assets before impairment losses	10.266	6.348
Less: Impairment losses	(6.548)	(3.620)
	3.718	2.728

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

Group and Bank	2014.	2013.
Balance at 1 January	3.620	1.709
Provisions movements, net (Note 13)	436	359
Transfer of loans and allowances receivables (Note 20)	3.253	1.637
Acquired tangible assets disposal	(745)	(50)
Write - offs	(16)	(35)
Balance at 31 December	6.548	3.620

Notes to financial statements for the year ending 31 December 2014

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

24. Tangible and intangible assets

Group and Bank	Land and buildings	Computer equipment	Vehicles	Furniture and equipment	Patents, licences and software	Investment property	Investment in progress	Total
COST								
As at 31 December 2012	24.729	3.123	522	9.327	5.442	1.379	457	44.979
Additions	-	-	-	-	-	-	3.378	3.378
Transfer (from) / to	465	178	254	1.089	557	160	(2.703)	-
Write offs	-	(8)	(72)	(619)	-	(227)	(6)	(932)
As at 31 December 2013	25.194	3.293	704	9.797	5.999	1.312	1.126	47.425
Additions	-	-	-	-	-	-	3.044	3.044
Transfer (from) / to	41	1.381	134	590	915	105	(3.166)	-
Write offs	-	(894)	(191)	(357)	(4)	(107)	-	(1.553)
As at 31 December 2014	25.235	3.780	647	10.030	6.910	1.310	1.004	48.916
ACCUMULATED DEPRECIATION								
As at 31 December 2012	1.712	2.575	167	4.744	3.301	907	-	13.406
Depreciation	497	252	123	1.071	897	203	-	3.043
Write offs	-	(4)	(61)	(615)	-	(226)	-	(906)
As at 31 December 2013	2.209	2.823	229	5.200	4.198	884	-	15.543
Depreciation	502	257	122	1.153	873	176	-	3.083
Write offs	-	(889)	(73)	(299)	(4)	(101)	-	(1.366)
Impairment losses	314	-	-	-	-	-	-	314
As at 31 December 2014	3.025	2.191	278	6.054	5.067	959	-	17.574
NET BOOK VALUE								
As at 31 December 2014	22.210	1.589	369	3.976	1.843	351	1.004	31.342
As at 31 December 201.	22.985	470	475	4.597	1.801	428	1.126	31.882

The Municipal Court in Velika Kladuša rendered the verdict No 23 O P 006089 14 Gž 2, by which is determined that registration of Bank's property was done wrong by the Bank. The Bank has filed an appeal against this decision and on 8 December 2014, the Cantonal Court in Bihac reached a verdict No 23 O P 006089 08 P3 so the appeal is denied and first decision has been confirmed. In accordance with decision the Bank made impairment of property in the amount of KM 314 thousand.

Notes to financial statements for the year ending 31 December 2014

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

25. Investment property

Group and Bank	Buildings
COST	
As at 31 December 2012	6.437
Additions	3
As at 31 December 2013	6.440
Additions	-
As at 31 December 2014	6.440
ACCUMULATED DEPRECIATION	
As at 31 December 2012	257
Depreciation	129
As at 31 December 2013	386
Depreciation	128
As at 31 December 2014	514
NET BOOK VALUE	
As at 31 December 2014	5.926
As at 31 December 2013	6.054

Investment property relates to business premises (floors) in the Central office building in Sarajevo rented and not used by the Bank. Investment property net book value amounting KM 5,926 thousand (2013: KM 6,054 thousand) is in use since 2010. On the basis of an investment property, in 2014 the Bank achieved a total income from rents in the amount of KM 612 thousand (2013 – KM 588 thousand), while the direct costs for the year amounted to KM 58 thousand (2013 – KM 80 thousand). According to Management Board opinion fair value of investment properties as at 31 December 2014 and 2013 does not significantly differs from the carrying value of the building so during 2014 and 2013 estimation of fair value was not done.

26. Odue to other banks

Group and Bank	31 December 2014	31 December 2013
<i>Demand deposits</i>		
In KM	7.306	586
In foreign currencies	1.304	1.658
	8.610	2.244
<i>Term deposits</i>		
In KM	257	139
In foreign currencies	219.916	253.737
	220.173	253.876
	228.783	256.120

Notes to financial statements for the year ending 31 December 2014

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

27. Due to customers

Group and Bank	31 December 2014	31 December 2013
<i>Demand deposits:</i>		
<i>Individuals:</i>		
In KM	80.268	66.657
In foreign currencies	41.272	35.207
	121.540	101.864
<i>Corporate:</i>		
In KM	106.401	81.743
In foreign currencies	18.744	8.716
	125.145	90.459
<i>Other government and non-government organisations:</i>		
In KM	18.930	18.761
In foreign currencies	6.603	942
	25.533	19.703
Total demand deposits	272.218	212.026
<i>Term deposits:</i>		
<i>Individuals:</i>		
In KM	135.152	95.734
In foreign currencies	145.524	141.351
	280.676	237.085
<i>Corporate:</i>		
In KM	60.025	60.352
In foreign currencies	21.337	47.736
	81.362	108.088
<i>Other government and non-government organisations:</i>		
In KM	5.046	3.621
In foreign currencies	4	4
	5.050	3.625
Total term deposits	367.088	348.798
	639.306	560.824

Demand deposits interest rates ranged from 0.00% to 0.10% annually, i.e. from 0.00% to 0.10% annually, and for term deposits from 0.10% to 3.14% annually, i.e. from 0.10% to 3.63%, for the year ending 31 December 2014, i.e. 2013, respectively.

28. Due for loans taken

Group and Bank	31 December 2014	31 December 2013
European Investment Bank (EIB) – interest rate 1.78% per year and maturity 15 October 2018	19.610	9.807
European Bank for Reconstruction and Development (EBRD) – interest rate 1.89% per year and maturity on 08 January 2017	8.458	9.873
Foundation for sustainable development (OdRaz) – interest rate 2.67% per year and maturity 1 May 2017	796	208
	28.864	19.888

Notes to financial statements for the year ending 31 December 2014

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

29. Provisions

Group and Bank	31 December 2014	31 December 2013
Provisions for off balance	4.041	3.039
Provisions for employee benefits	1.742	1.527
Provisions for legal proceedings	1.177	1.192
Other provisions	867	552
	7.827	6.310

Commitments and contingencies

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

Group and Bank	31 December 2014	31 December 2013
Granted but undrawn loans	77.912	83.850
Performance guarantees	27.037	26.260
Payment guarantees	25.423	21.119
Acreditives	3.864	1.629
	134.236	132.858

On 31 December 2014, the provision for employee benefits represent unused vacation days and severance and retirement bonuses, and were determined using the projected credit unit. In order to make actuarial estimates, following assumptions were used:

- discount rate - 6%;
- expected wage growth rate of 1.5% per year (until retirement);
- statistical information on the average salary in FBiH and in the Bank in the reporting period;
- demographic assumptions (mortality, fluctuation)

Movements in provisions were as follows:

Group and Bank	Off balance	Employee benefits	Legal proceedings	Other provisions	Total
Balance at 1 January 2013.	1.844	1.210	930	425	4.409
Additional provisions recognized, net (Note 14)	1.195	1.158	289	127	2.769
Realise due to re-measurement (Note 14)	-	(841)	-	-	(841)
Utilisation due to payments	-	-	(27)	-	(27)
Balance at 31 December 2013.	3.039	1.527	1.192	552	6.310
Additional provisions recognized, net (Note 14)	1.002	1.367	50	315	2.734
Realise due to re-measurement (Note 14)	-	(1.152)	-	-	(1.152)
Utilisation due to payments	-	-	(65)	-	(65)
Balance at 31 December 2014.	4.041	1.742	1.177	867	7.827

Notes to financial statements for the year ending 31 December 2014

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

30. Other liabilities

Group and Bank	31 December 2014	31 December 2013
Liabilities towards employees	1.307	1.232
Liabilities towards suppliers	1.646	1.182
Liabilities for unallocated payments	465	485
Liabilities for taxes	61	49
Other liabilities	1.675	1.102
	5.154	4.050

31. Share capital

Shareholding structure as at 31 December 2014 and 2013 was as follows.

Group and Bank	31 December 2014			31 December 2013		
	No. of shares	Amount in KM '000	%	No. of shares	Amount in KM '000	%
Steiermarkische Bank und Sparkassen AG, Graz, Austria	839.006	83.901	97,0	839.006	83.901	97,0
Other shareholders	25.727	2.572	3,0	25.727	2.572	3,0
Total paid capital	864.733	86.473	100,0	864.733	86.473	100,0

Share capital is made up of 864,733 ordinary shares at nominal value of KM 100. Issuance premium (agio) represents accumulated positive difference between nominal value and amount received for issued shares.

32. Related-party transactions

In the normal course of business a number of banking transactions are entered into with related parties. These transactions were carried out on commercial terms and conditions and at market rates.

Transactions with the Owner

Group and Bank	31 December 2014		31 December 2013	
	Receivables	Liabilities	Receivables	Liabilities
Steiermarkische Bank und Sparkassen AG. Graz, Austria	205	220.225	146	254.678
	205	220.225	146	254.678

Group and Bank	2014.		2013.	
	Income	Expense	Income	Expense
Steiermarkische Bank und Sparkassen AG. Graz, Austria	25	2.964	74	3.282
	25	2.964	74	3.282

Notes to financial statements for the year ending 31 December 2014

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

32. Related-party transactions (continued)

Transactions with other related parties

Group and Bank	31 December 2014		31 December 2013	
	Receivables	Liabilities	Receivables	Liabilities
Erste Bank der Oesterreichischen Sparkassen AG Wien, Austria	24.832	756	13.170	156
Erste and Steiermarkische bank d.d Zagreb, Croatia	2.863	221	1.251	288
S Leasing d.o.o Sarajevo, BiH	48	2.064	2	370
Sparkasse Bank a.d Skopje, Macedonia	2	-	4	-
S Premium d.o.o Sarajevo, BiH	-	776	-	626
Sparkasse Nekretnine d.o.o Sarajevo, BiH	-	105	-	56
	27.745	3.922	14.427	1.496

Group and Bank	2014.		2013.	
	Income	Expenses	Income	Expenses
S Leasing d.o.o Sarajevo, BiH	135	99	120	14
Erste and Steiermarkische bank d.d Zagreb, Croatia	52	-	24	-
Erste Bank der Oesterreichischen Sparkassen AG Wien, Austria	43	-	14	-
Sparkasse Nekretnine d.o.o Sarajevo, BiH	7	-	4	-
S Premium d.o.o Sarajevo, BiH	6	4	6	-
Sparkasse Bank a.d. Skopje, Macedonia	2	-	48	-
Erste Group Card Processor d.o.o. (vm.MBU)	-	749	-	780
S IT Solutions AT Spardat GmbH Wien, Austria	-	262	-	235
S IT Solutions HR d.o.o Bjelovar, Croatia	-	42	-	40
S IT Solutions CZ s.r.o Prague, Czech Republic	-	10	-	6
	245	1.166	216	1.075

Management remuneration

The remuneration of Management Board and other members of key management were as follows:

Group and the Bank	2014.	2013.
Gross salaries	816	838
Other benefits	298	302
Fees to Supervisory Board members	27	25
	1.141	1.165

Notes to financial statements for the year ending 31 December 2014

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

33. Commissionary business

The funds managed by the Bank, where the Bank acts as a commissioner on behalf of individuals, trusts and other institutions, are not Banks funds, and therefore are not included in its balance sheet.

It the table below are shown the funds managed by the Bank in and for the name of its clients:

Group and Bank	31 December 2014	31 December 2013
Loans		
Corporate	19.412	16.797
Individuals	3.368	3.577
	22.780	20.374
Financing sources		
Employment agency of Federation of Bosnia and Herzegovina	17.450	17.694
Ministry of war military invalids of Zenica –Doboj Canton	975	1.062
Bosnian-Podrinje Canton Government	804	804
International guarantee agency - IGA	326	326
Zenica- Doboj Canton Government	167	201
Employment agency of Zenica-doboj Canton	156	161
Lutheran World Federation	73	73
Housing fund of Unsko-Sanski Canton	25	29
Employment agency of Bosnian-Podrinje Canton	21	21
War military invalids organisation Bihać	3	3
Intesa Sanpaolo Banka	2.780	-
	22.780	20.374
Liability, net	-	-

The Bank does not bear any risk in regard to this placement, and for its services charges a fee. Liabilities from commissioner business are invested in loans to companies and individuals on behalf of third parties.

34. Financial instruments

a) 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.

The Bank expects to maintain its debt to capital ratio. Solvency indicators were as follows:

Bank	31 December 2014	31 December 2013
Debt	896.953	836.832
Equity	124.430	113.791
Debt to capital ratio	7,21	7,35

Notes to financial statements for the year ending 31 December 2014

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

34. Financial instruments (continued)

a) Capital risk management (continued)

Debt is defined as liabilities to banks and customers presented in detail in Notes 26 and 27, and liabilities for loans taken presented in detail in Note 28, and capital includes total equity of the Bank.

Capital adequacy and the use of net capital are monitored by the Bank's management, employing techniques based on the guidelines developed by FBA for supervisory purposes. The required information is filed with the FBA on a quarterly basis.

FBA requires each bank to:

- (a) hold the minimum level of the net (regulatory) capital and the lowest level of net capital (regulatory capital) of KM 15 million, and
- (b) maintain a ratio of net (regulatory) capital to the risk-weighted asset at or above the minimum of 12%.

On 30 May 2014, FBA issued new Decision on minimum standards for capital management and capital hedge for 2014. The Bank's net capital is divided into two tiers:

- Tier 1 capital or Core Capital: share capital, share premium and retained earnings indefinitely allocated by the Bank's shareholders for coverage future net losses (if any), reduced by intangible assets and deferred tax assets; (2013: share capital, share premium, investments revaluation reserve and retained earnings, reduced by intangible assets); and
- Tier 2 capital or Supplementary Capital: general regulatory reserves in accordance with FBA regulations (calculated for regulatory reporting only) and qualified subordinated debt, increased by positive revaluation reserves (2013: general regulatory reserves in accordance with FBA regulations, qualified subordinated debt and audited net profit for the current year).

The risk-weighted assets are measured by means of a hierarchy of four weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

As of 31 December 2013 and 2014 the Bank complied with all of the externally imposed capital requirements to which it was subject. As of 31 December 2014 the adequacy of the Bank's capital amounts to 13,1% (2013: 13,6%).

	New decision of FBA *		Former decision of FBA **
	31 December 2014	31 December 2013*	31 December 2013
Tier 1 capital			
Ordinary shares	86.473	86.473	86.473
Share premium	3.000	3.000	3.000
Retained earnings	23.402	14.677	14.677
Investments revaluation reserve	-	-	126
Negative revaluation reserve	(57)	(55)	-
Less: Intangible assets	(2.313)	(2.267)	(2.267)
Total tier 1 capital	110.505	101.828	102.009
Tier 2 capital			
General provision - FBA regulations	17.620	17.279	17.279
Net gain for the year	-	-	8.725
Positive Revaluation reserves	101	182	-
Total tier 2 capital	17.721	17.461	26.004
Impairment form capital			
Adjustment for shortfall in regulatory reserves	(9.127)	(8.822)	(8.822)
Net capital	119.099	110.467	119.191
Risk Weighted Assets (unaudited)	842.818	817.824	817.824
Weighted Operational Risk (unaudited)	63.133	57.485	57.485
Total weighted risk	905.951	875.309	875.309
Capital adequacy (%)	13,1	12,6	13,6

* In accordance the Decision of FBA on minimum standards for capital management and capital hedge ("Official Gazette of the Federation of Bosnia and Herzegovina", number 46/14)

** In accordance the Decision of FBA on minimum standards for capital management ("Official Gazette of the Federation of Bosnia and Herzegovina", number 48/12)

*** For comparison purpose only – not submitted to FBA

Notes to financial statements for the year ending 31 December 2014

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

34. Financial instruments (continued)

b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

c) Categories of financial instruments

	Group 31 December 2014	Group 31 December 2013	Bank 31 December 2014	Bank 31 December 2013
Financial assets				
Loans and receivables:				
Cash and cash equivalents (including Obligatory reserve with the CBBH)	203.640	145.818	203.640	145.818
Placements with other banks	395	133	395	133
Loans and advances to customers, net	758.186	736.160	758.186	736.160
Other financial assets	3.033	2.542	3.033	2.542
Financial assets available-for-sale	30.586	37.477	30.096	36.880
	995.840	922.130	995.350	921.533
Financial liabilities				
At amortised cost				
Due to other banks	228.783	256.120	228.783	256.120
Due to customers	639.306	560.824	639.306	560.824
Due for loans taken	28.864	19.888	28.864	19.888
Other financial liabilities	5.155	4.633	5.155	4.633
	902.108	841.465	902.108	841.465

d) Financial risk management objectives

The Bank's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

e) Market risk

The Bank's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below points f and g). Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Bank's exposure to market risks or the manner in which it manages and measures the risk.

Notes to financial statements for the year ending 31 December 2014

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

34. Financial instruments (continued)

f) Foreign currency risk management

The Bank undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Bank's monetary assets and monetary liabilities in foreign currencies at the reporting date are as follows:

Bank	KM	EUR	USD	Other currencies	Total
Assets					
Cash and cash equivalents	50.273	73.809	8.650	7.746	140.478
Obligatory reserve with the CBBH	63.162	-	-	-	63.162
Placements with other banks	-	77	318	-	395
Loans and advances to customers, net	323.135	435.051	-	-	758.186
Financial assets available-for-sale	15.475	14.621	-	-	30.096
Other financial assets	3.446	246	26	-	3.718
	455.491	523.804	8.994	7.746	996.035
LIABILITIES					
Due to other banks	7.563	220.361	-	859	228.783
Due to clients	405.842	217.694	8.994	6.776	639.306
Due for loans taken	-	28.864	-	-	28.864
Other financial liabilities	4.825	303	36	-	5.164
	418.230	467.222	9.030	7.635	902.117
Discrepancy as at 31 December 2014	37.261	56.582	(36)	111	93.918
Total monetary assets	351.523	556.081	6.958	6.971	921.533
Total monetary liabilities	288.772	538.854	7.020	6.788	841.434
Discrepancy as at 31 December 2013	62.751	17.227	(62)	183	80.099

Foreign currency sensitivity analysis

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

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

Bank	USD Effect	
	31 December 2014	31 December 2014
Profit/ (loss)	(6)	(12)

Notes to financial statements for the year ending 31 December 2014

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

34. Financial instruments (continued)

g) Interest rate risk management

The Bank is exposed to interest rate risk as the Bank is placing and borrowing funds at fixed interest rates. The Bank's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note (see point i).

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for derivative and non-derivative instruments at the reporting period date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting period date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Bank's net profit for the year ending 31 December 2014 would increase / decrease by KM 2,421 thousand (2013: by KM 1,641 thousand).

h) Credit risk management

Credit risk refers to the risk that 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 Board, provided by reports from Risk management department.

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

Except stated below in table, the carrying amount of financial asset presented in financial statements, decreased for losses based on impairments, represents the Bank's maximum exposure to credit risk without taking account the value of any collateral obtained.

Financial assets

Bank	Total gross carrying amount	Unimpaired assets	Impaired assets	Individually impaired assets	Group impaired assets	Total net carrying amount
As at 31 December 2014						
Cash and cash equivalents	140.581	140.581	-	-	(103)	140.478
Obligatory reserve with the CBBH	63.162	63.162	-	-	-	63.162
Placements with other banks	403	403	-	-	(8)	395
Loans to customers, net	836.211	756.244	79.967	(44.879)	(33.146)	758.186
Financial assets available-for-sale	30.322	30.322	-	-	(226)	30.096
Other financial assets	5.285	3.084	2.201	-	(2.252)	3.033
	1.075.964	993.796	82.168	(44.879)	(35.735)	995.350
As at 31 December 2013						
Cash and cash equivalents	90.833	90.833	-	-	(59)	90.774
Obligatory reserve with the CBBH	55.044	55.044	-	-	-	55.044
Placements with other banks	136	136	-	-	(3)	133
Loans to customers, net	807.022	736.766	70.256	(45.493)	(25.369)	736.160
Financial assets available-for-sale	37.125	37.125	-	-	(245)	36.880
Other financial assets	4.367	3.076	1.291	-	(1.639)	2.728
	994.527	922.980	71.547	(45.493)	(27.315)	921.719

Notes to financial statements for the year ending 31 December 2014

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

34. Financial instruments (continued)

h) Credit risk management (continued)

Credit exposure and collateral

Bank	Credit risk exposure		
	Net exposure	Unwithdrawn loans / Guarantees	Fair value of collateral
As at 31 December 2014			
Cash and cash equivalents	140.478	-	-
Obligatory reserve with the CBBH	63.162	-	-
Placements with other banks	395	-	-
Loans to customers, net	758.186	134.237	348.395
Financial assets available-for-sale	30.096	-	-
Other financial assets	3.033	-	-
	995.350	134.237	348.395
As at 31 December 2013			
Cash and cash equivalents	90.774	-	-
Obligatory reserve with the CBBH	55.044	-	-
Placements with other banks	133	-	-
Loans to customers, net	736.160	129.818	289.054
Financial assets available-for-sale	36.880	-	-
Other financial assets	2.542	-	-
	921.533	129.818	289.054

Notes to financial statements for the year ending 31 December 2014

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

34. Financial instruments (continued)

h) Credit risk management (continued)

Credit exposure and collateral

Fair value of the collaterals

Banka	31 December 2014	31 December 2013
Real estate	318.871	215.705
Movable property	5.200	4.194
Deposits	17.953	9.677
Other	6.371	59.478
	348.395	289.054

Arrears

Bank	Total gross loan portfolio	Not due	Up to 30 days	31 – 90 days	91 – 180 days	181 – 270 days	over 270 days
31 December 2014							
Corporate	475.963	395.267	21.935	6.793	5.142	2.802	44.024
Individuals	360.248	322.251	16.220	4.471	2.696	2.012	12.598
Subtotal	836.211	717.518	38.155	11.264	7.838	4.814	56.622
Impairment losses	758.186	699.236	36.704	9.011	3.866	2.016	7.353
Total	807.022	693.963	41.586	9.865	3.923	3.307	54.378
31 December 2013							
Corporate	466.287	393.060	20.292	5.212	1.912	2.025	43.786
Individuals	340.735	300.903	21.294	4.653	2.011	1.282	10.592
Subtotal	807.022	693.963	41.586	9.865	3.923	3.307	54.378
Impairment losses	(70.862)	(15.951)	(1.414)	(1.778)	(1.965)	(2.179)	(47.575)
Total	736.160	678.012	40.172	8.087	1.958	1.128	6.803
	770.317	634.169	56.064	25.859	4.262	3.104	46.859

i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board, which has created an adequate framework for the management of liquidity risk to be used for the management of long-, mid- and short-term needs for the management of the Bank's liquidity. The Bank manages this type of risk by maintaining adequate reserves and other sources of financing, by constantly monitoring the projected and actual cash flows and by comparing maturity profiles of financial assets and liabilities.

The following table details the rest of Bank's contractual maturities for financial assets. The table is prepared based on nondiscounted financial assets cash flows, including interest for that assets and interest for that asset that will be earned, except for the assets that it is expected for the cash flow to appear in the future period.

Notes to financial statements for the year ending 31 December 2014

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

34. Financial instruments (continued)

i) Liquidity risk management (continued)

Liquidity and interest risk tables

Maturity for financial assets

Bank	Weighted average effective interest rate	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Total
31 December 2014							
Non-interest bearing	-	3.224	94	1.460	148	-	4.926
Variable interest rate instruments	3,89%	108.481	13.795	48.233	153.492	53.557	377.558
Fixed interest rate instruments	7,55%	65.028	57.449	215.513	252.430	220.231	810.651
		176.733	71.338	265.206	406.070	273.788	1.193.135
31 December 2013							
Non-interest bearing	-	34.666	18	600	13	-	35.297
Variable interest rate instruments	5,57%	14.461	12.092	54.932	172.630	44.232	298.347
Fixed interest rate instruments	7,85%	126.854	62.764	190.273	252.605	202.485	834.981
		175.981	74.874	245.805	425.248	246.717	1.168.625

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

Maturity for financial liabilities

Banka	Weighted average effective interest rate	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Total
31 December 2014							
Non-interest bearing	-	245.178	138	3.417	2.616	2.992	254.341
Variable interest rate instruments	1,02%	-	-	-	241.866	706	242.572
Fixed interest rate instruments	3,11%	46.668	30.606	139.070	191.449	20.109	427.902
		291.846	30.744	142.487	435.931	23.807	924.815
31 December 2013							
Non-interest bearing	-	164.048	160	2.578	1.596	1.338	169.720
Variable interest rate instruments	1,22%	444	-	-	271.787	10.786	283.017
Fixed interest rate instruments	2,46%	58.045	38.159	134.873	172.693	5.196	408.966
		222.537	38.319	137.451	446.076	17.320	861.703

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

Notes to financial statements for the year ending 31 December 2014

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

35. Fair value measurement

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

35.1. Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

Group and Bank Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2014	31 December 2013		
1) Financial assets available-for-sale (see Note 22)	Listed equity securities in stock exchange in Bosnia and Herzegovina: - BamCard d.d Sarajevo – KM 115 thousand Listed equity securities on stock exchanges in other countries: - Belgium - KM 24 thousand Listed debt securities in stock exchange in other countries: - Croatia – KM 10,515 thousand (Baa3/BBB) Listed debt securities in stock exchange in Bosnia and Herzegovina: - FBiH Ministry of Finance – KM 14,291 thousand (B+) - RS Ministry of Finance – KM 4,703 thousand (B+) - Cazin Municipality – KM 252 thousand - Hadžići Municipality – KM 400 thousand	Listed equity securities in stock exchange in Bosnia and Herzegovina: - BamCard d.d Sarajevo – KM 115 thousand Listed equity securities on stock exchanges in other countries: - Belgium - KM 24 thousand Listed debt securities in stock exchange in other countries: - Croatia – KM 10.515 thousand (Baa3/BBB) Listed debt securities in stock exchange in Bosnia and Herzegovina: - FBiH Ministry of Finance – KM 21,673 thousand (B+) - RS Ministry of Finance – KM 3,220 thousand (B+) - Tešanj Municipality – KM 35 thousand - Cazin Municipality – KM 345 thousand - Hadžići Municipality – KM 492 thousand	Level 1	Quoted bid prices in an active market.

Notes to financial statements for the year ending 31 December 2014

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

35. FAIR VALUE MEASUREMENT (CONTINUED)

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

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

Group and Bank	31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables:				
- loans to customers	758.186	757.699	736.160	735.872
Financial liabilities				
Financial liabilities held at amortised cost:				
- due to banks and customers	868.089	870.060	816.964	817.065

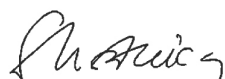
Group and Bank	Fair value hierarchy as at 31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables:				
- loans to customers	-	-	757.699	757.699
	-	-	757.699	757.699
Financial liabilities				
Financial liabilities held at amortised cost:				
- due to banks and customers	-	-	870.060	870.060
	-	-	870.060	870.060

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

The calculation of the fair value is determined by discounting future cash flows, using the weighted average interest rate on the state level, published by CBBH separately for corporate and individuals.

36. Approval of the financial statements

se financial statements were approved by the Management Board on 16 April 2015.



Sanel Kusturica, direktor



Amir Softić, izvršni direktor

Impressum

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