

**SBERBANK A.D. BANJA LUKA**

**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2014**

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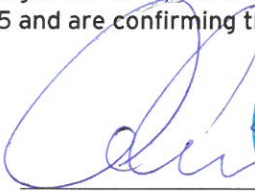
**Responsibility of Management and Supervisory Board for the preparation and approval of the annual financial statements**

The Management Board shall prepare financial statements for each financial year which give a true and fair view of the financial position of the Bank, and the results of its operations and cash flows in accordance with International Financial Reporting Standards, and is responsible for keeping proper accounting records which disclose allow preparation of financial statements. Management has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

Management is responsible for the selection of such accounting policies that will be in accordance with applicable accounting standards and then apply them consistently, making sensible and prudent judgments and estimates, and the preparation of financial statements on a going concern basis unless it unless the assumption, that the Bank will continue its business, is inappropriate.

Management is required to submit on reconciliation Bank's annual report together with the annual financial statements to the Supervisory Board of the Bank, after which the Supervisory Board approves the submission of annual financial to the Assembly of Shareholders for approval.

The financial statements on pages 4 to 63 and the Annexes to the Financial Statements: Financial Statements in accordance with the Law on Accounting and Auditing of the Republic of Srpska presented on pages 64 to 71 were approved by the Board, for submission to the Supervisory Board, on 15 April 2015 and are confirming this, signed by:



Aleksandar Kesic  
Chairman of the Board



Biljana Rabitsch  
Board member

*This is English translation of the Report  
originally issued in Serbian language  
(For management purposes only)*

**INDEPENDENT AUDITOR'S REPORT  
TO SHAREHOLDERS OF SBERBANK A.D. BANJA LUKA**

**Report on financial statements**

We have audited the accompanying financial statements of Sberbank a.d., Banja Luka (hereinafter referred as to "the Bank"), which comprise the Balance sheet as at 31 December 2014, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2014, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

### Report on other legal and regulatory requirements

Pursuant to the Accounting and auditing law of Republic of Srpska, dated 8 April 2009 (Number: 01-640/09), the Management Board of the Bank has prepared the schedules set out on pages 64 to 71 ("the Schedules"), which comprise Balance sheet (Statement of financial position) as at 31 December 2014, Income statement (Statement of comprehensive income) for the period from 1 January to 31 December 2014, Statement of changes in equity for the period ended 31 December 2014, Cash flow statement for the period from 1 January to 31 December 2014 and Off-balance sheet as at 31 December 2014. The Management Board of the Bank is responsible for the Schedules. The information in the Schedules has been derived from the primary financial statements of the Bank which were prepared in accordance with International Financial Reporting Standards as presented on pages 4 to 63 and are based on the underlying accounting records of the Bank.

Sarajevo, 15 April 2015



Stephen Fish  
Ernst & Young d.o.o. Sarajevo



Maja Hafizović  
Authorized auditor

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	2014. BAM '000	2013. BAM '000
<b>ASSETS</b>			
Cash reserves	15	172,638	36,972
Obligatory reserves with Central Bank	16	47,017	32,463
Loans and receivables from banks	17	7,000	-
Loans and receivables from customers	18	602,396	489,370
Financial assets	19	394	417
Property and equipment	20	11,605	9,599
Intangible assets	21	4,690	3,552
Other assets	22	2,593	4,150
Non-current assets held for sale	23	3,436	1,292
<b>Total assets</b>		<b>851,770</b>	<b>577,815</b>
<b>LIABILITIES</b>			
Deposits from banks and other financial institutions	24	84,862	66,398
Deposits from customers	25	570,370	356,198
Borrowings	26	75,522	62,426
Subordinated liabilities	27	4,039	4,040
Other liabilities	28	2,870	2,086
Current tax liabilities		175	90
Deferred tax liability	29	124	125
Provisions for liabilities and charges	30	1,508	1,098
<b>Total liabilities</b>		<b>739,470</b>	<b>492,461</b>
<b>EQUITY</b>			
Share capital	31	62,198	38,728
Share premium		15,235	15,235
Legal and other reserves from profit		11,087	10,957
Revaluation reserves		1,113	1,125
Regulatory reserves for credit losses		12,092	12,092
Retained earnings		10,575	7,217
<b>Total equity</b>		<b>112,300</b>	<b>85,354</b>
<b>Total liabilities and equity</b>		<b>851,770</b>	<b>577,815</b>

The accounting policies and other notes on pages 8 to 63 form an integral part of these financial statements.

Banja Luka, 15 April 2015

On behalf of Sberbank a.d. Banja Luka



Aleksandar Kesic  
Chairman of the Board



Biljana Rabitsch  
Board member



Slobodan Zrilić  
Director of Department of  
Finance

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 BAM '000	2013 BAM '000
Interest income	7a	41,989	35,859
Interest expense	7b	(14,796)	(12,478)
<b>Net interest income</b>		<b>27,193</b>	<b>23,381</b>
Fee and commission income	8a	12,084	9,499
Fee and commission expense	8b	(2,255)	(1,472)
<b>Net fee and commission income</b>		<b>9,829</b>	<b>8,027</b>
Net foreign exchange differences		(27)	88
Other operating income	9	144	421
<b>Total operating income</b>		<b>37,139</b>	<b>31,917</b>
Net impairment losses and provisions	10	(7,092)	(7,731)
<b>Net operating income</b>		<b>30,047</b>	<b>24,186</b>
Staff costs	11	(10,936)	(8,839)
Depreciation	12	(2,300)	(1,614)
Other operating expense	13	(12,490)	(10,394)
<b>Total operating expense</b>		<b>(25,726)</b>	<b>(20,847)</b>
<b>Profit before income tax</b>		<b>4,321</b>	<b>3,339</b>
Income tax expense	14	(846)	(732)
<b>Profit for the year</b>		<b>3,475</b>	<b>2,607</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>3,475</b>	<b>2,607</b>
Earnings per share	31	68.87	83.45

The accounting policies and other notes on pages 8 to 63 form an integral part of these financial statements.

Banja Luka, 15 April 2015

On behalf of Sberbank a.d. Banja Luka

Aleksandar Kesic  
Chairman of the Board

Biljana Rabitsch  
Board member

Slobodan Zrilić  
Director of Department of  
Finance

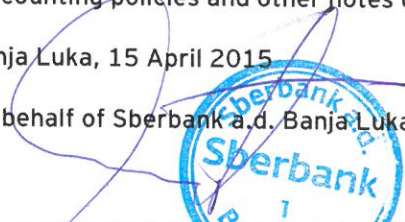
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014


	Share capital BAM '000	Share premium BAM '000	Legal and other reserves from profit BAM '000	Regulatory reserves for credit losses BAM '000	Revaluation reserves BAM '000	Retained earnings BAM '000	Total BAM '000
<b>Balance as at 1 January 2013</b>	<b>23,728</b>	<b>15,235</b>	<b>2,848</b>	<b>18,061</b>	<b>1,136</b>	<b>6,740</b>	<b>67,748</b>
Increase in shareholder's equity by issuing ordinary shares	15,000	-	-	-	-	-	15,000
Profit for the year	-	-	-	-	-	2,607	2,607
<b>Other comprehensive income</b>							
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,607</b>	<b>2,607</b>
Transfer to retained earnings	-	-	-	-	(12)	12	-
Transfer deferred taxes	-	-	-	-	1	(1)	-
Transfer to Bank's reserves	-	-	45	2,096	-	(2,141)	-
Reserves from profit according to the instructions of ABRS	-	-	8,065	(8,065)	-	-	-
<b>Balance as at 31 December 2013</b>	<b>38,728</b>	<b>15,235</b>	<b>10,958</b>	<b>12,092</b>	<b>1,125</b>	<b>7,217</b>	<b>85,354</b>
<b>Balance as at 1 January 2014</b>	<b>38,728</b>	<b>15,235</b>	<b>10,958</b>	<b>12,092</b>	<b>1,125</b>	<b>7,217</b>	<b>85,354</b>
Increase in shareholder's equity by issuing ordinary shares	23,470	-	-	-	-	-	23,470
Profit for the year	-	-	-	-	-	3,475	3,475
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,475</b>	<b>3,475</b>
Transfer to retained earnings	-	-	-	-	(12)	12	-
Transfer to Bank's reserves	-	-	130	-	-	(130)	-
<b>Balance as at 31 December 2014</b>	<b>62,198</b>	<b>15,235</b>	<b>11,087</b>	<b>12,092</b>	<b>1,113</b>	<b>10,575</b>	<b>112,300</b>


The accounting policies and other notes on pages 8 to 63 form an integral part of these financial statements.

Banja Luka, 15 April 2015

On behalf of Sberbank a.d. Banja Luka

  
Aleksandar Kesic  
Chairman of the Board

  
Biljana Rabitsch  
Board member

  
Slobodan Zrilić  
Director of Department of Finance

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 BAM '000	2013 BAM '000
<b>Cash flows from operating activities</b>		
Interest receipts	38,743	30,537
Interest payments	(12,345)	(10,576)
Net fee and commission receipts	9,815	9,192
Recovery of receivables previously written-off	137	429
Payments to employees and suppliers	(23,099)	(18,974)
Paid income tax	(763)	(802)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>12,488</b>	<b>9,806</b>
<b>Changes in operating assets and liabilities</b>		
Net (increase)/decrease in obligatory reserve with Central Bank	(14,554)	(8,128)
Net (increase)/decrease in loans and advances to customers	(116,325)	(80,815)
Net (increase)/decrease in other assets	(718)	(3,141)
Net increase/(decrease) in deposits from banks and other financial institutions	18,464	(49,680)
Net increase in deposits from customers	212,012	109,799
Net (decrease)/increase in other liabilities	475	410
<b>Changes in operating assets and liabilities</b>	<b>99,355</b>	<b>(31,555)</b>
<b>Net cash flows from operating activities</b>	<b>111,843</b>	<b>(21,749)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(3,374)	(3,401)
Purchase of intangible assets	(2,068)	(2,289)
Purchase of (payments to acquire) financial assets	22	21
<b>Net cash flows from investing activities</b>	<b>(5,420)</b>	<b>(5,669)</b>
<b>Cash flows from financing activities</b>		
Net increase in borrowings	13,002	3,201
Net (decrease)/increase in subordinated liabilities	-	(3,912)
Inflow from Shareholder's equity emission	23,470	15,000
<b>Net cash flows from financing activities</b>	<b>36,472</b>	<b>14,289</b>
Foreign exchange gains and losses	(229)	(696)
<b>Net increase in cash and cash equivalents</b>	<b>142,666</b>	<b>(13,825)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>36,983</b>	<b>50,808</b>
<b>Cash and cash equivalents at end of year</b>	<b>179,649</b>	<b>36,983</b>
<b>Cash and cash equivalents comprise the following balance sheet components:</b>		
Cash reserves, gross (note 15)	172,649	36,983
Loans and advances to banks with maturity up to 3 months, gross (note 17)	7,000	-
	<b>179,649</b>	<b>36,983</b>

The accounting policies and other notes on pages 8 to 63 form an integral part of these financial statements.

Banja Luka, 15 April 2015

On behalf of Sberbank a.d. Banja Luka

Aleksandar Kesic  
Chairman of the Board

Biljana Rabitsch  
Board member

Slobodan Zrilić  
Director of Department of  
Finance

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. REPORTING ENTITY**

Sberbank a.d., Banja Luka (hereinafter: "the Bank") is a company domiciled in Republika Srpska. The Bank's registered office is in Banja Luka, Jevrejska Street 71.

The Bank was originally established as an independent bank under the name of Komerc banka a.d., Banja Luka on 29 January 1999. The Bank commenced its operations in compliance with the Decision of the Banking Agency of Republika Srpska numbered 03-608-1/98. Pursuant to the Decision of the Basic Court in Banja Luka numbered U/I 438/99 and dated 31 March 1999, the Bank's initial registered name was amended to Zepter Komerc Banka, which was further changed pursuant to the Decision enacted by the Basic Court in Banja Luka on 19 September 2007 under the number 071-0-REG-07-002019 into Volksbank a.d., Banja Luka. The Bank operates under its current name from 31 December 2012. Change of the name is a consequence of acquisition of Volksbank International AG, Vienna, Austria by Sberbank of Russia, Moscow, Russia, which happened in the first quarter of 2012.

The Bank is licensed in Republika Srpska to perform banking operations related to credit and retail lending and deposit-acquiring activities in the country and abroad and payment processing, and in accordance with banking legislation of Republika Srpska, The Bank operates based on principles of liquidity, solvency and profitability.

As of 31 December 2014, the Bank comprised a head office in Banja Luka and 28 branches located in the cities of: Banja Luka, Kozarska Dubica, Bijeljina, Gradiska, Srbac, Prijedor, East Sarajevo, Trebinje, Prnjavor, Brod, Doboj, Gacko, Laktasi, Ljubinje, Trn, Teslic, Novi Grad, Modrica, Pale and Derventa.

### **2. PRINCIPAL ACCOUNTING POLICIES**

- **Statement of compliance**

The financial statements for 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Accounting regulation applicable in Republic of Srpska is based on legal provisions of Law on Accounting and Auditing ("the Act") ("Official Gazette of the Republic of Srpska no. 36/2009 and 52/ 2013). The Bank prepare and present financial statements in accordance with International Accounting Standards ("IAS"), their amendments and interpretations (Interpretations), International Financial Reporting Standards ("IFRS") and its amendments and interpretations ( Interpretations of International Financial Reporting Standards), which are issued by the International Accounting standards and which are translated by the Association of Accountants and Auditors of the Republic of Srpska (under the authority of accounting Commission of Bosnia and Herzegovina No. 2-11/06). Decision on publishing standards of O-1/4-2010 of 28 April 2010 is mandatory for annual periods, beginning from 1 January 2010. This decision includes IAS , IFRS and interpretations issued by the Board and approved by a EFAG until October 2009. All previously issued and subsequently adopted standards as well as new or modified interpretations of IAS or IFRS issued by the Board after October 2009 have not yet been translated or published.

During preparation of the financial statements for the year ended 31 December 2014 The Bank has considered whether the application of standards that are subsequently issued by the Board and applicable to the current accounting period , but which have not been translated or published in the Republic of Srpska results in a material difference from the relevant local accounting regulations. The conclusion is that this is not the case, and for this reason, in the opinion of the Bank's management, these financial statements also comply with local legal requirements for disclosure of financial statements in accordance with relevant applicable local regulations.

The financial statements were approved for issue by the Management Board on 15.04.2015. and submitted to the Bank's bodies for adoption.

**NOTES TO THE FINANCIAL STATEMENTS**

**2. PRINCIPAL ACCOUNTING POLICIES (continued)**

• **Functional and presentation currency**

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

The Central Bank of Bosnia and Herzegovina ("Central bank") implemented a currency board arrangement aligning BAM to EURO at an exchange rate of EUR 1: BAM 1.95583 throughout 2013 and 2014. This is expected to continue in the foreseeable future.

• **Basis of measurement**

These financial statements are prepared on a historical or amortized cost basis, except for certain financial assets available for sale which are stated at fair value and buildings which are stated at market value less accumulated amortization.

• **Use of estimates and judgments**

The preparation of financial statements requires the Bank's management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and information available at the date of preparation of the financial statements, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected. Refer further to Note 5-Critical accounting estimates and judgments.

**3. SPECIFIC ACCOUNTING POLICIES**

**a) Interest income and expenses**

Interest income and expenses are recognized in the statement of comprehensive income for all interest yielding/bearing instruments on the accrued basis by the application of the effective interest rate method, i.e. according to the rate that discounts the estimated cash flows to the net present value during the term of the agreement. Such income and expenses are presented as interest and similar income and interest and similar expenses in the statement of comprehensive income. Interest income and expenses also include income and expenses from loan fees and commissions and receivables from customers, or borrowings from banks, recognized on the basis of the effective interest rate.

The effective interest rate method is the method of calculation of amortized cost of financial assets or financial liabilities and distribution of interest income or expenses in the appropriate time period. The effective interest rate is the rate that precisely discounts the estimated future cash disbursement or payment through the expected duration of the financial instrument or, where appropriate, a shorter period, on the net carrying value of financial assets or financial liabilities. When calculating the effective interest rate, the Bank performs an assessment of cash flows, taking into consideration all conditions of the agreement related to the financial instrument, but not considering the future loan losses. The calculation includes all fees and commissions that the contractual sides have paid and received, and which are a constituent part of the effective interest rate, transaction costs and all other premiums and discounts.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. SPECIFIC ACCOUNTING POLICIES (continued)**

**b) Fee and commission income and expenses**

Fee and commission income and expenses mainly comprise fees related to domestic and foreign payments, the issue of guarantees and letters of credit, credit card business and asset management, and are recognized in the statement of comprehensive income upon performance of the relevant service.

The cost of bank supervision are reclassified in 2014 from income from fees and commissions (Note 8b.) into other operating expenses (Note 13). Reclassification due to the comparability of data and applied to the year 2013.

**c) Foreign currency translation**

Transactions in foreign currency are translated into functional currency at the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses arising on translation are recognized in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currency measured at historical cost are translated into functional currency using the exchange rate at the date of the transaction and are not retranslated at the reporting date.

**d) Net gains and losses from the purchase and sale of foreign currencies, foreign exchange differences from translation of monetary assets and liabilities and available for sale financial assets**

Net gains and losses from the purchase and sale of foreign currencies include non-realized and realized gains and losses on the basis of the purchase and sale of currencies and derivative financial instruments. Net gains and losses from foreign exchange differences incurred from translation of monetary assets and liabilities denominated in foreign currency are classified as other operating income and expense. Net gains and losses from financial assets available for sale include realized net gains and losses from the sale of available for sale financial assets.

**e) Rental income**

Rental income is recognized on a straight-line basis over the term of the lease.

**f) Income taxes**

The income tax charge is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity and reserves, in which case income tax is recognized in equity and reserves. Current tax is the expected tax payable on the taxable income for the year under Republika Srpska tax law, using the tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities, based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are not discounted and are classified as long-term assets and/or long-term liabilities in the balance sheet. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Bank reassesses unrecognized potential deferred tax assets and the carrying amount of recognized deferred tax assets.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. SPECIFIC ACCOUNTING POLICIES (continued)**

**g) Financial instruments**

**Classification**

The Bank classifies its financial instruments in the following categories: loans and receivables, financial assets available for sale, financial assets held to maturity or other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. The management determines the classification of financial instruments upon initial recognition.

**1) *Loans and receivables***

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

**2) *Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are intended to be held for an indefinite period of time, but may be sold in response to the needs for liquidity or changes in interest rates, foreign exchange rates, or equity prices. Available-for-sale financial assets comprise equity securities.

**3) *Financial assets held to maturity***

Financial assets held to maturity comprise debt securities that the Bank intends and has the ability to hold until their maturity.

**4) *Financial liabilities***

Financial liabilities are classified as other financial liabilities. Other financial liabilities include current and deposit accounts and borrowings.

**Recognition and derecognition**

Purchases and sales of financial instruments available for sale are recognized on the trade date which is the date when the Bank commits to purchase or sell the instrument. Loans and receivables and other financial liabilities are recognized when advanced to borrowers or received from lenders.

The Bank derecognizes financial instruments (in full or part) when the rights to receive cash flows from the financial instrument have expired or when it loses control over the contractual rights on financial assets. This occurs when the Bank transfers substantially all the risks and rewards of ownership to another business entity or when the rights are realized, surrendered or have expired. The Bank derecognizes financial liabilities only when the financial liability ceases to exist, i.e. when it is discharged, cancelled or has expired. If the terms of a financial liability change, the Bank will cease recognizing that liability and will instantaneously recognize a new financial liability, with new terms and conditions.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. SPECIFIC ACCOUNTING POLICIES (continued)**

**g) Financial instruments (continued)**

**Initial and subsequent measurement**

Financial assets and liabilities are recognized initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, the Bank measures financial assets available for sale at their fair value, without any deduction for selling costs. Equity securities classified as available for sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are valued at cost less impairment.

After initial recognition, financial assets held to maturity, loans and receivables are measured at amortized cost using the effective interest rate method, less any prospective/possible impairment.

Loans and receivables and other financial liabilities are measured at amortized cost.

**Gains and losses**

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. Gains or losses from a change in the fair value of available-for-sale monetary financial assets are recognized directly in a fair value reserve within equity and are disclosed in the statement of changes in equity. Impairment losses, foreign exchange gains and losses, interest income and amortization of premium or discount using the effective interest method on available-for-sale monetary financial assets are recognized in the statement of comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognized as interest income in the statement of comprehensive income. Gains or losses arising from financial assets and financial liabilities carried at amortized cost are included in the statement of comprehensive income over the period of amortization, using the effective interest rate method.

Gains or losses may also be recognized in the statement of comprehensive income when a financial instrument is derecognized or when its value is impaired.

**Impairment of financial assets**

The Bank regularly reviews and monitors financial assets to determine whether there is objective evidence of impairment of loans and receivables as well as other financial assets. The impairment of financial assets or a group of financial assets is recognized if there is objective evidence of impairment as the result of one or more events occurring after initial recognition, which has an influence on estimated future cash flows from the financial assets or the group of financial assets, which can be reliably estimated ("an event that causes the impairment").

**NOTES TO THE FINANCIAL STATEMENTS**

**3. SPECIFIC ACCOUNTING POLICIES (continued)**

**g) Financial instruments (continued)**

**Impairment of financial assets (continued)**

**1) *Loans and receivables***

If there is objective evidence of impairment of loans and receivables, the impairment loss is determined as the difference between the carrying value of the assets and the present value of the expected future cash flows discounted by the original effective interest rate of the financial assets. The calculation of loss that occurs as a result of impairment is carried out on an individual basis, i.e. by using individual information on the current value of the future cash flows for all individually significant loans and receivables, and on a group basis, i.e. by using of the unique data/information on a homogeneous group level of the future cash flows for all loans and receivables for which there are evidence of impairment and which are not significant on an individual level.

The carrying value of the assets is decreased by the amount of impairment allowance, and the amount of the loss is recognized in the statement of comprehensive income. If loans and receivables have a variable interest rate, the discount rate for determining impairment allowance represents the current effective interest rate determined by an agreement at the moment when impairment has occurred.

Financial asset for which there is no objective evidence of impairment is included in the financial asset which is then grouped with other financial assets with similar characteristics, which are then reviewed for impairment on the portfolio basis.

If the loan cannot be collected and all legal procedures have been completed and the final amount of the loss is known, the loan is directly written off. If, in the subsequent period, the amount of impairment loss decreases and the decrease can be directly linked to an event that has occurred after the write-off, the amount written-off or the impairment allowance is then shown as income in the statement of comprehensive income. Write-off of uncollectible receivables is performed based on the decision of the Credit Committee, and in accordance with court decisions, agreements between the interested parties and the Bank's assessments.

In accordance with local regulations, the Bank also calculates impairment allowance according to the Banking Agency of the Republika Srpska (BARS) regulations. Loans, placements and other financial assets of the Bank are classified into categories prescribed by the BARS according to the expected recoverability determined on the basis of the number of days overdue, an assessment of the debtor's financial position and the quality of the collateral. The assessed amount of the reserve for potential losses is calculated by applying percentages prescribed by the BARS. If the provision for potential losses calculated in accordance with the BARS regulations is higher than the impairment allowance calculated in accordance with IFRS requirements, this difference is presented as a regulatory reserve for credit losses within equity.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. SPECIFIC ACCOUNTING POLICIES (continued)**

**g) Financial instruments (continued)**

**Impairment of financial assets (continued)**

**2) Available for sale financial assets**

At each reporting date, the Bank reviews whether there is objective evidence of impairment of individual financial assets or groups of financial assets.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exist the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from profit or loss and recognized in other comprehensive income.

Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of profit and loss at any point thereafter. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in comprehensive income statement, the impairment loss is reversed through the statement of comprehensive income.

**3) Financial assets held to maturity**

Impairment losses are recognized as the difference between the carrying value of the financial assets and the present value of expected future cash flows discounted by current market interest rates for similar financial assets. Impairment losses on these instruments, recognized in profit or loss, are not subsequently reversed through comprehensive income statement.

**Specific instruments**

**1) Cash and cash equivalents**

Cash and cash equivalents comprise cash reserves and balances with Central bank and loans and advances to banks with original maturity of up to three months.

**2) Loans and advances to banks**

Loans and advances to banks are classified as loans and receivables and are carried at amortized cost.

**3) Loans and advances to customers**

Loans and advances to customers are presented at amortized cost net of impairment allowances (specific and collective) to reflect the estimated recoverable amounts.

**4) Available-for-sale financial assets**

Available-for-sale financial assets include equity securities. Equity securities are classified as available for sale assets and are valued at fair value except for securities whose value cannot be reliably measured and when they are measured at cost or cost net of impairment loss.

**5) Financial assets held to maturity**

Financial assets held to maturity include debt securities.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. SPECIFIC ACCOUNTING POLICIES (continued)**

**g) Financial instruments (continued)**

**Specific instruments (continued)**

**6) *Deposits from banks and other financial institutions and deposits from customers***

Deposits from banks and other financial institutions and deposits from customers are classified as other liabilities and are initially recognized at fair value less transaction costs, and subsequently stated at their amortized cost using the effective interest rate method.

**7) *Interest-bearing borrowings***

Interest-bearing borrowings are recognized initially at fair value of the consideration given, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the straight line method.

**h) Property and equipment**

Property and equipment are recognized at historical cost and are decreased by the accumulated depreciation and amortization, and any possible impairment loss. In previous reporting years, (before 1999) they were revalued by the application of officially published revaluation coefficients to the historical cost or to the previously revalued amounts, and depreciated or amortized amounts. The Bank's management periodically reviews property and equipment for any impairment by comparing the current book value of the assets with their recoverable amounts.

Depreciation is calculated on a straight-line basis at cost by the following prescribed annual minimum rates in order to write off the assets over their estimated useful lives:

	<b>2014 and 2013</b>
Buildings	1.3% - 1.52%
Equipment and other assets	7% - 30%
Leasehold improvements*	10% - 20%

\* *Depreciation is proportional to the period of the lease or the estimated economic useful life, whichever is shorter period.*

The Bank's management believes that the applied depreciation rates fairly reflect the economic useful life of property and equipment.

**i) Intangible assets**

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

These intangible assets are amortized on a straight-line basis over their estimated useful economic lives as follows:

	<b>2014 and 2013</b>
Software	20%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Residual amounts are not taken into account.

**NOTES TO THE FINANCIAL STATEMENTS****3. SPECIFIC ACCOUNTING POLICIES (continued)****j) Leased assets**

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. At the balance sheet date, the Bank did not have any finance leases either as lessor or lessee. Other leases are operating leases.

**k) Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortization and are tested at least annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that are not yet available for use are assessed at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

The recoverable amount of property and equipment, investment property and intangible assets is the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**l) Employment benefits***Short-term benefits*

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

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

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

In accordance with Labor Law the Bank has an obligation to pay an employment retirement benefit to a retiree upon retirement. The long-term liability in respect of retirement benefit is measured as the present value of future cash flows determined through actuarial valuation.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. SPECIFIC ACCOUNTING POLICIES (continued)**

**m) Provisions**

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

Provisions are released only for such expenditure in respect of which provisions are recognized at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

**n) Share capital**

Ordinary share capital represents the nominal value of paid-in ordinary shares classified as equity and is denominated in BAM.

**o) Share premium**

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

**p) Legal reserve**

Legal reserve has been created in accordance with company law of Republika Srpska, which requires 5% of the profit for the year to be transferred to this reserve until capital reserves reach 10% of issued share capital. The legal reserve can be used for covering current and prior year losses.

**q) Regulatory reserve for credit losses**

As explained in Note 3 g the Regulatory reserve for credit losses represents the excess of loan loss provisions calculated in accordance with the BARS regulations over impairment allowances recognized under IFRS, if the first impairment is higher.

State/Condition of the reserves at the reporting date represents the amount for which the calculated impairment in accordance with the BARS was higher than those calculated in accordance with the IFRS in the previous/prior periods.

On 31 December 2014, the Bank has estimated that regulatory of reserves for credit losses cumulatively amount to BAM 23,514 thousand (BAM 2013 : 21 637 thousand). Insufficient reserves required by the regulator at 31 December 2014 amounted to BAM 11,422 thousand (2013 :BAM 9,545 thousand).

Based on the instructions issued by the Agency, starting from December 31, 2013, the Banks are not obliged to carry out coverage of the missing reserves per regulatory profit request. The amount of the missing reserves, by the regulatory request which was covered from profit in 2012, 2013 and 2014, the Bank can include in the equity. Mentioned reserves can be used to cover losses, increase of the statutory reserves or recapitalization of the Bank. The amount of missing provisions required by the regulator as at 31 December 2014 is deductible item of regulatory capital in the calculation of capital adequacy.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. SPECIFIC ACCOUNTING POLICIES (continued)**

**r) Fair value reserve**

The fair value reserve represents unrealized net gains and losses arising from a change in the fair value of financial assets available for sale, net of related deferred tax.

**s) Dividends**

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

**t) Earnings per share**

The Bank presents basic earnings per share (EPS). 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. EPS is recognized as a liability in the period in which they are approved by the Bank's shareholders.

**u) Off-balance-sheet commitments and contingent liabilities**

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium or the best estimate of expenditure required settling any financial obligation arising as a result of the financial guarantee, depending on the higher amount.

Any increase in the liability relating to financial guarantees is taken to the comprehensive income statement. The premium received is recognized in the income statement in 'Fees and commission income' on a straight line basis over the life of the guarantee.

**v) Managed funds for and on behalf of third parties**

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

**w) Segment reporting**

A business segment represents the part of assets and business activities (products and services) which is subject to risks and benefits different from those in other business segments. A geographic segment generates products or services within a specific economic environment which are subject to risks and benefits different from those operating in other economic environments.

The Bank has identified four main segments: Retail, Corporate, Financial markets and ALM and Central Unit. Basic information per segment is based on the internal reporting structure for business segments. Segment results are based on internal funding price policy (Note 6).

**NOTES TO THE FINANCIAL STATEMENTS**

**3. ACCOUNTING POLICIES (continued)**

**x) Changes in accounting policies**

The accounting policies are the same as those of the previous financial year except for the following new and amended IFRS which came into force on January 1st 2014:

- ▶ IAS 32 Financial Instruments: Presentation (amendment) - Offsetting of Financial Assets and Financial Liabilities
- ▶ IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- ▶ IFRS 12 Disclosure of interests in other entities
- ▶ IAS 39 Financial instruments (amendment): Recognition and Measurement - Replacing or extending the maturity of hedging instruments and hedge accounting
- ▶ IAS 36 Impairment of Assets (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets
- ▶ IFRIC Interpretation 21: Levies

The impact of the adoption of the standards or interpretations on the financial statements is described below.

- ▶ IAS 32 Financial Instrument: Presentation (Amendment) - Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The effect of applying the amendments did not have an impact on the financial position and performance of the Bank.

- ▶ Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Bank.

- ▶ IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The effect of this amendment does not have impact on financial position and performance of the Bank.

- ▶ IAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial Assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. The effect of this amendment does not have impact on financial position and performance of the Bank.

**NOTES TO THE FINANCIAL STATEMENTS****3. ACCOUNTING POLICIES (continued)****x) Changes in accounting policies (continued)**

- ▶ IFRIC Interpretation 21: Levies

The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation does not have effect on financial performance of the Bank.

**Amended Standards not Yet Adopted**

- ▶ IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)

The amendments address issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries

- ▶ IAS 16 Property, Plant & Equipment and IAS 38 Intangible Assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. It is not expected that the amendments will have impact on financial statements of the Bank.

- ▶ Changes and Amendments to IAS 19 - Defined Benefit Plans: the Contributions of Employees Changes and amendments of this amendment is effective for periods beginning January 1, 2015 or thereafter. IAS 19 requires the Bank to consider contributions from employees or third parties during the recognition of defined fee plans. The purpose of the changes and amendments is to simplify the recognition of these contributions, which, for example, does not affect the number of years of service of the employee, which would be the case when calculating the contribution of the employee who would be counted as a fixed percentage of the profits. It is not expected that the amendments will have any impact on the Bank's financial reporting.

**NOTES TO THE FINANCIAL STATEMENTS****3. ACCOUNTING POLICIES (continued)****x) Changes in accounting policies (continued)**

Amended Standards not Yet Adopted (continued)

▶ IFRS 9 Financial Instruments - Classification and Measurement

The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Bank currently assesses the impact of this standard on financial statements.

▶ Amendments to IFRS 11: Investments in Joint Ventures: Accounting of Acquisition of Shares in Joint Operations

These changes and amendments are effective for annual periods beginning January 1, 2016, or any period thereafter. IFRS 11 applies to the accounting of acquisition of shares in joint ventures and joint operations. Amendments to IFRS 11 provide new guidelines for the acquisition of shares in the joint venture, whose activities consist of business operations in accordance with IFRS, confirming appropriate/relevant treatment of such acquisitions. It is not expected that the amendments and changes will impact the Bank's financial reporting.

▶ IFRS 14 Regulatory Deferral Accounts

The standard is effective for annual periods beginning on or after 1 January 2016. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The Bank currently assesses the impact of this standard on financial statements.

▶ IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Bank currently assesses the impact of this standard on financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. ACCOUNTING POLICIES (continued)**

**x) Changes in accounting policies (continued)**

Amended Standards not Yet Adopted (continued)

- ▶ IAS 27 Separate Financial Statements (amended)

The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. The Bank currently assesses the impact of this standard on financial statements.

- ▶ Amendment in 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

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. It is not expected that the amendments will have impact on financial statements of the Bank.

- ▶ IAS 1: Disclosure Initiative (Amendment)

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments.

Annual improvements - Cycle 2010- 2012

Committee on IAS has made annual improvements to IFRSs 2010-2012 cycle, which represent a set of amendments to the IFRS. The changes are effective for annual periods beginning on February 01, 2015 years.

**IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').

**IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.

**IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. ACCOUNTING POLICIES (continued)**

**x) Changes in accounting policies (continued)**

Annual improvements - Cycle 2010- 2012

**IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

**IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

**IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

**IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

Annual improvements - Cycle 2011 - 2013

Committee on IAS has made annual improvements to IFRSs 2011-2013 cycle, which represent a set of amendments to the IFRS. The changes are effective for annual periods beginning on February 01, 2015 years.

**IFRS 1 First-time adoption of IFRS:** This improvement clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.

**IFRS 3 Business Combinations:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

**IFRS 13 Fair Value Measurement:** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

**IAS 40 Investment Properties:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. ACCOUNTING POLICIES (continued)**

**x) Changes in accounting policies (continued)**

Amended Standards not Yet Adopted (continued)

Annual improvements - Cycle 2012 - 2014

The International Accounting Standards Board issued the annual improvements to cycle 2012 - 2014, which represents a collection of amendments to the IFRS. These improvements are effective from 1 January 2016. These improvements are effective from 1 January 2016.

Management does not expect the amendments to have any impact on the Bank's financial reporting.

**IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

**IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

**IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

**IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **4. FINANCIAL RISK MANAGEMENT**

The Bank's activities are exposed to following risks:

- Credit risk,
- Operating risk,
- Liquidity risk and
- Market risk

The Management Board is responsible for establishing and monitoring of risk management. Risk management departments (Integrated risk management, Credit risks, Market and Operational risks) and Asset and Liability Committee - ALCO are responsible for development of the process of risk management and controlling as well as compliance with risk management policies. In the first half of 2010 Risk Committee - RICO was established with the following responsibilities:

- monitoring and controlling of current and future risks
- capital allocation to specific risk types
- decision making related to strategic and structured risk associated questions.

The Bank has implemented manuals, programs, policies and procedures for risk management in order to identify and analyze risks to which it is exposed as well as to minimize those risks and implement controls for risk monitoring and compliance with prescribed limits.

The Supervisory Board is responsible for monitoring compliance with above mentioned programs, manuals, policies and procedures for risk management as well as for review of adequacy of the Bank's risk management given the risks it is facing. For this purpose Supervisory Board is supported with internal audit division. Internal audit carries out regular and ad-hoc tests of risk management procedures and policies and presents its results to the Supervisory Board and the Management Board.

#### **4.1. Credit risk**

Credit risk is the risk that counterparty will not settle its commitments when they fall due. Credit risk management process defines acceptable levels for credit risk exposure and minimizes potential losses arising from credit transactions. The Bank maintains credit risk within the acceptable levels by implementing internal procedures for credit risk managements as well as setting the appropriate limits for credit risk exposures.

The ground for credit risk management process are regulative requirements in Republika Srpska, the Law on banks of Republika Srpska and appropriate decisions of the Agency as well as the Sberbank Europe AG (SE AG) guidelines, manual procedures and instructions. These documents set forward general guidelines and principles for risk management, procedures, organizational structure and application, define business objectives and set forward appropriate limits for credit risk exposures.

Sector for credit risk management and Risk controlling are responsible for defining and update of internal guidelines which regulate credit risk management process.

**NOTES TO THE FINANCIAL STATEMENTS**

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

**4.1. Credit risk (continued)**

**4.1.1. Risk limit control and mitigation policies**

Credit risk is the most important risk for the Bank's business. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities i.e. loans and advances. There is also credit risk in off-balance-sheet financial instruments.

The credit risk management process is centralized in the Bank's Credit risk department.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The Bank has defined credit risk limitation system. Creditworthiness assessment includes assessment of each individual customer, establishing maximum amount of exposure which can be granted to the customer as well as acceptable collateral in order to minimize credit risk exposure. The Bank continually assesses its loan portfolio development in order to minimize potential losses. When granting new exposures the Bank takes into consideration exposure to one party and one group in order to perform adequate control of risk concentration and compliance with related regulations. Further, the Bank has defined responsibilities for approval i.e. the amounts which can be approved by the employees involved in the credit process.

With a view of minimizing credit risk, the Bank has a manual on collateral for loans and other placements which defines the rules for the treatment of security instruments in the process of credit risk approval. The Bank secures its credit exposures with the following instruments:

- cash;
- bank and corporate guarantees;
- mortgages over residential properties;
- charges over business assets such as premises, inventory and accounts receivable;
- charges over financial instruments such as debt securities and equities.

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (continued)

4.1. Credit risk (continued)

4.1.2. Maximum exposure to credit risk before collateral held or other credit enhancement and before provisions

31 December 2014	Maximum exposure	Fair value of collateral		Net exposure
		Deposits	Real Estate	
Monetary assets/Funds	156,567	-	-	156,567
Obligatory reserves with Central Bank	47,017	-	-	47,017
Loans and advances to banks	7,000	-	-	7,000
Loans and advances to customers	602,396	4,072	261,753	336,570
- Retail customers	251,216	1,454	70,049	179,713
- Corporate customers	351,180	2,619	191,704	156,857
Financial assets	12	-	-	12
Other assets	2,593	-	-	2,593
<b>Total credit risk exposure related to balance sheet</b>	<b>815,596</b>	<b>4,072</b>	<b>261,753</b>	<b>549,770</b>
Guarantees and letters of credit	73,255	942	32,862	39,451
Undrawn loan facilities	79,720	7,029	20,960	51,731
<b>Total credit risk exposure related to off-balance sheet</b>	<b>152,975</b>	<b>7,971</b>	<b>53,822</b>	<b>91,182</b>
<b>Total</b>	<b>968,571</b>	<b>12,043</b>	<b>315,575</b>	<b>640,952</b>

31 December 2013	Maximum exposure	Fair value of collateral		Net exposure
		Deposits	Real Estate	
Monetary assets/Funds	25,143	-	-	25,143
Obligatory reserves with Central Bank	32,463	-	-	32,463
Loans and advances to banks	-	-	-	-
Loans and advances to customers	489,370	5,403	243,736	240,231
- Retail customers	192,886	1,951	57,829	133,106
- Corporate customers	296,484	3,452	185,907	107,125
Financial assets	34	-	-	34
Other assets	4,150	-	-	4,150
<b>Total credit risk exposure related to balance sheet</b>	<b>551,160</b>	<b>5,403</b>	<b>243,736</b>	<b>302,021</b>
Guarantees and letters of credit	64,873	1,260	34,347	29,266
Undrawn loan facilities	22,947	-	5,657	17,290
<b>Total credit risk exposure related to off-balance sheet</b>	<b>87,820</b>	<b>1,260</b>	<b>40,004</b>	<b>46,556</b>
<b>Total</b>	<b>638,980</b>	<b>6,663</b>	<b>283,740</b>	<b>348,577</b>

For balance sheet assets, the exposures set out above are based on gross carrying amounts less provisions and impairment allowance.

**NOTES TO THE FINANCIAL STATEMENTS**

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

**4.1. Credit risk (continued)**

**4.1.3. Credit risk management and impairment and provision policies**

**Impairment and impairment policies**

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

For the purpose of credit monitoring and the management of credit risk, the Bank divides its credit portfolio into the following groups:

- Performing loans to customers - loans that are neither due nor impaired
- Past due but not impaired
- Non-performing loans (impaired loans).

An analysis of the loan portfolio according to the above mentioned categories is presented below. For the purpose of determining impairment allowance for loans and receivables, the Bank distinguishes between three approaches:

- Loans assessed on an individual basis
- Loans assessed on a group basis
- Loans assessed on a portfolio basis.

***Loans assessed on an individual basis***

Loans assessed on an individual basis are all loans for which there exists objective evidence of impairment. Objective evidence of impairment, i.e. factors that can influence the ability and willingness of each individual debtor to fulfill their obligations toward the Bank, are as follows:

- delinquencies in contractual payments of interest or principal
- breach of covenants or conditions
- initiation of bankruptcy proceedings
- any specific information on the customer's business (e.g. reflected by cash flow difficulties experienced by the client)
- changes in the customer's market environment
- general economic situation.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. Besides the level of overdue receivables, the assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

***Loans assessed on a group basis***

For assessing the impairment of loans which are not individually significant, loans are grouped on the basis of similar characteristics of credit risk, i.e. days of delay in repayment, collateral structure, purpose and other similar characteristics, based on which the Bank creates impairment allowance.

**NOTES TO THE FINANCIAL STATEMENTS**

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

**4.1. Credit risk (continued)**

**4.1.3. Credit risk management and impairment and provision policies (continued)**

***Loans assessed on a portfolio basis***

The Bank also recognizes impairment for losses which are incurred but are not reported "IBNR". This impairment/provision allowance is calculated on all exposures for which there is no evidence of impairment.

Exposures with similar characteristics are grouped into homogenous group and for each group the Bank applies certain percentage taking into consideration emergence period of recognition of the losses.

***Restructured loans and receivables***

During the year the Bank has rescheduled certain loans to clients aiming at improvement of their final recoverability. Rescheduling is mainly performed in response to deterioration of the clients' financial position or for the prevention of further deterioration of the clients' financial position. Following the restructuring the loans remain graded as performing loans until there are clear signs of default. Whenever possible, the Bank's position was improved by obtaining additional instruments of collateral.

***Write-off policy***

The Bank writes off a loan when the Bank determines that the loan is uncollectible. This determination is made after considering information such as occurrence of significant changes in the borrower's position such that borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For loans that are not individually significant, write-off decisions generally are based on a product type and historical information.

***Fair value of collateral***

The Bank holds collateral against loans and receivables to customers in the form of mortgage interests over property, other securities over assets, and guarantees. Estimates of collateral value are based on the value assessed at the time of borrowing, and are updated, in line with the Bank's policy, at least once in three years for residential properties and at least annually for commercial properties. Collateral is not held for loans and advances to banks and financial assets available for sale.

In view of the impact of the global financial and economic crisis, there is a significant uncertainty in relation with the fair market value of such collateral, together with the time needed for their realization, which may have an impact on impairment allowance.

**NOTES TO THE FINANCIAL STATEMENTS**
**4. FINANCIAL RISK MANAGEMENT (continued)**
**4.1. Credit risk (continued)**
**4.1.3. Credit risk management and impairment and provision policies (continued)**

The table below shows the amount of the impairment provision for each of the Bank's rating categories:

	<u>31 December 2014.</u>		<u>31 December 2013.</u>	
	<u>Loans and advances to customers BAM '000</u>	<u>Impairment allowance BAM '000</u>	<u>Loans and advances to customers BAM '000</u>	<u>Impairment allowance BAM '000</u>
<b>Performing loans</b>				
- Retail	245,721	(1,061)	187,721	(1,488)
- Corporate	324,905	(1,628)	277,110	(1,365)
	<u>570,626</u>	<u>(2,689)</u>	<u>464,831</u>	<u>(2,853)</u>
<b>Non-performing loans</b>				
- Retail	14,959	(8,404)	14,826	(8,173)
- Corporate	42,906	(15,002)	32,165	(11,426)
	<u>57,865</u>	<u>(23,406)</u>	<u>46,991</u>	<u>(19,599)</u>
<b>Total</b>	<u>628,491</u>	<u>(26,095)</u>	<u>511,822</u>	<u>(22,452)</u>

**Analysis of loans and receivables**

The table below presents an analysis of gross and net (decreased by impairment allowance) loans and advances to customers:

	<u>31 Dec 2014 BAM '000</u>	<u>31 Dec 2013 BAM '000</u>
<b>Retail</b>		
<b>Gross</b>		
Neither past due nor impaired	244,554	186,698
Past due but not impaired	1,167	1,023
Impaired	14,959	14,826
	<u>260,681</u>	<u>202,547</u>
<b>Less: impairment allowance</b>		
Portfolio, group and individual impairment allowance	<u>(9,465)</u>	<u>(9,661)</u>
<b>Net exposure to retail loans</b>	<u>251,216</u>	<u>192,886</u>
<b>Corporate</b>		
<b>Gross</b>		
Neither past due nor impaired	317,091	269,644
Past due but not impaired	7,813	7,466
Impaired	42,906	32,165
	<u>367,810</u>	<u>309,275</u>
<b>Less: impairment allowance</b>		
Portfolio, group and individual impairment allowance	<u>(16,630)</u>	<u>(12,791)</u>
<b>Net exposure to corporate loans</b>	<u>351,180</u>	<u>296,484</u>
<b>Total gross</b>	<u>628,491</u>	<u>511,822</u>
Portfolio impairment allowance	(2,689)	(2,853)
Group and individual impairment allowance	<u>(23,406)</u>	<u>(19,599)</u>
<b>Total impairment allowance</b>	<u>(26,095)</u>	<u>(22,452)</u>
<b>Net exposure</b>	<u>602,396</u>	<u>489,370</u>

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (continued)

4.1. Credit risk (continued)

4.1.3. Credit risk management and impairment and provision policies (continued)

a) *Neither past due nor impaired*

All loans and receivables to customers that are neither due nor impaired are regularly monitored and systematically reviewed in order to identify any irregularities or warning signals with the aim of taking timely actions.

An analysis of gross exposure of loans to customers that are neither due nor impaired according to type of client is as follows:

	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
<b>Retail</b>		
Cash and consumer loans	150,315	120,877
Housing loans	84,023	58,829
Overdrafts	4,937	3,194
Credit cards	5,279	3,798
<b>Total</b>	<b>244,554</b>	<b>186,698</b>
<b>Corporate</b>		
Large	258,091	215,257
Medium and small	59,000	54,387
<b>Total</b>	<b>317,091</b>	<b>269,644</b>

b) *Past due but not impaired*

Loans and receivables to customers less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amount of loans and advances to customers that were past due but not impaired for the Bank was as follows:

31 December 2014	Retail				Corporate			
	Consumer loans	Housing loans	Overdrafts	Credit cards	Total	Large	Medium and small	Total
'000 BAM								
Past due up to 30 days	357	142	78	363	940	3,384	920	4,304
Past due 30 - 60 days	64	35	14	35	148	309	506	815
Past due 60 - 90 days	22	35	8	13	79	89	193	282
Past due over 90 days	-	-	-	-	-	1,970	442	2,412
<b>Total</b>	<b>444</b>	<b>212</b>	<b>100</b>	<b>411</b>	<b>1,167</b>	<b>5,752</b>	<b>2,061</b>	<b>7,813</b>
<b>31 December 2013</b>	<b>Retail</b>				<b>Corporate</b>			
	<b>Consumer loans</b>	<b>Housing loans</b>	<b>Overdrafts</b>	<b>Credit cards</b>	<b>Total</b>	<b>Large</b>	<b>Medium and small</b>	<b>Total</b>
'000 BAM								
Past due up to 30 days	325	87	126	243	781	2,040	858	2,898
Past due 30 - 60 days	94	14	7	28	143	332	127	459
Past due 60 - 90 days	56	16	8	8	88	25	172	197
Past due over 90 days	9	2	-	-	11	2,952	960	3,912
<b>Total</b>	<b>484</b>	<b>119</b>	<b>141</b>	<b>279</b>	<b>1,023</b>	<b>5,349</b>	<b>2,117</b>	<b>7,466</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 4. FINANCIAL RISK MANAGEMENT (continued)

## 4.1. Credit risk (continued)

## 4.1.3. Credit risk management and impairment and provision policies (continued)

c) *Impaired*

The classification of loans and receivables from customers with individual and group impairment, presented in gross and net of impairment, is as follows:

	Gross '000 BAM	Individual and group impairment allowance BAM '000	Net BAM '000
<b>31 December 2014</b>			
<b>Retail</b>			
Consumer loans	9,193	(7,192)	2,001
Housing loans	4,857	(579)	4,278
Overdrafts	312	(282)	30
Credit cards	597	(350)	247
	<b>14,959</b>	<b>(8,404)</b>	<b>6,555</b>
<b>Corporate</b>			
Large	32,461	(11,795)	20,667
Medium and small	10,445	(3,208)	7,237
	<b>42,906</b>	<b>(15,002)</b>	<b>27,904</b>
<b>Total</b>	<b>57,865</b>	<b>(23,406)</b>	<b>34,459</b>
	Gross '000 BAM	Individual and group impairment allowance BAM '000	Net BAM '000
<b>31 December 2013</b>			
<b>Retail</b>			
Consumer loans	10,848	(7,354)	3,494
Housing loans	3,277	(323)	2,954
Overdrafts	238	(206)	32
Credit cards	463	(290)	173
	<b>14,826</b>	<b>(8,173)</b>	<b>6,653</b>
<b>Corporate</b>			
Large	24,321	(8,916)	15,405
Medium and small	7,844	(2,510)	5,334
	<b>32,165</b>	<b>(11,426)</b>	<b>20,739</b>
<b>Total</b>	<b>46,991</b>	<b>(19,599)</b>	<b>27,392</b>

For impaired loans estimated fair market value of the collateral for retail loans as at 31 December 2014 amounted to BAM 4,709 thousand (as at December 2013: BAM 4,303 thousand) and for corporate loans BAM 28,439 thousand (as at December 2013: BAM 18,627 thousand).

**NOTES TO THE FINANCIAL STATEMENTS**

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

**4.1. Credit risk (continued)**

**4.1.3. Credit risk management and impairment and provision policies (continued)**

*d) Restructured loans and advances*

Restructured loans that would otherwise be past due or impaired as at 31 December 2014 amounted to a total of BAM 47,435 thousand (on 31 December 2013: BAM 29,572 thousand).

	<u>31 Dec 2014</u> <u>BAM '000</u>	<u>31 Dec 2013</u> <u>BAM '000</u>
Loan portfolio	628,491	511,822
Restructured loans	<u>47,435</u>	<u>29,572</u>
<b>Restructured loans as a percentage of loan portfolio</b>	<u><b>7.55%</b></u>	<u><b>5.78%</b></u>

**4.1.4. Concentration of risk of loans and advances to customers**

The Bank monitors concentrations of credit risk by economic sector and by geographic location. Credit portfolio risk is limited by the Bank's credit strategy; in particular the focus is on small and very small loans and local economic sector diversification of the loan portfolio.

Gross concentration of credit risk (balance sheet amounts, gross of provisions) is concentrated as follows:

	<u>31 Dec 2014</u> <u>BAM '000</u>	<u>31 Dec 2013</u> <u>BAM '000</u>
Wholesale trade	121,245	132,692
Industry	73,383	65,764
Agriculture and food processing	14,956	13,243
Construction	19,872	25,000
Mining	17,493	1,784
Services, tourism and catering	33,156	30,050
Transport, storage and connections	14,518	11,884
Financial intermediation	3,817	3,727
Governmental institutions	64,338	23,345
Other	<u>265,713</u>	<u>204,333</u>
	<u><b>628,491</b></u>	<u><b>511,822</b></u>

Other category includes retail loans as at 31 December 2014 amounted to a total of BAM 260,681 thousand (on 31 December 2013: BAM 202,547 thousand) and other loans not classified in any of the previous categories. Geographic sector risk of the above portfolio is solely/entirely concentrated on Republika Srpska.

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

**NOTES TO THE FINANCIAL STATEMENTS**
**4. FINANCIAL RISK MANAGEMENT (continued)**
**4.2. Market risk**

The Bank is exposed to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, foreign currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Management Board sets limits and guidelines for monitoring and mitigating of market risks, which is regularly monitored by risk committees of the Bank.

**4.2.1. Foreign exchange risk**

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

ALM Department is responsible for daily management of the Bank's currency position in accordance with legal and internal regulations. In order to manage foreign exchange rate risk more efficiently, Bank monitors economic and other business changes in the environment in order to predict possible changes in foreign currency activities, exchange rates, currencies and risk.

The tables below summarize the Bank's exposure to foreign currency exchange rate risk at 31 December 2014 and 2013. Included in the tables are the Bank's assets and liabilities at carrying values, classified by currency and the group of currencies:

At as 31 December 2014	EUR and EUR linked BAM '000	USD BAM '000	Other currency BAM '000	BAM BAM '000	Total BAM '000
<b>ASSETS</b>					
Monetary assets/Funds	57,018	22,252	4,960	88,407	172,638
Obligatory reserves with Central bank	-	-	-	47,017	47,017
Loans and advances to banks	-	-	-	7,000	7,000
Loans and advances to customers	427,641	-	-	174,755	602,396
Financial assets	-	-	-	394	394
Property and equipment	-	-	-	11,605	11,605
Intangible assets	-	-	-	4,690	4,690
Other assets	146	734	-	1,713	2,593
Non-current assets held for sale	-	-	-	3,436	3,436
<b>Total assets</b>	<b>484,805</b>	<b>22,986</b>	<b>4,961</b>	<b>339,018</b>	<b>851,770</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from banks and other financial institutions	79,798	1	5	5,058	84,862
Deposits from customers	314,019	23,057	4,498	228,796	570,370
Borrowings	75,522	-	-	-	75,522
Subordinated liabilities	-	-	-	4,039	4,039
Other liabilities	236	2	2	2,630	2,870
Current tax liability	-	-	-	175	175
Deferred tax liability	-	-	-	124	124
Provisions for liabilities and charges	109	-	6	1,393	1,508
Equity	-	-	-	112,300	112,300
<b>Total liabilities and equity</b>	<b>469,684</b>	<b>23,060</b>	<b>4,511</b>	<b>354,515</b>	<b>851,770</b>
<b>Net foreign exchange position</b>	<b>15,121</b>	<b>(76)</b>	<b>450</b>	<b>(15,495)</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS**
**4. FINANCIAL RISK MANAGEMENT (continued)**
**4.2. Market risk (continued)**
**4.2.1. Foreign exchange risk (continued)**

At as 31 December 2013	EUR and EUR linked BAM '000	USD BAM '000	Other currency BAM '000	BAM BAM '000	Total BAM '000
<b>ASSETS</b>					
Cash reserves	18,406	4,452	5,022	9,092	36,972
Obligatory reserves with Central bank	-	-	-	32,463	32,463
Loans and advances to banks	-	-	-	-	-
Loans and advances to customers	325,094	-	-	164,276	489,370
Financial assets	-	-	-	417	417
Property and equipment	-	-	-	9,599	9,599
Intangible assets	-	-	-	3,552	3,552
Current tax assets	148	646	-	3,356	4,150
Other assets for sale	-	-	-	1,292	1,292
<b>Total assets</b>	<b>343,648</b>	<b>5,098</b>	<b>5,022</b>	<b>224,047</b>	<b>577,815</b>
<b>OBAVEZE I KAPITAL</b>					
Deposits from banks and other financial institutions	59,224	90	8	7,076	66,398
Deposits from customers	214,403	5,031	4,631	132,133	356,198
Borrowings	62,426	-	-	-	62,426
Subordinated liabilities	-	-	-	4,040	4,040
Other liabilities	398	1	63	1,694	2,086
Current tax liability	-	-	-	-	90
Deferred tax liability	-	-	-	125	125
Provisions	-	-	-	1,098	1,098
Equity	-	-	-	85,354	85,354
<b>Total liabilities and equity</b>	<b>336,461</b>	<b>5,122</b>	<b>4,702</b>	<b>231,530</b>	<b>577,815</b>
<b>Net foreign exchange position</b>	<b>7,187</b>	<b>(24)</b>	<b>320</b>	<b>(7,483)</b>	<b>-</b>

A 10% fall in currencies (other than EUR) against BAM, with other variables held constant would result with a decrease in profit for the year by BAM 37 thousand (December 31, 2013: BAM 30 thousand).

A 10% rise in such currencies would result with higher profit for the year by BAM 37 thousand (December 31, 2013: BAM 30 thousand).

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

**NOTES TO THE FINANCIAL STATEMENTS**
**4. FINANCIAL RISK MANAGEMENT (continued)**
**4.2. Market risk (continued)**
**4.2.2. Interest rate risk**

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

**Interest rate of assets and liabilities**

As at 31 December 2014	Up to 1 month BAM '000	1 to 3 months BAM '000	3 months to 1 year BAM '000	1 to 5 years BAM '000	Over 5 years BAM '000	Non interest bearing BAM '000	Total BAM '000
<b>ASSETS</b>							
Monetary assets	153,606	-	-	-	-	19,032	172,638
Obligatory reserves with Central bank	47,017	-	-	-	-	-	47,017
Loans and advances to banks	-	7,000	-	-	-	-	7,000
Loans and advances to customers	68,094	38,015	177,096	233,443	85,748	-	602,396
Financial assets	-	11	-	-	-	383	394
Property and equipment	-	-	-	-	-	11,605	11,605
Intangible assets	-	-	-	-	-	4,690	4,690
Other assets	-	-	-	-	-	2,593	2,593
Non-current assets held for sale	-	-	-	-	-	3,436	3,436
<b>Total assets</b>	<b>268,717</b>	<b>45,026</b>	<b>177,096</b>	<b>233,443</b>	<b>85,748</b>	<b>41,739</b>	<b>851,770</b>
<b>LIABILITIES AND EQUITY</b>							
Deposits from banks and other financial institutions	32,797	3,250	23,861	20,632	4,322	-	84,862
Deposits from customers	273,134	25,463	105,800	164,887	1,086	-	570,370
Borrowings from Republika Srpska funds	14,257	2	61,263	-	-	-	75,522
Subordinated liabilities	4,039	-	-	-	-	-	4,039
Other liabilities	-	-	-	-	-	2,870	2,870
Current tax liability	-	-	-	-	-	175	175
Deferred tax liability	-	-	-	-	-	124	124
Provisions for liabilities and charges	-	-	-	-	-	1,508	1,508
Equity	-	-	-	-	-	112,300	112,300
<b>Total liabilities and equity</b>	<b>324,227</b>	<b>28,715</b>	<b>190,924</b>	<b>185,519</b>	<b>5,408</b>	<b>116,977</b>	<b>851,770</b>
<b>Net interest rate gap</b>	<b>(55,510)</b>	<b>16,311</b>	<b>(13,828)</b>	<b>47,924</b>	<b>80,340</b>	<b>(75,238)</b>	<b>-</b>

The tables are management's estimate of the interest rate risk for the Bank as at 31 December 2014 and 31 December 2013 and are not necessarily indicative of the positions at other times but provide some indication of the sensitivities of the Bank's earnings to movements in interest rates.

**NOTES TO THE FINANCIAL STATEMENTS**
**4. FINANCIAL RISK MANAGEMENT (continued)**
**4.2. Market risk (continued)**
**4.2.2. Interest rate risk (continued)**

As at 31 December 2013	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non interest bearing	Total
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
<b>ASSETS</b>							
Monetary assets	25,135	-	-	-	-	11,837	36,972
Obligatory reserves with Central bank	32,463	-	-	-	-	-	32,463
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to customers	78,400	21,690	157,566	166,161	65,553	-	489,370
Financial assets	-	11	11	11	-	383	417
Property and equipment	-	-	-	-	-	9,599	9,599
Intangible assets	-	-	-	-	-	3,552	3,552
Current tax assets	-	-	-	-	-	4,150	4,150
Other assets	-	-	-	-	-	1,292	1,292
<b>Total assets</b>	<b>135,998</b>	<b>21,701</b>	<b>157,577</b>	<b>166,172</b>	<b>65,553</b>	<b>30,813</b>	<b>577,815</b>
Deposits from banks and other financial institutions							
Deposits from customers	25,756	1,200	12,208	25,412	1,822	-	66,398
Borrowings from Republika Srpska funds	145,111	23,768	90,869	95,248	1,202	-	356,198
Subordinated liabilities	5	18	62,403	-	-	-	62,426
Other liabilities	4,040	-	-	-	-	-	4,040
Deferred tax liability	-	-	-	-	-	2,086	2,086
Provisions for liabilities and Equity	-	-	-	-	-	90	90
	-	-	-	-	-	125	125
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,098</b>	<b>1,098</b>
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,354</b>	<b>85,354</b>
<b>ASSETS</b>	<b>174,922</b>	<b>24,986</b>	<b>165,480</b>	<b>120,660</b>	<b>3,024</b>	<b>88,753</b>	<b>577,815</b>

**Average interest rates**

The following table presents the effective interest rates calculated as the weighted average for the reporting period for financial instruments:

	2014. %	2013. %
Cash reserves and balances with Central bank	0.03	0.03
Loans and advances to banks	0.08	0.24
Loans and advances to customers	6.84	7.48
Debt securities	5.75	4.02
Deposits from banks and other financial institutions	2.98	2.39
Deposits from customers	2.49	2.94
Borrowings from Republika Srpska funds	2.11	2.15
Subordinated liabilities	3.96	4.42

**NOTES TO THE FINANCIAL STATEMENTS**
**4. FINANCIAL RISK MANAGEMENT (continued)**
**4.3. Liquidity risk**

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including various types of retail and corporate deposits, borrowings and share capital. This enhances funding flexibility, limits dependence on a single source of funds and generally lowers the cost of funds.

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

The expected outflows projected by the Bank based on the financial liabilities as at 31 December 2014 and 2013 and including expected interest thereon are as follows:

As at 31 December 2014	Total expected outflow						Book value '000 KM
	Up to 1 month BAM '000	BAM '000	3 months to 1 year BAM '000	1 to 5 years BAM '000	Over 5 years BAM '000	Total BAM '000	
<b>LIABILITIES</b>							
Deposits from banks and other financial institutions	33,108	3,829	25,965	23,504	4,706	91,112	84,862
Deposits from customers	228,837	36,261	141,590	176,921	1,243	584,853	570,370
Borrowings from Republika Srpska funds	818	2,485	8,658	46,914	31,289	90,164	75,522
Subordinated liabilities	51	25	113	4,151	-	4,340	4,039
<b>Total expected outflow</b>	<b>262,815</b>	<b>42,599</b>	<b>176,326</b>	<b>251,490</b>	<b>37,239</b>	<b>770,469</b>	<b>734,793</b>

As at 31 December 2013	Total expected outflow						Book value '000 KM
	Up to 1 month BAM '000	BAM '000	3 months to 1 year BAM '000	1 to 5 years BAM '000	Over 5 years BAM '000	Total BAM '000	
<b>LIABILITIES</b>							
Deposits from banks and other financial institutions	19,913	2,729	17,738	28,794	1,933	71,107	66,398
Deposits from customers	111,100	32,026	119,217	104,106	1,369	367,819	356,198
Borrowings from Republika Srpska funds	111	2,323	7,362	33,971	31,305	75,072	62,426
Subordinated liabilities	53	27	120	4,320	-	4,520	4,040
<b>Total expected outflow</b>	<b>131,177</b>	<b>37,105</b>	<b>144,437</b>	<b>171,191</b>	<b>34,607</b>	<b>518,518</b>	<b>489,062</b>

**NOTES TO THE FINANCIAL STATEMENTS**

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

**4.4. Fair values of financial assets and liabilities**

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

The table below summarizes carrying amounts and fair values of financial assets and liabilities not included in the Bank's balance sheet at fair value:

	Carrying amount		Fair value	
	31 Dec 2014 BAM '000	31 Dec 2013 BAM '000	31 Dec 2014 BAM '000	31 Dec 2013 BAM '000
<b>Financial assets</b>				
Loans and advances to banks	7,000	-	7,000	-
Loans and advances to customers	602,396	489,370	611,205	495,854
<b>Total</b>	<b>609,396</b>	<b>489,370</b>	<b>618,205</b>	<b>495,854</b>
<b>Financial liabilities</b>				
Deposits from banks and other financial institutions	84,862	66,398	85,767	66,774
Deposits from customers	570,370	356,198	571,296	357,036
Borrowings from Republika Srpska funds	75,522	62,426	75,522	62,246
Subordinated liabilities	4,039	4,040	4,039	4,040
<b>Total</b>	<b>734,793</b>	<b>489,062</b>	<b>736,624</b>	<b>490,096</b>

*Loans and advances to customers*

Loans to and receivables from customers are presented net of impairment allowance. Their estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine their fair values. Fair value of loans at variable interest rates is equal to their carrying value. Expected future losses are not taken into account nor is any adjustment made for uncertainties as to the collectability (including timing) of past due and rescheduled exposures or for loans which are not past due but require special monitoring.

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Fair values of financial assets and liabilities (continued)

*Customer deposits and deposits with banks and other financial institutions*

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationship with depositors is not taken into account in estimating fair values.

*Borrowings from Republika Srpska funds*

The fair value of variable yield borrowings that regularly reprice, with no significant change in credit risk, generally approximates their carrying value. The fair value of borrowings at fixed interest rates is estimated using discounted cash flow analysis, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality.

*Subordinated liabilities*

The fair value of variable yield subordinated liabilities that regularly reprice generally approximates their carrying value.

Fair value levels of assets and liabilities in accordance with IFRS 13 are presented in the table below:

	31.12.2014.			31.12.2013.		
	Fair value levels			Fair value levels		
	L1	L2	L3	L1	L2	L3
	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000	BAM'000
<b>Financial assets</b>						
Loans and advances to banks	-	7,000	-	-	-	-
Loans and advances to customers	-	611,205	-	-	495,854	-
<b>Total</b>	-	<b>618,205</b>	-	-	<b>495,854</b>	-
<b>Financial liabilities</b>						
Deposits from banks and other financial institutions	-	85,767	-	-	66,774	-
Deposits from customers	-	571,296	-	-	357,036	-
Borrowings from Republika Srpska funds	-	75,522	-	-	62,246	-
Subordinated liabilities	-	4,039	-	-	4,040	-
<b>Total</b>	-	<b>736,624</b>	-	-	<b>490,096</b>	-

**NOTES TO THE FINANCIAL STATEMENTS**

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

**4.5. Operational risk**

The Bank is subject to operational risk in all its business activities. The Bank seeks to manage its operational risk in accordance with defined principles and policies at the Bank and SE AG Group, with the final purpose being to mitigate or avoid operational risk.

The Bank aligns its standards of operational risk management with Group guidelines and local regulatory requirements. This includes collection of data on operational-risk-related loss events, monitoring of key operational risk indicators, performing operational risk assessment when making decisions on business changes and reporting to management on the results of operational risk management.

**4.6 Capital 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 market in the local environment;
- 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 development of its business.

Capital adequacy and the balance of capital are monitored regularly by the Liquidity Committee and Bank's Management, based on the relevant internal acts and regulations prescribed by the Agency.

In accordance with the Agency Decision on Minimum Standards for operational risk management in banks ("the Decision"), published in 2008, from 31 March 2009 the Bank started calculating capital requirement for operational risk. In accordance with the Decision the Bank is obliged to set and implement the system for operational risk management, which, at minimum, amongst other, needs to include policies and procedures to enable the Bank to form the amount of capital (provision) adequate to cover expected losses from the operational risks.

The following table presents the Bank's regulatory capital, risk weighted assets and calculation of capital adequacy ratio which is prepared in accordance with the requirements of the Banking Agency of Republika Srpska (hereinafter "The Agency").

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (continued)

4.6 Capital management (continued)

	<u>31.12.2014.</u> <u>BAM '000</u>	<u>31.12.2013.</u> <u>BAM '000</u>
Ordinary shares	62,198	38,728
Share premium	15,235	15,235
Legal reserves	3,022	2,892
Revaluation reserves	8,065	8,065
Unallocated profit from previous years	7,102	4,612
Intangible assets	(4,696)	(3,552)
<b>Total tier 1 capital</b>	<b><u>90,926</u></b>	<b><u>65,980</u></b>
<b>Tier 2 capital</b>		
General provision - BARS regulation	13,824	10,614
Audited profit for the year	-	2,607
Revaluation reserves	1,113	1,124
Subordinated liabilities	4,000	4,000
<b>Total tier 2 capital</b>	<b><u>18,937</u></b>	<b><u>18,345</u></b>
Insufficient reserves at the request of the regulator (Note 5a)	(11,422)	(9,545)
<b>Net capital in accordance with Agency regulations</b>	<b><u>98,441</u></b>	<b><u>74,780</u></b>
Risk Weighted Assets	655,731	547,451
Weighted Operational Risk	36,817	32,195
<b>Total weighted risk</b>	<b><u>692,548</u></b>	<b><u>579,646</u></b>
<b>The rate of net capital in relation to total risk-weighted</b>	<b><u>14.21%</u></b>	<b><u>12.90%</u></b>
<b>The rate of fixed capital in relation to total risk-weighted</b>	<b><u>13.13%</u></b>	<b><u>11.38%</u></b>

Minimum capital adequacy as per the Agency's regulations equals to 12%.

Proposed transfer within equity relates to the difference between provisions calculated in accordance with the Agency's regulations and provisions calculated in accordance with IFRS.

Data from 31 December 2013 are presented according to the new decision on minimum standards for capital management and capital protection, which was implemented on 30 September 2014. Compared to the previous regulation: a positive revaluation reserve are transferred from the primary to the additional capital and profit for the year to be included in the calculation of capital adequacy only after the decision of the assembly of shareholders on profit distribution.

**NOTES TO THE FINANCIAL STATEMENTS**

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

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

*(a) Impairment losses on loans and receivables*

The Bank monitors the creditworthiness of its customers on an ongoing basis. The need for impairment of the Bank's on and off-balance sheet exposure to credit risk is assessed on a monthly basis.

Impairment losses are made mainly against the carrying value of loans to legal entities and individuals (as disclosed in Note 18) and as provisions for liabilities and charges arising from off-balance exposure to customers, mainly in the form of guarantees and letters of credit (as disclosed in Note 32) and impairment allowance on cash reserves (Note 15), loans and advances to banks (Note 17), financial assets (Note 19) and accrued interest and other assets (Note 22).

Impairment losses are also considered for credit risk exposures to banks and for other assets not carried at fair value, where the primary risk of impairment is not credit risk.

*Financial assets carried at amortized cost*

The Bank assesses impairment on an individual basis for all exposures where there is objective evidence of impairment. Assets which are not significant are assessed on a group (portfolio) basis for impairment.

The Bank estimates impairment losses in cases where it estimates that the observable data indicates the likelihood of a measurable decrease in the estimated future cash flows of the asset or portfolio of assets. Evidence includes irregular repayment or other indications of financial difficulties of borrowers, unfavorable changes in economic conditions in which the borrowers operate, changes in the value or collectability of collateral instruments when these changes can be linked to the above-mentioned breach of terms.

	<b>Note</b>	<b>2013 BAM '000</b>	<b>2012 BAM '000</b>
<b>Summary of impairment allowances (IFRS)</b>			
Cash reserves	15	11	7
Loans and advances to banks	17	-	33
Loans and advances to customers	18	22,452	18,074
Financial assets	19	1	1
Other assets	22	1,126	845
Provisions for off-balance-sheet exposure	30	321	195
		<b>23,911</b>	<b>19,155</b>

In addition to impairment allowance calculated and recognized in accordance with IFRS, the Bank also calculates impairment in accordance with the BARS regulations with any excess recognized as a regulatory reserve for credit losses within equity and reserves.

**NOTES TO THE FINANCIAL STATEMENTS**

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)**

(a) *Impairment losses on loans and receivables (continued)*

The following table summarizes impairment allowances calculated in accordance with the BARS regulations:

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
<b>Summary of impairment allowances (BARS)</b>		
Loans and advances to customers	48,497	43,756
Provisions for off-balance-sheet exposure	2,939	1,789
	<b>51,436</b>	<b>45,546</b>

Regulatory reserve for credit risk requirement as of 31 December:

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
Impairment allowances under BARS	51,436	45,547
Impairment allowances under IFRS	27,922	23,910
Difference at the current year end	23,514	21,636
Difference at the previous year end period	12,092	12,092
<b>Proposed transfer within equity (transfer required)</b>	<b>11,422</b>	<b>9,544</b>

Based on the instructions issued by the Agency, starting from December 31, 2014, the Banks are not obliged to carry out coverage of the missing reserves per regulatory profit request. The amount of the missing reserves, by the regulatory request which was covered from profit in 2012, 2013 and 2014, the Bank can include in the equity. Mentioned reserves can be used to cover losses, increase of the statutory reserves or recapitalization of the Bank.

The Bank takes into consideration the combined effect of several events when assessing impairment and uses its experience in making judgments in cases where the observable data required to make estimation of impairment is limited.

At year end, the gross value of specifically impaired loans and receivables (non-performing loans - NPLs) and the rate of impairment loss recognized were as follows:

<b>BAM '000</b>	<b>2014.</b>			<b>2013.</b>		
	<b>Corporate</b>	<b>Retail</b>	<b>Total</b>	<b>Corporate</b>	<b>Retail</b>	<b>Total</b>
Gross exposure	42,906	14,959	57,865	32,165	14,826	46,991
Impairment allowance	(15,002)	(8,404)	(23,406)	(11,426)	(8,173)	(19,599)
Impairment rate	35%	56%	40%	36%	55%	42%

An increase in the impairment rate of 1 percentage point of the gross non-performing exposure presented above as at 31 December 2014, would lead to the recognition of an additional impairment loss of BAM 587 thousand (2013: BAM 470 thousand).

In addition to separately identified losses for NPLs on an individual and portfolio basis, as explained on previous pages, the Bank also recognizes impairment losses which are known to exist at the reporting date, but which have not yet been specifically identified (IBNR).

**NOTES TO THE FINANCIAL STATEMENTS**

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)**

*(a) Impairment losses on loans and receivables (continued)*

A review of IBNR per gross loans and off-balance credit risk exposure are shown in the following table:

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
IBNR gross loans		
IBNR off-balance credit risk exposure	2,689	2,853
<b>Total IBNR gross loans and off-balance</b>	<b>511</b>	<b>291</b>
	<b>3,200</b>	<b>3,144</b>
Gross loans		
Off-balance credit risk exposure	628,491	511,822
<b>Total gross loans and off-balance</b>	<b>152,975</b>	<b>123,938</b>
	<b>781,466</b>	<b>635,760</b>
IBNR for gross loans to Gross loans		
IBNR for off-balance to Off-balance	0.43%	0.56%
<b>IBNR gross loans and off-balance to Gross loans and off-balance</b>	<b>0.33%</b>	<b>0.33%</b>
IBNR gross loans	<b>0.41%</b>	<b>0.52%</b>

*(b) Taxation*

The Bank provides for tax liabilities in accordance with the tax laws of Republika Srpska. Tax returns are subject to the approval of the tax authorities who are entitled to carry out subsequent inspections of taxpayers' records. The interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Bank may not coincide with that of the management. As a result, transactions may be challenged by tax authorities and the Bank may be assessed additional taxes, penalties and interest, which can be significant. In accordance with the Law on Tax Administration of Republika Srpska, expiration period of the tax liability is five years. This practically means that tax authorities could determine payment of outstanding liabilities in the period of five years from the origination of the liability.

*(c) Regulatory requirements*

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

*(d) Litigation and claims*

The Bank makes individual assessment of all court cases. The Bank determines the reserve amount based on professional legal advices.

As stated in Note 30, on 31 December 2014 the Bank provided BAM 143 thousand for court cases (2013: BAM 128 thousand), which the management estimates as sufficient.

**NOTES TO THE FINANCIAL STATEMENTS**
**6. FINANCIAL INFORMATION BY SEGMENT**

Segments recognized for the purposes of segment reporting comprise the following:

- 1 "Retail": individuals and small and medium sized businesses
- 2 "Corporate": large companies, state and public sector
- 3 "Financial markets and ALM": Financial Markets and Assets and Liabilities Management ("ALM") and
- 4 "Central Unit": capital and reserves, investments in other legal entities and other ownership shares and other assets and liabilities not associated with other segments.

Segment reporting is based on management reports.

When measuring business results internal funding prices are applied based on specific prices, appropriate currencies and maturities with embedded additional adjustments.

The methodology for allocation of revenues and costs to segments is consistent with the previous year.

	<b>Retail</b>	<b>Corporate</b>	<b>Financial markets and ALM</b>	<b>Central unit</b>	<b>Total</b>
<b>31 December 2014</b>	<b>BAM '000</b>	<b>BAM '000</b>	<b>BAM '000</b>	<b>BAM '000</b>	<b>BAM '000</b>
Net interest income	17,193	11,759	(1,759)	-	27,193
Net fee and commission income	6,333	3,497	-	-	9,829
Net foreign exchange gains	-	-	(27)	-	(27)
Other operating income	-	-	-	144	144
<b>Total operating income</b>	<b>23,525</b>	<b>15,256</b>	<b>(1,786)</b>	<b>144</b>	<b>37,193</b>
Net impairment losses and provisions	(1,988)	(5,086)	(18)	-	(7,092)
<b>Total operating expense</b>	<b>(10,422)</b>	<b>(1,106)</b>	<b>(449)</b>	<b>(13,749)</b>	<b>(25,726)</b>
<b>Segment result</b>	<b>11,115</b>	<b>9,064</b>	<b>(2,253)</b>	<b>(13,605)</b>	<b>4,321</b>
Income tax expense	-	-	-	(846)	(846)
<b>Profit for the year</b>	<b>11,115</b>	<b>9,064</b>	<b>(2,253)</b>	<b>(14,451)</b>	<b>3,475</b>
<b>Total assets</b>	<b>328,853</b>	<b>284,400</b>	<b>226,801</b>	<b>11,716</b>	<b>851,770</b>
<b>Total equity and liabilities</b>	<b>310,546</b>	<b>322,303</b>	<b>216,028</b>	<b>2,893</b>	<b>851,770</b>

**NOTES TO THE FINANCIAL STATEMENTS**
**6. FINANCIAL INFORMATION BY SEGMENT (continued)**

31 December 2013	Retail BAM '000	Corporate BAM '000	Financial markets and ALM BAM '000	Central unit BAM '000	Total BAM '000
Net interest income	14,236	11,588	(2,443)	-	23,381
Net fee and commission income	5,118	2,909	-	-	8,027
Net foreign exchange gains	-	-	88	-	88
Other operating income	-	-	-	421	421
<b>Total operating income</b>	<b>19,354</b>	<b>14,497</b>	<b>(2,355)</b>	<b>421</b>	<b>31,917</b>
Net impairment losses and provisions	(4,025)	(3,388)	(6)	(312)	(7,731)
<b>Total operating expense</b>	<b>(8,506)</b>	<b>(1,175)</b>	<b>(339)</b>	<b>(10,827)</b>	<b>(20,847)</b>
<b>Segment result</b>	<b>6,823</b>	<b>9,934</b>	<b>(2,700)</b>	<b>(10,718)</b>	<b>3,339</b>
Income tax expense	-	-	-	(732)	(732)
<b>Profit for the year</b>	<b>6,824</b>	<b>9,934</b>	<b>(2,700)</b>	<b>(11,450)</b>	<b>2,607</b>
<b>Total assets</b>	<b>261,725</b>	<b>236,199</b>	<b>69,587</b>	<b>10,303</b>	<b>577,815</b>
<b>Total equity and liabilities</b>	<b>239,145</b>	<b>166,478</b>	<b>85,734</b>	<b>86,189</b>	<b>577,815</b>

**7. INTEREST INCOME AND EXPENSE**
**a) Interest income**

	2014 BAM '000	2013 BAM '000
Cash reserves and obligatory reserve with Central bank	28	13
Loans and advances to banks	192	120
Loans and advances to customers	37,203	31,450
Loan approval fees	1,925	1,590
Dividends	7	13
Interest income on impaired loans	2,633	2,614
Other interest and similar income	1	59
	<b>41,989</b>	<b>35,859</b>

**b) Interest expense**

	2014 BAM '000	2013 BAM '000
Deposits from banks and other financial institutions	2,073	2,626
Deposits from customers	11,259	8,395
Borrowings from Republika Srpska funds	1,305	1,299
Subordinated liabilities	159	158
	<b>14,796</b>	<b>12,478</b>

**NOTES TO THE FINANCIAL STATEMENTS**
**8. FEE AND COMMISSION INCOME AND EXPENSE**
**a) Fee and commission income**

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
Domestic payment transfers	2,239	1,845
International payment transfers	1,334	1,169
Fees from issued guarantees and other off-balance-sheet items	1,283	1,297
Fees from currency conversion	3,105	2,041
Fees and commissions income arising from credit card services	1,837	1,262
Fees from account keeping	1,613	1,116
Other fee and commission income	673	769
	<b>12,084</b>	<b>9,499</b>

**b) Fee and commission expense**

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
Domestic payment transfers	244	170
International payment transfers	69	52
Foreign exchange transfers with Central Bank	-	10
Purchase and sale of foreign currencies	1,054	592
Fees and commissions arising on operations with payment cards	691	511
Commission to the Banking Agency of Republika Srpska	197	137
	<b>2,255</b>	<b>1,472</b>

**9. OTHER OPERATING INCOME**

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
Income from sale of property and equipment	3	6
Write-off of liabilities	69	314
Other	72	101
	<b>144</b>	<b>421</b>

**10. NET IMPAIRMENT LOSSES AND PROVISIONS**

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
Cash in hand (note 15)	-	4
Loans and advances to banks (note 17)	-	(33)
Loans and advances to customers (note 18)	6,527	7,015
Financial assets (note 19)	-	(1)
Other assets (note 22)	156	281
Foreign exchange differences	(1)	8
Provisions (note 30)	410	456
	<b>7,092</b>	<b>7,731</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**11. STAFF COSTS**

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
Net salaries	5,378	4,404
Personal income taxes and contributions	3,873	3,274
Other personnel expenses	1,685	1,161
	<b>10,936</b>	<b>8,839</b>

**12. DEPRECIATION**

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
Depreciation of property and equipment and investment property (note 20)	1,376	982
Amortization of intangible assets (note 21)	924	632
	<b>2,300</b>	<b>1,614</b>

**13. OTHER OPERATING EXPENSE**

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
Materials and services	3,120	2,615
Telecommunications	1,021	916
Advertising	711	827
Rentals	1,625	1,420
Insurance premiums	1,974	1,667
Administrative expenses	86	81
Indirect taxes and contributions	735	585
Consulting services	849	691
Audit and lawyer services	475	427
Other	505	434
Materials and services	1,389	731
	<b>12,490</b>	<b>10,394</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**14. INCOME TAX EXPENSE**

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
Current income tax	847	733
Deferred income tax (note 29)	(1)	(1)
	<b>846</b>	<b>732</b>

**Reconciliation of the income tax expense**

	<b>'000 KM</b>	<b>'000 KM</b>
Accounting profit for the period before income taxes	<b>4,321</b>	<b>3,339</b>
Income tax at 10%	432	334
Impairment losses on loans and other assets not deductible for tax purposes and other expenses	592	542
Tax exempt income	(8)	(14)
Impairment losses on loans and other assets deductible for tax purposes (20% of the adjusted tax base)	(169)	(147)
<b>Total income tax expense</b>	<b>846</b>	<b>732</b>
<b>Effective income tax rate %</b>	<b>19.6%</b>	<b>20.9%</b>

**15. CASH RESERVES/MONETARY ASSETS**

	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
Cash in hand	16,071	11,829
Current accounts with other banks	74,582	22,202
Balances with Central bank	81,996	2,952
<b>Gross cash reserves</b>	<b>172,649</b>	<b>36,983</b>
Impairment allowance	(11)	(11)
<b>Net cash reserves and balances with Central bank</b>	<b>172,638</b>	<b>36,972</b>

**Movement in impairment allowance**

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
<b>Balance as at 1 January</b>	<b>11</b>	<b>7</b>
Increase in provisions	35	28
Release of impairment allowance	(35)	(24)
Net impairment (profit)/loss recognized in the statement of comprehensive income	-	4
<b>Balance as at 31 December</b>	<b>11</b>	<b>11</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**16. OBLIGATORY RESERVES WITH CENTRAL BANK**

	<u>31.12.2014.</u> <u>BAM '000</u>	<u>31.12.2013.</u> <u>BAM '000</u>
<b>Obligatory reserves with Central bank</b>	<b><u>47,017</u></b>	<b><u>32,463</u></b>

The Central Bank of Bosnia and Herzegovina (the "Central bank") has prescribed a method for calculating and holding obligatory reserve, as well as the amount and manner of payment of fees on the amount of obligatory reserve and on the amount of funds held on the account with the Central bank above the obligatory reserve.

The basis for calculation of the obligatory reserve is the average amount of deposits and borrowed funds in BAM and foreign currencies during a ten-day billing/accounting period (denominated in BAM, calculated according to the exchange rate of the Central bank valid at the time of the calculation period).

The basis for calculation of the obligatory reserve excludes:

- passive sub-balance
- account balance of one bank with another bank, also having account with Central bank
- borrowed funds from non-residents based on written contract, starting 1 November 2008
- deposits from government and entities (residents) intended for development projects.

The Bank is obliged to hold at least 10% (2013: 10%) of deposits and borrowed funds with an agreed maturity date up to one year, and 7% of the deposits and borrowed funds with an agreed maturity date over one year, on reserve with the Central bank.

The Central bank calculates interest on reserves as follows:

- for the amount of obligatory reserves: 70% of the rate which is determined based on the weighted average interest rates earned by the Central bank at the same period on funds invested up to one month (during 2014 this rate ranged from 0% to 0,147%);
- for the amount of funds above obligatory reserves requirement: 90% of the rate which is determined based on the weighted average interest rates earned by the Central bank at the same period on funds invested up to one month (during 2014 this rate ranged from 0% to 0,189%).

**17. LOANS AND ADVANCES TO BANKS**

	<u>31 Dec 2014</u> <u>BAM '000</u>	<u>31 Dec 2013</u> <u>BAM '000</u>
Gross loans and advances up to 3 months	7,000	-
Impairment allowance	-	-
<b>Net loans and advances up to 3 months</b>	<b><u>7,000</u></b>	<b><u>-</u></b>

**Movement in impairment allowance**

	<u>2014</u> <u>BAM '000</u>	<u>2013</u> <u>BAM '000</u>
<b>Balance as at 1 January</b>	<b><u>-</u></b>	<b><u>33</u></b>
Charge for the year	-	-
Release of provisions	-	(33)
Net impairment (profit)/loss recognized in the statement of comprehensive income	<u>-</u>	<u>(33)</u>
<b>Balance as at 31 December</b>	<b><u>-</u></b>	<b><u>-</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**
**18. LOANS AND ADVANCES TO CUSTOMERS**

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>'000 KM</b>	<b>'000 KM</b>
Retail loans	260,681	202,547
Corporate loans	367,810	309,275
<b>Gross loans and advances to customers</b>	<b>628,491</b>	<b>511,822</b>
Impairment allowance	(26,095)	(22,452)
<b>Net loans and advances to customers</b>	<b>602,396</b>	<b>489,370</b>

**Movement in impairment allowance**

	<b>2014</b>	<b>2013</b>
	<b>BAM '000</b>	<b>BAM '000</b>
<b>Balance as at 1 January</b>	<b>22,452</b>	<b>18,074</b>
Charge for the year	20,626	17,976
Release of provisions	(14,099)	(10,962)
Net impairment (profit)/loss recognized in the statement of comprehensive income	6,527	7,014
Interest income on impaired loans	(2,633)	(2,614)
Write-offs	(251)	(22)
<b>Balance as at 31 December</b>	<b>26,095</b>	<b>22,452</b>

**19. FINANCIAL ASSETS**

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>'000 KM</b>	<b>'000 KM</b>
<b>Financial assets held to maturity, debt securities, quoted</b>		
Bonds - Gradiska municipality	12	34
<b>Available-for-sale financial assets, equity securities, non-quoted</b>		
S.W.I.F.T., Le Hulpe, Belgium	24	24
Banjalucka berza a.d., Banja Luka	252	252
Centralni registar HoV a.d., Banja Luka	107	107
	<b>383</b>	<b>383</b>
<b>Gross financial assets</b>	<b>395</b>	<b>418</b>
Impairment allowance	(1)	(1)
<b>Net financial assets</b>	<b>394</b>	<b>417</b>

The Bank is in progress in 2014 acquired the share in the company Super Kartica d.o.o. Belgrade, Serbia by 13.01%. The value of the shares on December 31, 2014 amounted to 469.57 BAM.

The financial assets available for sale relate to the level 3 of the hierarchy levels.

## NOTES TO THE FINANCIAL STATEMENTS

## 20. PROPERTY AND EQUIPMENT

	Buildings BAM '000	Equipment and other assets BAM '000	Investment in progress BAM'000	Fixed assets out of use BAM'000	Total BAM'000
<b>Cost</b>					
Balance as at 1 January 2013	3,778	8,434	258	295	12,765
Additions	-	-	3,445	-	3,445
Disposals and write-offs	-	(959)	(11)	-	(970)
Transfer into use	382	2,478	(2,870)	-	(10)
<b>Balance as at 31 December 2013</b>	<b>4,160</b>	<b>9,953</b>	<b>822</b>	<b>295</b>	<b>15,240</b>
Balance as at 1 January 2014	4,160	9,953	822	295	15,240
Additions	-	-	3,651	-	3,651
Disposals and write-offs	-	(779)	(185)	-	(964)
Transfer into use	309	3,158	(3,467)	-	-
<b>Balance as at 31 December 2014</b>	<b>4,469</b>	<b>12,332</b>	<b>821</b>	<b>295</b>	<b>17,917</b>
<b>Accumulated depreciation</b>					
Balance as at 1 January 2013	-	5,591	-	-	5,591
Charge for the year	53	929	-	-	982
Disposals and write-offs	-	(942)	-	-	(942)
<b>Balance as at 31 December 2013</b>	<b>53</b>	<b>5,578</b>	<b>-</b>	<b>-</b>	<b>5,631</b>
Balance as at 1 January 2014	53	5,578	-	-	5,631
Charge for the year	59	1,317	-	-	1,376
Disposals and write-offs	-	(695)	-	-	(695)
<b>Balance as at 31 December 2014</b>	<b>112</b>	<b>6,200</b>	<b>-</b>	<b>-</b>	<b>6,312</b>
<b>Carrying value</b>					
<b>Balance as at 31 December 2013</b>	<b>4,107</b>	<b>4,375</b>	<b>822</b>	<b>295</b>	<b>9,599</b>
<b>Balance as at 31 December 2014</b>	<b>4,357</b>	<b>6,132</b>	<b>821</b>	<b>295</b>	<b>11,605</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 21. INTANGIBLE ASSETS

	Software BAM '000	Leasehold improvements BAM '000	Investments in progress BAM '000	Total BAM '000
<b>Cost</b>				
Balance as at 1 January 2013	2,303	1,470	786	4,559
Additions	-	-	2,297	2,297
	-	(186)	-	(186)
Transfer into use	1,583	1,220	(2,803)	-
<b>Balance as at 31 December 2013</b>	<b>3,886</b>	<b>2,504</b>	<b>280</b>	<b>6,670</b>
Balance as at 1 January 2014	3,886	2,504	280	6,670
Additions	-	-	2,122	2,122
Disposals an write-offs	(40)	(209)	(60)	(309)
Transfer into use	702	1,125	(1,827)	6
<b>Balance as at 31 December 2014</b>	<b>4,548</b>	<b>3,420</b>	<b>516</b>	<b>8,438</b>
<b>Accumulated amortization</b>				
Balance as at 1 January 2013	1,519	1,144	-	2,663
Charge for the year	414	218	-	632
<b>Balance as at 31 December 2013</b>	<b>-</b>	<b>(177)</b>	<b>-</b>	<b>(177)</b>
	<b>1,933</b>	<b>1,185</b>	<b>-</b>	<b>3,118</b>
Balance as at 1 January 2014	1,933	1,185	-	3,118
Charge for the year	1,933	1,185	-	3,118
Disposals an write-offs	607	317	-	924
<b>Balance as at 31 December 2014</b>	<b>(40)</b>	<b>(209)</b>	<b>-</b>	<b>(249)</b>
<b>Carrying value</b>	<b>2,500</b>	<b>1,293</b>	<b>-</b>	<b>3,793</b>
<b>Balance as at 31 December 2013</b>				
<b>Balance as at 31 December 2014</b>	<b>1,953</b>	<b>1,319</b>	<b>280</b>	<b>3,552</b>
<b>Cost</b>	<b>2,048</b>	<b>2,127</b>	<b>516</b>	<b>4,690</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**22. OTHER ASSETS**

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>BAM '000</b>	<b>BAM '000</b>
Deposits and advances paid	833	791
Prepaid expenses	198	212
Receivables from cards business	429	479
Assets received on foreclosed loans	300	2.096
Inventories	73	63
Other assets	2,014	1,623
<b>Total gross other assets</b>	<b>3,846</b>	<b>5,276</b>
Impairment allowance	(1,253)	(1,126)
<b>Total net other assets</b>	<b>2,593</b>	<b>4,150</b>

**Movement in impairment allowance**

	<b>2014,</b>	<b>2013,</b>
	<b>BAM '000</b>	<b>BAM '000</b>
<b>Balance as at 1 January</b>	<b>1,126</b>	<b>845</b>
Increase in provisions	264	352
Release of provisions	(108)	(71)
Net impairment (profit)/ loss recognized in the statement of comprehensive income	156	281
	(29)	-
<b>Balance as at 31 December</b>	<b>1,253</b>	<b>1,126</b>
<b>Balance as at 1 January</b>	<b>1,253</b>	<b>1,126</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**23. FIXED ASSETS HELD FOR SALE**

	<b>31.12.2014.</b> <b>BAM '000</b>	<b>31.12.2013.</b> <b>BAM '000</b>
Non-current assets held for sale	3,436	1,292
<b>Non-current assets held for sale</b>	<b>3,436</b>	<b>1,292</b>

**24. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

Deposits from banks and other financial institutions according to contracted maturity are as follows:

	<b>31.12.2014,</b> <b>BAM '000</b>	<b>31.12.2013,</b> <b>BAM '000</b>
Demand deposits	4,667	6,019
Short-term deposits	52,987	33,072
Long-term deposits	27,208	27,307
	<b>84,862</b>	<b>66,398</b>

**25. DEPOSITS FROM CUSTOMERS**

Deposits from customers according to contracted maturity are as follows:

	<b>31.12.2014,</b> <b>BAM '000</b>	<b>31.12.2013,</b> <b>BAM '000</b>
Demand deposits	253,976	131,281
Short-term deposits	144,451	122,812
Long-term deposits	171,943	102,105
	<b>570,370</b>	<b>356,198</b>

**26. BORROWINGS FROM REPUBLIKA SRPSKA FUNDS**

	<b>31.12.2014,</b> <b>BAM '000</b>	<b>31.12.2013,</b> <b>BAM '000</b>
Borrowings from Residential Housing Fund of Republika Srpska	61,265	62,408
Borrowings from Development and Employment Fund of Republika Srpska	14,256	18
	<b>75,522</b>	<b>62,426</b>

Borrowings from Residential Housing Fund of Republika Srpska are used to provide residential housing loans to final beneficiaries granted with maturity period from five to twenty years, and annual interest rates ranging from 0.5% to 3% and with quarterly repayment.

Borrowings from the Sberbank Europe AG, Vienna are used for financing small and medium-sized enterprises in the Republika Srpska. The facility carries 3M EURIBOR +2.77% interest per annum.

**NOTES TO THE FINANCIAL STATEMENTS**

**27. SUBORDINATED LIABILITIES**

	<u>31.12.2014.</u> <u>BAM '000</u>	<u>31.12.2013.</u> <u>BAM '000</u>
Subordinated liabilities	4,039	4,040
	<u>4,039</u>	<u>4,040</u>

Subordinated liabilities at the end of 2014 relating to the loan in the amount of BAM 4,000 thousand taken from Sberbank BH d.d. Sarajevo for a period of five years and maturity in December 2016, at a rate of 3M EURIBOR + 3.70%.

**28. OTHER LIABILITIES**

	<u>31.12.2014.</u> <u>BAM '000</u>	<u>31.12.2013.</u> <u>BAM '000</u>
Liabilities for interest	-	10
Deferred income	216	228
Indirect taxes payable	101	213
Other accrued liabilities	1,008	221
Liabilities for deposited founders investments	215	98
Accounts payable	944	772
Liabilities for cards business	266	387
Other liabilities	121	157
	<u>2,870</u>	<u>2,086</u>

**29. DEFERRED TAX LIABILITY**

Deferred taxes are calculated on all temporary differences under the balance sheet method using the effective tax rate of 10% (2013: 10%). Movements in temporary differences and components of deferred tax liabilities, recognized in equity or in the statement of comprehensive income are as follows:

	<u>2014.</u> <u>BAM '000</u>	<u>2013.</u> <u>BAM '000</u>
Revaluation reserve	124	125
<b>Net deferred tax liability</b>	<u>124</u>	<u>125</u>

Movement in deferred tax liabilities is as follows:

	<u>2014.</u> <u>BAM '000</u>	<u>2013.</u> <u>BAM '000</u>
<b>Balance as at 1 January</b>	125	126
Decrease recognized in the statement of comprehensive income (Note 14)	(1)	(1)
Change in property values	-	-
<b>Balance as at 31 December</b>	<u>124</u>	<u>125</u>

**NOTES TO THE FINANCIAL STATEMENTS**
**30. PROVISIONS**

	<u>31 Dec 2014</u> <u>BAM '000</u>	<u>31 Dec 2013</u> <u>BAM '000</u>
Provisions for court cases	143	128
Provisions for off-balance sheet exposure	563	321
Provisions for unused holidays	268	238
Provisions for severance payments	208	186
Provisions for bonuses	323	222
Provisions for other liabilities	3	3
	<u>1,508</u>	<u>1,098</u>

Movement in provisions for court cases, off balance-sheet exposure, unused holidays and severance payments:

	Provisions for court cases BAM '000	Provisions for off- balance sheet exposure BAM '000	Provisions for unused holidays BAM '000	Provisions for severance payments BAM '000	Provisions for bonuses BAM '000	Provisions for other liabilities BAM '000	Total BAM '000
<b>Balance as at 1 January 2013</b>	<u>123</u>	<u>195</u>	<u>176</u>	<u>148</u>	<u>-</u>	<u>-</u>	<u>642</u>
New provisions in statement of comprehensive income	5	1,479	62	55	222	3	1,826
Release of provision	-	(1,352)	-	(17)	-	-	(1,369)
Net charge in the statement of comprehensive income	<u>5</u>	<u>127</u>	<u>62</u>	<u>38</u>	<u>222</u>	<u>3</u>	<u>456</u>
<b>Balance as at 31 December 2013</b>	<u>128</u>	<u>321</u>	<u>238</u>	<u>186</u>	<u>222</u>	<u>3</u>	<u>1,098</u>
<b>Balance as at 1 January 2014</b>	<u>128</u>	<u>321</u>	<u>238</u>	<u>186</u>	<u>222</u>	<u>3</u>	<u>1,098</u>
New provisions in statement of comprehensive income	15	2,232	30	44	273	27	2,620
Release of provision	-	(1,989)	-	(21)	(173)	(27)	(2,209)
Net charge in the statement of comprehensive income	<u>15</u>	<u>242</u>	<u>30</u>	<u>23</u>	<u>101</u>	<u>-</u>	<u>410</u>
<b>Balance as at 31 December 2014</b>	<u>143</u>	<u>563</u>	<u>268</u>	<u>208</u>	<u>323</u>	<u>3</u>	<u>1,508</u>

**NOTES TO THE FINANCIAL STATEMENTS**
**31. SHARE CAPITAL**

	<u>31.12.2014.</u> <u>BAM '000</u>	<u>31.12.2013.</u> <u>BAM '000</u>
<b>Authorized, issued and fully paid</b>		
<b>38,728 ordinary shares</b>	<u><b>62,198</b></u>	<u><b>38,728</b></u>

In April 2013 the Bank recapitalization was made in the amount BAM 15 million from the shareholders of Sberbank Europe AG, Vienna, Austria. Recapitalization was carried out for the purpose of strengthening Bank's capital position as well as for the rising of the maximum possible exposure towards individual creditor or the group of related parties.

In June 2014, the Bank increased its capital in the amount of BAM 23.47 million by the shareholders of Sberbank Europe AG, Vienna, Austria. The shares were purchased for the purpose of strengthening the Bank's capital position, as well as raising the maximum possible exposure to one or a group of related persons.

The share capital of the Bank is denominated in BAM. The nominal value of each share issued by the Bank is BAM 1,000. All shares are fully paid.

The shareholders of the Bank at the year end are as follows:

	<u>31 Dec 2014</u> <u>BAM '000</u>	<u>31 Dec 2014</u> <u>%</u>	<u>31 Dec 2013</u> <u>BAM '000</u>	<u>31 Dec 2013</u> <u>%</u>
Sberbank Europe AG , Vienna	61,974	99.64%	38,504	99.42%
Volksbank BH dd, Sarajevo	224	0.36%	224	0.58%
	<u><b>62,198</b></u>	<u><b>100.00%</b></u>	<u><b>38,728</b></u>	<u><b>100.00%</b></u>

The key shareholder of the Bank is Sberbank Europe AG with 99.42% shares and ultimate parent company of 31 December 2014 is Sberbank of Russia, Moscow, Russia.

Basic and diluted earnings per share calculation is presented below. The calculation for basic and diluted earnings per share is the same because the Bank does not have convertible bonds or other options that could increase the number of shares.

	<u>31.12.2014.</u>	<u>31.12.2013.</u>
Net profit for the period (BAM '000)	3,475	2,607
Average number of ordinary shares during the period	<u>50,463</u>	<u>31,228</u>
<b>Earnings per share (BAM)</b>	<u><b>68.87</b></u>	<u><b>83.45</b></u>

**NOTES TO THE FINANCIAL STATEMENTS**

**32. COMMITMENTS AND CONTINGENT LIABILITIES**

**a) Guarantees, letters of credit and commitments**

	<u>31.12.2014.</u> <u>BAM '000</u>	<u>31.12.2013.</u> <u>BAM '000</u>
Payment guarantees:		
- in BAM	6,555	6,470
- in foreign currencies	14,541	12,956
Performance guarantees:		
- in BAM	40,067	32,160
- in foreign currencies	11,882	12,901
Letters of credit in foreign currencies	<u>210</u>	<u>386</u>
<b>Total guarantees and letters of credit</b>	<u><b>73,255</b></u>	<u><b>64,873</b></u>
<b>Undrawn loan facilities</b>	<u><b>79,720</b></u>	<u><b>22,947</b></u>
	<u><b>153,975</b></u>	<u><b>87,820</b></u>

**b) Litigation**

The Bank is subject to several legal actions taken against it. The Bank makes provisions based on professional legal advice. The Management Board makes the decision on provision amount based on recommendation of the Commission for litigations assessment. The outstanding legal proceedings as at 31 December 2014 amounted to BAM 4,550 thousand (2013: BAM 4,550 thousand), and the Bank has made provisions in the amount of BAM 143 thousand (2013: 128 thousand). The management does not anticipate unfavorable outcomes from the litigation or related losses that would have a material effect on the Bank's financial statements and considers current provisions to be adequate.

**33. FUNDS MANAGED FOR AND ON BEHALF OF THIRD PARTIES**

The Bank manages funds for and on behalf of third parties, and maintains these funds off-balance sheet separated from its assets. The Bank charges a fee for managing funds for and on behalf of third parties. Income and expenses for these funds are posted as income or expense of the owner, i.e. user.

Placements under activities for and on behalf of third parties are presented in the table below:

	<u>2014.</u> <u>BAM '000</u>	<u>2013.</u> <u>BAM '000</u>
Commission deals - with Ministry of Agriculture	1,106	1,106
Commission placements - INGA	-	109
Commission placements - farmers of Laktasi municipality	<u>4</u>	<u>4</u>
	<u><b>1,110</b></u>	<u><b>1,219</b></u>

**NOTES TO THE FINANCIAL STATEMENTS**
**34. RELATED PARTY TRANSACTIONS**

According to article 100 of the Law on Banks in Republika Srpska, the Bank has an immediate related party relationship with its key shareholders, and their subsidiaries, its associates, Supervisory Board members and Management Board members ("key management personnel"), close family members of key management personnel, and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members.

	<b>31.12.2014.</b>	<b>31.12.2013.</b>
	<b>BAM '000</b>	<b>BAM '000</b>
<b>ASSETS</b>		
<b>Nostro accounts</b>		
- Sberbank of Russia, Moscow, Russia - foreign currency account	24	10
- Sberbank Serbia a.d. Beograd, Serbia - foreign currency account	44	160
- Sberbank d.d. Zagreb, Croatia - foreign currency account	136	29
- Sberbank d.d. Ljubljana, Slovenia - foreign currency account	3,261	75
- Sberbank d.d. Ljubljana, Slovenia - short-term deposit	1,608	-
- Sberbank BH d.d. Sarajevo - foreign currency account	31	147
- Sberbank BH d.d. Sarajevo - short-term deposit and accrued interest	7,001	-
- Sberbank BH d.d. Sarajevo - special purpose deposit	76	-
	<b>12,181</b>	<b>421</b>
<b>Loans to the Bank's management and members of the Supervisory Board and Audit Committee, and their close family members</b>	<b>207</b>	<b>105</b>
<b>Total assets</b>	<b>12,388</b>	<b>526</b>
<b>LIABILITIES</b>		
Short term deposits - Sberbank d.d. Zagreb, Croatia	-	4,891
Sberbank Europe AG, Vienna, Austria - short-term deposits and accrued interest	15,451	-
Sberbank Europe AG, Vienna, Austria - Received long-term loans and accrued interest	14,526	-
Sberbank BH dd Sarajevo - subordinated liabilities and accrued interest	4,039	4,040
Sberbank BH dd Sarajevo - transaction accounts	263	451
Magyarország Zrt Sberbank, Budapest, Hungary - short-term deposits and accrued interest	9,780	13,692
ALB EDV-SERVICE GMBH - accrued liabilities by providing services	-	54
Banja Luka Stock Exchange a.d. Banja Luka - transaction accounts	1	-
Central Registry of Securities ad, Banja Luka - transaction account	27	-
Central Registry of Securities ad, Banja Luka - long-term deposits and accrued interest	562	-
Accrued liabilities on the basis of services rendered (Sberbank Slovenian, Bratislava, Slovakia and Sberbank Technology, Moscow, Russia)	53	388
Deposits of the Bank's management and members of the Audit Committee, and members of their immediate families	755	546
<b>Total liabilities</b>	<b>45,457</b>	<b>24,062</b>

**NOTES TO THE FINANCIAL STATEMENTS**
**34. RELATED PARTY TRANSACTIONS (continued)**

<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>2014. BAM '000</b>	<b>2013. BAM '000</b>
<b>Interest income</b>		
- Sberbank of Russia, Moscow, Russia	-	29
- Sberbank d.d. Ljubljana, Slovenia	14	-
- Sberbank of BH dd Sarajevo	27	-
- Magyarorszagi Sberbank zrt, Budapest, Hungary	3	17
- Key management personnel and Audit committee members , as well as immediate family members	14	8
	<b>58</b>	<b>54</b>
<b>Fee and commision income</b>		
- Sberbank d.d. Zagreb, Croatia	1	1
- Central Registry of Securities a.d., Banja Luka	1	-
- Key management personnel and Audit committee members, as well as immediate family members	9	3
	<b>11</b>	<b>4</b>
<b>Other income</b>		
- Sberbank Europe AG, Vienna, Austria	12	-
- Banja Luka Stock Exchange a.d. Banja Luka	7	-
	<b>19</b>	<b>-</b>
<b>Interest expense</b>		
- Sberbank of BH d.d. Sarajevo	(159)	(159)
- Sberbank Serbia a.d. Beograd, Serbia	-	(2)
- Sberbank d.d. Zagreb, Croatia	(16)	(4)
- Sberbank Slovensko A.S. Bratislava, Slovakia	(3)	(3)
- Magyarorszagi Sberbank zrt, Budapest, Hungary	(13)	(5)
- Sberbank of Russia, Moscow, Russia	-	(1,006)
- Sberbank d.d. Ljubljana, Slovenia	(6)	(3)
- Sberbank Europe AG, Vienna, Austria	(340)	(76)
- Sberbank CZ A.S. Brno, Czech Republic	-	(8)
- Central Registry of Securities a.d., Banja Luka	(26)	-
- Key management personnel and Audit committee members, as well as immediate family members	(22)	(11)
	<b>(585)</b>	<b>(1,277)</b>
<b>Fee and commision expense</b>		
- Sberbank JSC Ljubljana, Slovenia	(5)	-
- Sberbank of BH dd Sarajevo	(18)	(18)
- Central Registry of Securities a.d., Banja Luka	(5)	-
	<b>(28)</b>	<b>(18)</b>
<b>Other expense</b>		
- Sberbank Europe AG, Vienna, Austria	(852)	(661)
- Sberbank d.d. Zagreb, Croatia	(1)	-
- Sberbank of Russia, Moscow, Russia	(4)	-
- Sberbank Slovenian A. S. Bratislava, Slovakia	(51)	-
- Sberbank Serbia a.d. Belgrade, Serbia	(21)	-
- Sberbank of BH dd Sarajevo	(25)	(2)
- Sberbank Technology, Moscow, Russia	(10)	-
- ALB EDV-SERVICE GMBH, Vienna	(181)	(340)
- The Bank's management and members of the Audit Committee, and members of their immediate families	(7)	-
	<b>(1,152)</b>	<b>(1,003)</b>
	<b>(1,677)</b>	<b>(2,240)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**34. RELATED PARTY TRANSACTIONS (continued)**

Loans to the Bank's management in 2014 were approved at an annual interest rate of 14% and represent interest rate on VISA credit card and 5.90%-7.99% annual interest rate for long-term loans.

In the Bank's opinion, key management personnel comprises members of the Management and Supervisory Boards. The Management Board consists of the president of the Management Board and two members. During the year, the total compensation payable to the Management Board, including cash remuneration in the form of salaries and bonuses and non-cash benefits amounted to BAM 449 thousand (2013: BAM 376 thousand). During the year, the Bank did not compensate the Supervisory Board members for their services (2013: BAM 5 thousand). In 2014, the Bank made pension contributions to key management personnel of BAM 125 thousand (2013: BAM 114 thousand) into obligatory pension funds.

Deposits placed by the Bank's management and the Audit committee members were approved at an interest rate varying from 3.05% to 4.50% annually.

**35. EVENTS AFTER THE BALANCE SHEET DATE**

There have been no significant events subsequent to the reporting date, which would require disclosures in the notes to the accompanying financial statements of the Bank as of and for the year ended 31 December 2014.

Banja Luka, 15 April 2015

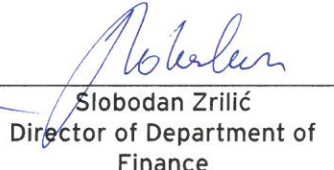
On behalf of Sberbank a.d. Banja Luka



Aleksandar Kesic  
Chairman of the Board



Biljana Rabitsch  
Board member



Slobodan Zrilić  
Director of Department of  
Finance

ANNEX TO THE FINANCIAL STATEMENTS: FINANCIAL REPORTS IN ACCORDANCE WITH THE LAW ON ACCOUNTING AND AUDIT OF REPUBLIKA SRPSKA

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AT 31 DECEMBER 2014 - ASSETS

Group of accounts, account	POSITION	Symbol for AOP			Current year			Previous year (initial balance)
					Gross	Impairment allowance	Net (4-5)	
1	2	3			4	5	6	7
	<b>ASSETS</b>							
	<b>A. CURRENT ASSETS</b> (002+008+011+014+018+022+030+031+032+033+034)	0	0	1	867.914.391	27.442.380	840.472.011	569.160.462
00, 03, 05, 07 and 09	1. Cash, cash equivalents, gold and receivables from operating activities (003 до 007)	0	0	2	93.267.045	1.393.221	91.873.824	35.678.296
000 to 009	a) Cash and cash equivalents in domestic currency	0	0	3	8.471.207	0	8.471.207	6.852.436
030 to 039	b) Other receivables in domestic currency	0	0	4	1.957.360	1.120.036	837.324	1.035.634
050 to 059	v) Cash and cash equivalents in foreign currency	0	0	5	79.545.591	11.140	79.534.451	27.711.581
070 and 071	g) Gold and other precious metals	0	0	6	0	0	0	0
090 to 099	d) Other receivables in foreign currency	0	0	7	3.292.887	262.045	3.030.842	78.645
01 to 06	2. Deposits and loans in domestic and foreign currency (009+010)	0	0	8	126.953.233	0	126.953.233	34.698.821
010 to 019	a) Deposits and loans in domestic currency	0	0	9	126.953.233	0	126.953.233	34.698.821
060 to 069	b) Deposits and loans in foreign currency в валюти	0	1	0	0	0	0	
02 to 08	3. Interest and fee receivables, trade and other receivables (012 + 013)	0	1	1	4.812.908	1.948.128	2.864.780	2.508.351
020 to 029	a) Interest and fee receivables, trade and other receivables in domestic currency	0	1	2	4.678.838	1.917.062	2.761.776	2.480.064
080 to 089	б) Interest and fee receivables, trade and other receivables in foreign currency	0	1	3	134.070	31.066	103.004	28.287
10, 11 and 20	4. Loans and deposits (015 to 017)	0	1	4	496.132.071	3.540.540	492.591.531	397.545.152
100 to 109	a) Loans and deposits in domestic currency	0	1	5	155.120.493	1.015.362	154.105.131	144.133.088
112 to 119	b) Loans and deposits with contractual risk protection in domestic currency	0	1	6	326.704.792	2.420.150	324.284.642	252.656.195
200 to 209	v) Loans and deposits in foreign currency	0	1	7	14.306.786	105.028	14.201.758	755.869
12, 13 and 22	5. Financial assets (019 to 021)	0	1	8	394.781	227	394.554	416.130
1	2	3			4	5	6	7
120 to 129	a) Financial assets in domestic currency	0	1	9	370.450	227	370.223	392.269
130 to 139	b) Financial assets with contractual risk protection in domestic currency	0	2	0	0	0	0	0
220 to 229	v) Financial assets in foreign currency	0	2	1	24.331	0	24.331	23.861
15 to 19, 28 and 29	6. Other placements and accruals (023 to 029)	0	2	2	142.167.384	20.477.850	121.689.534	94.567.795
150 to 159	a) Other placements in domestic currency	0	2	3	1.657.174	1.378.735	278.439	16.244
160 to 169	b) Other placements with contractual risk protection in domestic currency	0	2	4	0	0	0	0
180 to 189	v) Due placements and current due of long term placements in domestic currency	0	2	5	138.937.225	19.048.466	119.888.759	93.048.644
190 to 199	g) Accruals in domestic currency	0	2	6	1.213.467	7.822	1.205.645	1.221.735
250 to 259	d) Other placements in foreign currency	0	2	7	265.116	6.062	259.054	186.997
280 to 289	d) Due placements and current due of long term placements in foreign currency	0	2	8	94.277	36.765	57.512	94.175
290 to 299	e) Accruals in foreign currency	0	2	9	125	0	125	0
320 to 325, part 329	7. Inventory	0	3	0	455.583	82.414	373.169	2.158.747
350	8. Held for sale assets	0	3	1	3.435.886	0	3.435.886	1.291.670
351	9. Operating assets under suspension	0	3	2	0	0	0	0
352 and 359	10. Other assets	0	3	3	295.500	0	295.500	295.500
360 and 369	11. VAT receivables	0	3	4	0	0	0	0
	<b>B. FIXED ASSETS (036+041+047)</b>	0	3	5	26.106.643	10.107.388	15.999.255	12.855.723
30	1. Fixed assets and investment property (037 to 040)	0	3	6	17.617.109	6.313.751	11.303.358	9.303.722
300 to 303, 306, part 309	a) Fixed assets	0	3	7	16.802.110	6.313.751	10.488.359	8.481.880
304, part 309	б) Investment property	0	3	8	0	0	0	0
305, part 309	v) Fixed assets under financial leasing	0	3	9	0	0	0	0
307 and 308	g) Advances and investments in progress	0	4	0	814.999	0	814.999	821.842
31	2. Intangible assets (042 до 046)	0	4	1	8.489.534	3.793.637	4.695.897	3.552.001
310	a) Goodwill	0	4	2	0	0	0	0
311, part 319	b) Research	0	4	3	0	0	0	0
314, part 319	v) Intangible assets under financial leasing	0	4	4	0	0	0	0
312, 313, part 319	g) Other intangible assets	0	4	5	7.968.090	3.793.637	4.174.453	3.271.100
317 and 318	d) Advances and investments in progress	0	4	6	521.444	0	521.444	280.901
37	3. Deferred tax assets	0	4	7	0	0	0	0
	<b>V. OPERATING ASSETS</b>	0	4	8	894.021.034	37.549.768	856.471.266	582.016.185
90 to 93	G. OFF BALANCE SHEET ASSETS	0	4	9	231.023.614	0	231.023.614	138.023.839
	<b>D. TOTAL ASSETS (048+049)</b>	0	5	0	1.125.044.648	37.549.768	1.087.494.880	720.040.024

**ANNEX TO THE FINANCIAL STATEMENTS: FINANCIAL REPORTS IN ACCORDANCE WITH THE LAW ON ACCOUNTING AND AUDIT OF REPUBLIKA SRPSKA**
**BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AT 31 DECEMBER 2014 - EQUITY AND LIABILITIES**

Group of accounts, account	POSITION	Symbol for AOP			Current year	Previous year (initial balance)
1	2	3			4	5
	<b>EQUITY AND LIABILITIES</b>					
	<b>A. LIABILITIES (102+106+109+113)</b>	1	0	1	744.171.469	496.661.602
40, 41 and 50	1. Liabilities for loans and deposits (103 to 105)	1	0	2	722.669.654	479.338.499
400 to 409	a) Liabilities for loans and deposits in domestic currency	1	0	3	231.501.697	137.049.191
411 to 419	b) Liabilities for loans and deposits with contractual risk protection in domestic currency	1	0	4	223.522.698	158.638.546
500 to 509	v) Liabilities for loans and deposits in foreign currency	1	0	5	267.645.259	183.650.762
42 and 52	2. Liabilities for interest and fees (107+108)	1	0	6	38.881	272.243
420 to 422	a) Liabilities for loans and deposits in domestic currency	1	0	7	38.780	246.155
520 to 522	b) Liabilities for interest and fee in foreign currency	1	0	8	101	26.088
43, 44 to 53	3. Liabilities for financial assets (110 to 120)	1	0	9	0	0
430 to 433	a) Liabilities for financial assets in domestic currency	1	1	0	0	0
440 to 442	b) Liabilities for financial assets with contractual risk protection in domestic currency	1	1	1	0	0
530 to 532	v) Liabilities for financial assets in foreign currency	1	1	2	0	0
45 to 49, 55, 58 and 59	4. Other liabilities for accruals (114 to 124)	1	1	3	21.462.934	17.050.860
450 and 451	a) Other liabilities for salaries and remunerations	1	1	4	0	11.946
454, 455, 460 do 464, 466 to 469	b) Other liabilities in domestic currenc, except taxes and contributions	1	1	5	2.935.122	2.213.049
452 and 453, 476, 477	v) Liabilities for taxes and contributions, except current and deferred income tax	1	1	6	100.670	212.767
475	g) Income tax liability	1	1	7	174.845	90.241
465	d) Deferred tax liability	1	1	8	123.484	124.839
470 to 474	d) Provisions	1	1	9	1.508.331	1.097.327
480 to 486	e) Accruals in domestic currency	1	2	0	8.258.709	5.288.268
490 to 499	z) Liabilities for managed funds, assets held for sale, operating assets which are suspended, subordinated liabilities and current dues	1	2	1	4.000.000	4.000.000
550 to 559	z) Other liabilities in foreign currency	1	2	2	156.208	400.845
580 to 585	i) Accruals in foreign currency	1	2	3	4.205.565	3.611.578
590 to 599	j) Liabilities for managed funds, due and subordinated liabilities and current dues in foreign currency	1	2	4	0	0
	<b>B. EQUITY (126+132+138+142-148)</b>	1	2	5	112.299.797	85.354.583
80	1. Share capital (127+128+129-130-131)	1	2	6	77.433.200	53.963.200
800	a) Ordinary shares	1	2	7	62.198.000	38.728.000
801	b) Other capital	1	2	8	0	0
802	v) Share premium	1	2	9	15.235.200	15.235.200
803	g) Subscribed, unpaid capital	1	3	0	0	0
804	d) Repurchased own shares	1	3	1	0	0
81	2. Reserves from retained earnings and transferred reserves (133 to 137)	1	3	2	23.179.342	23.049.001
810	a) Reserves from retained earnings	1	3	3	11.087.577	10.957.236
811	b) Other reserves	1	3	4	0	0
812	v) Special reserves for estimated losses	1	3	5	12.091.765	12.091.765
814	g) Reserves for general bank risk	1	3	6	0	0
818	d) Transferred reserves (FX differences)	1	3	7	0	0
82	3. Revaluation reserves (139 to 141)	1	3	8	1.111.357	1.123.549
820	a) Revaluation reserves arising from changes in value of fixed assets and investments in intangible assets	1	3	9	1.111.357	1.123.549
821	b) Revaluation reserves arising from changes in value of financial assets	1	4	0	0	0
822	v) Revaluation	1	4	1	0	0
83	4. Income (143 to 147)	1	4	2	10.575.898	7.218.833
830	a) Income for the year	1	4	3	3.475.214	2.606.811
831	b) unallocated income from previous years	1	4	4	7.100.684	4.612.022
832	v) Excess of income from previous years	1	4	5	0	0
833	g) Unallocated excess of income over expense for the year	1	4	6	0	0
834	d) Retained earnings	1	4	7	0	0
84	5. Loss (149 + 159)	1	4	8	0	0
840	a) Loss for the year	1	4	9	0	0
841	b) Loss from previous years	1	5	0	0	0
	<b>V. OPERATING EQUITY AND LIABILITIES (101+125)</b>	1	5	1	856.471.266	582.016.185
95 to 98	<b>G. OFF BALANCE SHEET EQUITY AND LIABILITIES</b>	1	5	2	231.023.614	138.023.839
	<b>D. TOTAL EQUITY AND LIABILITIES (152+152)</b>	1	5	3	1.087.494.880	720.040.024

**ANNEX TO THE FINANCIAL STATEMENTS: FINANCIAL REPORTS IN ACCORDANCE WITH THE LAW ON ACCOUNTING AND AUDIT OF REPUBLIKA SRPSKA**
**INCOME STATEMENT (STATEMENT OF COMPREHENSIVE INCOME) FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014**

						In KM	
Group of accounts, account	POSITION					A MOUNT	
						Current year	Previous year
1	2	3			4	5	
	<b>A INCOME AND EXPENSE FROM FINANCING ACTIVITIES</b>						
70	1. Interest income (202 to 204)	2	0	1	31.641.466	31.641.466	
700, 701 and 702	a) Interest income from loans, deposits and financial assets in domestic currency	2	0	2	10.276.209	10.276.209	
703, 704 and 705	b) Interest income from loans, deposits and financial assets with contractual risk protection	2	0	3	21.311.811	21.311.811	
706, 707 and 708	v) Interest income from loans, deposits and financial assets in foreign currency	2	0	4	53.446	53.446	
60	2. Interest expense (206 to 208)	2	0	5	12.477.688	12.477.688	
600, 601 and 602	a) Interest expense from loans, deposits and financial assets in domestic currency	2	0	6	3.489.023	3.489.023	
603, 604 and 605	b) Interest expense from loans, deposits and financial assets with contractual risk protection	2	0	7	2.997.831	2.997.831	
606, 607 and 608	v) Interest expense from loans, deposits and financial assets in foreign currency	2	0	8	5.990.834	5.990.834	
	3. Net interest income (201 to 205)	2	0	9	19.163.778	19.163.778	
	4. Net interest expense (205 to 201)	2	1	0	0	0	
71	5. Fee and commission income (212 to 214)	2	1	1	11.089.032	11.089.032	
710 and 711	a) Income from payment services	2	1	2	3.290.647	3.290.647	
712 and 713	b) Commission income	2	1	3	3.322.634	3.322.634	
718 and 719	v) Other fee and commission income	2	1	4	4.475.751	4.475.751	
61	6. Fee and commission expense (216 to 218)	2	1	5	1.906.260	1.906.260	
610 and 611	a) Fee and commission expense in domestic currency	2	1	6	1.730.501	1.730.501	
615 and 616	b) Fee and commission expense in foreign currency	2	1	7	69.524	69.524	
617	v) Other fee and commission expense	2	1	8	106.235	106.235	
	7. Net fee and commission income (211 to 215)	2	1	9	9.182.772	9.182.772	
	8. Net fee and commission expense (215 to 211)	2	2	0	0	0	
72	9. Gains from sale of financial assets and shares (222 to 225)	2	2	1	0	0	
720	a) Gains from sale of financial assets valued at fair value through profit or loss	2	2	2	0	0	
721	b) Gains from sale of available for sale financial assets	2	2	3	0	0	
722	v) Gains from sale of held to maturity financial assets	2	2	4	0	0	
723	g) Gains from sale of investments	2	2	5	0	0	
62	10. Losses from sale of financial assets and investments (227 to 230)	2	2	6	0	0	
620	a) Losses from sale of financial assets valued at fair value through profit or loss	2	2	7	0	0	
621	b) Losses from sale of available for sale financial assets	2	2	8	0	0	
622	v) Losses from sale of held to maturity financial assets	2	2	9	0	0	
623	g) Losses from sale of investments	2	3	0	0	0	
1	2	3			4	5	
	11. Net gains from sale of financial assets and investments (221 to 226)	2	3	1	0	0	
	12. Net losses from sale of financial assets and investments (226 to 221)	2	3	2	0	0	
	13. GAIN FROM FINANCING ACTIVITIES (201+211+221-205-215-226)	2	3	3	28.346.550	28.346.550	
	14. LOSS FROM FINANCING ACTIVITIES (205+215+226-201-211-221)	2	3	4	0	0	
74 and 76	<b>B OPERATING INCOME AND EXPENSE</b>						
	1. Operating income	2	3	5	12.906.954	12.906.954	

**ANNEX TO THE FINANCIAL STATEMENTS: FINANCIAL REPORTS IN ACCORDANCE WITH THE LAW ON ACCOUNTING AND AUDIT OF REPUBLIKA SRPSKA**
**INCOME STATEMENT (STATEMENT OF COMPREHENSIVE INCOME) FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014 (continued)**

740	a) Income from reversal of write-offs of indirect investments	2	3	6	11.544.431	11.544.431
741	b) Income from reversal of provisions for off-balance sheet items	2	3	7	1.343.018	1.343.018
742	v) Income from reversal of provisions for liabilities	2	3	8	17.070	17.070
743	g) Income from reversal of other provisions	2	3	9	0	0
760	d) Income from leasing	2	3	9	0	0
761	d) Other income from operations	2	4	0	2.435	2.435
64, 65 and 66	2. Losses from operations (242 to 255)	2	4	1	38.178.743	38.355.354
640	a) Impairment losses on loans	2	4	2	16.195.855	16.195.855
641	b) Expenses provision for off-balance	2	4	3	1.477.695	1.477.695
642	v) Expenses related to provisions for liabilities	2	4	4	8.000	8.000
643	g) Expenses for other provisions	2	4	5	163.150	339.761
650 to 653	d) Salaries and remunerations gross expense	2	4	6	7.777.740	7.777.740
654	d) Remuneration expenses for temporary and occasional jobs	2	4	7	19.433	19.433
655	e) Other personal expenses	2	4	8	915.170	915.170
660	ž) Cost of materials	2	4	9	836.699	836.699
661	z) Cost of production services	2	5	0	4.545.114	4.545.114
662	i) Amortisation costs	2	5	1	1.614.295	1.614.295
663	j) Expenses from leasing	2	5	2	0	0
664	κ) Intangible costs (without taxes and contributions)	2	5	3	3.614.677	3.614.677
665	l) Tax and contribution costs	2	5	4	570.516	570.516
666	lj) Other expenses	2	5	5	440.399	440.399
	3. GAIN FROM OPERATING ACTIVITIES (235-241)	2	5	6	0	0
	4. LOSS FROM OPERATING ACTIVITIES (241-235)	2	5	7	25.271.789	25.448.400
	V OTHER INCOME AND EXPENSES					
77	1. Other income (259 to 265)	2	5	8	432.203	432.203
770	a) Income from collection of written off receivables	2	5	9	0	0
771	b) Income from sale of fixed assets and intangible investments	2	6	0	6.211	6.211
772	v) Income from reduction of liabilities	2	6	1	313.589	313.589
776	g) Income from dividends and investments	2	6	2	13.429	13.429
777	d) Surpluses	2	6	3	978	978
778	d) Other income	2	6	4	83.899	83.899
779	e) Income from discontinued operations	2	6	5	14.097	14.097
67	2. Other expenses (267 to 273)	2	6	6	79.093	79.093
670	a) Losses from the direct receivable write-offs	2	6	7	37.419	37.419
671	b) Losses from sale of fixed assets and intangible investments	2	6	8	1.728	1.728
672	v) Losses from disposal and write-off of fixed assets and intangible assets	2	6	9	16.679	16.679
676	g) Shortages	2	7	0	2.123	2.123
677	d) Writing off inventories	2	7	1	0	0
678	d) Other expenses	2	7	2	21.144	21.144
679	e) Expense from discontinued operations	2	7	3	0	0
	3. GAIN FROM OTHER INCOME AND EXPENSES (258-266)	2	7	4	353.110	353.110
	4. LOSS FROM OTHER INCOME AND EXPENSES (266-258)	2	7	5	0	0
	G. OPERATING INCOME (233+256+274-234-257-275)	2	7	6	3.427.871	3.251.260
	D. OPERATING LOSS (234+257+275-233-256-274)	2	7	7	0	0
1	2			3	4	5
	Đ. INCOME AND EXPENSE FROM CHANGES IN VALUE OF ASSETS AND LIABILITIES (279 to 283)					
73 and 78	1. Income from changes in value of assets and liabilities (279 to 283)	2	7	8	2.768.557	2.768.557

**ANNEX TO THE FINANCIAL STATEMENTS: FINANCIAL REPORTS IN ACCORDANCE WITH THE LAW ON ACCOUNTING AND AUDIT OF REPUBLIKA SRPSKA**
**INCOME STATEMENT (STATEMENT OF COMPREHENSIVE INCOME) FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014 (continued)**

730	a) Income from changes in value of placements and receivables	2	8	9	0	0
731	b) Income from changes in value of financial assets	2	8	0	0	0
732	v) Income from changes in value of liabilities	2	8	1	0	0
733	g) Income from changes in value of fixed assets and intangible investments	2	8	2	0	0
780	d) Positive FX differences	2	8	3	2.768.557	2.768.557
63 and 68	2. Expense from changes in value of assets and liabilities (258 to 289)	2	8	4	2.681.249	2.681.249
630	a) Expense from changes in value of placements and receivables	2	8	5	0	0
631	b) Expense from changes in value of financial assets	2	8	6	0	0
632	v) Expense from changes in value of liabilities	2	8	7	0	0
633	g) Expense from changes in value of fixed assets, investment property and intangible investments	2	8	8		
680	d) Negative FX differences	2	9	9	2.681.249	2.681.249
	E. INCOME FROM CHANGES IN VALUE OF ASSETS AND LIABILITIES (278-284)	2	9	0	87.308	87.308
	Z. LOSS FROM CHANGES IN VALUE OF ASSETS AND LIABILITIES (284-278)	2	9	1	0	0
	I. INCOME AND EXPENSE BEFORE TAX					
	1. Income before tax (276+290-277-291)	2	9	2	3.515.179	3.338.568
	2. Loss before tax (277+291-276-290)	2	9	3	0	0
	J. CURRENT AND DEFERRED TAX					
850	1. Income tax	2	9	4	733.524	733.106
851	2. Income from increase of deferred tax assets and decrease of deferred tax liabilities	2	9	5	1.349	1.349
852	3. Loss from decrease of deferred tax assets and increase of deferred tax liabilities	2	9	6		
	K. NET INCOME AND EXPENSE					
83	1. Net income of the year (292+295-294-296) or (295-293-294-296)	2	9	7	2.783.004	2.606.811
84	2. Net loss for the year (293+294+296-295) or (294+296-292-295)	2	9	8	0	0
	L) OTHER INCOME AND EXPENSE FOR THE PERIOD					
	1. Gains determined directly in equity (300 to 305)	2	9	9	0	0
	a) Gains from revaluation reserve reduction of fixed assets and intangible assets	3	0	0	0	0
	b) Gains from changes in fair value of financial assets available for sale	3	0	1	0	0
	v) Gains arising from translation of financial statements in foreign operations	3	0	2		
	g) Actuarial gains on defined benefit plans	3	0	3		
	d) Effective portion of gains arising from hedging of cash flows	3	0	4		
	đ) Other gains determined directly in equity	3	0	5		
	2. Losses determined directly in equity (307 to 311)	3	0	6	0	0
	a) Losses from changes in fair value of financial assets available for sale	3	0	7	0	0
	b) Losses arising from translating financial statements in foreign operations	3	0	8		
	v) Actuarial losses on defined benefit plans	3	0	9		
	g) Effective portion of losses arising from hedging of cash flows	3	1	0		
	d) Other losses determined directly in equity	3	1	1	0	0
1	2				4	5
	LJ) NET GAINS OR NET LOSSES FROM OTHER TOTAL RESULT FOR THE PERIOD (299-306) OR (306-299)	3	1	2	0	0
	N. INCOME TAX RELATING TO OTHER TOTAL RESULT	3	1	3	0	0
	NJ) OTHER TOTAL RESULT FOR THE PERIOD (312 +-313)	3	1	4	0	0
	O. OVERALL RESULT 1. Total net income for the accounting period (297+-314)	3	1	5	2.783.004	2.606.811
	2. Total net income for the accounting period (298+-314)	3	1	6	0	0
	Share of net profit / loss attributable to majority owners	3	1	7		
	Share of net profit / loss attributable to minority owners	3	1	8		
	Earnings per share	3	1	9		89
	Diluted earning per share	3	2	0		89
	Average number of employees based on hours of work	3	2	1		300
	Average number of employees based on the balance at the end of period	3	2	2	308	308

**ANNEX TO THE FINANCIAL STATEMENTS: FINANCIAL REPORTS IN ACCORDANCE WITH THE LAW ON ACCOUNTING AND AUDIT OF REPUBLIKA SRPSKA**
**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2014**

In BAM									
TYPE OF CHANGE IN EQUITY	PART OF THE OWNERS CAPITAL COMPANY							MINORITY INTEREST	TOTAL CAPITAL
	Symbol for A O P	Share capital and shares of joint stock company	Revaluation reserve (MRS 16, MRS 21 and MRS 38)	Unrealised gain/losses from available for sale financial assets	Other reserves (insurance premium, legislative and statutory reserves, cash flow hedging)	Retained earnings / uncovered loss	TOTAL		
1	2	3	4	5	6	7	8	9	10
1. Balance as at 01.01.2013. year	901	23.728.000	1.135.687	0	18.083.009	24.801.076	67.747.772		67.747.772
2. Effect of changes in accounting policies	902		0			0	0		0
3. Effect of correction of errors	903				0		0		0
4. Restated balances as at 01.01.2013. year (901 ±902±903)	904	23.728.000	1.135.687	0	18.083.009	24.801.076	67.747.772	0	67.747.772
5. Effects of revaluation of tangible and intangible assets	905		-				0		0
6. Unrealised gains/losses from available for sale financial assets	906			0			0		0
7. FX differences arising from translation of financial statements in other currency	907						0		0
8. Net gain/loss reported in income statement	908					2.606.811	2.606.811		2.606.811
9. Net gain/loss for the period reported directly in equity	909			0	8.064.918	(8.064.918)	0		0
10. Declared dividends and other distributions of income and coverage of loss	910				(44.509)	44.509	0		0
11. Emission of equity and other increases or reductions of capital	911	15.000.000	(12.138)			12.138	15.000.000		15.000.000
12. Balance as at 31 Dec. 2013/01. January 2014 (904±905±906±907±908±909-910+ 911)	912	38.728.000	1.123.549	0	26.192.436	19.310.598	85.354.583	0	85.354.583
13. Effect of changes in accounting policies	913		0			0	0		0
14. Effect of correction of errors	914						0		0
15. Restated balances as at 01. Jan 2014 (912 ±913±914)	915	38.728.000	1.123.549	0	26.192.436	19.310.598	85.354.583	0	85.354.583
16. Effects of revaluation of tangible and intangible assets	916		-			0	0		0
17. Unrealised gains/losses from available for sale financial assets	917			0			0		0
18. FX differences arising from translation of financial statements in other currency	918						0		0
19. Net gain/loss reported in income statement	919					3.475.214	3.475.214		3.475.214
20. Net gain/loss for the period reported directly in equity	920			0	130.340	(130.340)	0		0
21. Declared dividends and other distributions of income and coverage of loss	921						0		0
22. Emission of equity and other increases or reductions of capital	922	23.470.000	(12.192)			12.192	23.470.000		23.470.000
23. Balance as at 31 Dec 2014 (915±916±917±918±919±920-921+922)	923	62.198.000	1.111.357	0	26.322.776	22.667.664	112.299.797	0	112.299.797

**ANNEX TO THE FINANCIAL STATEMENTS: FINANCIAL REPORTS IN ACCORDANCE WITH THE LAW ON ACCOUNTING AND AUDIT OF REPUBLIKA SRPSKA**
**CASH FLOW STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014**

- in BAM'000 -				
No	POSITION	Sym bol	Amount	
			Current year	Previous year
1	2	3	4	5
<b>1</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	(+)	301	
1.1	Interest, fee and provision income from loans and leasing	(+)	301	
			48.558	39.729
1.2	Interest payment	(-)	302	
			(12.345)	10.576
1.3	Collection of loans that were previously written off (principal and interest)	(+)	303	
			-	-
1.4	Cash payments to employees and suppliers	(-)	304	
			(30.346)	21.697
1.5	Payments arising from off - balance sheet contracts	(-)	305	
			-	-
1.6	Receipts and payments from / for extraordinary items	(+)(-)	306	
			141	429
	(Increase) decrease in operating assets		307	
1.7	Cash loans and loans to customers and charging them	(+)(-)	308	
			(116.325)	(80.815)
1.8	Deposit accounts with state institutions - regulation and monetary requirements	(+)(-)	309	
			(14.554)	(8.128)
1.9	Deposits from customers	(+)(-)	310	
			230.476	60.119
1.10	Income tax paid	(-)	311	
			(763)	802
<b>A</b>	<b>Net cash assets from operating activities</b>	(+)(-)	312	
			<b>104.843</b>	<b>(21.749)</b>
<b>2</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	(+)(-)	313	
2.1	Short term placements to Financial institutions	(+)(-)	313	
			-	-
2.2	Interest received	(+)	314	
			-	-
2.3	Dividend received	(+)	315	
			-	-
2.4	Investments in securities held to maturity	(-)	316	
			-	-
2.5	Recoverable due securities held to maturity	(+)	317	
			-	-
2.6	Purchase (sale) of intangible assets	(+)(-)	318	
			(2.068)	(2.289)
2.7	Purchase (sale) of tangible assets	(+)(-)	319	
			(3.374)	(3.401)
2.8	Acquisition (Sales) of participation in subsidiaries	(+)(-)	320	
			-	-
2.9	Acquisition (Sales) of participation in other related companies	(+)(-)	321	
			-	-
2.10	Loans (loan repayment) to subsidiaries	(+)(-)	322	
			-	-
2.11	Loans (loan repayment) to other affiliated companies	(+)(-)	323	
			-	-
2.12	Purchase (sale) of other investments	(+)(-)	324	
			22	21
2.13	Payments related to off - balance sheet contracts	(-)	325	
			-	-
2.14	Receipts and payments related to extraordinary items	(+)(-)	326	
			-	-
<b>B</b>	<b>Net cash assets from investing activities</b>	(+)(-)	327	
			<b>(5.420)</b>	<b>(5.669)</b>
<b>3</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	(+)	328	
3.1	Proceeds from issue of shares	(+)	328	
			23.470	15.000
3.2	Repurchase of shares	(-)	329	
			-	-
3.3	Purchase of own shares	(-)	330	
			-	-
3.4	Interest paid on borrowings	(-)	331	
			-	-
3.5	Borrowings	(+)	332	
			-	-
3.6	Returning of borrowings	(-)	333	
			13.002	711
3.7	Dividend payment	(-)	334	
			-	-
3.8	Payment related to the off - balance sheet contracts	(-)	335	
			-	-
3.9	Receipts and payments related to the off - balance sheet contracts	(+)(-)	336	
			-	-
<b>V</b>	<b>Net cash assets from financing activities</b>	(+)(-)	337	
			<b>36.472</b>	<b>14.289</b>
<b>4</b>	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS <sup>**</sup>(A+B+V)</b>	(+)(-)	338	
			<b>135.895</b>	<b>(13.129)</b>
<b>5</b>	<b>CS AND CE AT THE BEGINNING OF THE PERIOD</b>	(+)(-)	339	
			36.983	50.808
<b>6</b>	<b>EFFECTS OF THE CHANGES OF EXCHANGE RATES CS AND CE</b>	(+)(-)	340	
			(229)	(696)
<b>7</b>	<b>CS AND CE AT THE END OF THE PERIOD (4+5+6)</b>	(+)(-)	341	
			<b>172.649</b>	<b>36.983</b>

**ANNEX TO THE FINANCIAL STATEMENTS: FINANCIAL REPORTS IN ACCORDANCE WITH THE LAW ON ACCOUNTING AND AUDIT OF REPUBLIKA SRPSKA**
**OFF BALANCE SHEET ITEMS AT 31 DECEMBER 2014**

					( In BAM'000)
No	POSITION	Symbol	Current year	Previous year	
1	2	3	4	5	
1.	Irrevocable commitments to grant loans	401	79.720	22.947	
1.1.	The original obligation to grant loans		0	0	
1.2.	Current unused amount of approved loans		79.720	22.947	
2.	Purchased receivables from loans given	402	0	0	
3.	Loans secured by a collateral	403	628.980	512.041	
3.1.	Loans secured by special deposit		4.546	5.363	
3.2.	Loans secured by real estate		269.621	241.010	
3.3.	Loans secured by other collaterals		354.813	265.668	
4.	Treasury Securities	404	0	0	
4.1.	Securities held for the account of reporting bank		0	0	
4.2.	Securities held for the account of others		0	0	
5.	Values in treasury	405	0	0	
5.1.	Values in treasury as collateral		0	0	
5.2.	Other values in treasury		0	0	
6.	Foreign cheques sent to the billing	406	19	1	
7.	Irrevocable documents, Letters of credit issued for payments abroad	407	210	386	
8.	Other letters of credit issued for payments abroad	408	0	0	
9.	Guarantees issued	409	72.981	64.423	
9.1.	Payable guarantees issued		21.096	19.426	
9.2.	Issued performance guarantees		51.885	44.997	
9.3.	Other types of guarantees				
10.	Issued promissory notes and given avals	410	64	64	
10.1.	Promissory notes issued		64	64	
10.2.	Given avals		0	0	
11.	Financial activities related to billing process	411	0	0	
11.1.	Billing of financial instruments		0	0	
11.2.	Other current billing activities		0	0	
12.	Current contracts for transactions with foreign currencies	412	0	0	
12.1.	Prompt sale of foreign currency		0	0	
12.2.	Prompt buying of foreign currencies		0	0	
12.3.	Forward sale of foreign currency		0	0	
12.4.	Forward purchase of foreign currency		0	0	
13.	Other off - balance sheet exposure items of bank	413	33.175	36.118	
	<b>TOTAL ( 1 to 13 )</b>	<b>414</b>	<b>815.149</b>	<b>635.980</b>	