**MF BANKA A.D., BANJA LUKA**

**Financial Statements**
**For the Year Ended December 31, 2010**
**and Independent Auditors' Report**

*Translation of the auditors' report issued in the Serbian language*

**CONTENTS**

***This is an English Translation of Independent Auditors' Report and Financial Statements Issued in the Serbian language***

## INDEPENDENT AUDITORS' REPORT

**To the Supervisory Board and Shareholders of MF banka a.d., Banja Luka**

We have audited the accompanying financial statements (page 2 to 31) of MF banka a.d., Banja Luka (hereinafter the "Bank"), which comprise the balance sheet as of December 31, 2010 and the related income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations of the Republic of Srpska and the regulations of the Republic of Srpska Banking Agency governing financial reporting of banks, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and the Law on Accounting and Auditing of the Republic of Srpska. 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 Bank's preparation 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 of MF banka a.d., Banja Luka for the year ended December 31, 2010 have been prepared, in all material respects, in accordance with the accounting regulations of the Republic of Srpska and the regulations of the Republic of Srpska Banking Agency governing financial reporting of banks.

Banja Luka, March 24, 2011

Žarko Mionić
Certified Auditor

**INCOME STATEMENT**
**Year Ended December 31, 2010**
**(Thousands of BAM)**

| | Note | Year Ended December 31, 2010 | Year Ended December 31, 2009 |
|---|---|---|---|
| Interest income | 3.1,6 | 479 | 866 |
| Interest expense | 3.1,7 | (185) | (352) |
| **Net interest income** | | 294 | 514 |
| Fee and commission income | 3.1,8 | 323 | 132 |
| Fee and commission expense | 3.1,9 | (30) | (28) |
| **Net fee and commission income** | | 293 | 104 |
| Other operating income | 10 | 546 | 22 |
| Other operating expenses | 11 | (2,550) | (2,365) |
| Foreign exchange losses, net | 3.2 | 109 | (3) |
| Provisions for potential losses, net | 3.5,13 | 2,157 | (2,591) |
| **Profit/(Loss) from operations before tax** | | 849 | (4,319) |
| Income taxes | 3.7 | - | - |
| **Net profit/(loss) for the year** | | 849 | (4,319) |
| **Other comprehensive income** | | - | - |
| **Comprehensive income for the period** | | 849 | (4,319) |
| **Earnings per share:** | | | |
| - Basic and diluted earnings /(loss) per share (in BAM) | 22 | 4.12 | (21.60) |

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

These financial statements were adopted by the Bank's management on March 24, 2011 and will be proposed to the Supervisory Board of the Bank for the adoption.

Signed on behalf of MF banka a.d., Banja Luka by:

Saša Popović
Director

Enisa Bosnić
Head of Accounting, Finance
and Reporting Department

**BALANCE SHEET**
**As of December 31, 2010**
**(Thousands of BAM)**

| | Note | December 31, 2010 | December 31, 2009 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with the Central Bank | 14 | 17,939 | 7,874 |
| Due from other banks | 15 | 610 | 9,186 |
| Loans to customers | 16 | 12,917 | 4,275 |
| Equipment and intangible assets | 17 | 627 | 817 |
| Accrued interest and other assets | 18 | 93 | 58 |
| **Total assets** | | 32,186 | 22,210 |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| Bank deposits | | - | 3,500 |
| Due to customers | 19 | 11,482 | 5,089 |
| Other liabilities | 20 | 292 | 70 |
| Provisions for potential losses | | 27 | 15 |
| Total liabilities | | 11,801 | 8,674 |
| **Equity** | 21 | | |
| Share capital | | 26,000 | 20,000 |
| Special reserve for credit losses | 2.2,21,13b | 62 | 62 |
| Accumulated losses | | (5,677) | (6,526) |
| **Total equity** | | 20,385 | 13,536 |
| **Total liabilities and equity** | | 32,186 | 22,210 |
| **Contingent liabilities and commitments** | 23 | 499 | 537 |

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

**STATEMENT OF CHANGES IN EQUITY**
**For the Year Ended December 31, 2010**
**(Thousands of BAM)**

| | Share Capital | Accumulated Losses | Special Reserves for Potential Losses | Total |
|---|---|---|---|---|
| Balance, January 1, 2009 | 20,000 | (2,207) | - | 17,793 |
| Loss for the year | - | (4,319) | - | (4,319) |
| Balance, December 31, 2009 | 20,000 | (6,526) | - | 13,474 |
| Opening balance adjustment made based on revisions in the BARS regulations (Note 2.2. and 13b) | - | - | 62 | 62 |
| Restated balance, January 1, 2010 | 20,000 | (6,526) | 62 | 13,536 |
| Increase in share capital through cash contribution (Note 21) | 6,000 | - | - | 6,000 |
| Profit for the year | - | 849 | - | 849 |
| Balance, December 31, 2010 | 26,000 | (5,677) | 62 | 20,385 |

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

**CASH FLOW STATEMENT**
**Year Ended December 31, 2010**
**(Thousands of BAM)**

| | Year Ended December 31, 2010 | Year Ended December 31, 2009 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Interest receipts | 467 | 748 |
| Interest paid | (154) | (387) |
| Fee and commission receipts | 300 | 135 |
| Fee and commission paid | (7) | (28) |
| Inflows from the collection of receivables previously written off | 3,457 | 10 |
| Payments to employees and suppliers | (2,120) | (2,194) |
| *Operating profit/(loss) prior to changes in operating assets and liabilities* | 1,943 | (1,716) |
| **Changes in operating assets and liabilities** | | |
| Net (increase)/decrease in loans to customers | (10,772) | 504 |
| Net increase in other assets | - | (1) |
| Net (decrease)/increase on bank deposits | (3,500) | 3,500 |
| Net increase/(decrease) in amounts due to customers | 7,760 | (8,755) |
| Net decrease in other liabilities | - | (97) |
| *Net cash used in operating activities* | (4,569) | (6,565) |
| **Cash flows from investing activities** | | |
| Increase in share capital | 6,000 | - |
| Purchase of intangible assets | (30) | - |
| Purchase of equipment | (21) | (442) |
| *Net cash provided by/(used in) investing activities* | 5,949 | (442) |
| **Net increase/(decrease) in cash and cash equivalents** | 1,380 | (7,007) |
| **Foreign exchange gains/(losses)** | 109 | - |
| **Cash and cash equivalents, beginning of year** | 17,060 | 24,067 |
| **Cash and cash equivalents, end of year** | 18,549 | 17,060 |
| **Cash and cash equivalents comprise the following positions:** | | |
| - Cash and balances with the Central Bank | 17,939 | 7,874 |
| - Due from other banks | 610 | 9,186 |
| | 18,549 | 17,060 |

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

**NOTES TO THE FINANCIAL STATEMENTS**
**December 31, 2010**

## 1. BANK'S ESTABLISHMENT AND OPERATING POLICY

MF Banka a.d., Banja Luka (hereinafter the "Bank") was established on June 12, 2007 and named IEFK Banka a.d., Banja Luka.

In the process of the Bank's registration, all requirements defined by the regulatory authorities with respect to the principal banking activities were fulfilled. In accordance with its Decision numbered 03-231-11/2007 of May 11, 2007, the Republic of Srpska Banking Agency (the "BARS" or "Agency") issued an operating license to the Bank, and pursuant to Decision numbered 03-657-4/2007 of July 12, 2007, the Agency issued to the Bank a license to conduct international payment transactions.

At the Shareholder Assembly held on April 6, 2010, the previous owners of the Bank enacted a Decision to sell 100% of the Bank's equity (Note 21), whereafter an Agreement on the Purchase and Sale of Capital was signed on July 8, 2010 based on which the Bank's major shareholder became MKD Mikrofin d.o.o., Banja Luka, and as of that date this entity also assumed the management and control over the Bank.

Based on the decision enacted by the new owner of the Bank and the decision of the competent court in Banja Luka as of November 26, 2010, the Bank changed its name into MF Banka a.d., Banja Luka.

In the Republic of Srpska, the Bank is licensed to perform a broad range of banking activities that include payment transfers, credit and deposit operations in the country and abroad, and as in accordance with the Republic of Srpska banking legislation, the Bank is to operate based upon the principles of liquidity, solvency and profitability.

The Bank is headquartered in Banja Luka, at number 22 Vase Pelagića Street. At December 22, 2010, the Bank had a central office in Banja Luka and a branch office in Laktaši.

As of December 31, 2010, the Bank had 36 employees (December 31, 2009: 29 employees).

## 2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

### 2.1. Basis of Preparation and Presentation of Financial Statements

The Bank's financial statements were prepared in accordance with the accounting regulations of the Republic of Srpska, the Law on Banks of the Republic of Srpska, as well as Decisions issued by the Republic of Srpska Banking Agency (the "BARS") regulating the financial reporting of banks throughout the Republic's territory.

The financial statements are presented in thousands of Convertible Marks ("BAM"). The Convertible Mark is the functional and reporting currency in the Republic of Srpska and in Bosnia and Herzegovina.

In the preparation of its cash flow statement for the business year 2010, the Bank used a direct cash flow reporting method.

The financial statements of the Bank are prepared in accordance with the accounting and tax policies of the Republic of Srpska disclosed in Note 3 to the financial statements, based on the accounting and tax regulations of the Republic of Srpska.

*Regulations, Standards and Interpretations in Effect in the Period*

The accompanying financial statements have been prepared by applying International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) which were in effect at December 31, 2009 and in accordance with accounting regulations of the Republic of Srpska based on these standards. Namely, in accordance with the provisions of the Law on Accounting and Auditing of the Republic of Srpska, currently in force, (Official Gazette of RS numbered 36/09), all legal entities situated on the territory of the Republic of Srpska are under an obligation to fully apply International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA), as well as the Code of Ethics for Professional Accountants and the pronouncements, interpretations and guidelines of the International Accounting Standards Board (IASB) and all pronouncements, interpretations and guidelines of the International Federation of Accountants (IFAC) to its financial statements prepared for the periods commencing on or after January 1, 2010.

## 2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

### 2.1. Basis of Preparation and Presentation of Financial Statements (Continued)

*Regulations, Standards and Interpretations in Effect in the Period (Continued)*

In addition, on July 15, 2010, the Management Board of the Association of Accountants and Auditors of the Republic of Srpska ("AAARS") enacted the "Decision on the Commencement of the Mandatory Application of IAS/IFRS Issues (published until January 1, 2009)" based on the "Decision on the Authorizations for Translation and Issuance" of the concerned Accounting and Auditing Commission of Bosnia and Herzegovina dated March 10, 2006 (Official Gazette of RS number 81/06), granting such authorizations to the AAARS. The aforementioned issue of IAS/IFRS was approved by the International Accounting Standards Committee Foundation as the official translation into the Serbian language for Bosnia and Herzegovina (Republic of Srpska), Serbia and Montenegro.

Pursuant to the aforementioned Decision, IAS/IFRS published until January 1, 2009 are mandatorily applied to the financial statements prepared and presented in the Republic of Srpska for the accounting periods commencing on or after January 1, 2010.

Until the issuance date of the accompanying financial statements, the officially translated and published IAS/IFRS in the Republic of Srpska are the standards (issued by the International Accounting Standards Board) which applied at December 31, 2009, listed below:

IFRS 1 - First-time Adoption of International Financial Reporting Standards;
IFRS 2 - Share-based Payment;
IFRS 3 - Business Combination;
IFRS 4 - Insurance Contracts;
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;
IFRS 6 - Exploration for and Evaluation of Mineral Resources;
IFRS 7 - Financial Instruments: Disclosures;
IFRS 8 - Operating Segments;
IAS 1 - Presentation of Financial Statements;
IAS 2 - Inventories;
IAS 7 - Cash Flow Statements;
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors;
IAS 10 - Events after the Balance Sheet Date;
IAS 11 - Construction Contracts;
IAS 12 - Income Taxes;
IAS 16 - Property, Plant and Equipment;
IAS 17 - Leases;
IAS 18 - Revenue;
IAS 19 - Employee Benefits;
IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance;
IAS 21 - The Effects of Changes in Foreign Exchange Rates;
IAS 23 - Borrowing Costs;
IAS 24 - Related Party Disclosures;
IAS 26 - Accounting and Reporting by Retirement Benefit Plans;
IAS 27 - Consolidated and Separate Financial Statements;
IAS 28 - Investments in Associates;
IAS 29 - Financial Reporting in Hyperinflationary Economies;
IAS 31 - Interests in Joint Ventures;
IAS 32 - Financial Instruments: Presentation;
IAS 33 - Earnings Per Share;
IAS 34 - Interim Financial Reporting;
IAS 36 - Impairment of Assets;
IAS 37 - Provisions, Contingent Liabilities and Contingent Assets;
IAS 38 - Intangible Assets;
IAS 39 - Financial Instruments: Recognition and Measurement;
IAS 40 - Investment Property; and
IAS 41 - Agriculture.

## 2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

### 2.1. Basis of Preparation and Presentation of Financial Statements (Continued)

*Regulations, Standards and Interpretations Issued and Published, but not Yet in Effect in the Republic of Srpska*

The revisions of the standards and interpretations in effect, issued after January 1, 2009, have not been published and officially adopted in the Republic of Srpska, and were therefore not applied in the preparation of the accompanying financial statements.

In addition, the accounting regulations of the Republic of Srpska depart from the IAS and IFRS requirements in the following materially significant aspects of financial reporting:

- During 2009, the Bank calculated an allowance for impairment of financial instruments in accordance with the relevant regulations of the Banking Agency of the Republic of Srpska (Note 2.2. and 13b). The aforementioned accounting policy applied in measuring financial instruments in 2009 caused significant differences compared to allowances for impairment and provisions for potentially uncollectible financial instruments measured by discounting future cash flows applying the original effective interest rate in the moment of their inception, as required under IAS 39 “Financial Instruments: Recognition and Measurement.” In 2010, the Bank reconciled the values of its financial instruments as of December 31, 2009 where the effects of these adjustments were credited/charged to equity (within the line item of “Outstanding reserves for credit losses,” Notes 13a and 21), as in accordance with Decision on Amendments and Supplements to the Decision on Minimum Standards for Credit Risk Management and Asset Classification in Banks (RS Official Gazette number 136/10), as well as the Guidance on the Changes to the Manner of Establishing, Recording and Reporting Forms for Loan Loss Reserves, issued by the concerned regulator (BARS), according to which the comparative information adjustments arising thereof should be credited/charged to equity (outstanding reserves) at the beginning of 2010, and not as a restatement of comparative data of the period when the change occurred. The aforementioned accounting policy departs from the requirements of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors,” setting forth that effects of changes in accounting policies be recognized in the period in which the change occurred. The Bank did not make such adjustments of its comparative data in the prior period income statement.

- Based on legal requirements, loan origination fees are presented within the line item of “Fee and commission income” and not as a part of the accrual of effective interest rate, as required in IAS 18 “Revenues” and IAS 39 “Financial Instruments: Recognition and Measurement.”

Due to the potentially significant effects which the aforementioned explanations may have on the fairness and objectiveness of the Bank’s financial statements, as well as the fact that in the period from January 1, 2009 until the preparation of the accompanying financial statements, new and updated standards and interpretations came into force, the Bank’s financial statements prepared as of and for the year ended December 31, 2010 cannot be treated as financial statements prepared in accordance with International Accounting Standards, i.e. International Financial Reporting Standards.

The Bank’s management analyzes changes in standards and interpretations in effect, as well as the newly adopted standards and interpretations issued after January 1, 2009, and once the standards and interpretations relevant for the Bank have been determined, the Bank’s management intends to apply them in the preparation of financial statements as soon as they are officially published and adopted in the Republic of Srpska.

## 2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

### 2.1. Basis of Preparation and Presentation of Financial Statements (Continued)

*Regulations, Standards and Interpretations in Effect in the Current Period*

Taking into account the provisions comprised in the new and amended standards and interpretations relating to the date of their coming into effect and provisions with regards to the presentation of comparative data, following their adoption and application by the Bank, it may be necessary to make certain changes of data presented in the accompanying financial statements for the year 2010 which will be used as comparative data in the Bank's financial statements for the year 2011.

### 2.2. Change in Regulations of the Republic of Srpska Banking Agency and Reclassification of Certain Balance Sheet Positions in the Prior Reporting Period

In 2010, the Republic of Srpska Banking Agency enacted the Decision on Amendments and Supplements to the Decision on Minimum Standards for Credit Risk Management and Asset Classification in Banks (RS Official Gazette number 136/10), as well as the Guidance on the Changes to the Manner of Establishing, Recording and Reporting Forms for Loan Loss Reserves. The aforementioned Decision and Guidance regulate the following:

- From January 1, 2010, the Bank has applied the methodology for measuring the allowance for impairment of loans and other and other financial assets as in accordance with IAS and IFRS which mainly differs from the previously applied methodology in respect to collection of collaterals which the Bank holds against loans approved;
- Items of the Bank's assets being classified and those not being classified;
- The manner of recording the transition to the new Chart of Accounts in application from January 1, 2010 for receivables classified into E category; the manner of classifying interest on substandard assets; the manner of recording general and special reserves according to the regulatory requirements and requirements defined in IAS and IFRS; and
- The treatment of outstanding reserves arisen in the transition from an earlier manner of calculating general and special reserves as per the regulatory requirement onto the methodology for measuring impairment of loans and other financial assets pursuant to IAS and IFRS, starting from January 1, 2010.

Based on the forgoing Decision and Guidance, starting from January 1, 2010, the Bank has applied the methodology for measuring the impairment of loans and of other financial assets in accordance with IAS and IFRS. Also, the Bank reclassified balance sheet positions of general and special reserves presented within equity (Note 13b) onto corresponding balance sheet line items of assets. In addition, the Bank recorded the net effect from the change in accounting estimates of provisions formed in accordance with IAS and IFRS credited to "outstanding reserves for credit losses" (Note 21).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1. Income and Expense Recognition

Interest income and expense and other operating income and expenses are accounted for on an accrual basis. Fee and commission receivables, except for loan origination fees, are recognized in full when earned.

Loan origination fees are deferred and amortized over the loan repayment period, which, in the opinion of the Bank's management, approximates the effective interest method. Based on the statutory regulations, loan origination fees are presented as part of income from fees and commissions and not as integral part of the effective interest rate as required by IAS 18 "Revenue" and IAS 39 "Financial Instruments: Recognition and Measurement".

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into BAM at the Bank's exchange rates prevailing at the date of each transaction. Assets and liabilities denominated in foreign currencies are translated into BAM at the balance sheet date by applying the official rates of exchange in effect on that date. Contingent liabilities denominated in foreign currencies are translated into BAM at the official exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses arising upon translation are credited or charged to the income statement.

### 3.3. Equipment and Intangible Assets

Items of equipment and intangible assets are recorded at cost and net of any accumulated depreciation and amortization, and any impairment losses. Cost represents the prices billed by suppliers together with all costs incurred in bringing the asset to the location and condition necessary for its intended use.

Depreciation and amortization are calculated on a straight-line basis at the following prescribed, annual minimum rates in order to write off the assets over their estimated useful lives:

| | Depreciation and Amortization Rate | Useful Life (Years) |
|---|---|---|
| Computer equipment | 25% | 4 |
| Passenger vehicles | 15.5% | 6.5 |
| Telephone exchange | 7%-10% | 10 – 14.3 |
| Furniture | 10%-12.5% | 8 - 10 |
| Intangible assets | 20% | 5 |

The Bank's management believes that the amortization and depreciation rates that have been applied fairly reflect the future consumption of economic benefits from fixed and intangible assets.

The depreciation and amortization of assets commences when the assets are available for use and placed on the location and in condition necessary for it to operate in a manner intended by the Bank's management.

If the cost of equipment is less than BAM 200, it treated as tools or fixtures and is fully written-off once placed into use.

### 3.4. Loans

Loans originated by the Bank are stated in the balance sheet at the amount of principal outstanding, less allowance for impairment, which is based on the assessment of specifically-identified exposures and losses that are inherent in the Bank's loan portfolio. The Bank's management applies the methodology that is entirely based on IAS 39 "Financial Instruments: Recognition and Measurement" in its risk assessment, as disclosed in this Note 3.5.

For the purpose of determining amortized cost, i.e. fair value of loans in accordance with IAS/IFRS, the Bank uses contractually agreed effective interest rate that adjusts the net present values of future cash flows to the nominal value of the loan approved, net of principal repaid.

Loans are contractually agreed with a variable interest rate according to the Bank's business policy. The Bank receives as collaterals payment orders, guarantees, bills of exchange, mortgages on property and pledges on movables and the like.

### 3.5. Allowances for Impairment and Provisions for Contingent Liabilities

During 2010, at each month end, the Bank provides for potential losses contingent on defaults, by applying the following methodologies:

1) the methodology for the calculation of provisions prescribed by the BARS, used exclusively for reporting to the regulator (BARS), and
2) methodology for the calculation of the aforementioned provisions based on IAS 39 "Financial Instruments: Recognition and Measurement," used for all other internal and external reporting purposes in the Bank.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.5. Allowances for Impairment and Provisions for Contingent Liabilities (Continued)

According to IAS 39 “Financial Instruments: Recognition and Measurement,” the Bank reviews the credit portfolio in order to determine allowance for impairment and provisions on a monthly basis. In determining whether the impairment losses on placements should be recognized in the income statement, the Bank assesses whether there is information / evidence indicating the existence of a measurable decrease in the estimated future cash flows of a portfolio basis, before such losses can be identified at the level of individual placements.

Information that may indicate the losses on placements include customer credit rating, irregularity and defaults in settling liabilities, market and economic conditions on a local level conditioning defaults in settling liabilities and the like. Management’s assessments regarding the impairment in financial placements included in the Bank’s portfolio by way of assessing future cash flows are based on actual losses from the past, incurred on financial assets with similar causes of impairment.

The procedure used to assess impairment is based on the internal classification for all receivables, except for those due from retail customers in the amount that is below BAM 5, i.e. for those due from corporate customers that are below BAM 100. In the classification, the Bank treats all entities within the group of related parties as belonging to the least favorable classification category.

The procedure of impairment assessment is performed individually for each loan that meets the criteria defined in the Rules on Internal Classification, and on portfolio basis for all other loans, i.e. for all other loans that do not meet these conditions.

The Bank calculates impairment for all customers that are over 90 days in default with payments. The Bank recognizes impairment losses up to the amount of recoverable value of loans/placements measured at amortized cost.

Impairment loss is the difference between its present value (amortized cost) and its recoverable value. The recoverable value is the present value of expected cash inflows from assets, increased by the expected future inflows from collaterals, net of present value of collection charges.

Impairment losses are charged to the income statement. The amounts of impairment losses on loans/ placements are reflected on the allowance account.

Where an impairment loss subsequently reverses due to events that emerged after its recognition, the reversal is credited to income statement, but the amount of reversal may not exceed the amount of amortized value that would have been determined had no impairment loss been previously recognized.

### 3.6. Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents refer to cash and balances with the Central Bank and balances on foreign currency accounts with domestic and foreign banks and other deposits with up to 3-month maturities from the placement date.

### 3.7. Taxes and Contributions

*Current Income Taxes*

Current income tax is an amount computed and paid in accordance with the Income Tax Law. Current income tax is the amount calculated by applying the 10 percent rate to the base reported in the tax balance being the amount of profit before taxation after allowing for the effects of income and expense reconciliation as provided by the Republic of Srpska tax rules.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7. Taxes and Contributions (Continued)

*Current Income Taxes (Continued)*

Such adjustments mostly relate to the following: adding back certain disallowed expenses, adding back the expenses for provisions for potential losses in excess of 20% of the adjusted tax base.

The tax regulations effective in the Republic of Srpska do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, any current year tax losses stated in the tax balance, as a negative difference between income and expenses, may be used to reduce or eliminate taxes to be paid in future periods, but only for a duration of no longer than five ensuing years.

*Deferred Income Taxes*

Deferred income tax is determined using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities components, and their carrying values in the consolidated financial statements. The currently-enacted tax rates at the balance sheet date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, and the tax effects of income tax losses and credits available for carry forward, to the extent that it is probable that future taxable profit will be available against which deferred tax assets may be utilized.

*Indirect Taxes and Contributions*

Indirect taxes and contributions include employer contributions, property taxes, and various other taxes and contributions, included under other operating expenses.

### 3.6. Employee Benefits

In accordance with regulatory requirements, the Bank is obligated to pay contributions to government social security funds and pension funds that are calculated by applying specific, legally prescribed percentages. These obligations involve the payment of taxes and contributions on behalf of employees, by the employer, in an amount calculated in accordance with the statutory regulations. The Bank is also legally obligated to withhold contributions from gross salaries to employees, and on behalf of its employees, to transfer the withheld portions directly to the applicable government funds. These taxes and contributions payable on behalf of the employees and employer are charged as expenses in the period in which they arise.

In accordance with the requirements of IAS 19 “Employee Benefits,” the Bank performs the actuarial valuation of provisions so as to determine the present value of accumulated employee retirement benefits. Upon retirement, the Bank’s employees become entitled to retirement benefits in an amount equaling three monthly salaries earned by the vesting employee, which may not be below the three monthly salaries earned in the Bank.

In the calculation of the present value of accumulated employee entitlements to retirement benefits and jubilee awards, a certified actuary used the following assumptions: a discount rate of 4% annually, projected salary increase of 5% per annum, years of service necessary for retirement – 40 years for men and 35 years for women, projected employee turnover based on data on historical employee turnover in the prior period, officially published mortality rates in the surroundings in the prior period, as well as other terms necessary to exercise rights to a retirement benefit and a jubilee award.
In the opinion of the Bank, the amounts included in the financial statements represent the most valid and useful reporting values under the present market conditions.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES

The presentation of the financial statements requires the Bank's management to make best estimates and reasonable assumptions that influence the assets and liabilities amounts, as well as the disclosure of contingent liabilities and receivables as of the date of preparation of the financial statements, and the income and expenses arising during the accounting period. These estimations and assumptions are based on information available to the management, as of the date of preparation of the financial statements. However, actual future amounts may depart from the estimates.

Estimates and assumptions are subject to constant review. Changes to accounting estimates are recognized in the period when they are made if their impact is limited to that period or in the future periods in cases where the change impacts future periods as well.

Basic assumptions relating to the future events and other significant sources of uncertainties in rendering an estimate as of the statement of financial position date, which bears the risk that may lead to significant restatement of the net book value of assets and liabilities in the ensuing financial year, were as follows:

*Estimated Useful Life o Equipment and Intangible Assets*

The estimate of useful life of equipment and intangible assets is founded on the historical experience with similar assets, as well as foreseen technical advancement and changes in economic and industrial factors. The adequacy of the estimated remaining useful life of fixed assets is analyzed annually, or in cases where there are indications of significant changes in certain assumptions.

*Impairment of Assets*

At each balance sheet date, the Bank's management reviews the carrying amounts of the Bank's assets for the indications of impairment loss. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount.

*Allowance for Impairment of Receivables*

Allowance for impairment for bad and doubtful debts is calculated based on estimated losses resulting from the inability of customers to make required payments. The Bank calculates the impairment of its receivables in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" and IAS 37 "Provisions, Contingent Assets and Contingent Liabilities" as well as regulations of the Republic of Srpska Banking Agency. The management assesses that allowance for impairment of receivables in addition to the amount already recognized in the financial statements is not necessary.

*Fair Value*

It is the policy of the Bank to disclose the fair values of those asset and liability components for which published market information is readily available, and for which their fair value is materially different from the recorded amounts. In the Republic of Srpska, there is insufficient market experience, stability and liquidity for the purchase and sale of financial assets or liabilities for which quoted prices on an active market are not presently, readily available. Hence, fair value cannot be reliably determined. The Bank's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision. As per the Bank's management, amounts expressed in the financial statements reflect the fair value which is most reliable and useful for the needs of the financial reporting.

## 5. FINANCIAL INSTRUMENTS

### 5.1. Financial Risk Management

The Bank is exposed to various types of financial risks based on its activities which include, but are not limited to, analyzing, assessing, assuming a certain level of risk or combination of risks, as well as managing these. Assumption of risks is inherent in financial business, while operational risks accompany any business. The Bank aims to strike a balance between risks assumed and return on its investments, and to reduce to the minimum potential adverse effects of these risks on the Bank's financial result.

The Bank's risk management policies are used to identify and analyze these risks, to establish adequate limitations and controls, to review risks and to act with the limitations set by the reliable and updated information systems. The Bank regularly reexamines its risk management policies and systems, making sure that these respond to the changes on the market, changes of products and new best practices.

The organizational structure of risk management in the Bank clearly defines responsibilities, effective duty segregation and prevents conflicts of interest on all levels with the Board of Directors, as well as in connection with customers and other related parties.

The most significant risks to which the Bank is exposed are credit risk, market risk, liquidity risk and operational risk.

### 5.2. Credit Risk

The Bank takes credit risk which relates to potential negative effects on the financial result of the Bank contingent on the failure of debtors to meet their liabilities towards the Bank. Credit risk is the most significant risk for the Bank's business operations, and the Bank manages its risk exposure aware its importance. The credit risk exposure occurs primarily based on crediting activities i.e. in loan origination activity. Credit risk is also present in off-balance sheet instruments such as guarantees and undrawn credit facilities.

Credit risk represents the risk of negative effects on the Bank's financial result and capital as a result of the customer's inability to settle its matured liabilities to the Bank. Credit risk entails:

- Default risk - the risk of loss that may arise if a debtor fails to settle liabilities toward the Bank;
- Downgrade risk - the risk of loss that may arise if a risk level of a debtor is downgraded (deterioration of in the customer credit rating) on the line items of assets that are recorded in the credit portfolio;
- Risk of change in the value of assets - the risk of loss that may arise on items of assets that are recorded in the credit portfolio in the event of a decline in their market value compared to the price at which assets were acquired;
- Counterparty risks - risks that can arise from the Bank's exposure toward a single individual, a group of related parties or to entities that are related with the Bank. .

Credit risk management, classification of the Bank's assets, credit risk concentration, as well as documents substantiating credit activities are in accordance with the minimum standards prescribed by the Republic of Srpska Banking Agency.

#### 5.2.1. Credit Risk Management

The Bank assesses the risk from potential losses arising as a consequence of a decline in a customer's crediting rating. Credit risk relates to the probability that debtors will not be able to fulfill their obligations on time from their own primary resources or with no less than 90 days in arrears. The amount of losses due to the failure to settle cash liabilities is reflected in the Bank's balance sheet through the allowance account.

The Bank manages, limits and controls credit risk exposure to a single counterparty or a group of related counterparties. The allowance for impairment of balance sheet assets and provisions for losses on off-balance sheet items is calculated for losses that occurred as of the balance sheet date, and when there is objective evidence of uncollectability.

## 5. FINANCIAL INSTRUMENTS (Continued)

### 5.2. Credit Risk (Continued)

#### 5.2.1. Credit Risk Management (Continued)

For the purpose of a better credit risk management and control, the Bank established adequate and prudent limits in respect to the Bank's capital:

- The Bank's exposure to credit risk through individual counterparties or a group of related parties which is not covered by a collateral, cannot exceed 5% of the Bank's share capital;
- The Bank's exposure to credit risk through individual counterparties or a group of related parties which exceeds 5% of the Bank's share capital must be collateralized;
- The sum of the Bank's large exposures (the Bank's large exposure = each total credit risk exposure of the Bank to individual counterparties or a group of related parties that exceeds 15% of the Bank's share capital) must not be exceed 300% of the amount of the Bank's share capital; and
- The sum of the Bank's large exposures taking form of guarantees issued must not exceed 200% of the amount of the Bank's share capital.

#### 5.2.2. Risk Concentration per Customer Types

As at December 31, 2010, the major exposure to an individual customer, without taking into account collaterals, totaled BAM 2,377 thousand, which accounts for 12.42% of total credit risk (December 31, 2009: BAM 1,956 thousand).

#### 5.2.3. Credit Risk Concentration per Geographical Areas

During 2010, the Bank's credit portfolio was focused to the Republic of Srpska area i.e. the City of Banja Luka, while in 2009, credit risk concentration was notable on the Cyprus territory.

#### 5.2.4. Credit Risk Concentration per Industry Sectors

The Bank has diversified portfolio which encompasses various industries:

**Thousands of BAM**

| | **December 31, 2010** | **In %** | **December 31, 2009** | **In %** |
|---|---|---|---|---|
| Civil engineering | 700 | 5% | 195 | 4% |
| Trade | 4,125 | 31% | 3,343 | 61% |
| Services, tourism, accommodation industry | 350 | 3% | 116 | 2% |
| Agriculture | 391 | 3% | 457 | 8% |
| Mining and industry | 803 | 6% | 703 | 13% |
| Transport, storage, post, telephone and telegraph services and telecommunications | 2,511 | 19% | - | -% |
| Real estate trade | 26 | -% | - | -% |
| Administration, other public services | 3,678 | 28% | - | -% |
| Other (retail) | 723 | 5% | 655 | 12% |
| **Total** | 13,307 | 100% | 5,469 | 100% |

## 5. FINANCIAL INSTRUMENTS (Continued)

### 5.2. Credit Risk (Continued)

#### 5.2.5. Credit Risk Concentration per Types of Loans

The Bank regularly monitors and diversifies placed loans according to their purpose.

**Thousands of BAM**

| | December 31, 2010 | In % | December 31, 2009 | In % |
|---|---|---|---|---|
| Loans on transaction accounts | 178 | 2% | 141 | 3% |
| Consumer loans | 557 | 4% | 568 | 10% |
| Working capital loans | 8,621 | 66% | 4,418 | 81% |
| Investment loans | 3,894 | 28% | 271 | 5% |
| Housing loans | 57 | -% | 71 | 1% |
| Total | 13,307 | 100% | 5,469 | 100% |

#### 5.2.6. Loan and Off-Balance Sheet Item Quality According to BARS Categories

Pursuant to the BARS Decision, the Bank classifies loans to customers according to the number of days they are in default.

**Thousands of BAM**

| | Category | | | | | | |
|---|---|---|---|---|---|---|---|
| **December 31, 2010** | **A0** | **A** | **B** | **C** | **D** | **E** | **Total** |
| Loans to customers | | | | | | | |
| - short-term | 50 | 2,649 | 147 | - | - | - | 2,846 |
| - long-term | 4 | 9,480 | 198 | 418 | 43 | - | 10,143 |
| - matured | - | 1 | 65 | 40 | 13 | 199 | 318 |
| Total loans | 54 | 12,130 | 410 | 458 | 56 | 199 | 13,307 |
| Off-balance sheet | - | 499 | - | - | - | - | 499 |
| Total | 54 | 12,629 | 410 | 458 | 56 | 199 | 13,806 |

#### 5.2.7. Stress Test

In the course of credit risk assessment, the Bank applied the worst possible scenario of events for its portfolio. The Bank performed the stress test under the following assumptions: 30% BAM devaluation, 40% collateral devaluation, and increase in allowance for impairment for customers with registered defaults in settling their matured liabilities.

**Thousands of BAM**

| Portfolio as at December 31, 2010 | Total Exposure | Total Exposure Net of Deposits | Discounted Collateral Value | Allowance for Impairme-nt | Amount of Reserves Outsta-nding | Total Deterio-ration |
|---|---|---|---|---|---|---|
| Before the test | 13,307 | 13,221 | 4,176 | 445 | 284 | 729 |
| After the test | 17,263 | 17,205 | 2,506 | 781 | 224 | 1,005 |
| Difference | 3,956 | 3,984 | (1,670) | 336 | (60) | 276 |

## 5. FINANCIAL INSTRUMENTS (Continued)

### 5.4. Market Risk

The Bank assumes market risks which represent the risk that the fair value or future cash flows from financial instruments may oscillate due to changes in market values. Market risks occur in open positions exposed to risk based on maturities, interest rates, currencies and capital products exposed to general and special movements and changes related to the degree of market rate and price volatility (such as interest rates, credit margins, foreign exchange rates and prices of capital).

### 5.3.1. Foreign Exchange Risk

Foreign exchange risk represents the probability of adverse effects on the Bank's financial result and equity arising from volaitility in exchange rates.

The strategy of the Bank, applied in foreign exchange risk management, is based on the maintenance of foreign currency position within the limits prescribed by the Law on Banks of the Republic of Srpska and Decision on the Minimum Standards for Currency Risk Management in Banks (Official Gazette of RS 12/03) as follows:

- In case of open positions, it is necessary to maintain each foreign currency position within limits prescribed,
- Defining foreign currency activities.

For the needs of controlling and identifying foreign currency exposure, the Bank monitors the balance and structure of foreign currency cash in the treasury, foreign currency assets and structure per currencies on the accounts with foreign banks, ensures the matching between the foreign currency position denominated in unstable currencies and monitors foreign currency matching between financial assets and financial liabilities.

The breakdown of foreign currency positions as of December 31, 2010, net:

**Thousands of BAM**

| | EUR | USD | CHF | GBP | Other | Total |
|---|---|---|---|---|---|---|
| **Financial Assets in the Balance Sheet** | | | | | | |
| Cash and balances with depositary institutions | 810 | 191 | 24 | 1 | 7 | 1,033 |
| Other financial assets | 3 | - | - | - | - | 3 |
| Currency clause indexed loans | 7,774 | - | - | - | - | 7,774 |
| | 8,587 | 191 | 24 | 1 | 7 | 8,810 |
| **Financial liabilities in the Balance Sheet** | | | | | | |
| Deposits and matured but outstanding off-balance sheet liabilities | 3,812 | 101 | - | - | - | 3,913 |
| Other financial liabilities | 37 | 2 | - | - | 12 | 51 |
| Currency clause indexed liabilities | 2,000 | - | - | - | - | 2,000 |
| | 5,849 | 103 | - | - | 12 | 5,964 |
| **LONG POSITION** | 2,738 | 88 | 24 | 1 | - | 2,846 |
| Expressed in % | 14% | - | - | - | - | - |
| **SHORT POSITION** | - | - | - | - | - | - |
| Expressed in % | - | - | - | - | - | - |
| **Allowed overnight position** | | | | | | |
| Below the limit in % | 16% | 20% | 20% | 20% | 20% | 15% |

### 5.3.2. Interest Rate Risk

The Bank is exposed to multiple risks, which influence its financial position and cash flows through the effects of changes in the amount of interest rate fluctuations on the market. Interest rate risk is the risk from adverse effect on the Bank's financial result and equity contingent on the changes in interest rates.

The basic target of interest rate risk management is to minimize adverse effects of changes in interest rates. Interest rates applied to loans depend on the movements in interest rates on the money market and on the Bank's business policy.

## 5. FINANCIAL INSTRUMENTS (Continued)

### 5.4. Market Risk (Continued)

#### 5.3.2. Interest Rate (Continued)

The table below shows the review of the annual interest rates applied to most significant financial instruments:

| | FX | BAM |
|---|---|---|
| **Assets** | | |
| Obligatory reserve with the Central Bank | - | 0.50% |
| Assets in excess of obligatory reserves | - | 0.20 – 0.65% |
| Foreign currency accounts with foreign banks | 0.10 - 0.69% | - |
| Short-term loans to customers: | | |
| - legal entities | - | 7 -18 % |
| - retail entities | - | 8 -16 % |
| Long-term loans to customers: | | |
| - legal entities | - | 7 – 14% |
| - retail entities | - | 8 – 14% |
| **Liabilities** | | |
| Demand deposits of corporate customers | 0.10% | 0.10% |
| Demand deposits of retail customers | 0.10% | 0.10% |
| Short-term deposits: | | |
| - state institutions | 0.30 – 3.90% | 0.50 – 3.90% |
| - legal entities | 0.30 – 3.90% | 0.50 – 3.90% |
| - retail entities | 0.30 – 3.90% | 0.50 – 3.90% |
| Long-term deposits: | | |
| - state institutions | 1.24 – 2.50% | - |
| - legal entities | 2.90 – 4.50% | 3.30 – 4.50% |
| - retail entities | 2.90 – 4.60% | 3.30 – 4.50% |

The Bank is exposed to various risks which, through the effects of changes in the amounts of market interest rates, influence its financial position and cash flows. The table below shows the review of interest-bearing and non-interest bearing assets and liabilities as of December 31, 2010:

| | | | Thousands of BAM December 31, 2010 |
|---|---|---|---|
| **Monetary assets** | **Interest-Bearing** | **Non-Interest Bearing** | **Total** |
| Cash and balances with the Central Bank | 17,669 | 880 | 18,549 |
| Receivables arising from interest, fee and commission, trade and other receivables | 77 | 38 | 115 |
| Loans and deposits to customers | 13,307 | - | 13,307 |
| | 31,053 | 918 | 31,971 |
| **Monetary liabilities** | | | |
| Transaction deposits | 11,482 | - | 11,482 |
| Other liabilities | 200 | 92 | 292 |
| Provisions for potential losses | - | 439 | 439 |
| | 11,682 | 531 | 12,213 |

### 5.4. Liquidity Risk

Liquidity risk is the risk which emerges when the Bank is unable to settle all liabilities when due and in full. The basic objective of liquidity management is to ensure that the Bank has resources obtainable at reasonable costs necessary to discharge all liabilities for expected and unexpected fluctuations in the balance sheet

Additionally, the process of liquidity management in the Bank needs to ensure liquid resources sufficient to finance the development of its credit portfolio.

## 5. FINANCIAL INSTRUMENTS (Continued)

### 5.4. Liquidity Risk (Continued)

The strategy of liquidity risk management in the Bank is implemented by establishing control over maturity matching between assets and sources of assets, based on actual and accurate projections of cash inflows and outflows, regular and extraordinary, over different time periods.

The strategy of liquidity risk management encompasses:

- Strivings to keep within the line items of assets, liquid forms of assets easily exchanged on the market for cash at no loss in case of a liquidity crisis (the Bank's aim is to maintain sufficient available resources to discharge its contingent liabilities at any time);
- Diversification of investments per separate customers, per industries and per placement maturities.

The strategy of liability management in respect to liquidity comprises the following:

- Strivings to ensure deposit stability with increasing participation of long-term deposits,
- Maximum diversification of resources according to their maturity, stability, origin, market and instruments,
- Particular attention is paid to large deposits,
- Undertaking arrangements with domestic and foreign banks on mutual extension of Interbanking liquidity loans which makes it possible to invest liquidity surpluses at an adequate interest rate, i.e. in case of insufficient liquidity funds, these resources are available to the Bank at favorable terms.

Primary sources of funds are local deposits acquired by the Bank by applying adequate interest rate policy.

The adoption, comprehensiveness and implementation of the Liquidity Risk Management Program is the responsibility of Bank's Supervisory Board and its management.

Everyday monitoring of daily liquidity in the Bank is the responsibility of the Treasury and Payment Operations Department and the head of the Retail Sector; short-term liquidity is the responsibility of the Liquidity Commission; and long-term liquidity is the responsibility of the ALCO (the Asset and Liability Management Committee).

Responsible persons monitor the liquidity position and composition of asset and liability maturities and:

- perform operational management of liquid assets on daily basis,
- compare the positions with projected position so as to determine trends in the liquidity positions and undertake adjustment measures so the liquidity position and maturity gaps would be in compliance with the law and the limits set by the Bank's Supervisory Board.

## 5. FINANCIAL INSTRUMENTS (Continued)

### 5.4. Liquidity Risk (Continued)

The table below shows a GAP analysis of assets and liabilities according to respective maturity based on the outstanding period before the agreed due date by matching receivables and payables per maturity periods.

Thousands of BAM

| December 31, 2010 | Within a Month | From 1 to 3 Months | From 3 to 12 Months | Over 1 Year | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and balances with the Central Bank | 17,939 | - | - | - | 17,939 |
| Due from other banks | 610 | - | - | - | 610 |
| Loans to customers | 943 | 941 | 5,645 | 5,388 | 12,917 |
| Accrued interest and other assets | 86 | 3 | 4 | - | 93 |
| **Total assets** | 19,578 | 944 | 5,649 | 5,388 | 31,559 |
| **LIABILITIES** | | | | | |
| Deposits | 7,193 | 17 | 3,748 | 524 | 11,482 |
| Other liabilities and provisions for potential losses | 178 | 6 | 47 | 78 | 309 |
| **Total liabilities** | 7,371 | 23 | 3,795 | 602 | 11,791 |
| **Liquidity gap** | 12,207 | 921 | 1,854 | 4,786 | 19,768 |
| **As of December 31, 2009** | | | | | |
| Total assets | 21,976 | 302 | 767 | 919 | 23,964 |
| Total liabilities | 4,772 | 543 | 125 | 5,867 | 11,307 |
| **Liquidity gap** | 17,204 | (241) | 642 | (4,948) | 12,657 |

Thousands of BAM

| December 31, 2010 | 1 – 30 Days | 1 – 90 Days | 1 - 180 Days |
|---|---|---|---|
| Cash balances and deposits with depository institutions | 18,549 | 18,549 | 18,549 |
| Loans, long-term receivables and lease receivables | 943 | 1,884 | 3,244 |
| Other financial assets | 86 | 89 | 91 |
| **Total financial assets** | 19,578 | 20,522 | 21,884 |
| Deposits and matured and outstanding off-balance sheet liabilities | 7,193 | 7,210 | 7,241 |
| Other financial liabilities | 178 | 184 | 212 |
| **Total financial liabilities** | 7,371 | 7,394 | 7,453 |
| Difference | 12,207 | 13,128 | 14,431 |
| **Calculation of liability prescribed in %** | | | |
| **Assets / Liabilities** | 266 | 278 | 294 |
| Prescribed minimum | 85 | 80 | 75 |
| Over the prescribed minimum | 181 | 198 | 219 |

## 6. INTEREST INCOME

| | Thousands of BAM Year Ended December 31, 2010 | 2009 |
|---|---|---|
| Interest charged to: | | |
| - retail customers | 225 | 39 |
| - corporate customers | 179 | 252 |
| - Central Bank | 52 | 58 |
| - other banks | 23 | 9 |
| - related banks | - | 18 |
| - foreign entities | - | 490 |
| | 479 | 866 |

## 7. INTEREST EXPENSE

| | Thousands of BAM Year Ended December 31, 2010 | 2009 |
|---|---|---|
| Interest charged by: | | |
| - public sector | 115 | 300 |
| - retail customers | 30 | 25 |
| - banks | 26 | 13 |
| - corporate customers | 14 | 14 |
| | 185 | 352 |

## 8. FEE AND COMMISSION INCOME

| | Thousands of BAM Year Ended December 31, 2010 | 2009 |
|---|---|---|
| Sale and purchase of currencies | 18 | 11 |
| Fee and commission income arising from domestic payment transactions | 230 | 60 |
| Fees from issued guarantees and other contingent liabilities | 13 | 26 |
| Loan origination fees | 62 | 35 |
| | 323 | 132 |

## 9. FEE AND COMMISSION EXPENSE

| | Thousands of BAM Year Ended December 31, 2010 | 2009 |
|---|---|---|
| Fee and commission expenses from currency conversions | 2 | - |
| Fee and commission payable to the Central Bank for domestic payment transfers | 26 | 19 |
| Fee and commission expense arising from international payment transactions | 1 | 7 |
| Other fees and commissions | 1 | 2 |
| | 30 | 28 |

**NOTES TO THE FINANCIAL STATEMENTS**
**December 31, 2010**

## 10. OTHER OPERATING INCOME

| | Thousands of BAM Year Ended December 31, 2010 | 2009 |
|---|---|---|
| Collected suspended interest previously written-off | 535 | 10 |
| Other income | 11 | 12 |
| | 546 | 22 |

## 11. OTHER OPERATING EXPENSES

| | Thousands of BAM Year Ended December 31, 2010 | 2009 |
|---|---|---|
| Gross salaries and benefits | 1,147 | 1,096 |
| Other payables to employees | 63 | 56 |
| Professional trainings and education of employees | 2 | 14 |
| Materials and services | 66 | 68 |
| Business trip expenses incurred in the country and abroad | 12 | 32 |
| Telecommunications | 73 | 72 |
| Equipment maintenance | 170 | 68 |
| Donations and sponsorships | - | 23 |
| Marketing and advertizing | 6 | 22 |
| Rental of premises (Note 12) | 348 | 420 |
| Membership fees | 40 | 45 |
| Entertainment | 11 | 18 |
| Security | 94 | 80 |
| Depreciation and amortization | 204 | 192 |
| Indirect taxes and contributions | 8 | 7 |
| Fees and commissions pain to the Banking Agency of the Republic of Srpska | 60 | 48 |
| Write-off of uncollectible receivables | 55 | 3 |
| Fees for engaging third parties | 41 | 1 |
| Other | 150 | 100 |
| | 2,550 | 2,365 |

## 12. OPERATING LEASE EXPENSES (RENTALS) AND SECURITY

| | Thousands of BAM Year Ended December 31, 2010 | 2009 |
|---|---|---|
| Head Office | 310 | 345 |
| Laktaši Branch Office | 25 | 25 |
| Belgrade Branch | 13 | 50 |
| | 348 | 420 |

In April, the Bank decided to close down the branch in Belgrade. Accordingly, the amount of lease expenses incurred in 2010 is significantly lower than the amount incurred in the prior year. Also, in October, the Bank signed a new lease agreement with the new owner of the Bank - MKD “Mikrofin” a.d., Banja Luka, and terminated the previous lease agreement pertinent to the lease of premises occupied by the Bank’s Head Office in Banja Luka. The terms under which the Bank rents the aforementioned premises from the new owner, comply with current market conditions.

## 12. OPERATING LEASE EXPENSES (RENTALS) AND SECURITY (Continued)

The Bank's property is guarded by a firm specialized in security business. Security expenses in 2010 and in 2009 were as follows:

**Thousands of BAM**

| | Year Ended December 31, 2010 | 2009 |
|---|---|---|
| Head Office | 78 | 64 |
| Laktaši Branch Office | 16 | 16 |
| | 94 | 80 |

## 13. PROVISIONS FOR POTENTIAL LOSSES

### a) Charge/(Credit) for the Year, Net

**Thousands of BAM**

| | Year Ended December 31, 2010 | 2009 |
|---|---|---|
| Due from other banks | (1,367) | 1,216 |
| Loans to customers | (804) | 1,361 |
| Interest receivables and other assets | 12 | 9 |
| Employee benefits | 2 | - |
| Contingent liabilities and commitments | - | 5 |
| | (2,157) | 2,591 |

### b) Movements for the Year in the Long-Term Provisions for Potential Losses and Commitments

**Thousands of BAM**
**December 31, 2010 and 2009**

| | Due from Other Banks | Loans to Customers | Interest and Other Assets | Employee Benefits | Contingent Liabilities and Commitme-nts | Total |
|---|---|---|---|---|---|---|
| Balance, January 1, 2009 | 151 | 120 | 2 | 15 | 5 | 293 |
| Charge for the year | 1,368 | 1,873 | 228 | - | 12 | 3,481 |
| Reversal of provisions | (152) | (512) | (219) | - | (7) | (890) |
| Charge for the year, net | 1,216 | 1,361 | 9 | - | 5 | 2,591 |
| Write-off | - | (226) | - | - | - | (226) |
| Other | - | (10) | - | - | - | (10) |
| Balance, December 31, 2009 | 1,367 | 1,245 | 11 | 15 | 10 | 2,648 |
| Effects of opening balance adjustments based on the newly-adopted BARS regulations (Note 2.2.) | - | (51) | (11) | - | - | (62) |
| Collected prior year suspended interest | - | - | 10 | - | - | 10 |
| Restated balance, January 1, 2010 | 1,367 | 1,194 | 10 | 15 | 10 | 2,596 |
| Charge for the year | 34 | 1,526 | 21 | 2 | 10 | 1,593 |
| Reversal of provisions | (1,401) | (2,330) | (9) | - | (10) | (3,750) |
| | (1,367) | (804) | 12 | 2 | - | (2,157) |
| Balance, December 31, 2010 | - | 390 | 22 | 17 | 10 | 439 |

## 13. PROVISIONS FOR POTENTIAL LOSSES (Continued)

**b) Movements for the Year in the Long-Term Provisions for Potential Losses and Commitments (Continued)**

Income from the reversal of provisions, earned in 2010 in the amount of BAM 3,750 thousand, mostly, in the amount of BAM 2,617 thousand, relate to collected receivables arising in connection with three loans extended in the earlier years to enterprises headquartered in Cyprus, as well as to the recovery of frozen cash funds and time deposits with two banks in Russia (Bank Petrovski, Sankt Peterburg and Petro Aero Bank, Sankt Peterburg), for which the Bank formed adequate provisions for potential losses in previous accounting periods. The collection of three foreign loans and recovery of frozen cash funds from foreign banks comprised a special requirement stipulated in the Agreement on the Sale of the Bank's Shares dated July 8, 2010, signed between the East-European Financial Corporation, Sankt Petersburg and Micro Credit Organization Mikrofin d.o.o., Banja Luka (Notes 1 and 21).

## 14. CASH AND BALANCES WITH THE CENTRAL BANK

| | Thousands of BAM | |
|---|---|---|
| | **December 31, 2010** | **December 31, 2009** |
| Cash on hand: | | |
| - in BAM | 458 | 164 |
| - in foreign currencies | 422 | 424 |
| Gyro account with Komercijalna banka a.d., Banja Luka in BAM | - | 10 |
| Balances with the Central Bank in BAM: | | |
| - Obligatory reserve | 1,570 | 539 |
| - Gyro account | 15,489 | 6,737 |
| | 17,939 | 7,874 |

Pursuant to the decision of the Central Bank of Bosnia and Herzegovina regarding reserve requirements, the Bank has to calculate and maintain an obligatory reserve of the average balance of the Bank's total deposits (which serve as a basis for computing the obligatory reserve) according to the average balance found at the end of work days of ten calendar days preceding the projection. The obligatory reserve is calculated as the sum of 14% of the total deposits maturing within a year and 7% with over one year maturities.

This reserve is available for liquidity purposes. The Central Bank of BiH accrues and pays interest at the rate from 0.20% - 0.65% to the amount of obligatory reserve, while the amount of resources exceeding the calculated obligatory reserve accrues interest at the rate determined as the average of interest rates realized over the same period by the Central Bank on the market based on its up-to-one month deposits.

## 15. DUE FROM OTHER BANKS

| | | Thousands of BAM | |
|---|---|---|---|
| | **Interest Rates** | **December 31, 2010** | **December 31, 2009** |
| Foreign currency accounts with: | | | |
| - Related banks | 0% | - | 2 |
| - Foreign banks | 0.01%-4.3% | 610 | 6,059 |
| Short-term deposits with related banks | 2.19%-7.2% | - | 992 |
| Short-term loans in domestic banks in local currency | 1% | - | 3,500 |
| | | 610 | 10,553 |
| *Less*: Allowance for impairment of cash funds | | - | (1,367) |
| | | 610 | 9,186 |

## 16. LOANS TO CUSTOMERS

| | Thousands of BAM December 31, 2010 | Thousands of BAM December 31, 2009 |
|---|---|---|
| Short-term loans: | | |
| - in BAM | 2,848 | 1,059 |
| - in foreign currency | - | 2,934 |
| Long-term loans in BAM | 10,143 | 920 |
| Current portion of long-term loans in BAM | 316 | 556 |
| | 13,307 | 5,469 |
| *Less*: Allowance for impairment of loans to customers | (390) | (1,194) |
| | 12,917 | 4,275 |

The major portion of short-term loans in BAM was placed with domestic entrepreneurs and retail customers at an annual interest rate ranging from 7% to 16% per annum. The majority of these loans are collateralized by mortgages assigned over property, pledges over movables or cash deposits.

Long-term loans in BAM were placed with enterprises, Municipalities and retail customers for a period from one to three years at an annual interest rate ranging from 7% to 14% annually. The aforementioned loans were collateralized by mortgages assigned over property or pledges over movables.

The geographical concentration of loans approved to customers as included in the Bank's loan portfolio mostly comprises customers headquartered in the Republic of Srpska.

## 17. EQUIPMENT AND INTANGIBLE ASSETS

| | Thousands of BAM December 31, 2010 and 2009 | | |
|---|---|---|---|
| | Equipment | Intangible Assets | Total |
| **Cost** | | | |
| Balance, January 1, 2009 | 610 | 56 | 666 |
| Additions | 8 | 437 | 445 |
| Balance, December 31, 2009 | 618 | 493 | 1,111 |
| Additions | 24 | 45 | 69 |
| Disposal | (81) | (9) | (90) |
| Balance, December 31, 2010 | 561 | 529 | 1,090 |
| **Accumulated Depreciation and Amortization** | | | |
| Balance, January 1, 2009 | 97 | 5 | 102 |
| Charge for the year | 101 | 91 | 192 |
| Balance, December 31, 2009 | 198 | 96 | 294 |
| Disposal | (30) | (5) | (35) |
| Charge for the year | 101 | 103 | 204 |
| Balance, December 31, 2010 | 269 | 194 | 463 |
| **Net book value:** | | | |
| December 31, 2010 | 292 | 335 | 627 |
| December 31, 2009 | 420 | 397 | 817 |

As of December 31, 2010, equipment was insured against general risks the Bank had no encumbrances or pledges against its equipment.

## 18. ACCRUED INTEREST AND OTHER ASSETS

| | Thousands of BAM December 31, 2010 | December 31, 2009 |
|---|---|---|
| In BAM: | | |
| - matured interest receivables | 27 | 8 |
| - fee and commission receivables | 4 | 2 |
| - advances paid | 11 | 32 |
| - other receivables | 12 | 2 |
| - inventories of material | 2 | - |
| - deferred receivables for accrued interest | 50 | 8 |
| - other expense deferral | 7 | 8 |
| In foreign currency: | | |
| - deferred interest for interest accrued | - | 8 |
| - other foreign currency receivables | 2 | - |
| | 115 | 68 |
| *Less*: Allowance for impairment of accrued interest and other assets | (22) | (10) |
| | 93 | 58 |

## 19. AMOUNTS OWED TO CUSTOMERS

| | Thousands of BAM December 31, 2010 | December 31, 2009 |
|---|---|---|
| Demand deposits in BAM: | | |
| - corporate customers | 925 | 885 |
| - non-banking financial institutions | 1,777 | - |
| - foreign entities | - | 3 |
| - retail customers | 212 | 152 |
| - non-profit organizations | 1,148 | - |
| - other customers | 7 | 5 |
| | 4,069 | 1,045 |
| Demand deposits in foreign currencies: | | |
| - corporate customers | 41 | 1 |
| - non-banking financial institutions | 4 | - |
| - foreign entities | - | 29 |
| - retail customers | 40 | 61 |
| | 85 | 91 |
| Short-term deposits in BAM: | | |
| - corporate customers | - | 500 |
| - state institutions | 2,000 | - |
| - retail customers | 1 | 33 |
| | 2,001 | 533 |
| Short-term deposits in foreign currencies: | | |
| - retail customers | 52 | 106 |
| | 52 | 106 |
| Long-term deposits in BAM: | | |
| - insurance companies | 1,400 | - |
| - corporate customers | 70 | - |
| - retail customers | 30 | 26 |
| | 1,500 | 26 |
| Long-term deposits in foreign currencies: | | |
| - state institutions | 3,000 | 3,000 |
| - retail customers | 775 | 288 |
| | 3,775 | 3,288 |
| **Total:** | 11,482 | 5,089 |

## 19. AMOUNTS OWED TO CUSTOMERS (Continued)

Demand deposits of retail customers and corporate entities in BAM and in EUR were calculated by the Bank at the 0.10% rate annually.

Short-term BAM deposits were placed at an interest rate ranging from 0.50% to 3.90% annually, while short-term deposits in EUR were placed at an interest rate ranging from 0.50% to 3.90% annually.

Long-term deposits in foreign currency were placed at an interest rate ranging from 1.24% to 4.50% annually while long-term deposits in BAM placed at an interest rate ranging from 3.30% to 4.50% annually.

## 20. OTHER LIABILITIES

| | Thousands of BAM | |
|---|---|---|
| | December 31, 2010 | December 31, 2009 |
| In BAM: | | |
| - matured interest payables | 11 | 2 |
| - deferred payables for accrued interest | 2 | 1 |
| - accounts payable | 111 | 27 |
| - advances received | 26 | 6 |
| - other liabilities | 6 | 2 |
| - deferred income | 90 | 22 |
| In foreign currency: | | |
| - Matured interest payables | 19 | - |
| - deferred payables for accrued interest | 27 | 10 |
| | 292 | 70 |

## 21. CAPITAL

***Share Capital***

Share capital of the Bank was formed from the initial investments of shareholders and the subsequent share subscriptions paid in cash. The Bank's share capital as of December 31, 2010 totaled BAM 26,000 and was comprised of 260,000 shares with a par value of BAM 100 per share.

In 2010, the Bank changed the ownership structure through the Share Sale and Purchase Agreement signed between the open shareholding company East-European Financial Corporation, Sankt Petersburg and Micro Credit Organization Mikrofin d.o.o., Banja Luka signed on July 8, 2010.

Following a successful III share issue of 60,000 A class shares with a par individual value equaling BAM 100 (or BAM 6,000 thousand in the aggregate value), the Bank registered the increase in share capital with the competent court on November 26, 2010.

The ownership structure of the Bank's share capital according to the excerpt provided by the Central Registry of Securities of the Republic of Srpska as of December 31, 2010 was the following:

| | Number of Shares | Thousands of BAM | % |
|---|---|---|---|
| MKD Mikrofin d.o.o., Banja Luka | 258,000 | 25,800 | 99.23 |
| DUIF Mikrofin invest d.o.o., Banja Luka | 2,000 | 200 | 0.77 |
| | 260,000 | 26,000 | 100.00 |

## 21. CAPITAL (Continued)

***Share Capital (Continued)***

The Bank's share capital ownership structure as of December 31, 2010 and 2009 was as follows:

| | Number of Shares | Thousands of BAM | % |
|---|---|---|---|
| East-European Financial Corporation, Sankt Petersburg, Russian Federation | 198,000 | 19,800 | 99.00 |
| Giteljson Aleksandar Vladimirovič | 2,000 | 200 | 1.00 |
| | 200,000 | 20,000 | 100.00 |

***Special Reserves for Loan Losses***

Outstanding reserves for loan losses of BAM 62 thousand are the reserves formed based on the Decision on Amendments and Supplements to the Decision on Minimum Standards for Credit Risk Management and Asset Classification in Banks (RS Official Gazette number 136/10), by the Republic of Srpska Banking Agency based on the difference in measuring the Bank's credit portfolio as of December 31, 2009 according to the regulatory requirements and the methodology based on the application of IAS 39 "Financial Instruments: Recognition and Measurement."

As in accordance with the aforementioned BARS Decision, the Bank cannot allocate profit to other purposes or pay dividends, awards or bonuses to the members of the Bank's bodies, or make any other disbursements from profit until outstanding reserves for credit losses legally required are covered.

## 22. EARNINGS PER SHARE

| | Year Ended December 31, 2010 | 2009 |
|---|---|---|
| Net earnings/(loss) for the year (in thousands of BAM) | 849 | (4,319) |
| Weighted average number of shares issued | 205,918 | 200,000 |
| Basic and diluted earnings/(loss) per share (u KM) | 4.12 | (21.60) |

As disclosed in Note 21, in 2010, the Bank's share capital increased through a new share issue aggregating to BAM 6,000 thousand and accordingly, the weighted average number of the Bank's shares was calculated.

## 23. CONTINGENT LIABILITIES AND COMMITMENTS

**a) Payment guarantees, performance bonds and other irrevocable commitments**

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Payment guarantees | 439 | 507 |
| Performance bonds | 60 | 30 |
| | 499 | 537 |

## 23. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

**a) Payment guarantees, performance bonds and other irrevocable commitments (Continued)**

As of December 31, 2010, provisions for potential losses based on off-balance sheet items totaled BAM 10 thousand (December 31, 2009: BAM 10 thousand, Note 13b).

**b) Litigation**

As of December 31, 2010, the Bank was involved in 6 litigations filed against entities in attempts to collecting matured receivables. Total value of these litigations aggregated to BAM 309 thousand. As of December 31, 2010, there were no lawsuits filed against the Bank.

## 24. RELATED PARTY TRANSACTIONS

| | | Thousands of BAM |
|---|---|---|
| | December 31, 2010 | December 31, 2009 |
| **Assets:** | | |
| Funds held on the account with: | | |
| - Bank Petrovski, Sankt Petersburg, Russian Federation | - | - |
| - Petro Aero Bank, Sankt Petersburg, Russian Federation | - | 994 |
| | - | 994 |
| Interest receivables for assets held with | | |
| -Petro Aero Bank Sankt Petersburg, Russian Federation | - | 8 |
| Receivables from loans to the Bank's management and employees | 15 | 85 |
| **Total prepaid insurance expenses:** | | |
| - Mikrofin osiguranje a.d., Banja Luka | 5 | 93 |
| **Assets, total** | 20 | 1,087 |
| **Liabilities:** | | |
| Transaction accounts of the Bank's management | 103 | 6 |
| | 103 | 6 |
| Accounts payable: | | |
| - MF Software d.o.o., Banja Luka | 65 | - |
| | 65 | - |
| Interest payables: | | |
| - Mikrofin osiguranje a.d., Banja Luka | 5 | - |
| | 5 | - |
| Balance of deposits placed by related parties: | | |
| - MKD Mikrofin d.o.o., Banja Luka | 1,639 | - |
| - DUIF Mirofin invest a.d., Banja Luka in the name and for the account of IF Mikrofin plus a.d. Banja Luka | 82 | - |
| - MF Software d.o.o., Banja Luka | 40 | - |
| - Mikrofin osiguranje a.d., Banja Luka | 1,458 | - |
| - Citizen Association Mikrofin | 1,148 | - |
| - Profi nova a.d., Bijeljina | 26 | - |
| | 4,393 | - |
| **Liabilities, total** | 4,566 | - |
| **(Liabilities)/assets, net** | (4,546) | 1,081 |

## 24. RELATED PARTY TRANSACTIONS (Continued)

| | Thousands of BAM Year Ended December 31, 2010 | 2009 |
|---|---|---|
| **Income** | | |
| Interest income from related banks: | | |
| - Petro Aero Bank Sankt Petersburg, Russian Federation | - | 18 |
| | - | 18 |
| Interest income from related parties: | | |
| - MKD Mikrofin d.o.o., Banja Luka | 8 | - |
| | 8 | - |
| Fee and commission income from related parties: | | |
| - MKD Mikrofin d.o.o., Banja Luka | 129 | - |
| - MF SOFTWARE d.o.o., Banja Luka | 1 | - |
| | 130 | - |
| Interest charged to the members of the Bank's Supervisory Board and management | - | 6 |
| **Income, total** | 138 | 24 |
| **Expenses** | | |
| Insurance expenses - Mikrofin osiguranje a.d., Banja Luka | (5) | - |
| Interest expenses – related parties: | | |
| -MKD Mikrofin d.o.o., Banja Luka | (3) | - |
| -Mikrofin osiguranje a.d., Banja Luka | (8) | - |
| -Citizen Association Mikrofin | (1) | - |
| | (17) | - |
| Remunerations to the members of the Supervisory Board and Bank's management | (85) | (261) |
| **Expenses, total** | (102) | - |
| **Income/(expenses), net** | 36 | (237) |

## 25. TAXATION RISKS

The Republic of Srpska and Bosnia and Herzegovina currently have several tax laws in effect, as imposed by various governmental agencies. The applicable taxes include: a turnover tax, corporate tax, and payroll (social) taxes, among others. Following their introduction, the regulations governing these taxes were not enforced for substantial periods of time; in contrast to similar legislation in more developed market economies. Moreover, the regulations defining the implementation of these laws are often unclear or non-existent. Hence, few precedents with regard to tax issues have been established in the Republic of Srpska. Often, contrary opinions pertaining to legal interpretations exist both among, and within, governmental ministries and organizations, thusly creating uncertainties and areas of legal contention. Tax returns, together with other legal compliance matters (e.g., customs and currency control matters) are subject to the review and investigation by a number of authorities that are legally enabled to impose extremely severe fines, penalties and interest charges.

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 Authority of the Republic of 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. The afore-described situation creates tax risks in the Republic of Srpska and Bosnia and Herzegovina that are substantially more significant than those typically existing in countries with more developed tax systems.

## 26. CURRENT ECONOMIC SITUATION AND ITS IMPACT ON THE BANK'S OPERATIONS

As expected, during 2010, the Bank's operations were under the impact of the global economic and financial crisis. However, in the course of 2010, when the negative effects of the global economic crisis permeated the domestic economy, the Bank did not face any significant liquidity problems.

So far, the ongoing financial crisis has had a limited impact on the financial position and performance of the Bank, mainly due to the internal risk management policies and regulatory restrictions. The Bank has adopted new policies on credit approvals, collateral acceptance and evaluation policies and the treasury operations. The Bank monitors closely the credit, liquidity, interest rate and foreign exchange risks on a regular basis. The management expects that the planned share issue will further improve capital adequacy. It is expected that liquidity will remain at the satisfactory level.

The deteriorating economic situation in the country will probably impact the position of certain industries and the abilities of some clients to meet their loan obligations. This may consequently influence the amount of the Bank's provisions for impairment losses in 2011 and other areas that require estimates to be made by management, including the valuation of collateral and of securities. The 2010 financial statements contain significant estimates with respect to impairment charges, collateral valuation and the fair value of securities. Actual results may differ from these estimates. The key priorities of the Bank in 2011 will be attention to the management of the financial portfolio adjusting to the changing economic environment.

## 27. EXCHANGE RATES

The official exchange rates for major currencies used in the translation of balance sheet components denominated in foreign currencies into BAM as of December 31, 2010 and 2009 were as follows:

| | | In BAM |
|---|---|---|
| | **December 31, 2010** | **December 31, 2009** |
| USD | 1.4728 | 1.3641 |
| CHF | 1.5678 | 1.3146 |
| EUR | 1.9558 | 1.9558 |