Raiffeisen BANK dd
Bosna i Hercegovina

GODIŠNJI IZVJEŠTAJ
ANNUAL REPORT
2016

Survey of key data

Raiffeisen *BANK* d.d. Bosna i Hercegovina Monetary values in EUR million	2016	2015	Change
Income statement			
Net interest income after value adjustment and provisioning	44.0	54.8	80.4%
Net fee and commission income	35.0	32.4	108.0%
Trading income	7.1	7.4	96.5%
General administrative expenses	56.4	58.1	97.0%
Profit before tax	31.2	38.4	81.1%
Profit after tax	26.9	34.3	78.4%
Balance Sheet			
Loans and advances to banks	94.4	77.6	121.7%
Loans and advances to customers	1,068.2	1,052.8	101.5%
Deposits from banks	41.5	64.2	64.6%
Deposits from customers	1,630.5	1,501.1	108.6%
Equity (incl. profit)	266.0	270.6	98.3%
Total assets	2,005.8	1,893.6	105.9%
Regulatory information			
Risk-weighted assets	1,344.8	1,347.1	99.8%
Capital adequacy ratio	15.6%	15.2%	0.4 PP
Performance			
Return on equity before tax	13.1%	15.2%	(2.03) PP
Return on equity after tax	14.4%	13.5%	0.92 PP
Cost/income ratio	53.3%	56.6%	(3.33) PP
Return on assets before tax	1.6%	2.0%	0.44 PP
Resources			
Number of employees	1,312	1,355	(3.2)%
Business outlets	96	94	2.1%

SUSTAINABILITY STRATEGY

Sustainable management and social responsibility are the key components of the Raiffeisen identity and corporate culture. Responsible corporate behavior, in harmony with the environment and society, is a milestone of our long-standing economic success.

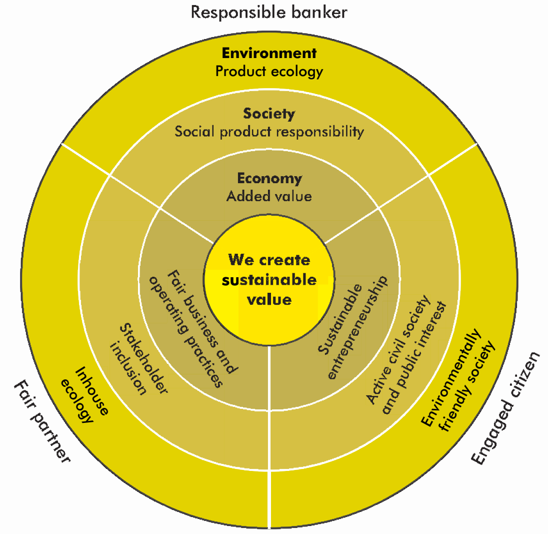
Three pillars support our sustainability strategy:
The first, the Raiffeisen Group is a responsible bank that adjusts to new circumstances and trends within the banking sector and one that nourishes its status of a responsible company through its operations, processes and products.

The second, the Raiffeisen Group strives towards fair partnership relations with both its internal and external target groups. This requires open customer communication and accurate and timely reports on the Group's operations.

The third, the Raiffeisen Group is a socially responsible company. Its member, Raiffeisen *BANK* d.d. Bosna i Hercegovina, supports numerous projects of interest to local communities and contributes towards the implementation of various cultural and educational projects.

Friedrich Wilhelm Raiffeisen, the founder of Raiffeisen, believed that only our willingness to join our efforts with others would ensure success grounded on charity, collectiveness and solidarity. He manifested his vision of social responsibility in every segment of his life.

Today, we remain devoted to developing a strong brand that combines and embodies the principles of identification, self-governance, sustainability and subsidiarity and business ethics grounded on solidarity.



Over the course of the last seven years cooperation, the Raiffeisen Gallery has hosted 8 joint and 45 individual exhibitions.

Artists that exhibited at the Raiffeisen Gallery in 2016 include Amina Šećić (Sculpture), Denis Haračić (Graphics), Maida Garić (Painting), Adi Kubur (Graphic design) and Emina Šaldić (Art education).

A UNIQUE BLEND OF ART AND BANKING

- **Long standing Cooperation between Raiffeisen Bank and the Sarajevo Fine Arts Academy**

The socially responsible activities of the bank form an integral part of its sustainability strategy. They are implemented through a sponsorship and donations strategy, which entails support for numerous projects of relevance to local communities. These activities are aimed primarily at children, but also include Raiffeisen Bank's contribution to many cultural and educational projects: one of which is the Raiffeisen Gallery Project.

Raiffeisen *BANK* d.d. Bosna i Hercegovina launched a cooperation initiative to establish an exhibition space in its Head Office in Sarajevo. This idea of blending banking business and art through a gallery area has already become an affirmed and traditional concept within large global banks.

In other words, the Gallery Project enables young artists to exhibit their work and receive support via the bank's marketing activities and corporate communications and the bank and its customers can enjoy a beautiful and creative atmosphere surrounded by artworks and at the same time support artists and their future success.

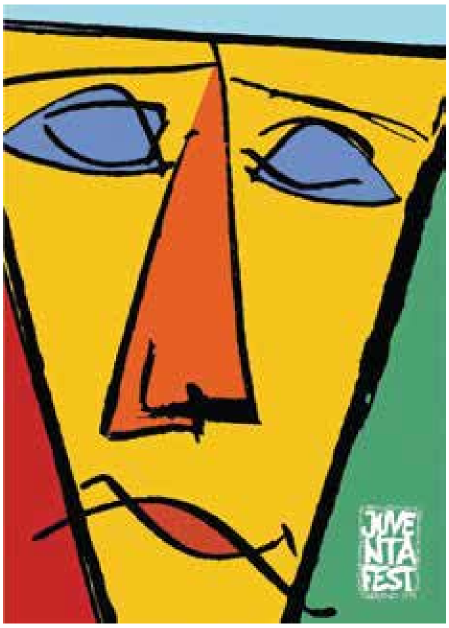
Every exhibition has a sales character and so visitors can purchase works by these young artists. Thus, it is our great pleasure to say that many artworks have found their way to the homes of their new owners.

Considering the economic, social and environmental aspects, Raiffeisen *BANK* d.d. Bosna i Hercegovina deems its sustainability strategy an inseparable part of the operations and business activities of the Raiffeisen Group.

Adi Kubur

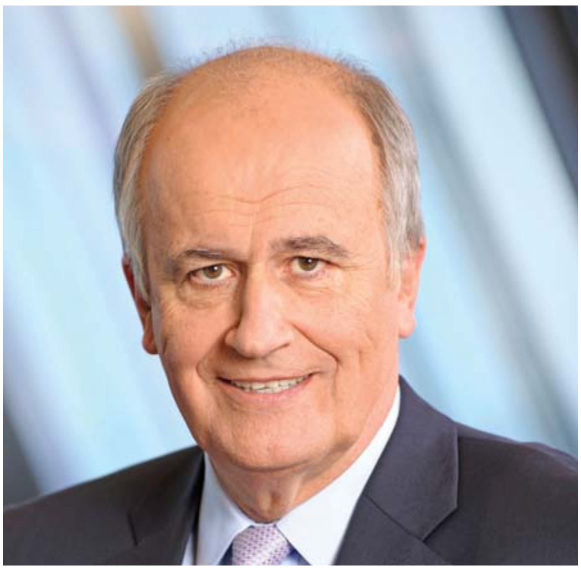
- Graphic Design department
- Adi won the competition for visual identity at the International Festival of High School Theatre „Juventafest"
- He also placed second for graphic presentation and development of the Bosnian Cyrillic Font at the exhibition „I am writing to you in Bosnian Cyrillic"

"I would like to thank Raiffeisen Bank for placing its trust with both the Fine Arts Academy and me, as well as for giving me an opportunity to exhibit my pieces of work in this beautiful space."



Raiffeisen at a Glance

Report of the Supervisory Board



Ladies and Gentlemen,

The 2016 financial year was dominated by two key issues: Firstly, the market environment, which remained challenging due to the very low interest rate level and continuing high regulatory and political pressures; secondly, the start of the process of evaluating a merger of RBI and RZB.

The capitalization requirements for banks were increased substantially following the 2008 financial crisis and there has also been extensive tightening of regulations by the national and international regulatory authorities. February 2015 saw the implementation of a transformation program designed to strengthen the capital base – it targeted a CET1 ratio (fully loaded) of at least 12 per cent, a reduction of complexity and a substantial reduction of costs. With a CET1 ratio (fully loaded) of 13.6 per cent at 31 December 2016, RBI achieved its target ahead of schedule.

Following an extensive evaluation phase, on 5 October 2016, the Management and Supervisory Boards of RBI and RZB passed in principle a resolution to merge RBI and RZB. The Extraordinary General Meeting of RBI approved the merger with RZB by a clear majority on 24 January 2017. The merger is effective once it has been entered in the commercial register, which is expected by the end of March 2017 at the latest.

The strengths of the merged entity will build on prior achievements. These include the geographic footprint in the attractive growth markets of CEE, with top-five market positions in 9 of a total of 14 markets, as well as a stable business in Austria. The focus will remain on long-term customer relationships in the respective local markets. As a customer-oriented universal bank, solutions to address corporate customer needs based on local market access and an extensive network, along with a comprehensive multi-channel offering for retail customers in CEE, play an important role in the overall focus.

As far as Raiffeisen *BANK* d.d. Bosna i Hercegovina is concerned, I am pleased to say that despite the challenging and turbulent business environment in which it operated in 2016 the bank ended the year with very good business results.

The year saw many positive signs of economic policy implementation considering the fact that the BiH authorities filed the official application for EU membership. A new three-year loan arrangement has been agreed with the International Monetary Fund (IMF). The primary objectives are to support the reform processes presented in the Reform Agenda and to assist the country towards sustainable economic and fiscal stability as well as to accelerate economic growth and business progress. In exchange Bosnia and Herzegovina must implement a very ambitious set of reforms and economic measures.

According to the main banking sector indicators, 2016 saw a trend of maintaining a high level of capital stability and liquidity and improved quality of assets in the banking sector. In spite of the numerous challenges placed before the banking business and in light of negative interest rates in the European market and other limiting factors, the banking sector recorded moderate growth. I am very pleased to say that Raiffeisen *BANK* d.d. Bosna i Hercegovina generated a good net operating result. This is a consequence of ongoing adjustments to our offers but also being sensitive to the needs and demands of our customers.

I would like to take this opportunity to thank all employees of Raiffeisen *BANK* dd Bosna i Hercegovina for their hard work and constant efforts to serve our customers and bring benefits to the entire Raiffeisen Group.

On behalf of the Supervisory Board,
Karl Sevelda,
Chairman of the Supervisory Board

Preface by the CEO

I am very pleased to address you on behalf of the Management Board of Raiffeisen *BANK* d.d. Bosna i Hercegovina and present our business results for 2016, in which we recorded successful business operations and retained our position as one of the leading banks in the market of Bosnia and Herzegovina. This is the result of continuous adaptation and appropriate responses to market conditions. In the year behind us, we introduced new and innovative products and services tailored to the needs of our esteemed customers and rendered support to the economy through active lending.

We readily met the challenges set before us by the digital revolution. Like many other industries, banking has to incorporate numerous technological changes in an adaptive environment. Accordingly, Raiffeisen bank extended and adapted its offer through the new digital communication and business channels. We are aware of the rising expectations of our customers and the fact that traditional banking is no longer sufficient. We were the first bank in the market to offer numerous innovative financial products and by accepting new technologies make it possible for our customers to change their communication channels with the bank. We continuously follow these trends in order to maintain pace with the digital era that we live in. In this way, we intend to simplify access to our products and services for our customers by introducing new digital communication channels.

As for economic growth and trends in the real sector in Bosnia and Herzegovina, we find that a moderate growth trend continued in terms of real GDP from the previous year. This was thanks mainly to economic growth generators such as export and private consumption, reflected in the increase in export oriented industrial production and agriculture as well as the wholesale and retail trade. Thus, according to the Agency for Statistics of Bosnia and Herzegovina, real GDP growth of 1.8 per cent was recorded in the first three quarters of 2016, whereas the highest rate of 2.4 per cent yoy was recorded in Q3.

We managed to maintain a high level of liquidity and profitability in 2016, as evidenced by the net profit result of BAM 52,5 million. The bank's business was further stabilized by its capital base, which amounted to BAM 520 million at the end of the year. Deposits reached BAM 3.18 billion and loans stood at BAM 2.08 billion at the end of the year. Assets totaled BAM 3.92 billion last year.

I am very proud of the fact that we have continued to expand our network and managed to open two new branches in Bosnia and Herzegovina. Thus, our branch network numbered 96 at the end of the year.

I would like to point out that we continue to conduct business in line with our sustainability strategy. By following the basic principles of this business philosophy we strive to be a responsible bank, fair partner to our customers and involved citizen. In a socially responsible business segment, we supported numerous projects and works of various associations having focus on supporting children and persons with special needs. In addition to the bank's financial support, I am especially proud of the voluntary activities of our employees.

The renowned magazines Global Finance, Emea Finance and The Banker, which awarded us the title 'Best Bank in Bosnia and Herzegovina', recognized our success.

Our imperative in 2017 will remain the quality of service we provide to our customers. The key business philosophy of the bank's team remains the importance of our customers, to whom we strive to be a reliable financial partner. In the period ahead, we will continue to follow market trends and try to adjust our offer to meet the needs and expectations of our customers. I am confident that the developed distribution infrastructure of our bank, strong brand and wide customer base will additionally strengthen our strong position in the Bosnia and Herzegovina market.

Karlheinz Dobnigg,
CEO

Macroeconomic Overview

At the very beginning of 2016, economic policymakers on both sides of the Atlantic signaled quite strongly that this year would be marked by the continuation of the cycle of ultra expansive monetary policy of previous years. An objective here was to revive economic momentum and growth. This had to be done under conditions of continued significant geopolitical uncertainty and the impeding pressure of deflation on the overall environment and historically low oil and energy prices in global markets and continued high unemployment rates in the Eurozone. This is why, as early as March 2016, the European Central Bank (hereinafter ECB) decided to further reduce base interest rates to their historical lows. Hence, the base interest rate for bank refinancing went down to a record breaking 0.0 per cent, the deposit rate dropped to -0.4 per cent and the marginal loan rate fell to 0.25 per cent. ECB officials have clearly communicated that such low interest rates will persist until at least the end of the first half of 2017 and that the stimulus program of 'quantitative easing' via monthly ECB purchases on the bond markets, worth € 80 billion per month, will last for the entire year. This will provide for additional liquidity and a low cost of borrowing for companies and households as key levers of economy.

On the other side of the Atlantic, despite different market expectations, the U.S. Federal Reserve (FED) also managed to maintain very low reference interest rates, despite achieving quite strong economic growth and a full employment rate. This is attributable to the targeted inflation rate still being much below the FED's projections. Hence, as late as the end of 2016, the FED brought the base interest rates up by 0.25 per cent, i.e. to an average level of 0.5 per cent. This represents a much slower trend in interest rate climbs compared to the expectations of market participants earlier in the year.

With this cast of global economic policy drivers determining interest rate levels on the banking markets and trends on the global financial markets, it came as no surprise that the previous year featured new record breaking interest rate lows on the interbank market. Hence, with an average value of -0.20 per cent in 2016, this was the first time ever that 6m-Euribor (as the main indicator of the financing costs of the banks and the private sector) reached a new historical minimum and went over to the negative side. The European banking sector experienced the very specific circumstances of negative interest rates and constant pressure to reduce interest margins. This in turn called for new solutions and continuous fine tuning of the business models of the commercial banks in order to adapt to such an environment.

In addition to the interest rate drop, another hallmark of the year was the continued trend of a strong US dollar compared to the euro (with an average EUR/USD rate of 1.10). This was coupled with major recovery and growth of capital markets within an increasingly positive economic and business environment. Therefore, it was of no surprise that the sound economic growth of both the European and US economies was carried forward. This resulted in real economic growth rates of 1.7 per cent yoy in the Eurozone and a somewhat slower rate of 1.6 per cent yoy in the U.S. (especially when compared to the previous year's growth rates of 2.6 per cent yoy).

On the other hand, a considerable easing of further deflationary pressures on global economic development came after the historic arrangement that was reached in early December between OPEC and non-OPEC members regarding a major reduction in daily production of almost 1.7 million barrels. This had an instant impact on global oil prices. Oil prices rose by almost 20 per cent in December, while the average oil price in Q4 reached as high as USD 57 per barrel (compared to the previous quarter average of USD 44.3).

In the upcoming mid-term period, the United Kingdom's referendum on European Union membership (so-called BREXIT), held in June 2016, and the unexpected outcome of the U.S. presidential election (the election of Donald Trump as U.S. President), in November, certainly held possible major relevance for global economic prospective and trends. These two political/economic events brought much uncertainty from the mid-term perspective. The full effects of BREXIT were difficult to grasp, in terms of their effect on the EU economy and the euro currency. The election of President Trump led to serious concerns over the high risk of protectionism in U.S. trade relations and the likelihood of a series of measures that could have significant and far reaching effects on global trading and the economy in general. There were also many unknown factors related to other elements of his domestic economic policy that could possibly influence economic trends in the U.S. and the rest of the world.

Bosnia and Herzegovina (BiH) stepped into 2016 with many positive signs, in the sense of its economic policy. BiH authorities filed the official application for EU membership in mid-February (after nearly eight years of standstill in this country's EU integration process). The EU responded positively to the adoption of the BiH Reform Agenda and the reinitiating of the cycle of the reform processes in the country. BiH authorities started the year with a continuation of negotiations regarding the new and more extensive loan arrangement with the International Monetary Fund (IMF). The primary objectives here were to ensure support for the further formalization of the reform processes, presented in the Reform Agenda, and to assist the country in achieving sustainable economic and fiscal stability as well an acceleration in economic growth and business progress.

The negotiations ended in May and resulted in a three-year extended fund facility (EFF) of € 550 million via 12 tranches in exchange for a very ambitious set of reforms and economic measures that were formalized in the Letter of Intent. The reforms are to be implemented over a three-year horizon. All of the reforms and the EFF itself are aimed at achieving an improved business environment, sustained fiscal stability and better financial sector supervision and stability.

The first tranche of the new IMF loan arrangement was scheduled for disbursement early in Q3, but materialized late in the same quarter. This was caused by a brief political standstill and delay related to signing and sending the Letter of Intent, which was the key document for this transaction to take effect between BiH and the IMF. This is to say that certain politicians from the Federation of BiH demanded that the BiH authorities adjust the Stability and Association Agreement (SAA) and adopt the Coordination Mechanism, while Republika Srpska politicians were opposed to this initiative. This brief political crisis was resolved through the adoption of the SAA and documents related to the organization of the Coordination Mechanism.

Subsequently, in September 2016, the European Commission gave its positive response and accepted the BiH membership application. This was followed by the disbursement of the first tranche by the IMF to the amount of € 79 million. These two events marked the reestablishment of clearer economic and foreign policy direction in BiH. What followed in December 2016 was that BiH officially received the EC questionnaire. The questionnaire contained over 3,000 items related to almost all economic and legal aspects to be assessed by the EU institutions in order to evaluate the country's readiness to join the EU, namely to receive EU candidate status. The BiH authorities were given six months, i.e. until the end of the first half of 2017, to prepare the relevant responses and documentation.

In compliance with the IMF agreed set of reforms, i.e. in the period from September to December 2016, the BiH authorities also started preparing amendments to a large number of key laws such as the Law on Banks and the Law on the Banking Agency of both state entities. The objectives of these efforts included improvement of the banking supervisory framework and prevention of any new banking crises (after the ones related to two small banks in RS). They also included changes to the BiH Excise Law (thus ensuring additional revenue for the highway and road construction public companies), implementation of measures related to the continuation of the privatization and restructuring of public companies and the introduction of shorter procedures for business start-up (thus improving the business environment).

For later reviews, they also planned to include, amongst others, the Law on Pension Funds, the FBiH Law on Income and Contributions Tax, the Law on Companies, and the Law on Bankruptcy. Yet as early as September it was evident that some of the solutions for the successful implementation of the IMF's first review were overly ambitious. This fact, coupled with the time consuming quarterly review process, made it impossible for the second tranche to be disbursed by year's end. The IMF loan arrangement remains one of the focal points of economic policy in 2017, as policymakers in both entities certainly count on it.

When it came to economic growth and trends in the BiH real sector, a moderate growth trend continued in terms of real GDP of the previous year. This was mostly thanks to economic growth generators such as exports and private consumption (expenditure method of GDP calculation). This was reflected in increases in export oriented industrial production and agriculture as well as increases in the wholesale and retail trade (from the standpoint of the production approach to the GDP calculation).

Hence, according to the Agency for Statistics of BiH (BHSA), the first three quarters of 2016 saw real GDP growth of 1.8 per cent yoy, where the growth rate evidently picked up pace in Q3 reaching 2.4 per cent yoy. It should be noted that two-thirds of this growth throughout the year is attributable to the increase in industrial production, the wholesale and retail trade and agriculture. Another encouraging fact is that out of ten GDP production categories published by the BHSA an economic decrease was only evident in relation to two of them: 1) public administration, education and healthcare and 2) communications and IT.

Despite the economic growth dynamics in the first three quarters of the year being somewhat below our projected rate of 2.5 per cent yoy for the entirety of 2016, we still believe that GDP data for Q4 and the entire year (2016) will lead to an upward adjustment of the data. This is because the entity level GDP information (underlying the BiH GDP projection done at year's end) indicates economic growth of 2.4 per cent yoy for the first three quarters of 2016. However, an economic growth rate ranging from 2.4 per cent to 2.5 per cent in real terms is quite modest and is insufficient to ensure any significant progress in terms of the economic standard of citizens. The level of development of the BiH economy is somewhat below 30 per cent of the EU average and thus places it behind all other European countries.

Industrial production comprises 18 per cent of BiH GDP yoy and exports nearly 70 per cent of goods. This year it posted a sound growth rate of 4.3 per cent yoy across all three key production categories: processing industry, mining and electricity production. Yet the strongest growth and recovery was seen in the production of electricity with a growth rate of 8.5 per cent yoy (after two years of negative trends), followed by a somewhat slower growth rate of 3.1 per cent yoy in the processing industry and 3.3 per cent yoy in mining.

The increase in industrial production correlates strongly to BiH export growth rates. In 2016, this led to a new record breaking level of exports of BAM 9.4 billion or an increase of 4.8 per cent yoy (by even 70 per cent when compared to the onset of the global economic crisis in 2009). An encouraging fact here is that the differentiation of BiH export goods and markets continues. Machinery, mineral products (primarily electricity), wood and furniture, chemical products and agricultural products (flour and similar products, meat and sugar) continued to be key contributors to this growth in 2016 posting very strong growth rates and thus adding to the overall export volume.

On the other hand, a very low increase in imports of just 1.8 per cent yoy in 2016 (a direct consequence of the record low oil prices, as our key import product for most of the year) led to a reduction in the trade deficit (the cause of the largest imbalance in the BiH economy) of nearly two percentage points, i.e. to 22.6 per cent of GDP or BAM 6.7 billion. This represents a decrease of 2.1 per cent yoy and one of the more positive trends seen in the economic environment of BiH in 2016. The unemployment rate, as a crucial indicator of the internal imbalance of the BiH economy, also saw a major decrease of nearly two percentage points in 2016, down to 25.4 per cent; however, it still represents one of the highest unemployment rates in Europe (after Greece) and a key impediment to stronger recovery in terms of private consumption and the standard of living for the citizens of BiH.

According to the main banking sector indicators, we find that 2016 also saw a trend of moderate growth, maintained a high level of capital stability and liquidity and improved the quality of assets in the banking sector. This was in spite of the numerous challenges placed before the banking business and in light of negative interest rates in the European market and very slow recovery of the economy and the real sector in BiH.

The said slow recovery of the real economy and the private sector along with the quite high loan saturation rate of performing customers and still very high risk aversion rate of the banks all led to the year's very modest loan growth of just 2 per cent yoy. This was the lowest growth rate since the beginning of the global financial crisis and recession in 2009. Loans to two key institutional sectors, retail and corporate (with an equal share of 47 per cent in total loans), also recorded almost identical growth rates for loans placed in these sectors: 3.7 per cent yoy and 3.3 per cent yoy respectively.

A positive fact was the return and recovery of credit growth in the corporate segment after two years, which is an important indicator for the further growth of the economy. Non-performing loans (NPLs) dropped significantly by 1.6 percentage points to 12.1 per cent in 2016, which indicates strong activities by the banks to stabilize and clean their balance sheets as well as on preventing the inflow of non-performing loans. Capitalization of the banking sector improved this year and resulted in a high adequacy rate of 16.1 per cent, an increase in the capitalization rate of 1.2 percentage points. On the other hand, the profitability of the banking sector decreased slightly because of a few isolated cases of high losses incurred by several banks due to the write-off of NPLs. As a consequence total net profit in Q3 was BAM 217 million or 3 per cent less than in the previous year. As a result, the profitability ratios ROAA (Return on Average Assets) and ROAE (Return on Average Equity) were somewhat lower at 0.9 per cent and 7.1 per cent respectively.

Very slow growth in the banking sector in Bosnia and Herzegovina over the past few years combined with the consistently high share of NPLs in some banks resulted in the inevitable trend of market consolidation in 2016. This year we witnessed the liquidation of a small bank in RS and two merger and acquisition transactions involving four small privately owned local banks. As a result of these actions, by the end of the year the number of banks had decreased to 23 banks operating in BiH. The trend of NPL consolidation and stronger regulation is likely to continue in the banking sector in the years to come. International financial organizations supported this process through the introduction of new legislation aimed at improving the regulatory framework and supervision of banks in order to maintain the stability of the banking sector. The banking market has been marked by a high level of concentration for several years and with a very high 50 per cent share of total assets and loans held by three key banking groups the market consolidation process is likely to continue in the years to come.

Key Economic Data

	2013	2014	2015	2016e	2017f	2018f
Nominal GDP (EUR billions)	13.7	14.0	14.6	15.2	16.0	17.1
Real GDP (% yoy)	2.4	1.1	3.0	2.5	3.0	3.5
GDP per capita (EUR)	3,526	3,606	3,780	3,941	4,171	4,455
GDP per capita (EUR in PPP)	7,200	7,200	7,300	7,500	8,800	9,700
Private consumption (real growth % yoy)	0.0	2.2	1.7	1.7	2.5	3.1
Gross investment (real growth % yoy)	(2.8)	5.9	3.0	3.5	8.5	10.0
Industrial output (% yoy)	6.7	0.1	2.6	4.3	5.5	7.0
Production prices (avg % yoy)	(2.2)	(0.2)	0.6	(2.1)	2.0	2.2
Consumer prices – inflation (avg % yoy)	(0.1)	(0.9)	(1.0)	(1.1)	2.0	2.0
Average gross salaries in industry (% yoy)	(0.5)	0.3	0.0	1.6	5.0	5.5
Unemployment rate (avg %)	27.5	27.5	27.7	25.4	24.3	23.0
Budget deficit (% GDP)	(2.2)	(2.0)	0.7	(1.5)	(1.0)	(1.0)
Public foreign debt (% GDP)	39.6	43.0	42.8	42.5	42.8	42.5
Trade deficit (% GDP)	(25.4)	(27.5)	(24.0)	(22.6)	(23.6)	(24.6)
Current account deficit (% GDP)	(5.3)	(7.3)	(5.5)	(4.4)	(7.0)	(7.7)
Net foreign investment (% GDP)	1.3	2.8	1.5	1.6	2.8	4.4
Foreign reserves (EUR billions)	3.6	4.0	4.4	4.9	4.8	5.0
Gross foreign debt (% GDP)	52.2	51.8	53.4	54.7	54.9	54.2
EUR/BAM (eop)	1.96	1.96	1.96	1.96	1.96	1.96
EUR/BAM (avg)	1.96	1.96	1.96	1.96	1.96	1.96
USD/BAM (eop)	1.42	1.62	1.80	1.85	1.92	1.83
USD/LCY (avg)	1.47	1.47	1.76	1.77	1.90	1.86

Source: Central Bank of BiH, Statistics Agency of BiH, Raiffeisen *RESEARCH*

Overview of Banking Trends

	2016	2015	2014	2013	2012	2011
Aggregate balance sheet data						
Total assets, EUR million	13,343.9	12,756.0	12,298.8	11,794.3	11,210.3	10,987.1
growth in % yoy	4.6%	3.7%	4.3%	5.2%	2.0%	3.4%
Total loans, EUR million	8,794.8	8,623.9	8,422.8	8,194.2	7,946.8	7,619.2
growth in % yoy	2.0%	2.4%	2.8%	3.1%	4.3%	5.4%
Total deposits, EUR million	9,076.4	8,452.1	7,861.2	7,285.5	6,813.3	6,642.8
growth in % yoy	7.4%	7.5%	7.9%	6.9%	2.6%	3.7%
Loan to deposit ratio in %	96.9%	102.0%	107.1%	112.5%	116.6%	114.7%
Structural information						
Number of banks	23	26	26	27	28	29
Market share in % of state-owned banks	1.7	2.9	2.7	2.1	1.0	0.9
Market share in % of foreign-owned banks	85.1	84.4	84.4	90.3	92.0	92.0
Profitability and efficiency						
Return on assets (RoA)	1.1	0.3	0.8	(0.1)	0.7	0.7
Return on equity (RoE)	7.3	2.0	5.4	(0.5)	5.1	5.8
Non-performing loans (% of total loans)	11.8	13.7	14.2	15.1	13.5	11.8

Source: Central Bank of BiH and the banking agencies of the FBiH and RS.

Raiffeisen Bank International at a Glance

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 30 years, RBI has been operating in CEE, where today it maintains a closely-knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. In CEE, at the end of 2016, around 46,000 RBI employees served some 14.1 million customers in around 2,500 business outlets. In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers and large multinational corporate customers operating in CEE. All in all, RBI employs about 49,000 people and has total assets of approximately € 112 billion.

Raiffeisen Zentralbank Österreich (RZB AG) was established in 1927 as "Girozentrale der österreichischen Genossenschaften" and at that time served as the liquidity balancing center for Austria's agricultural cooperatives, as envisioned by social reformer Friedrich Wilhelm Raiffeisen.

RZB AG had one of the largest banking networks in CEE through its subsidiary, Raiffeisen Bank International (RBI AG), which has been listed on the stock exchange since 2005. At the end of 2016, RZB AG held approximately 60.7 per cent of RBI's stock, with the remaining shares in free float. RZB AG was primarily owned by the eight Raiffeisen regional banks and served as their central institution pursuant to the Austrian Banking Act (BWG). Following the merger between RZB AG and RBI AG, effective retroactively as of 30 June 2016, RBI AG will assume the role of RBG's central institution by way of universal succession.

Amina Šećić

- Sculpture department
- Amina has participated in several painting and sculpture colonies and group student exhibitions

"My pieces of work illustrate anthropomorphic shapes, abstraction and spontaneous figuration. It was a great honor to me to exhibit my pieces of work at the Raiffeisen Gallery, especially considering the fact that this is my first solo exhibition."

Raiffeisen *BANK* d.d. Bosna i Hercegovina

Raiffeisen *BANK* d.d. Bosna i Hercegovina is a subsidiary of Raiffeisen Bank International AG (RBI), one of the leading universal type banks in the region of Central and Eastern Europe (CEI) and one of the top commercial and investment banks in Austria.

The bank has operated as a financial institution since November 1992, when it was founded as Market banka d.d. Sarajevo with a dominant share of privately owned capital (above 90%).

Thanks to the quality of its business, it soon stood out as a very successful and profitable bank. Raiffeisen *BANK* d.d. Bosna i Hercegovina was a leading banking partner to numerous international financial organizations (World Bank, IFC, KfW, SOROŠ and EBRD) in the implementation of credit lines between 1996 and 2000.

Raiffeisen Zentralbank Österreich AG-Vienna acquired Market banka d.d. on July 21, 2000. It was then successfully integrated into the Raiffeisen network where it now operates as Raiffeisen *BANK* d.d. Bosna i Hercegovina. RZB became the sole shareholder of Hrvatska Poštanska banka in May 2001 and renamed it Raiffeisen *BANK* HPB. Since January 1, 2003, when Raiffeisen *BANK* HPB was successfully integrated into Raiffeisen *BANK*, the bank has been operating under the single name 'Raiffeisen *BANK* d.d. Bosna i Hercegovina'. This allowed Raiffeisen to strengthen its position in the local market and significantly expand its business network.

In the years that followed, Raiffeisen *BANK* d.d. Bosna i Hercegovina took on a pioneering role in the country's banking industry and was one of the first banks to sign a deposit insurance agreement. After the transfer of payment services from the Payment Transactions Authority to commercial banks Raiffeisen *BANK* d.d. Bosna i Hercegovina successfully made the transition and was one of the most active banks during the introduction of the euro. The bank was one of the first to launch card business, the first to offer online banking services and a SME program, and the first to negotiate and place foreign credit lines (DEG, KfW and IFC). It also became the first bank to operate in both entities of Bosnia and Herzegovina. Having established a presence in Banja Luka in March 2001, the bank continued to operate in the single market of Bosnia and Herzegovina (BiH).

Raiffeisen *BANK* Bosna i Hercegovina confirmed its leading role in the Bosnia and Herzegovina market in 2004 when it became the first bank in Bosnia and Herzegovina with assets exceeding BAM 2.0 billion. In the following years this figure has nearly doubled reaching BAM 3.92 billion as of year's end 2016.

At the end 2016, Raiffeisen *BANK* Bosna i Hercegovina conducted its operations via 96 business units and 1,312 employees.

Numerous international and local awards attest to the successful operations of Raiffeisen *BANK* Bosna i Hercegovina. International awards include Global Finance, 'Best bank in BiH'; The Banker, 'Bank of the year' and EMEA Finance, 'Best bank in BiH'. Local awards include the Golden BAM and the Crystal Prism.

Investment in new technology, experienced staff, the active development of its personnel, its focus on the individual customer approach and implementation of new sales channels and new state-of-the-art products and services are the key competitive advantages of Raiffeisen *BANK* d.d. Bosna i Hercegovina in the local market.

Shareholder Structure of Raiffeisen *BANK* d.d. Bosna i Hercegovina:

Raiffeisen SEE Region Holding GmbH	99.9951 per cent
Other shareholders	0.0049 per cent

In addition to Raiffeisen *BANK* d.d. Bosna i Hercegovina, the Raiffeisen Group in Bosnia and Herzegovina also comprises Raiffeisen *INVEST*, Raiffeisen *LEASING*, Raiffeisen *ASSISTANCE* and Raiffeisen *CAPITAL*.

Vision

- to be the strongest and most attractive bank on the market, providing superior quality to its customers;
- to be a responsible member of society.

Mission

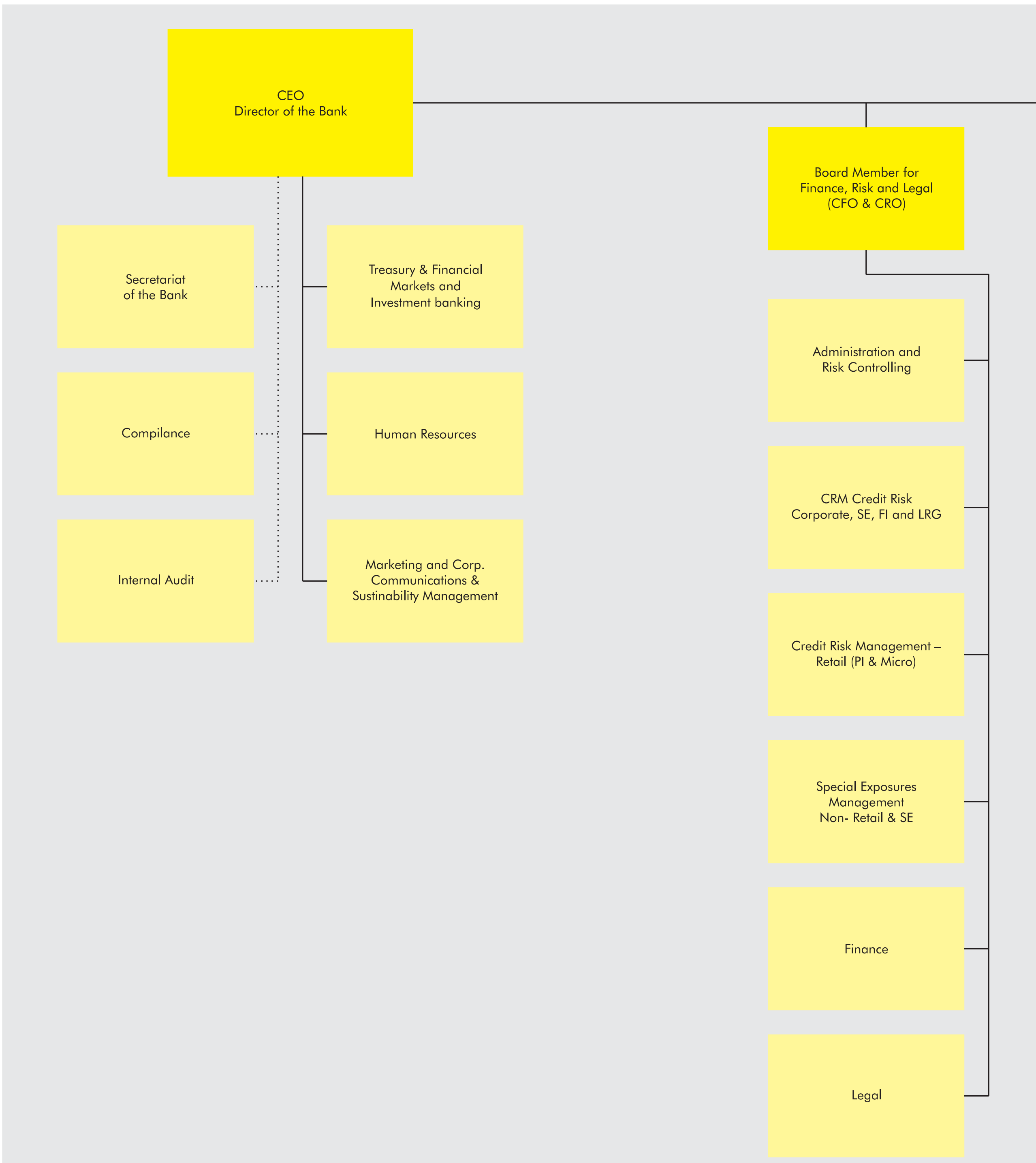
- maximize the customer experience and be their first-choice partner,
- continuously grow and develop in order to provide top banking solutions,
- meet shareholder expectations.

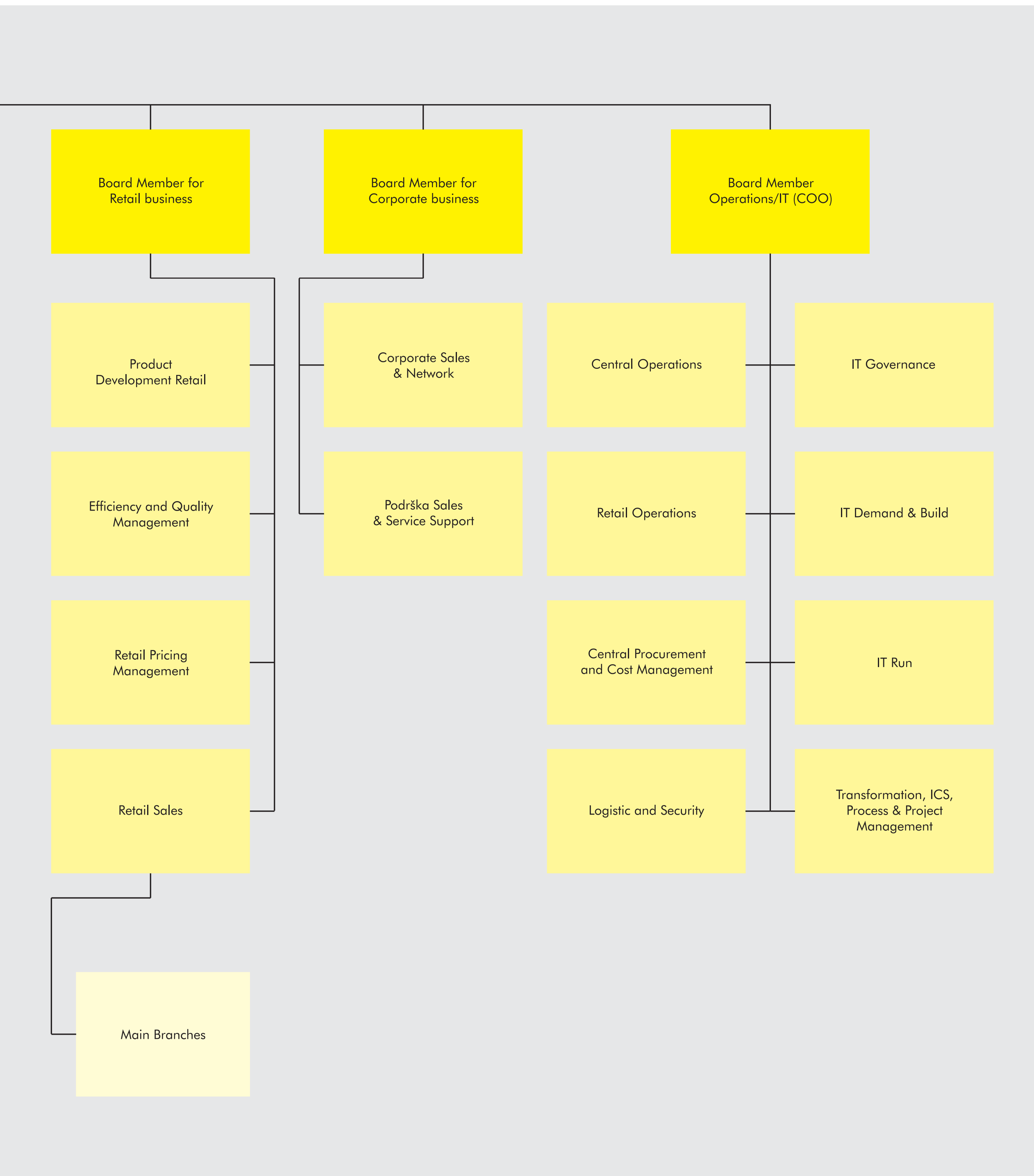
The gable cross is part of the trademark used by almost every company in the Raiffeisen Banking Group and RZB Group in CEE. It represents two stylized horse's heads, crossed and attached to the gable of a house. It is a symbol of protection rooted in old European folk tradition: a gable cross on the roof was believed to protect the house and its occupants from outside dangers and to ward off evil. It symbolizes the protection and security that the members of the Raiffeisen banks enjoy through their self-determined collaboration. Today, the gable cross is one of Austria's best-known trademarks and a well-recognized brand in CEE.

The Management Board

Ante Odak, Executive Director
Maida Zahirović Salom, Executive Director
Karlheinz Dobnigg, CEO
Mirha Hasanbegović, Executive Director
Heribert Fernau, Executive Director

Organisational Structure




Board Member for Retail business
Board Member for Corporate business
Board Member Operations/IT (COO)
Product Development Retail
Efficiency and Quality Management
Retail Pricing Management
Retail Sales
Main Branches
Corporate Sales & Network
Podrška Sales & Service Support
Central Operations
Retail Operations
Central Procurement and Cost Management
Logistic and Security
IT Governance
IT Demand & Build
IT Run
Transformation, ICS, Process & Project Management

Balance Sheet

as at 31 December 2016 and 2015

	2016 (BAM 000)	2016 (EUR 000)	2015 (BAM 000)	2015 (EUR 000)
Assets				
Cash and cash equivalents	874,376	447,061	804,472	411,320
Legal reserve with the Central Bank of B&H	327,197	167,293	250,462	128,059
Loans and advances to banks	184,717	94,444	151,748	77,588
Loans and advances to customers	2,089,206	1,068,194	2,059,096	1,052,799
Assets held for sale	457	234	345	176
Financial assets available for sale	216	110	192	98
Financial assets at fair value through profit and loss	99,705	50,978	102,437	52,375
Financial assets held to maturity	139,723	71,439	136,553	69,818
Financial investments	12,507	6,395	2,456	1,256
Investments in associates	2	1	8,175	4,180
Deferred tax assets	816	417	831	425
Other assets and receivables	46,938	23,999	39,393	20,141
Tangible and intangible fixed assets	147,115	75,219	147,388	75,358
Total Assets	**3,922,975**	**2,005,785**	**3,703,548**	**1,893,594**
Liabilities				
Deposits from banks	81,074	41,452	125,561	64,198
Deposits from customers	3,188,890	1,630,454	2,935,840	1,501,071
Provisions	30,174	15,428	19,743	10,094
Other liabilities	40,756	20,838	31,374	16,041
Subordinated debt	61,798	31,597	61,798	31,597
Total Liabilities	**3,402,692**	**1,739,769**	**3,174,316**	**1,623,002**
Not Paid in				
Shareholder capital	247,167	126,374	247,167	126,374
Share premium	4,473	2,287	4,473	2,287
Revaluation reserves for investments	148	76	124	63
Regulatory reserves	102,443	52,378	102,443	52,378
Retained earnings	166,039	84,894	175,025	89,489
Equity	**520,270**	**266,010**	**529,232**	**270,592**
Total Equity and Liabilities	**3,922,962**	**2,005,779**	**3,703,548**	**1,893,594**
Commitments and Contingencies	**826,369**	**422,516**	**902,674**	**461,530**

Income Statement

for the years ended 31 December 2016 and 2015

	2016 (BAM 000)	2016 (EUR 000)	2015 (BAM 000)	2015 (EUR 000)
Interest and interest-like income	154,581	79,036	158,181	80,877
Interest expenses and interest-like expenses	(32,739)	(16,739)	(39,091)	(19,987)
Net interest income	**121,842**	**62,297**	**119,090**	**60,890**
Fee and commission income	84,054	42,976	75,329	38,515
Fee and commission expenses	(15,696)	(8,025)	(12,037)	(6,154)
Net fee and commission income	**68,358**	**34,951**	**63,292**	**32,361**
Net financial income	13,896	7,105	14,407	7,366
Other operating income	2,890	1,478	4,010	2,050
Operating income	**206,986**	**105,830**	**200,799**	**102,667**
Administrative expenses	(102,650)	(52,484)	(105,684)	(54,035)
Depreciation and amortization	(7,642)	(3,907)	(7,995)	(4,088)
Operating expenses	**(110,292)**	**(56,391)**	**(113,679)**	**(58,123)**
Earning before impairment losses, provisions and income tax	**96,694**	**49,439**	**87,120**	**44,544**
Provisioning for impairment losses	(40,825)	(20,873)	(19,016)	(9,723)
Recoveries	5,070	2,592	7,059	3,609
Profit before income tax	**60,939**	**31,158**	**75,163**	**38,430**
Income tax	(8,410)	(4,300)	(8,154)	(4,169)
Net profit for the year	**52,529**	**26,858**	**67,009**	**34,261**
Earnings per share (BAM)	53.13	27.16	67.78	34.66

Key financial ratios

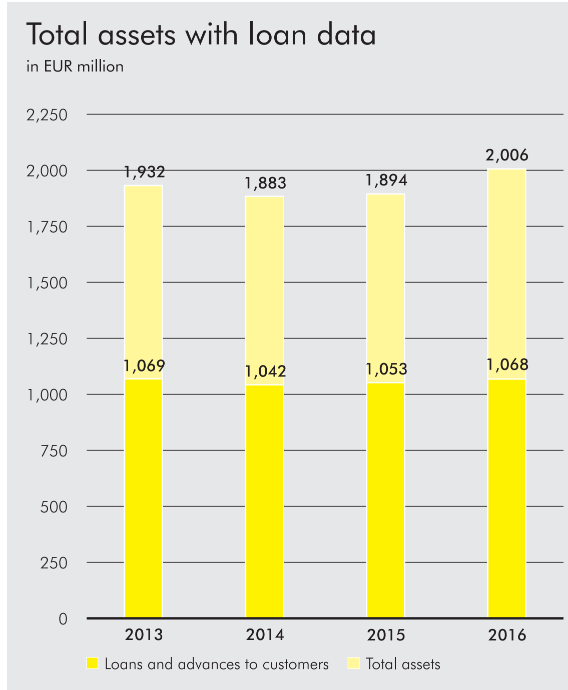
The presented data is stated or calculated on the basis of the bank's revised financial statements

	2016 (BAM 000)	2015 (BAM 000)	2014 (BAM 000)	2013 (BAM 000)
Year-end				
Total assets	3,922,975	3,703,548	3,683,752	3,778,975
Deposits from customers	3,188,890	2,935,840	2,881,072	2,949,350
Loans and advances to customers	2,089,206	2,059,096	2,038,895	2,090,779
Shareholder capital	251,640	251,640	251,640	241,861
Shareholder capital and reserves	520,270	529,232	530,164	510,064
Annual results				
Total revenues	212,056	207,858	212,425	211,635
Total operating expenses	151,117	132,695	151,397	163,926
Profit before tax	60,939	75,163	61,028	47,709
Profit after tax	52,529	67,009	53,833	42,505
Ratios				
Return on assets	1.6%	2.0%	1.6%	1.3%
Return on equity	14.4%	13.5%	10.4%	8.4%
Cost/income ratio	53.3%	56.6%	57.9%	59.2%

	2016 (EUR 000)	2015 (EUR 000)	2014 (EUR 000)	2013 (EUR 000)
Year-end				
Total assets	2,005,785	1,893,594	1,883,472	1,932,159
Deposits from customers	1,630,454	1,501,071	1,473,069	1,507,979
Loans and advances to customers	1,068,194	1,052,799	1,042,470	1,068,998
Shareholder capital	128,661	128,661	128,661	123,662
Shareholder capital and reserves	266,010	270,592	271,069	260,792
Annual results				
Total revenues	108,423	106,276	108,611	108,207
Total operating expenses	77,265	67,846	77,408	83,814
Profit before tax	31,158	38,430	31,203	24,393
Profit after tax	26,858	34,261	27,524	21,732
Ratios				
Return on assets	1.6%	2.0%	1.6%	1.3%
Return on equity	14.4%	13.5%	10.4%	8.4%
Cost/income ratio	53.3%	56.6%	57.9%	59.2%

Total assets with loan data

Net loans to customers accounted for 53 per cent of total assets, a decrease of 3 per cent. Gross loans to customers accounted for 59 per cent, a decrease of 2 per cent. Gross Private Individual loans increased by 2 per cent compared to the end of 2015 and accounted for 61 per cent of the total Private Individual loan portfolio.



	2016 (BAM 000)	2015 (BAM 000)	2014 (BAM 000)	2013 (BAM 000)
Total assets	**3,922,975**	**3,703,548**	**3,683,752**	**3,778,975**
Loans and advances to customers	2,089,206	2,059,096	2,038,895	2,090,779

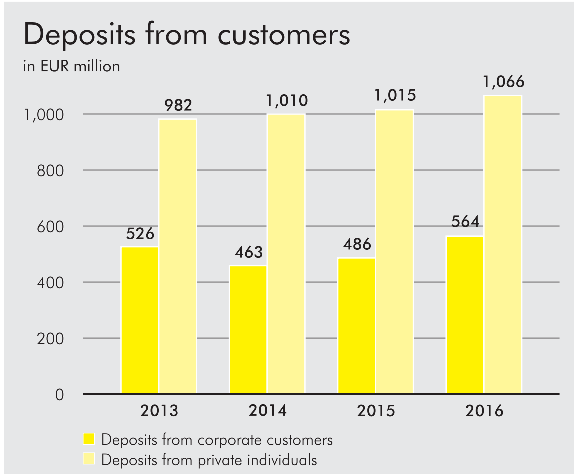
	2016 (EUR 000)	2015 (EUR 000)	2014 (EUR 000)	2013 (EUR 000)
Total assets	**2,005,785**	**1,893,594**	**1,883,472**	**1,932,159**
Loans and advances to customers	1,068,194	1,052,799	1,042,470	1,068,998

Lending

	2016 (BAM 000)	2016 (EUR 000)	2015 (BAM 000)	2015 (EUR 000)	Change %
Corporate loans	915,745	468,213	875,124	447,444	4.6%
Retail loans	1,384,855	708,065	1,367,974	699,434	1.2%
Gross loans	2,300,600	1,176,278	2,243,098	1,146,878	2.6%
Impairments	211,394	108,084	184,002	94,079	14.9%
Net loans	**2,089,206**	**1,068,194**	**2,059,096**	**1,052,799**	**1.5%**

Deposits from customers

Private Individual deposits rose by 5 per cent and accounted for 65 per cent of total deposits, a result of successful long-standing business operations based on meeting the needs of our customers. Total Private Individual deposits consisted of term deposits, with a share of 42 per cent, and sight deposits, with a share of 58 per cent.

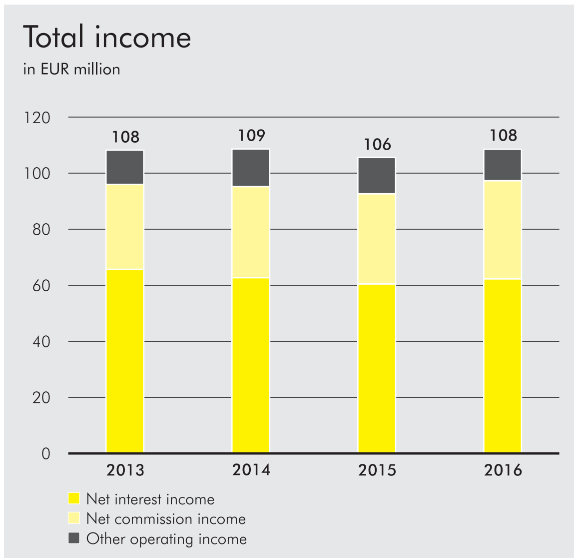


	2016 (BAM 000)	2015 (BAM 000)	2014 (BAM 000)	2013 (BAM 000)
Deposits from corporate customers	1,103,403	951,160	905,827	1,029,035
Deposits from private individuals	2,085,487	1,984,680	1,975,245	1,920,315

	2016 (EUR 000)	2015 (EUR 000)	2014 (EUR 000)	2013 (EUR 000)
Deposits from corporate customers	564,161	486,320	463,142	526,137
Deposits from private individuals	1,066,293	1,014,751	1,009,927	981,841

Total Income (with total income structure)

Total income comprised net interest income of 57 per cent and net commission income of 32 per cent (both increased by 2 per cent). Decreased interest rates led to a fall in interest income of 2 per cent compared to the previous year. Interest expenses were 19 per cent lower than in the previous year, the result of decreased dues to banks and other financial institutions.



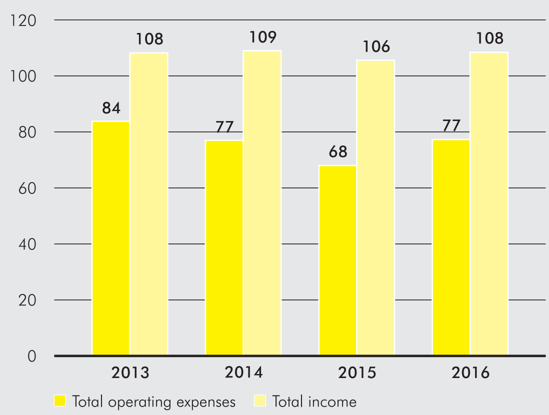
	2016 (BAM 000)	2015 (BAM 000)	2014 (BAM 000)	2013 (BAM 000)
Total revenues	**212,056**	**207,858**	**212,425**	**211,635**
Net interest income	121,842	119,090	122,653	128,486
Net commission income	68,358	63,292	63,588	59,268
Other operating income	21,856	25,476	26,184	23,881

	2016 (EUR 000)	2015 (EUR 000)	2014 (EUR 000)	2013 (EUR 000)
Total revenues	**108.423**	**106.276**	**108.611**	**108.207**
Net interest income	62,297	60,890	62,711	65,694
Net commission income	34,951	32,361	32,512	30,303
Other operating income	11,175	13,026	13,388	12,210

Operating expenses/total income comparison

Total operating costs saw a moderate increase in the relevant period (2015 – 2016). Stricter cost control, through both cost organization and structure, resulted in an improvement in the cost/income ratio.

Expenses/income comparison
in EUR million



	2016 (BAM 000)	2015 (BAM 000)	2014 (BAM 000)	2013 (BAM 000)
Total operating expenses	151,117	132,695	151,397	163,926
Total revenues	212,056	207,858	212,425	211,635

	2016 (EUR 000)	2015 (EUR 000)	2014 (EUR 000)	2013 (EUR 000)
Total operating expenses	77,265	67,846	77,408	83,814
Total revenues	108,423	106,276	108,611	108,207

Denis Haračić

- Graphic Design department
- Denis has participated in numerous workshops and several exhibitions
- He has received many awards, the most important being first prize at the Art Biennial in Bugojno

"I would like to thank Raiffeisen Bank for its support. Young artists need the financial support. This will allow me to continue with my work and present other projects of mine."

Emina Šaldić

- Teaching department of the Fine Arts Academy
- Emina focuses her work on psychological issues

"My paintings predominantly illustrate psychological phenomena including fear, phobia, anxiety and depression. I am grateful to Raiffeisen Bank for allowing me to exhibit my pieces of work in this lovely gallery and thus present both myself and my work to the public."

Business Overview

Corporate Banking

The loan portfolio in the corporate segment stabilized in 2016 and grew by 2 per cent compared to the previous year.

The corporate segment focused on improving the quality of the loan portfolio and strengthening customer relationships in 2016. These activities increased performing assets by 9 per cent and decreased non-performing assets by 23 per cent compared to the previous year.

The bank retained its market presence in all regions in 2016, focusing on retaining and strengthening business relations with our existing customers.

The corporate segment maintained its focus on developing good overall relationships with its customer base through intensive engagement in the promotion of loan products, trade finance and documentary business as well as cash management products: accounts and payments.

The deposit base increased by 20 per cent compared to the previous year, which reflects the trust our customers place in us through their continued placement of deposits.

Interest rates dropped by 16 per cent compared to 2015 as a consequence of a decrease in the average exit interest rate on performing assets.

The loan portfolio for large local, international and GAMS customers increased by 1 per cent and performing assets grew by 10 per cent, while non-performing assets fell by 30 per cent compared to 2015.

The SME loan portfolio increased by 1 per cent and performing assets grew by 5 per cent, while non-performing assets fell by 12 per cent compared to 2015.

Loans to the public sector grew by 28 per cent, which was followed by an increase in the volume of performing assets.

In line with the financial needs of our corporate customers, Raiffeisen bank continued to offer tailor-made solutions and extended its offer for corporate customers.

Cash POINT Machines

This new service enables our corporate customers to deposit cash in the bank's Cash POINT machines. It was implemented in order to enable our customers to make cash payments to their accounts and avoid having to wait at the counter.

Providing active customer support not only enabled the bank to keep its existing customers but also to acquire new ones: the bank had 2,874 corporate customers by the end of 2016.

Long-term Loan through the EIB Credit Line

A new credit line for long-term financing of projects by our corporate customers was signed with the European Investment Bank (EIB). The objective of the credit line is support to our customers in implementing their investment projects.

SME Business

The bank continued to improve service quality in the area of small and micro enterprises by launching new and adjusting the existing products tailored to meet customer needs.

The main characteristic of the SME business segment is a segmented approach towards its customers. Our customers are classified into sub-segments based on similar features, their individual preferences and market position. Each sub-segment has its own special service model and approach.

The SME segment recorded growth in working capital loans and moderate growth in credit cards, whereas investment loans dropped in 2016.

The SME loan product set continued to be offered to our customers in 2016. It offers them the chance to use loan products with more favorable rates and to save money through lower interest rates than would otherwise apply if they were to use each product separately.

This set is a combination of loan products:
- Working capital loans
- Overdrafts
- Business card
- Long-term loans

In order to increase customer satisfaction and service quality the bank improved and extended the offer of SME Account Sets by including a foreign currency account within the set for the same price.

We continued to encourage our customers to use electronic distribution channels through Raiffeisen NET services, which enables them to conduct their financial transactions efficiently and at lower costs and to access their accounts and account statements.

Development of the Loan and Deposit Portfolios (SE segment):

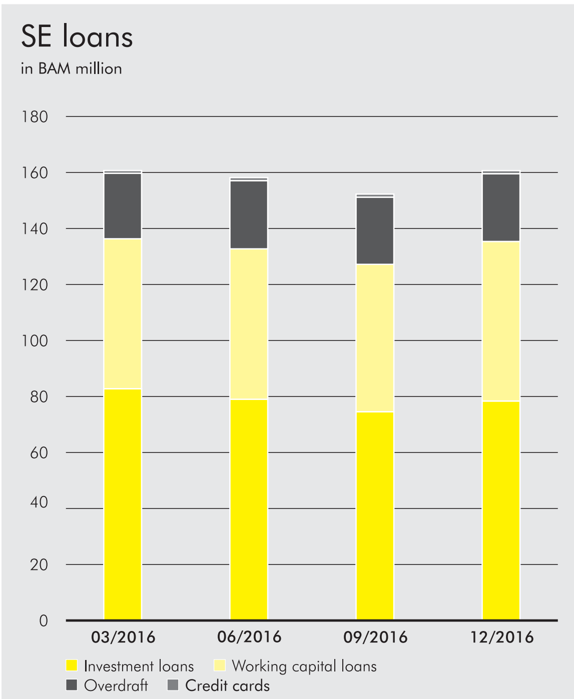
'000 BAM	March 2016	June 2016	September 2016	December 2016
Credit cards	996	1,078	1,094	1,103
Overdraft	23,365	24,371	23,994	24,196
Working capital loans	53,550	53,714	52,627	56,984
Investment loans	82,774	79,013	74,560	78,378

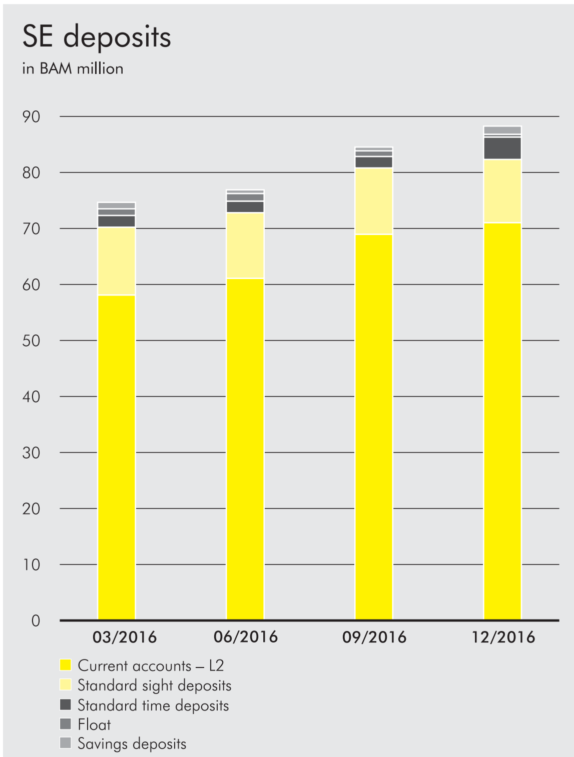
In 2016, the total loan portfolio of SE customers increased moderately compared to 2015.

Credit cards were up by 10 per cent and overdrafts saw a moderate increase of 3 per cent. Working capital loans rose by 12 per cent, whereas investment loans grew by 1 per cent compared to the previous year.

'000 BAM	March 2016	June 2016	September 2016	December 2016
Savings accounts	1,160	651	678	1,463
Float	1,175	1,357	1,001	490
Standard time deposits	2,090	2,073	2,049	4,005
Standard sight deposits	12,110	11,718	11,844	11,280
Current accounts – L2	58,120	61,089	68,958	71,039

Deposits of SE customers saw an upward trend and jumped by 19 per cent compared to 2015.





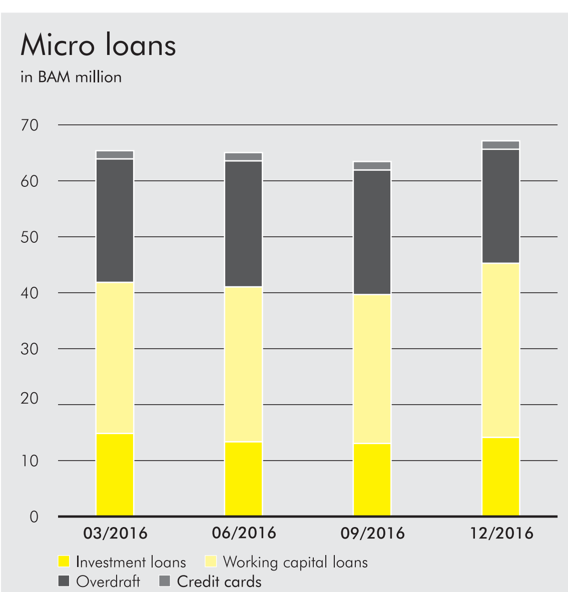
Development of the Loan and Deposit Portfolios (Micro segment):

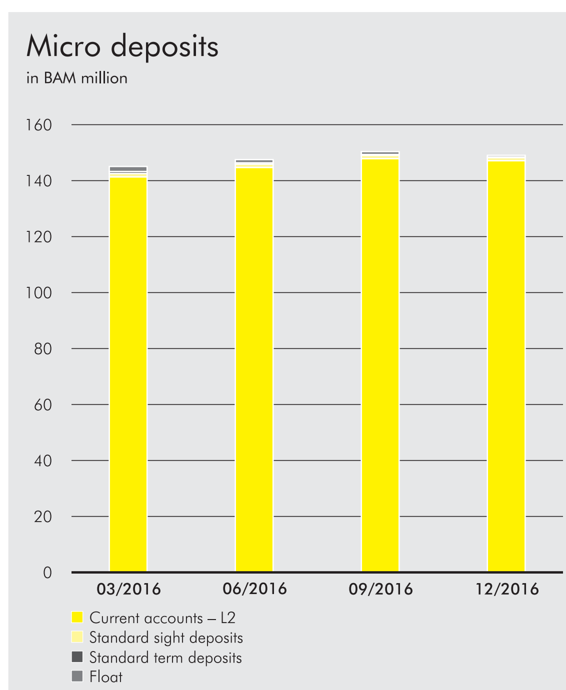
'000 BAM	March 2016	June 2016	September 2016	December 2016
Credit cards	1,459	1,471	1,498	1,502
Overdraft	22,059	22,515	22,268	20,371
Working capital loans	27,009	27,679	26,610	31,111
Investment loans	14,850	13,367	13,055	14,163

The total portfolio of micro customers recorded growth of 4 per cent in 2016 compared to 2015. The biggest demand was for working capital loans, which grew by 21 per cent.

'000 BAM	March 2016	June 2016	September 2016	December 2016
Float	1,783	1,130	1,022	564
Standard term deposits	712	487	314	270
Standard sight deposits	1,216	1,161	1,185	1,100
Current accounts – L2	141,352	144,730	147,848	147,105

Deposits of micro customers increased moderately throughout the year and recorded 1 per cent growth compared to 2015.





Retail Banking

Raiffeisen *BANK* d.d. Bosna i Hercegovina works constantly to improve the quality of its services by implementing technological advances in modern banking. It has introduced new products and tailored its existing products to meet the needs of its customers, more specifically for the areas of deposits, loans and the card business.

In order to address the needs of its most distinguished customers the bank offers Raiffeisen Premium Banking, which is a special concept based on a proactive approach towards the individual needs of its premium business customers.

Neutral Business

The neutral business sector achieved good results in 2016. In particular, income increased by 35.4 per cent in the exchange office business compared to 2015. This was principally a result of an increase in the acquisition of new exchange offices.

The bank carried out many activities aimed at acquiring new customers in 2016 and this resulted in an increased number of active account sets, which grew by 10.8 per cent with income growth up by 26.8 per cent compared to 2015.

Deposits from Private Individuals

Raiffeisen *BANK* d.d. Bosna i Hercegovina saw an increase in the PI deposit business area in 2016, which increased by 5.11 per cent compared to 2015.

Overview of deposits from private individuals

'000 BAM	2016	Change	2015	Change	2014	Change	2013
Term deposits	1,014,346	(5.6)%	1,074,113	(9.7)%	1,189,725	1.4%	1,172,824
Sight Deposits	703,286	14.0%	616,676	13.5%	543,472	(1.9)%	553,691
Current accounts	356,034	26.3%	281,970	22.3%	230,550	15.4%	195,000
Total	**2,073,666**	**5.1%**	**1,972,769**	**0.5%**	**1,963,747**	**2.2%**	**1,920,892**

Private Lending

Over the course of 2016, Raiffeisen *BANK* d.d. Bosna i Hercegovina presented new benefits for loan products that respond to the needs of the market.
- A 'six month grace period' benefit was presented in the first quarter of 2016.
- A 'Last instalment back' benefit was presented in the second quarter 2016.

The bank enabled its customers to select the option of a grace period at the beginning of the repayment period. In response to a customer request, a grace period of up to six months can be approved for the customer at the beginning of the loan repayment period. The customer will pay interest only on the loan, while repayment of annuities will start once the grace period has expired. The customer may apply for a grace period with a period of less than six months.

The 'last instalment back' benefit means that a borrower is entitled to receive a refund of one loan instalment (to the amount of the first instalment), under the provision that the borrower is not more than 35 days late in the repayment of individual instalments at the time of applying.

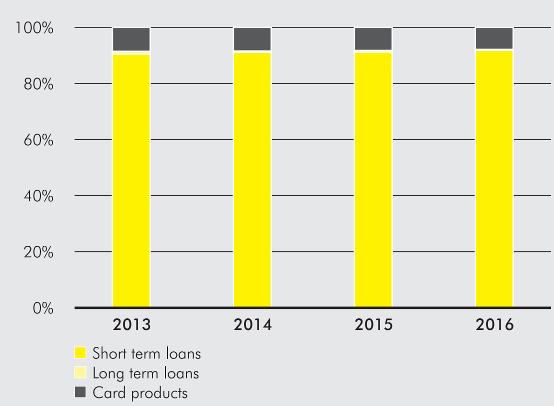
The new concept allowed Raiffeisen *BANK* d.d. Bosna i Hercegovina to achieve certain key objectives and improvements.

- The bank retained its affluent customers.
- New target lending groups were reached.
- Focus was given to 'smart lending' through the financing of low risk customers:
  a) Primary Banking Customers – customers holding a salary account with the bank;
  b) customers having a business relationship with the bank (through CRM activities);
  c) employees of selected companies and civil servants, as a part of the bank's special offer.

The loan portfolio was dominated by purpose and non-purpose loans with a 93.14 per cent share, followed by mortgage loans with a 4.57 per cent share and Lombard loans with a 2 per cent share.

The best selling products from the purpose and non-purpose loan offer were the following:
- XXL non-purpose loans without guarantors, with a 24 per cent share of total lending;
- pre-approved consolidation loans, with a 30 per cent share of total lending;
- integral non-purpose loans for refinancing, with a 19 per cent share of total lending.

Structure of the PI loan portfolio



Overview of the PI loan portfolio

'000 BAM	2016	Change	2015	Change	2014	Change	2013
Short term loans	5,306	(33.8)%	8,020	26.1%	6,361	(47.7)%	12,162
Long term loans	1,243,627	2.8%	1,209,503	3.9%	1,164,662	1.0%	1,153,617
Card products	105,810	(2.1)%	108,121	0.4%	107,667	(0.1)%	107,815
Total	**1,354,742**	**2.2%**	**1,325,644**	**3.7%**	**1,278,690**	**0.4%**	**1,273,594**

Card Business

Cards

The cards portfolio continued to grow throughout 2016 and the year ended with 855,104 cards (cumulative figure). In 2016 alone 74,838 cards were issued, which translates into growth of 9 per cent compared to 2015.

The biggest contributor to this growth in newly issued cards was the 'VISA Magic Card'. With its many benefits, this card has proven to be an attractive product as it enables customers to pay in instalments and withdraw cash at Raiffeisen ATMs without incurring any fees.

A significant contributory factor to the number of debit cards issued was the continued action to acquire public sector and corporate firms that pay staff salaries through accounts linked to debit cards issued by Raiffeisen *BANK* d.d. Bosna i Hercegovina. The biggest contributor to the growth in newly issued debit cards was the contactless 'MasterCard Debit Card'. The main advantages of the two strongest contributors to newly issued cards in 2016 are presented below.

Contactless MasterCard Debit Card
Cardholders benefit in a number of ways:
- pay for goods and services within the country and abroad,
- make cash withdrawals within the country and abroad,
- make online payments,
- utilize the contactless payment functionality.

Contactless VISA Magic Card
Cardholders benefit in a number of ways:
- pay for goods and services within the country and abroad in up to 36 instalments,
- make cash withdrawals at Raiffeisen ATMs without incurring any fees,
- receive cash advances at ATMs within the country and abroad and make repayment in up to 36 instalments,
- payment online through instalments,
- interest-free loans up to 50 BAM to pay for goods and services,
- contactless payment functionality,
- access to products within the account set,
- insurance package.

Both of these new card products come with the contactless payment functionality that allows customers to pay for goods and services using contactless technology, namely the exchange of data between the card and the reader without having to swipe the card.

By using their card for contactless payment, customers gain a number of advantages:
- as their card remains in their possession during a transaction they maintain full control over their transactions,
- transactions made without having to enter their PIN for payments up to 30 BAM (the PIN is only required for transactions above this amount).

Card Acceptance at Point of Sale (POS)

The Card Acceptance Unit saw another year of positive trends in all of its business segments in 2016. The POS network, with contactless payment functionality, was extended and the number of merchants and locations using the POS terminals of Raiffeisen *BANK* d.d. Bosna i Hercegovina increased.

The total number of POS terminals offering contactless payment was around 1,735 through 2,548 merchants as of year's end. The volume of card transactions increased by 21 per cent compared to 2015.

Several campaigns were implemented to encourage merchants and cardholders to utilize more benefits of the contactless card. This benefits all participants, merchants, cardholders and the bank. Raiffeisen Bank POS terminals were installed by 281 new merchants in 2016.

Through such an approach, the bank further underlined its commitment to creating long-standing partnership relationships with merchants and cardholders. A new functionality of the MC Shopping Card is the possibility to make payment in up to 24 instalments.

ATM Card Acquisition

Eight new automated teller machines were installed over the course of 2016 bringing the total number to 268 automated tellers as of December 31, 2016.

In contrast to 2015, cash withdrawals from the ATM network increased by 6.68 per cent and the number of transactions grew by 4.3 per cent.

Several activities were implemented in 2016 with the aim to improve the quality of ATM services and the ATM configuration, most notably by optimizing the duration of ATM transactions.

In addition to the standard functionalities, a new ATM option was introduced in 2016: CASH POINT, for cash payment.

CASH POINT ATMs enable a number of transactions:
- Cash payment, for all holders of cards issued by Raiffeisen Bank (except business cards);
- Cash withdrawal, for holders of cards issued by Raiffeisen Bank as well as for holders of cards issued by other banks;
- Account balance check, holders of cards issued by Raiffeisen Bank receive information on their account balance, available funds and the approved overdraft/limit on the account;
- Prepaid cell phone credit, this enables prepaid cell phone credit for local telecom operators in Bosnia and Herzegovina, including BH mobile, HT Eronet and m:tel, for holders of cards issued by Raiffeisen Bank as well as for holders of cards issued by other banks;
- Mini card statement, shows holders of cards issued by Raiffeisen Bank (except business cards) the last ten card account transactions;
- PIN change, enables Raiffeisen Bank cardholders to change their PIN in only four steps without incurring any fees;
- Corporate daily takings, enables Raiffeisen Bank card holders to deposit daily takings at any time without the need to queue.

A list of all Raiffeisen Bank ATMs is available from www.raiffeisenbank.ba.

Business Network Coordination

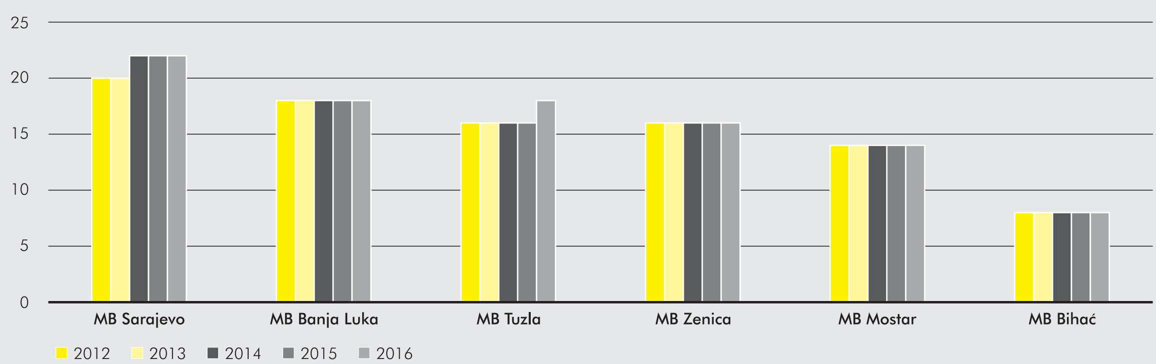
Whereas the period from 2002 to 2008 was characterized by an extensive expansion of the business outlet network the past years have been shaped by consolidation. In light of the market environment, Raiffeisen *BANK* d.d. Bosna i Hercegovina achieved the optimum number of business outlets over this period.

Further expansion of the business network continued in 2016 through the opening of two new branches in MB Tuzla, aimed at increasing the number of customers and offering a better quality of service.

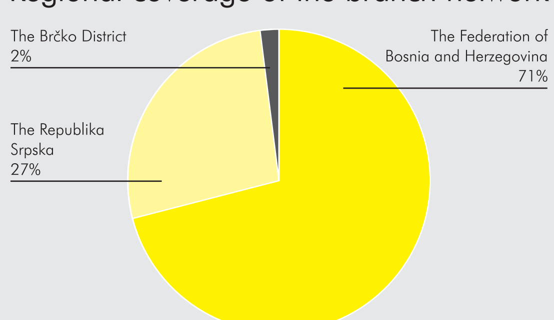
As of December 31, 2016, the bank had a business outlet network of ninety-six branches offering products and services to customers and six regional branches that act as the hubs of the business network.

The regional branches are located in the country's main administrative and political centers and provide the branch network with administrative and professional support.

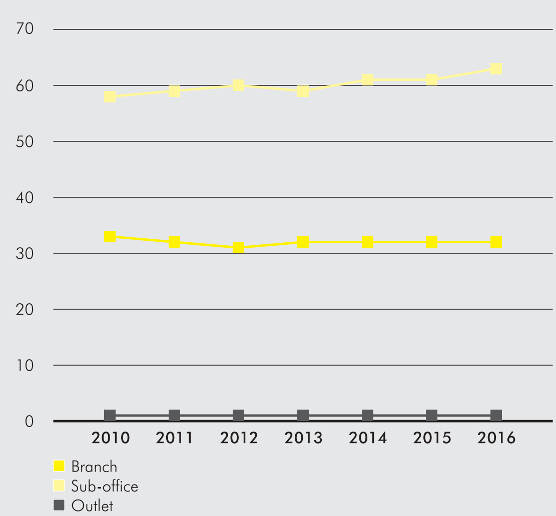
Development of the branch network from 2012 to 2016



Regional coverage of the branch network



Structure of business outlets across time



Quality Management

Raiffeisen *BANK* d.d. Bosna i Hercegovina pays special attention to the quality of service in its business segment. To maintain quality and ensure the satisfaction of its customers the bank carries out quarterly research in order to be able to respond properly to any complaints made by its customers. The voice of the customer is used when making important decisions with respect to the improvement of products, services and processes.

The Quality and Complaints Management Group within the Efficiency and Quality Management Department handles all customer complaints in a timely fashion. The majority of complaints are received via the bank's Info Centre, via e-mail or employees or through the guestbook that is available at any outlet of the bank as well as through direct contact with sales persons.

To provide better customer care and develop long-term personal relationships is the goal of every business. We find customer care to be an unconditional solution for the development and success of the bank. In such a context, the bank shall continue to endeavor to maintain its customer orientation as an integral part of its business policy.

Electronic Channels

Electronic Services

Electronic Sales Channels maintained their positive trend in 2016 in terms of the number of users and electronic and mobile banking orders.

The goal for 2016 was to increase the number of active users and electronic orders in the private individuals and corporate segments.

Online Banking

The number of corporate online banking customers was 10,638 by the end of 2016. A total of 3,168,308 electronic orders were carried out via this service in 2016, which translates into an annual growth rate of 6.3 per cent.

The number of personal online banking customers was 77,750 by the end of 2016. A total of 364,031 electronic orders were carried out online, which translates into an annual growth rate of 14.5 per cent.

SMS Service

The number of Raiffeisen Direct SMS customers, which stood at 140,259 at the end of 2016, clearly shows an increase of 11.4 per cent over 2015.

The number of SMS generated enquiries rose by 0.21 per cent on the year.

Mobile Banking

Raiffeisen Mobile Banking (R'm'B) enables customers to access their accounts and other details related to their business with Raiffeisen Bank and to make financial transactions at any time via their mobile phone. The number of customers using this service at the end of 2016 was 31,354, up by 52 per cent on the year. The number of orders carried out through this service rose by 63 per cent compared to 2015.

Treasury, Financial Markets and Investment Banking

Trading and Sales

The business environment, both in the local and foreign market, was very demanding in the area of the foreign exchange business in 2016. Yet despite such complex conditions, the Trading and Sales Department managed to reach its goals and maintain its position at the top of the local market in the area of foreign exchange business.

Developments in 2016 brought uncertainty to the international FX market, most notably through the Brexit effect and the unexpected outcome of the US presidential election. Significant oscillations of some foreign currencies (GBP, USD, EUR) were recorded. This had an indirect effect on the main activities of the Trading and Sales Department, which is directed to protect Raiffeisen *BANK* d.d. Bosna i Hercegovina from FX risk.

Despite the high level of volatility of the said currencies on the global markets, special attention was paid to optimizing FX risk along with maintaining profit orientation. This resulted in a high share of FX-based profit in the bank's total profit for 2016.

The Trading and Sales Department successfully managed the FX risk assigned to individual currencies throughout the year. Raiffeisen *BANK* d.d. Bosna i Hercegovina maintained an open FX position within the limits prescribed by the Banking Agency of the Federation of Bosnia and Herzegovina (FBA) and within internal limits defined under the Raiffeisen Group methodology.

Since one of the main corporate business characteristics of Raiffeisen Bank in 2016 was to encourage complete business relations with our customers, the services offered to the bank's customers through the Customer Desk saw a high level of quality in all aspects of the FX business. Thanks to the highly professional approach of the educated dealers, the Trading and Sales Department managed to adapt to the continuous changes in the FX market and meet high customer expectations. A positive trend of customers approaching the Customer Desk service in 2016 resulted in 124 active customers placing their trust in Raiffeisen *BANK* d.d. Bosna i Hercegovina as a partner bank for FX dealing.

Special attention was paid to protecting customers against FX risk through continuous customer education on the products offered by the Trading and Sales Department.

One important role of the Trading and Sales Department in money trading in 2016 was to adopt an individual approach to customers (local banks) and to optimize costs in cash management successfully.

Throughout the year, our customers again showed how much they appreciate the quality of the services offered by Raiffeisen Bank and its focus on satisfying the needs of its customers. The result of significant improvements by year's end was an increase in the number of banks that place their trust in Raiffeisen Bank for money trading.

Funding and Financial Institutions

Focus in 2016 was actively given to providing additional long-term funding sources for both investment and permanent working assets of corporate customers and small and medium enterprises, for projects in the public sector and for financing the purchase and reconstruction of residential units.

At the beginning of May 2016, an agreement was signed with the European Investment Bank (EIB) on financing investments of small and medium enterprises, medium capitalized companies and the public sector. The value of the agreement was € 30 million. These funds will be available to customers over the following two years.

Successful business cooperation with the European Fund for Southeast Europe (EFSE) was renewed during the course of the year through the conclusion of a new frame agreement and a separate long-term housing loan agreement worth € 10 million. In addition, negotiations with EFSE over a new credit line for micro and small enterprises was initiated to result in signing of an agreement in the first quarter of 2017.

The International Payments segment underwent further cost optimization throughout the year in order to meet customer needs and to reduce costs for both customers and the bank itself.

Investment Banking

Following record turnover in 2015, the Sarajevo Stock Exchange generated total turnover of BAM 755.2 million in 2016; this represents a considerable turnover volume despite the fact that this translates into a decline of 38.08 per cent on the previous year.

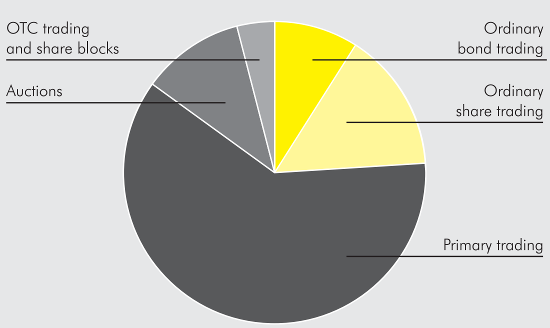
Observed historically, 2014 was definitely a turning point in terms of the sudden upward trend in turnover following the post 2008 period of financial crisis. In that year turnover almost tripled and showed a tendency for additional two-digit growth. The increase in turnover, evident in the last few years, relates directly to the debt exposure of the Ministry of Finance of the Federation of Bosnia and Herzegovina (FBiH) under its issues of T-bills and bonds through the stock exchange.

In addition to the slowdown in debt securities trading on the primary market, one of the key reasons for the decline in turnover in 2016 was the major ownership restructuring of two banking groups. The latter having a strong effect on overall market performance.

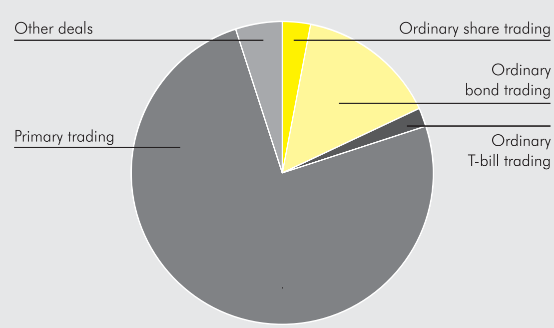
The primary market of debt securities remained the principal growth generator; only in the previous year, the Government of the FBiH generated the amount of BAM 460.3 million or 60.95 per cent of total turnover through this market. There were thirteen auctions of T-bills, worth BAM 320.4 million. The auctions tenor structure was three issues of three-month-tenor T-bills, seven issues of six-month-tenor T-bills, two issues of nine-month-tenor T-bills and one issue of twelve-month-tenor T-bills. With the introduction of a negative interest rate of -0.2 per cent to surplus legal reserves with the Central Bank of BiH on the one hand and the excessive liquidity of banks, as major investors in this market segment, on the other, the yield of debt securities of the Government of the FBiH decreased; yield to short-term instruments even reached negative values, ranging between -0.0028 per cent and -0.04 per cent in the second half of the year.

The Government of the FBiH did not focus on long-term exposure; hence, it generated BAM 139.9 million through three bond auctions of three-year and five-year tenor. The spread of the interest rate for FBiH bonds was from 1.87 per cent to 3.42 per cent.

Structure of total turnover on SASE in 2016 (BAM 755.2 million)



Structure of total turnover on BLSE in 2016 (BAM 625.2 million)



Ordinary turnover on the SASE reached BAM 177.8 million in 2016, which was 51.25 per cent below the figure for the previous year. The major contributors to turnover in 2015 were ownership restructure transactions and therefore it is reasonable to assume that there was no organic growth in either turnover or the number of transactions.

Bond trading in secondary markets intensified significantly in 2016 generating total turnover of BAM 62.6 million, compared to BAM 17.5 million generated the previous year. Volume growth in this market segment was additionally stirred by the pioneering secondary market transactions with the Government of the FBiH bonds, intended to cover budget expenses. The most successful of these transactions, in terms of the volume generated, were Government of the FBiH bond series 13 (FBIHK16A), worth BAM 18.1 million, and Government of the FBiH bond series 2 (FBIHK4A), worth BAM 7.6 million. Bond trading to cover budget expenses accounted for BAM 39.5 million of total bond trading volume, the trade in wartime claims bonds amounted to BAM 19.4 million and the trade in pre-war foreign currency savings amounted to BAM 3.7 million.

Ordinary share trading over the past year reached BAM 111.9 million and was dominated by free market trading: ST2, worth BAM 44.07 million, and ST1 that generated a turnover of BAM 39.3 million. Ordinary share trading participated in overall stock exchange trading with a share of 14.83 per cent, but was insufficient to stimulate intensive capital market development. Observed by the turnover generated, BH Telecom d.d. Sarajevo was the leader with a share trade value of BAM 10.3 million. The most recent share price for the relevant period was BAM 15.15, which translates into a price decline of 17.21 per cent on yoy level.

The shares of issuers constituting the SASX-10 index were the principal generators of share trading; however, the following issuers also generated considerable turnover in the previous year: Unis Ginex d.d. Gorazde, Energonova d.d. Sarajevo, Sumaprojekt d.d. Sarajevo, Ozon d.d. Travnik and Ingram d.d. Srebrenik.

Last year saw intensified activity on privatization through the Sarajevo Stock Exchange, including the sale of Government of the FBiH owned shares in two companies: Fabrika Duhana Sarajevo d.d. Sarajevo and Bosnalijek d.d. Sarajevo. Although scheduled, the auctions of state capital in the issuer Sarajevo Osiguranje d.d. Sarajevo failed to attract any prospective investors and were therefore cancelled.

A total of 511,478 or 39.91 per cent of shares of Fabrika Duhana d.d. Sarajevo were sold at an auction held on September 15, 2016. The achieved share price was BAM 83.50 per share and hence the Government of the FBiH sold its ownership share for a total of BAM 42.7 million. The new majority shareholder announced and placed within the legal timeframe a tender offer for the purchase of the remaining shares at the same price. This resulted in an increase of their ownership share by 38.81 per cent and ensured their control over the company, based on a 78.72 per cent ownership share.

The Government of the FBiH announced the sale of its 19.25% ownership share in the issuer Bosnalijek d.d. Sarajevo on October 6, 2016. A total of 1,507,724 shares were sold at a price of BAM 15.51, the initially defined minimum price was BAM 14.73. The sale of this block of Government of the FBiH shares generated BAM 23.4 million.

The value of OTC transactions executed over the past year reached BAM 5.03 million, while the registered blocks of shares reached BAM 29.2 million.

In 2016, the investment fund index BIFX suffered the sharpest fall of -28.89 per cent, down from 1,443.64 to 1,026.52 index points. The index of blue chip companies SASX-10 posted small growth by 0.25 per cent to 690.48 index points, whereas the primary market index SASX-30 declined by 2.49 per cent.

Total turnover on the Banja Luka Stock Exchange (BLSE) was BAM 625.2 million, which implies an increase in total turnover of 11.51 per cent compared to 2015.

Throughout the year, there were eighteen successful auctions of debt securities issued by the Government of Republika Srpska. Thereof, ten T-bill auctions generated BAM 186.1 million and eight bond auctions generated BAM 281.3 million. T-bills were issued with one-month, six-month and twelve-month tenors and bonds with three-year, five-year and seven-year tenors. These primary issues brought higher yields than the same instruments placed through the SASE, whereas yields for T-bills traded on the BLSE ranged between 0.1 per cent and 2.71 per cent and yields for bonds between 3.78 per cent and 4.99 per cent.

Overall, regular turnover on the BLSE amounted to BAM 127.9 million; this represents an increase of 33.74 per cent on the same period the previous year. The strongest contributor to this growth in turnover was ordinary bond and T-bill trading on secondary markets, which amounted to BAM 106.9 million. Accordingly, the majority of turnover generated in this segment (5 per cent) related to trade in bond series of Republika Srpska: maturing on 03/06/26 (RSBD-O-R) with a value of BAM 15.6 million, ten wartime claims bond series (RSRS-O-J) worth BAM 15.01 million and T-bills with 12-month tenor, i.e. until 27/01/17 (RS16-T01) worth BAM 13.2 million.

With a total value of BAM 20.95 million, ordinary share trading on the BLSE fell short by 27.26 per cent on the 2016 figure (BAM 28.79 million). Despite a slowdown in its share trading of 43.70 per cent compared to the previous year, Telecom Srpske a.d. Banja Luka (TLKM-R-A) posted total share trading of BAM 5.4 million and thus retained its position as the most required issuer. The decline in turnover recorded by this issuer was a consequence of the slowdown in trading but also the drop in its average share value (1.32 BAM compared to 1.62 BAM the previous year).

Key stock exchange indices on the BLSE showed a value decrease at the annual level, which underlay the end-of-year blue chip index (BIRS) of 546.67 index points, which was down by 16.05 per cent on the beginning-of-year figure. The investment fund index (FIRS) closed 2016 at a value of 1,575.61 index points, which represents a fall of 17.31 per cent.

Despite the challenging circumstances in the local capital market, this was another successful year for the Investment Banking Department. Income increased and the number of customers remaining stable saw a slight upward trend in all business segments.

Custody-GSS had a very successful business year seeing a rise in the number of custody accounts of 23.17 per cent. This justified the trust placed in it by both existing and new customers. Annual research organized by the renowned Global Custodian Magazine verified and acknowledged the high level of service quality and the success of the Raiffeisen *BANK* d.d. Bosna i Hercegovina custody business, while our customers gave us high grades and marked us as their bank of choice.

In 2016, the **Fund Administration and Depository Business** segment successfully performed depository transactions under issuance and trade in securities for its customers. Focus in the **fund administration** area was placed on signing agreements with existing customers and providing depository services to both open-ended and closed-ended investment funds. Licenses for depository operations under issuance of and trade in securities and for the depository of funds were successfully renewed. The FBiH Securities Commission thereby confirmed that the bank continues to satisfy all legal requirements for the provision of depository banking services.

The **Proprietary Trading Team** continued its activities related to the purchase and sale of securities on the account of the Bank and thus closed another concurrent successful business. The bank remained an active player in both the FBiH and RS debt securities markets, focusing on local market investments.

In the **Brokerage Business** segment, as a professional intermediary on the Sarajevo Stock Exchange, the bank ranked third according to the number of executed transactions and second by the turnover generated in 2016.

The number of local market transactions executed for the bank's customers also grew and led to a major increase in income from these services. There was voluminous local market trading in wartime claims bonds and pre-war foreign currency savings. Customers were kept up-to-date on significant events in the local market, especially in the area of public securities issues, through regular reports aimed at encouraging existing customers and acquiring new ones to invest in debt securities.

The **Research and Consulting Team** successfully completed its agency operations under issue by the Federal Ministry of Finance, which included seven auctions in the last quarter of 2016 that generated BAM 220.5 million to the issuer. The team was actively engaged in intensifying activities at all levels of government and various investor structures to generate funds through capital markets in 2016. To that end, numerous highly productive meetings with potential issuers were arranged.

In order to upgrade its corporate financial consulting services the bank developed a product/solution for adequate alternative financing, business expansion and investment in company growth that overcomes the limitations of classical commercial banking. The product/ solution received highly positive reactions from the local targeted growing companies, which are recognized as one of the key factors in the overall economic development of BiH. The diversified and professional approach of Raiffeisen bank to individual customers allows for a high level of service and cooperation and is what makes the bank ever more prominent in the market.

Moreover, the bank's analysts monitor economic and market developments on a daily basis in order to be able to provide the bank, its customers and the public with informed forecasts for the EU and USA markets, but primarily the BiH economy and financial market. The latter underlies budget development activities, business, investment and other decisions. The reliability of the bank's reports is confirmed by the list of its beneficiaries, including rating agencies, international financial institutions, the media and numerous corporate and institutional customers.

The **Institutional Customers** segment continued its activities on improving service quality and strengthening business relationships with customers. This ensured unquestionable growth of the total deposit volume. Despite the general downward trend in interest rates in 2016, customers recognized the stability and reliability of Raiffeisen bank as evidenced by an increase in their overall deposits of 21.4 per cent compared to the previous year. The strongest increase of 23.67 per cent was recorded in term deposits. With a portfolio of 126 institutional customers, as of year's end 2016, the bank continues to dominate the market of institutional customers.

Financial Statements

Responsibility for the financial statements

Pursuant to the Law on Accounting and Auditing of Federation of Bosnia and Herzegovina (“Official Gazette of Federation of Bosnia and Herzegovina”, No. 83/09), the Management Board is responsible for ensuring that financial statements are prepared for each financial period in accordance with International Financial Reporting Standards (“IFRS”) which give a true and fair view of the state of affairs and results of Raiffeisen *BANK* dd Bosna i Hercegovina (the “Bank”) for that period. IFRS are published by the International Accounting Standards Board.

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

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

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

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

Signed on behalf of the Management Board

Karlheinz Dobnigg, Director

Raiffeisen *BANK* dd Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Bosnia and Herzegovina

24 February 2017

Independent Auditors' report

To the shareholders of Raiffeisen *BANK* dd Bosna i Hercegovina:
We have audited the accompanying financial statements of Raiffeisen *BANK* dd Bosna i Hercegovina (the "Bank") set out on pages 3 to 59, which comprise of the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year that 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 and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Law on Accounting and Auditing and standards on auditing applicable in Federation of Bosnia and Herzegovina. 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 present fairly, in all material respects, the financial position of the Bank as of 31 December 2016, and its performance and cash flows for the year that ended, in accordance with International Financial Reporting Standards.

Deloitte d.o.o.

Sead Bahtanović,director and licensed auditor

Sabina Softić, partner and licensed auditor

Deloitte
d.o.o.
Zmaja od Bosne 12c
71000 Sarajevo
ID: 4200047380000

Sarajevo, Bosnia and Herzegovina
6 March 2017

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2016
(All amounts are expressed in thousands of KM, unless otherwise stated)

	Notes	2016	2015
Interest and similar income	5	154,581	158,181
Interest and similar expenses	6	(32,739)	(39,091)
Net interest income		**121,842**	**119,090**
Fee and commission income	7	84,054	75,329
Fee and commission expenses	8	(15,696)	(12,037)
Net fee and commission income		**68,358**	**63,292**
Net investing income	9	13,896	14,407
Other operating income	11	2,890	4,010
Operating income		**206,986**	**200,799**
Administrative expenses	12	(102,650)	(105,684)
Depreciation and amortization	25,26	(7,642)	(7,995)
Operating expenses		**(110,292)**	**(113,679)**
Profit before impairment losses, provisions and income tax		**96,694**	**87,120**
Impairment losses and provisions, net	13	(40,825)	(19,016)
Recoveries	10	5,070	7,059
		(35,755)	**(11,957)**
PROFIT BEFORE INCOME TAX		**60,939**	**75,163**
Income tax	14	(8,410)	(8,154)
NET PROFIT		**52,529**	**67,009**
Other comprehensive income:			
Items that will be subsequently reclassified in the statement of profit or loss when specific conditions are met:			
– Effects of change in fair value of financial assets available for sale, net	19	24	-
		24	**-**
TOTAL COMPREHENSIVE INCOME		**52,553**	**67,009**
Earnings per share (in KM)	33	**53.13**	**67.78**

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

Statement of financial position

as of 31 December 2016
(All amounts are expressed in thousands of KM, unless otherwise stated)

	Notes	31/12/ 2016	31/12/ 2015
ASSETS			
Cash and cash equivalents	15	874,376	804,472
Obligatory reserve at Central Bank of BiH	16	327,197	250,462
Placements with other banks	17	184,717	151,748
Loans to customers	18	2,089,206	2,059,096
Assets held for sale		457	345
Financial assets available-for-sale	19	216	192
Financial assets at FVTPL	20	99,705	102,437
Financial assets held-to-maturity	21	139,723	136,553
Investments in subsidiaries	22	12,507	2,456
Investments in associates	23	2	8,175
Deferred tax assets	14	816	831
Prepaid income tax		4,292	2,094
Other assets and receivables	24	42,646	37,299
Tangible and intangible assets	25	111,340	123,408
Investment property	26	35,775	23,980
TOTAL ASSETS		**3,922,975**	**3,703,548**
LIABILITIES			
Due to other banks and financial institutions	27	81,074	125,561
Due to customers	28	3,188,890	2,935,840
Subordinated debt	29	61,811	61,798
Provisions	30	30,174	19,743
Other liabilities and payables	31	40,756	31,374
TOTAL LIABILITIES		**3,402,705**	**3,174,316**
EQUITY			
Share capital	32	247,167	247,167
Share premium		4,473	4,473
Revaluation reserves for financial assets		148	124
Regulatory reserves		102,443	102,443
Retained earnings		166,039	175,025
TOTAL EQUITY		**520,270**	**529,232**
TOTAL LIABILITIES AND EQUITY		**3,922,975**	**3,703,548**
COMMITMENTS AND CONTINGENCIES	29	**826,369**	**902,674**

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

Signed on behalf of the Bank on 24 February 2017:

President of the
Management Board
Karlheinz Dobnigg

Executive Director for Finance, Risk and Legal Affairs
(CRO & CFO)
Heribert Fernau

Raiffeisen BANK DD BOSNA I HERCEGOVINA

Statement of cash flows

for the year ended 31 December 2016
(All amounts are expressed in thousands of KM, unless otherwise stated)

	2016	2015
OPERATING ACTIVITIES		
Profit before taxation	60,939	75,163
Adjustments:		
Depreciation and amortization	7,642	7,995
Impairment losses and provisions	37,577	19,556
Gain on disposal of tangible and intangible assets	(77)	(246)
Realized losses and fair value adjustments on financial assets at FVTPL	1,106	166
Release of losses on investments in subsidiaries	3,248	(540)
Release of accrued expenses from previous year	(492)	(1,344)
Written-off liabilities	(12)	(33)
Accrued interest on financial assets at FVTPL recognized in the statement of profit or loss and other comprehensive income	(278)	(256)
Dividend income recognized in the statement of profit or loss and other comprehensive income	(2,126)	(1,707)
Changes in operating assets and liabilities:		
Net increase in obligatory reserve at CBBH	(76,735)	(9,668)
Net increase in placements with other banks	(32,969)	(45,916)
Net increase in loans to customers, before impairment losses	(52,795)	(38,812)
Net increase in other assets and receivables, before impairment losses	(9,266)	(13,587)
Net (decrease) / increase in liabilities toward banks – deposits	(21,316)	7,059
Net increase in liabilities toward customers	253,050	54,768
Net increase in other liabilities and payables	7,743	4,155
	175,239	**56,753**
Income tax paid	(8,395)	(9,399)
NET CASH FROM OPERATING ACTIVITIES	**166,844**	**47,354**
INVESTING ACTIVITIES		
Net proceeds from financial assets at FVTPL	1,904	15,579
(Purchase) / proceeds of financial assets held-to-maturity, net	(3,170)	33,119
Proceeds from sales of financial assets available-for-sale	-	27
Investments in subsidiaries	(5,126)	-
Dividends received	2,126	1,707
Purchases of tangible and intangible assets	(8,110)	(7,410)
Proceeds from tangible assets sold	122	438
NET CASH (USED IN) / FROM INVESTING ACTIVITIES	**(12,254)**	**43,460**
FINANCING ACTIVITIES		
Repayments of borrowings, net	(23,171)	(37,040)
Repayments of subordinated debt, net	-	(7,886)
Dividends paid	(61,515)	(67,941)
NET CASH USED IN FINANCING ACTIVITIES	**(84,686)**	**(112,867)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**69,904**	**(22,053)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**804,472**	**826,525**
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**874,376**	**804,472**

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

Statement of changes in equity

for the year ended 31 December 2016
(All amounts are expressed in thousands of KM, unless otherwise stated)

	Share capital	Share premium	Revaluation reserves for financial assets	Regulatory reserves	Retained earnings	Total
Balance as of 31 December 2014	**247,167**	**4,473**	**124**	**102,443**	**175,957**	**530,164**
Dividend paid	-	-	-	-	(67,941)	(67,941)
Net profit for the year	-	-	-	-	67,009	67,009
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**67,009**	**67,009**
Balance as of 31 December 2015	**247,167**	**4,473**	**124**	**102,443**	**175,025**	**529,232**
Dividend paid	-	-	-	-	(61,515)	(61,515)
Net profit	-	-	-	-	52,529	52,529
Other comprehensive income	-	-	24	-	-	24
Total comprehensive income	**-**	**-**	**24**	**-**	**52,529**	**52,553**
Balance as of 31 December 2016	**247,167**	**4,473**	**148**	**102,443**	**166,039**	**520,270**

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

Notes to the financial statements

for the year ended 31 December 2016
(All amounts are expressed in thousands of KM, unless otherwise stated)

1. GENERAL

History and incorporation

Raiffeisen *BANK* dd Bosna i Hercegovina, Sarajevo (the "Bank") is a joint stock company incorporated in Bosnia and Herzegovina and it commenced operations in 1993. Principal activities of the Bank are:
1. accepting deposits from the public and placing of deposits;
2. providing current and term deposit accounts;
3. granting short- and long-term loans and guarantees to the local municipalities, corporate customers, private individuals and other credit institutions dealing with finance lease and foreign exchange transactions;
4. money market activities;
5. performing local and international payments;
6. foreign currency exchange and other banking-related activities;
7. providing banking services through an extensive branch network in the Bosnia and Herzegovina.

The Bank considers that it operates in a single business segment, and a single geographical segment, that is the provision of banking services in Bosnia and Herzegovina.

The registered address of the Bank is Zmaja od Bosne bb, Sarajevo. As at 31 December 2016, the Bank had 1,312 employees (31 December 2015: 1,355 employees).

The Bank did not consolidate its subsidiaries and associates: Raiffeisen Special Assets Company d.o.o., Sarajevo, Raiffeisen *INVEST* društvo za upravljanje fondovima d.o.o. Sarajevo, Raiffeisen *CAPITAL* a.d. Banja Luka, Raiffeisen *LEASING* d.o.o. Sarajevo and Raiffeisen *ASSISTANCE* d.o.o. Sarajevo, because the Management believes that the conditions for exclusion prescribed by IFRS 10.4 (a) were met:
(a) The Bank is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to the Bank not presenting consolidated financial statements;
(b) The Bank's debt or equity instruments are not traded in a public market;
(c) The Bank did not file, nor is it in the process of filing its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
(d) The ultimate parent of the Bank produces consolidated financial statements available for public use that comply with International Financial Reporting Standards. Ultimate shareholder of the Bank is Raiffeisen Bank International Holding AG Vienna, Austria. The consolidated financial statements of the Group are available at the following address: *Am Stadtpark 9 1030 Vienna, Austria* or on the website: http://investor.rbinternational.com.

Supervisory Board

Karl Sevelda	Chairman
Peter Lennkh	Deputy Chairman
Ferenc Berszan	Member until 17 June 2016
Kirchmair Markus	Member since 18 June 2016
Johannes Kellner	Member
Peter Janecko	Member

Management

Karlheinz Dobnigg	Director, Management Board member
Sanela Pašić	Deputy Director, Management Board member until 14 March 2016
Heribert Fernau	Executive Director, Management Board member since 15 March 2016
Mirha Hasanbegović	Executive Director
Maida Zahirović Salom	Executive Director
Ante Odak	Executive Director, Management Board member since 1 May 2016

Audit Committee

Wolfgang Kettner	President
Fikret Hadžić	Member
Nedžad Madžak	Member
Abid Jusić	Member
Vojislav Puškarević	Member

2. Adoption of new and revised standards

2.1. Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" -Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

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

2.2. Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 15 "Revenue from Contracts with Customers" and further amendments (effective for annual periods beginning on or after 1 January 2018),
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 2 "Share-based Payment" – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4 "Insurance Contracts" – Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IAS 7 "Statement of Cash Flows" – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 40 "Investment Property" – Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

- Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).

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

3. Summary of significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board.

Going concern

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

Basis for preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

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

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date; fair value indicators are those derived from quoted prices in active markets;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

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

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Interest income and expense

Interest income and expense are recognized in statement of profit or loss and other comprehensive income as they accrue using the effective interest rate method. Effective interest rate is the rate that discounts estimated future cash flows of financial assets or liabilities (including all paid or received transaction costs, fees and points, which are an integral part of the effective interest rate) over the life of the financial assets / liabilities or, if appropriate, a shorter period.

Fee and commission income and expense

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax expense is based on taxable income for the year. Taxable income differs from net income as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting period date.

Deferred income tax

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the statement of profit and loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Investments in subsidiaries

A subsidiary is an entity which is controlled by the Bank. The Bank controls the subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

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

Investments in associates

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

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

Cash and cash equivalents

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

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

Financial instruments

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

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

a) Financial assets

Financial assets are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

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

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest rate method

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

Income is recognized on an effective interest basis for financial instruments: "at fair value through profit or loss", "held-to-maturity" and "loans and receivables".

Loans and receivables

Loans, placements with other banks and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivable arise when the Bank provides money directly to a debtor with no intention of trading with the receivable or disposal in the near future.

Loans and receivables are initially recognized at fair value plus incremental costs. After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at FVTPL

The Bank classifies a financial asset as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in statement of profit or loss and other comprehensive income. The net gain or loss recognised in statement of profit or loss and other comprehensive income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 37.

Held-to-maturity investments

Bonds and treasury bills with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

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

Listed shares and listed redeemable notes held by the Bank that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in the Note 37. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognized directly in statement of profit or loss and other comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in statement of profit or loss and other comprehensive income for the period.

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:
- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively. Those individually significant assets which are not identified as impaired are subsequently included in the basis for collective impairment assessment. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

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

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

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

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

Derecognition of financial assets

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

b) Financial liabilities and equity instruments issued by the Bank

Classification as debt or equity

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

Equity instruments

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

Financial guarantee contract liabilities

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

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

Financial liabilities

Financial liabilities are classified either as "financial liabilities at FVTPL" or "other financial liabilities". The Bank has no financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities, including due to banks, due to customers and subordinated debt, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

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

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and any recognized accumulated impairment losses. The purchase cost includes the purchase price and all costs directly related to bringing the asset into operating condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalised. Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss.

Cost includes also professional fees. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use.

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

Buildings	1.3%
Furniture and vehicles	10%-14%
Computers	33.3%
Other equipment	7%-15%
Intangible assets	20%-100%

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

Impairment

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

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Intangible assets

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

Investment property

Investment property, which is property held to earn rental income and / or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost, less accumulated depreciation and any recognized accumulated impairment losses. Depreciation commences when the assets are ready for their intended use and is calculated in the basis of the estimated useful life of the asset, using the straight-line method as follows:

Buildings	1.3%

Employee benefits

On behalf of its employees, the Bank pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Bank pays those tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina (on federal and cantonal levels), Republika Srpska and Brčko District.

In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recognized in the statement of profit or loss and other comprehensive income in the period in which the salary expense is incurred.

Retirement severance payments

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

The cost of retirement severance payments are recognized when earned.

Foreign currency translation

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

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

31 December 2016	EUR 1 = KM 1.95583	USD 1 = KM 1.855450
31 December 2015	EUR 1 = KM 1.95583	USD 1 = KM 1.790070

Provisions

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

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

Equity and reserves

Share capital

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

Regulatory reserves for credit losses

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

Regulatory reserves calculated in accordance with FBA regulations

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

The regulatory provisions include both specific and general provisions. The general provision is added back as Tier 2 capital in the computation of capital adequacy under FBA rules.

Retained earnings

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

Investments revaluation reserve

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

Dividends

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

Earnings per share

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

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

4. Critical accounting judgments and key sources estimation uncertainty

Key sources of estimation uncertainty

In the application of the Bank's accounting policies, which are described in Note 3, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Useful lives of property and equipment, and investment property

As described at Note 3 above, the Bank reviews the estimated useful lives of property and equipment, and investment property at the end of each reporting period. During 2016, based on the amendments to the Corporate Income Tax Act in Federation of Bosnia and Herzegovina ("Official Gazette of Federation of Bosnia and Herzegovina", no. 15/16), and based on the review of useful lives of long-term assets, the Management estimated that useful lives of certain assets are longer than initially estimated, which resulted in decrease of depreciation expenses and increase of net result for 2016 in the amount of KM 432 thousand.

Impairment losses on loans and receivables

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

Impairment losses on loans and receivables and provisions for off-balance exposure

The Bank monitors the creditworthiness of its customers on an ongoing basis. The need for impairment of the Bank's on- and off-balance credit risk exposures is assessed on a monthly basis. Impairment losses are made mainly against the carrying value of loans to corporate and retail customers and as provisions for liabilities and charges arising from off-balance-sheet risk exposure to customers, mainly in the form of unused loan facilities and guarantees. 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. With regard to the financial assets carried at amortized cost, the Bank first assesses whether objective evidence of impairment exists individually for assets that are individually significant and collectively for assets that are not individually significant.

In assessing collective impairment the following guidelines are used:
- future cash flows of a homogeneous segment/product group are estimated based on historical losses for assets with similar credit risk characteristics;
- information on historical loss rates are applied consistently to defined homogeneous segments/groups;
- historical losses are adjusted in line with current data which can be used consistently with the current conditions;
- the methodology and assumptions used to estimate future cash flows are regularly revised, and updated as necessary.

As explained further below, the Bank calculates provisions under FBA rules, as well as estimating impairment allowances under IFRS. The provisions calculated under FBA rules are not recognized by the Bank but form the basis for capital adequacy calculations, and in previous periods, formed the basis for transfers to non-distributable reserves within equity and reserves.

Fair value of financial instruments

As described in Note 37, the Management use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Financial instruments, other than loans and receivables, and financial assets held to maturity, are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates.

5. Interest and similar income

All amounts are expressed in thousands of KM	2016	2015
Citizens	114,539	115,280
Companies	36,214	39,161
Financial assets held-to-maturity	3,075	3,494
Foreign banks	486	231
Other	267	15
	154,581	158,181

6. Interest and similar expenses

All amounts are expressed in thousands of KM	2016	2015
Citizens	20,069	25,765
Foreign banks	6,541	7,293
Companies	5,758	5,567
Domestic banks	8	19
Other	363	447
	32,739	**39,091**

7. Fee and commission income

All amounts are expressed in thousands of KM	2016	2015
Transactions with citizens	30,887	25,158
Payment transactions	25,997	24,671
Loans and guarantees	8,079	8,119
FX transactions	7,544	7,393
Account maintenance fees	6,640	5,773
Other	4,907	4,215
	84,054	**75,329**

8. Fee and commission expenses

All amounts are expressed in thousands of KM	2016	2015
Card transactions	10,742	8,442
Services of CBBH	1,097	939
S.W.I.F.T. services	737	728
Correspondent accounts	529	539
Domestic payment transactions	50	170
Other	2,541	1,219
	15,696	**12,037**

9. Net investing income

All amounts are expressed in thousands of KM	2016	2015
Positive FX differences from operations	9,934	10,330
Interest income from bonds at FVTPL (Note 20)	3,111	3,454
Dividend income	2,126	1,707
Fair value adjustment on bonds at FVTPL (Note 20)	(1,049)	29
Negative differences on reconciliations with CBBH's exchange rates	(169)	(918)
Net loss from sale of bonds at FVTPL	(57)	(205)
Net gain on sale of shares at FVTPL	-	10
	13,896	**14,407**

10. Recoveries

All amounts are expressed in thousands of KM	2016	2015
Interest	4,612	6,639
Principal	458	420
	5,070	**7,059**

11. Other operating income

All amounts are expressed in thousands of KM	2016	2015
Rent income	1,326	1,380
Release of accrued expenses from previous year	492	1,344
Gains on disposal of tangible assets, net	77	246
Petty cash surplus	22	18
Written-off liabilities	12	33
Other income	961	989
	2,890	**4,010**

12. Administrative expenses

All amounts are expressed in thousands of KM	2016	2015
Gross salaries	40,022	42,134
Other employee benefits	11,512	13,701
Deposit and loan insurance premiums	7,811	7,535
Current maintenance costs	7,470	8,034
Services	5,842	5,903
Rent	4,311	4,246
Consultancy services expense	4,098	3,060
Telecommunication expense	4,073	4,364
Entertainment and marketing expense	4,012	3,790
Tangible assets insurance premiums	2,516	2,444
Supervisory fee – FBA	2,288	2,227
Energy	1,978	2,064
Material expenses	1,510	1,833
Taxes and administration	757	707
Education	718	305
Transportation	208	184
Donations	171	148
Write-off	7	389
Other administrative expenses	3,346	2,616
	102,650	**105.684**

13. Impairment losses and provisions, net

All amounts are expressed in thousands of KM	2016	2015
Loans to customers (Note 18)	22,685	18,611
Impairment / (release of) allowance for commitments and contingencies (Note 30)	7,226	(2,117)
Impairment / (release of) allowance for other assets and receivables (Note 24)	3,934	(104)
Legal proceedings (Note 30)	3,564	4,085
Release of provisions for other employee benefits per IAS 19, net (Note 30)	(401)	(919)
Impairment / (release of) allowance on investments in subsidiaries (Note 22)	3,248	(540)
Impairment losses on assets held for sale	36	-
Impairment losses on investment property (Note 26)	533	-
	40,825	**19,016**

14. Income tax

Total tax recognized in the statement of profit or loss and other comprehensive income may be presented as follows:

All amounts are expressed in thousands of KM	2016	2015
Current income tax	8,395	8,130
Deferred income tax	15	24
	8,410	**8,154**

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

All amounts are expressed in thousands of KM	2016	2015
Profit before income tax	**60,939**	**75,163**
Income tax expense at 10%	6,094	7,516
Effects of non-deductible expenses	3,231	1,535
Effects of non-deductible income	(912)	-
Effects of tax incentives	(34)	-
Tax reconciliation – with the Republika Srpska and Brčko District legislation	16	-
Current income tax	**8,395**	**8,130**
Effective tax rate	**13.78%**	**10.82%**

Changes in deferred tax asset can be presented as follows:

All amounts are expressed in thousands of KM	2016	2015
Balance as at the beginning of year	**831**	**855**
Release of deferred tax asset	(15)	(24)
Balance as at the end of year	**816**	**831**

15. Cash and cash equivalents

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Account with the CBBH in domestic currency	499,657	605,993
Cash at hand in domestic currency	265,079	85,964
Correspondent accounts with other banks in foreign currency	64,834	80,045
Cash at hand in foreign currency	44,805	32,410
Checks in foreign currency	1	60
	874,376	**804,472**

16. Obligatory reserve at Central bank of Bosnia and Herzegovina

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Obligatory reserve	327,197	250,462
	327,197	**250,462**

Minimum obligatory reserve was calculated as a percentage of the average amount of total deposits and borrowings for each working day during 10 calendar days following the period of maintaining the obligatory reserve. The rates of minimum obligatory reserve until 30 June 2016 were: 10% of total short-term deposits and borrowings and 7% of total long-term deposits and borrowings.

Since 1 July 2016, a unified interest rate of 10% on total short-term and long-term deposits and borrowed assets.

Cash held at the obligatory reserve account with the CBBH is not available for daily operations without specific approval from the CBBH and FBA.

17. Placements with other banks

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
OECD countries	184,717	151,748
	184,717	**151,748**
Expected to be recovered		
– no more than twelve months after the reporting period	184,717	150,397
– more than twelve months after the reporting period	-	1,351
	184,717	**151,748**

During 2016, the interest rates for placements in EUR were within the range from (0.20)% p.a. to (0.60)% p.a. (2015: from (0.35)% p.a. to 0.1% p.a.) and for placements in USD from 0.32% p.a. to 1.20% p.a. (2015: from 0.06% p.a. to 1.75% p.a.). Interest rates on placements in other currencies were from (2.00)% p.a. to 2.25% p.a. (2015: from (2.25)% p.a. to 2.85% p.a.).

18. Loans to customers

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Short-term loans:		
Short-term loans in domestic currency	548,121	530,173
Short-term loans in foreign currency	183	2,263
	548,304	**532,436**
Long-term loans:		
Long-term loans in domestic currency	281,958	143,265
Long-term loans in foreign currency	1,470,338	1,567,397
	1,752,296	**1,710,662**
Total loans before allowance	**2,300,600**	**2,243,098**
Less:		
– Allowance for impairment losses based on individual assessment	(164,876)	(174,387)
– Allowance for impairment losses based on group assessment	(46,518)	(9,615)
	2,089,206	**2,059,096**

Short-term loans are granted for periods of 30 to 365 days. The majority of short-term loans in domestic currency are granted to clients for working capital financing. Long-term loans are mostly granted to individuals for housing and vehicle purchases.

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

All amounts are expressed in thousands of KM	2016	2015
Balance as at the beginning of year	**184,002**	**256,314**
Increase in allowances (Note 13)	22,685	18,611
Write-offs	4,707	(90,923)
Balance as at the end of year	**211,394**	**184,002**

Total amount of non-performing loans on which interest was suspended as of 31 December 2016 and 31 December 2015 was KM 256,624 thousand and KM 256,018 thousand, respectively.

Total loans before allowance for impairment losses per industry may be presented as follows:

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Citizens	1,384,855	1,367,974
Trade	458,864	459,057
Agriculture, forestry, mining and energy	274,009	247,250
Transport, telecommunications and communications	55,508	36,623
Services, finance, sport, tourism	44,268	65,321
Construction industry	37,853	35,981
Administrative and other public institutions	27,909	22,926
Other	17,334	7,966
	2,300,600	**2,243,098**

Interest rates for granted loans as for the year ended 31 December 2016 and 2015 are summarized as follows:

All amounts are expressed in thousands of KM	31 December 2016		31 December 2015	
		Interest rates during the year		**Interest rates during the year**
Domestic currency				
Companies	915,663	2.50%-18.00%	874,197	2.50%-18.00%
Citizens	1,384,813	2.95%-18.00%	1,367,806	2.00%-18.00%
Foreign currency				
Companies	82	2.50%-11.28%	927	0.00%-12.00%
Citizens	42	2.95%-15.54%	168	4.63%-10.00%
	2,300,600		**2,243,098**	

19. Financial assets available-for-sale

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
S.W.I.F.T. Belgium	152	128
Securities' Register of the Federation of BiH	32	32
Sarajevo Stock Exchange	32	32
	216	**192**

Movements in the fair value of these assets were as follows:

All amounts are expressed in thousands of KM	2016	2015
Balance as at the beginning of year	**192**	**219**
Fair value gain	24	-
Sales during the year	-	(27)
Balance as at the end year	**216**	**192**

20. Financial assets at fair value through profit and loss

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Government bonds	99,704	102,437
Shares	1	-
	99,705	**102,437**

Government bonds

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Romania	86,654	87,579
Belgium	7,464	7,181
Italy	3,593	3,583
Slovenia	1,994	2,018
Germany	-	2,076
	99,704	**102,437**

Movements in the fair value of bonds at FVTPL were as follows:

All amounts are expressed in thousands of KM	2016	2015
Balance as at the beginning of year	**102,437**	**117,845**
(Sales or maturity) during the year, net	(1,962)	(15,693)
Fair value increase / (decrease) (Note 9)	(1,049)	29
Interest income (Note 9)	3,111	3,454
Collected interest	(2,833)	(3,198)
Balance as at the end of year	**99,704**	**102,437**

Bonds mature within the period from 12 June 2017 to 18 September 2020 and bearing an interest within the range from 1.13% p.a. to 6.00% p.a. Interest income earned on the bonds portfolio for the year ended 31 December 2015 was KM 3,111 thousand (2014: KM 3,454 thousand) (Note 9).

Shares

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Velprom d.d. Sanski Most	1	-
	1	**-**

Movements in the fair value of shares at FVTPL were as follows:

All amounts are expressed in thousands of KM	2016	2015
Balance as at the beginning of the year	**-**	**81**
Sales during the year, net	-	(81)
Balance as at the end of the year	**-**	**-**

21. Financial assets held-to-maturity

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Poland	33,894	10,573
Belgium	27,864	12,436
Federation of Bosnia and Herzegovina	25,308	31,127
Republika Srpska	24,137	12,656
Abn Amro Bank INV, Netherlands	10,033	10,098
France	9,952	10,322
Austria	8,535	21,959
Raiffeisen International AG	-	27,382
	139,723	**136.553**

In 2016, the Bank has purchased:
- Bonds issued by the Federation of Bosnia and Herzegovina based on old foreign currency demand deposits and war receivables at nominal value of KM 3.18 million. Interest rate for the purchased bonds is 2.5% p.a. and they are due between 31 August 2016 and 30 June 2021.
- Bonds issued by the Federation of Bosnia and Herzegovina based on financial expenditures determined by Budget of FBiH at nominal value of KM 2.72 million and KM 1 million. Interest rate for the purchased bonds is 3.4% p.a. and they are due 27 June 2017 and 21 December 2021.
- Treasury bills issued by the Federation of Bosnia and Herzegovina at nominal value of KM 17.5 million, with yield within the range from 0.04% to 0.25%. Amount of KM 6.4 million was due as of 15 June 2016, amount of KM 1.5 million was due as of 13 July 2016, amount of KM 6.6 million was due as of 5 October 2016, and amount of KM 3 million was due as of 7 December 2016.
- Treasury bills at nominal value of KM 54.83 million issued by Republika Srpska, with yield within the range from 0.30% to 2.71%. Amount of KM 12.63 million was due as of 15 March 2016, amount of KM 4.6 million was due as of 15 April 2016, amount of KM 1 million was due as of 7 September 2016, amount of KM 8.9 million was due as of 4 October 2016, KM 4.2 million was due on 6 December 2016, and the rest in amount of 23.5 million is due in 2017.

22. Investments in subsidiaries

Subsidiary	**Industry**	**% of share**	**31/12/ 2016**	**31/12/ 2015**
All amounts are expressed in thousands of KM				
Raiffeisen Special Assets Company d.o.o. Sarajevo	Financial advisory services	100%	1,457	1,457
Raiffeisen *INVEST* društvo za upravljanje fondovima d.o.o. Sarajevo	Fund management	100%	946	946
Raiffeisen *CAPITAL* a.d. Banja Luka	Agent for shares / securities	100%	53	53
Raiffeisen *LEASING* d.o.o. Sarajevo	Leasing	100%	10,051	-
			12,507	**2,456**

On 22 December 2016, the Bank acquired additional equity share in the related party Raiffeisen *LEASING* d.o.o. Sarajevo. Up to the date of this report, the change of ownership of the Company has not been registered with the competent court registry.

The movements in the investments in subsidiaries are summarized as follows:

All amounts are expressed in thousands of KM	2016	2015
Balance as at the beginning of year	**2,456**	**1,916**
Transfer from investments in associates (Note 23)	8,173	-
Acquisition of investment in Raiffeisen *LEASING* d.o.o. Sarajevo	5,126	-
Impairment of investment in Raiffeisen *LEASING* d.o.o. Sarajevo (Note 13)	(3,248)	-
Increase of value of investment in Raiffeisen Special Assets Company d.o.o. Sarajevo (Note 13)	-	540
Balance as at the end of year	**12,507**	**2,456**

Financial information about the Bank's subsidiaries for the year ended 31 December 2016 was as follows:

All amounts are expressed in thousands of KM	Total assets	Registered capital	Total equity	Revenue	Profit / (loss) for the period
Raiffeisen Special Assets Company d.o.o. Sarajevo	1,456	1,983	1,492	31	(36)
Raiffeisen *INVEST* društvo za upravljanje fondovima d.o.o. Sarajevo	746	945	403	1.666	156
Raiffeisen *CAPITAL* a.d. Banja Luka	179	355	170	280	11
Raiffeisen *LEASING* d.o.o. Sarajevo	124,264	15,406	15,829	15,069	1,630

23. Investments in associates

Associate	Industry	% of share	31/12/ 2016	31/12/ 2015
All amounts are expressed in thousands of KM				
Raiffeisen *LEASING* d.o.o. Sarajevo	Leasing	49.00%	-	8,173
Raiffeisen Assistance d.o.o.	Agent in insurance	50.00%	2	2
			2	**8,175**

The movements in the investments in associates are summarized as follows:

All amounts are expressed in thousands of KM	2016	2015
Balance as at the beginning of year	**8,175**	**8,175**
Transfer to investments in subsidiaries (Note 22)	(8,173)	-
Balance as at the end of year	**2**	**8,175**

Financial information about the Bank's associate for the year ended 31 December 2016 was as follows:

All amounts are expressed in thousands of KM	Total assets	Registered capital	Total equity	Revenue	Profit for the period
Raiffeisen Assistance d.o.o. Sarajevo	2,843	4	2,753	3,577	2,748

24. Other assets and receivables

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Receivable from credit card operations	14,809	11,165
Receivables from spot and arbitrage FX transactions	14,387	10,762
Prepaid expenses	2,460	1,868
Fee receivables	2,150	2,025
Other advances paid	4	116
Prepaid other taxes	10	14
Other assets	14,481	15,413
	48,301	**41,363**
Less: allowance for impairment losses	(5,655)	(4,064)
	42,646	**37,299**

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

All amounts are expressed in thousands of KM	2016	2015
Balance as at the beginning of year	**4,064**	**4,463**
Increase in / (release of) allowance for impairment (Note 13)	3,934	(104)
Write-offs	(2,343)	(295)
Balance as at the end of year	**5,655**	**4,064**

25. Tangible and intangible assets

All amounts are expressed in thousands of KM	Land and buildings	Vehicles	Office equipment	Assets in progress	Intangible assets	Total
COST						
Balance at 31 December 2014	**109,903**	**1,817**	**50,620**	**4,865**	**21,831**	**189,036**
Additions	-	-	-	7,410	-	7,410
Transfers (from) / to	42	276	4,376	(8,016)	3,322	0
Transfer from investment property (Note 26)	216	-	-	-	-	216
Adjustment	-	-	-	(88)	-	(88)
Disposals	-	(590)	(3,440)	-	(1,022)	(5,052)
Balance at 31 December 2015	**110,161**	**1,503**	**51,556**	**4,171**	**24,131**	**191,522**
Additions	-	-	-	8,110	-	8,110
Transfers (from) / to	111	448	2,773	(6,465)	3,133	-
Transfer to investment property (Note 26)	(13,644)	-	-	-	-	(13,644)
Transfer to assets available-for-sale	-	-	-	(163)	-	(163)
Disposals	-	(73)	(1,475)	-	-	(1,548)
Balance at 31 December 2016	**96,628**	**1,878**	**52,854**	**5,653**	**27,264**	**184,277**
ACCUMULATED DEPRECIATION / AMORTIZATION						
Balance at 31 December 2014	**7,906**	**1,047**	**39,462**	**-**	**16,978**	**65,393**
Depreciation / amortization	1,342	216	4,092	-	1,998	7,648
Transfer from investment property (Note 26)	46	-	-	-	-	46
Disposals	-	(574)	(3,377)	-	(1,022)	(4,973)
Balance at 31 December 2015	**9,294**	**689**	**40,177**	**-**	**17,954**	**68,114**
Depreciation / amortization	1,332	226	3,396	-	2,330	7,284
Transfer to investment property (Note 26)	(958)	-	-	-	-	(958)
Disposals	-	(64)	(1,439)	-	-	(1,503)
Balance at 31 December 2016	**9,668**	**851**	**42,134**	**-**	**20,284**	**72,937**
NET BOOK VALUE						
At 31 December 2016	**86,960**	**1,027**	**10,720**	**5,653**	**6,980**	**111,340**
At 31 December 2015	**100,867**	**814**	**11,379**	**4,171**	**6,177**	**123,408**

26. Investment property

All amounts are expressed in thousands of KM	**Buildings**
COST	
Balance at 31 December 2014	**26,665**
Transfer to tangible and intangible assets (Note 25)	(216)
Balance at 31 December 2015	**26,449**
Transfer from tangible assets (Note 25)	13,644
Impairment of investment property (Note 13)	(533)
Balance at 31 December 2016	**39,560**
ACCUMULATED DEPRECIATION	
Balance at 31 December 2014	**2,168**
Depreciation	347
Transfer to tangible assets (Note 25)	(46)
Balance at 31 December 2015	**2,469**
Depreciation	358
Transfer from tangible assets (Note 25)	958
Balance at 31 December 2016	**3,785**
NET BOOK VALUE	
Balance at 31 December 2016	**35,775**
Balance at 31 December 2015	**23,980**

26.1 Fair value measurement of the Company's investment properties

Fair value of the Bank investment property was as follows:

All amounts are expressed in thousands of KM	**31/12/ 2016**	**31/12/ 2015**
Buildings	38,165	25,054
	38,165	**25,054**

The fair value measurements of the Bank's investment properties as at 31 December 2015 for 3 buildings (comprising 84% net carrying amounts) were performed by the independent external appraiser, Mrs. Ljupka Dizdar, who has appropriate qualifications and experience in estimating the fair value of the assets at the relevant locations, while for the remaining 5 buildings the fair value measurements were performed by the Bank's internal appraisers, who have appropriate qualifications and experience in estimating the fair value of the assets at the relevant locations.

The fair value of the investment property was determined using market value method which reflects current value on the market taking into consideration object's construction value and other factors (location, usability, quality and other factors). There were no change in technique of value measurement during the year.

27. Due to other banks and financial institutions

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Long-term borrowings:		
Long-term borrowings from foreign banks and financial institutions	70,187	92,479
Long-term borrowings from domestic banks and financial institutions	838	1,717
Less: Current portion of long-term borrowings	(35,174)	(37,335)
	35,851	**56,861**
Short-term borrowings:		
Add: Current portion of long-term borrowings	**35,174**	**37,335**
Short-term deposits:		
Short-term deposits from other banks in KM	1,338	988
Short-term deposits from other banks in foreign currencies	1,420	29,699
	2,758	**30,687**
Current accounts:		
Current accounts in KM	7,273	605
Current accounts in foreign currencies	18	73
	7,291	**678**
	81,074	**125,561**

Long-term borrowings from foreign banks and non-banking financial institutions are obtained from supranational and development banks.

Interest rates on whole portfolio of long-term borrowings from banks and other non-banking financial institutions during the year ended 31 December 2015, were in the range from 2% to 4.95% p.a. (fixed rates), and 3M EURIBOR + 0.24% to 6M EURIBOR + 2.65% (variable rates). For the year ended 31 December 2016 fixed interest rates were in the same range as in 2015, from 2% to 4.95% p.a., while variable interest rates were in range from 3M EURIBOR + 0.24% to 6M EURIBOR + 2.65%.

28. Due to customers

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Demand deposits:		
Citizens:		
In KM	607,018	500,373
In foreign currencies	444,377	392,793
	1,051,395	**893,166**
Legal entities:		
In KM	586,839	559,265
In foreign currencies	218,853	126,267
	805,692	**685,532**
	1,857,087	**1,578,698**
Term deposits:		
Citizens:		
In KM	257,792	233,525
In foreign currencies	776,300	857,989
	1,034,092	**1,091,514**
Legal entities:		
In KM	46,182	210,638
In foreign currencies	251,529	54,990
	297,711	**265,628**
	1,331,803	**1,357,142**
	3,188,890	**2,935,840**

During the year ended 31 December 2016, interest rates were as follows:
- demand deposits in KM – 0.00% p.a. (2015: 0.00% p.a.),
- demand deposits in foreign currencies – 0.00% p.a. (2015: 0.00% p.a.).
- short-term deposits – from 0.01% to 0.20% p.a. (2015: from 0.01% to 1.60% p.a.).
- long-term deposits – from 0.01% to 1.30% p.a. (2015: from 0.01% to 1.80% p.a.).

29. Subordinated debt

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Commercial banks – related parties	61,811	61,798
	61,811	**61,798**

There is one active borrowing, approved as of 27 September 2013, in total amount of KM 61,804 thousand. Maturity date for this borrowing is as of 31 December 2024. The repayment will be one-time, in full amount, as at the defined repayment date. The amount of total subordinated debt as of 31 December 2016 includes no interest payables. The amount of total subordinated debt as of 31 December 2015 was also KM 61,804 thousand and includes no interest payables as well.

Subject to the approval of FBA, subordinated debt may be used as additional capital for regulatory purposes.

30. Provisions

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Provisions for other employee benefits	8,016	8,417
Provisions for commitments and contingencies	8,535	1,267
Provisions for legal proceedings	13,623	10,059
	30,174	**19,743**

Commitments and contingencies

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

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Commitments		
Unused approved loans	373,598	361,699
Framework agreements	135,837	142,528
	509,435	**504,227**
Contingent liabilities		
Performance bonds	185,074	217,162
Payment guarantees	111,209	165,999
Letters of credit	20,590	12,852
Forward operations	-	2,319
Advance guarantees	61	115
	316,934	**398,447**
Total commitments and contingencies	**826,369**	**902,674**

Movements in provision for commitments and contingencies were as follows:

All amounts are expressed in thousands of KM	2016	2015
Balance as at the beginning of year	**1,267**	**3,384**
Increase in / (release of) provisions (Note 13)	7,226	(2,117)
Foreign exchange differences	42	-
Balance as at the end of year	**8,535**	**1,267**

Other employee benefits

Changes in provisions for other employee benefits are as follows:

All amounts are expressed in thousands of KM	Retirement severance payments	Unused vacation days	Total
Balance as at 1 January 2015	**6,664**	**2,672**	**9,336**
Reductions resulting from re-measurement or settlement without cost (Note 13)	(1,024)	105	(919)
Balance as at 31 December 2015	**5,640**	**2,777**	**8,417**
Reductions resulting from re-measurement or settlement without cost (Note 13)	(247)	(154)	(401)
Balance as at 31 December 2016	**5,393**	**2,623**	**8,016**

Court proceedings

Movements in provision for court proceedings were as follows:

All amounts are expressed in thousands of KM	2016.	2015.
Balance as at the beginning of year	**10,059**	**5,974**
Increase in provisions (Note 13)	3,564	4,085
Balance as at the end of year	**13,623**	**10,059**

31. Other liabilities and payables

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Liabilities toward suppliers	7,369	5,102
Principal and interest paid upfront	7,254	7,426
Liabilities from credit card operations	6,088	3,167
Deferred income	5,493	6,119
Employee payables	5,260	5,201
Liabilities for other taxes	2,867	171
Liabilities for dividend towards shareholders	13	10
Other liabilities	6,412	4,178
	40,756	**31,374**

32. Share capital

Capital is made up of 988,668 ordinary shares at nominal value of KM 250. Equity instruments of the Bank are not traded in a public market and these financial statements are not under the regulative of the Security Commission for the purpose of issuing any class of instruments in a public market.

The shareholding structure is as follows:

Shareholders	**No. of shares**	**KM '000**	**%**
Raiffeisen SEE Region Holding GmbH Vienna, Austria	988,620	247,155	99.99
Other shareholders	48	12	0.01
Total	**988,668**	**247,167**	**100.00**

33. Basic earnings per share

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

All amounts are expressed in thousands of KM	2016	2015
Income attributable to ordinary shareholders	52,529	67,009
Weighted average number of regular shares outstanding	988,668	988,668
Basic earnings per share (KM)	**53.13**	**67.78**

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

34. Managed funds

The Bank manages assets on behalf of third parties. These assets are recorded separately from the Bank's assets. For its services, the Bank charges a fee amounting to 1% of the total amount contributed.

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Liabilities		
Citizens	102	133
Government	4,756	4,955
Companies	4,170	4,236
Other	77	77
	9,105	**9,401**
Assets		
Loans to companies	3,649	3,680
Loans to citizens	5,456	5,721
	9,105	**9,401**

The Bank has not issued any guarantees related to manage funds. Credit risk stays with the owners of funds.

35. Related party transactions

Balances with related parties were summarized as follows:

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Receivables		
Placements with other banks:		
Raiffeisen Landensbank Tyrol AG, Innsbruck, Austria	52,880	68,321
Raiffeisen Bank International AG, Vienna, Austria	1,209	1,351
Cash and cash equivalents:		
Raiffeisen Bank International AG, Vienna, Austria	13,861	10,510
Raiffeisenbank Austria d.d. Zagreb, Croatia	1,070	67
Raiffeisenbank a.d. Belgrade, Serbia	110	2
Loans and advances to customers:		
Raiffeisen Special Assets Company d.o.o. Sarajevo	-	-
Raiffeisen Assistance d.o.o. Sarajevo	-	-
Other receivables:		
Raiffeisen Bank International AG, Vienna, Austria	11,049	8,394
Raiffeisenbank Austria d.d. Zagreb, Croatia	4	4
Raiffeisen *INVEST* d.o.o. Sarajevo	-	-
Raiffeisen *CAPITAL* a.d. Banja Luka	-	-
Raiffeisen Special Assets Company d.o.o. Sarajevo	-	-
	80,183	**88,649**
Liabilities		
Subordinated debt:		
Raiffeisen Bank International AG, Vienna, Austria	61,804	61,804
Due to banks – deposits and due to customers:		
Raiffeisen *LEASING* d.o.o. Sarajevo	7,753	15,191
Raiffeisen Assistance d.o.o. Sarajevo	2,333	1,662
Raiffeisen Bank International AG, Vienna, Austria	6,964	267
Raiffeisen Special Assets Company d.o.o. Sarajevo	1,084	1,124
Raiffeisen *CAPITAL* a.d. Banja Luka	288	383
Raiffeisen *INVEST* d.o.o. Sarajevo	543	376
Raiffeisenbank Austria d.d. Zagreb, Croatia	3	170
Raiffeisen Banka d.d. Maribor, Slovenia		37
Other liabilities		
Raiffeisen Bank International AG, Vienna, Austria	1,767	234
Raiffeisen Assistance d.o.o. Sarajevo	-	1
Raiffeisen Special Assets Company d.o.o. Sarajevo	-	-
Centralised Raiffeisen International Services & Payments	40	-
	82,579	**81,249**

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

All amounts are expressed in thousands of KM	2016	2015
Income		
Interest and similar income:		
Raiffeisen Landensbank Tyrol AG, Innsbruck, Austria	257	67
Raiffeisen Bank International AG, Vienna, Austria	-	60
Raiffeisen Special Assets Company d.o.o. Sarajevo	-	22
Raiffeisen *LEASING* d.o.o. Sarajevo	6	1
Fee and commission income:		
Raiffeisen Bank International AG, Vienna, Austria	390	275
Raiffeisen *INVEST* d.o.o. Sarajevo	935	349
Raiffeisenbank Austria d.d. Zagreb, Croatia	26	35
Raiffeisen *LEASING* d.o.o. Sarajevo	31	26
Raiffeisen Bank Polska, Warsaw, Poland	6	16
Raiffeisen *CAPITAL* a.d. Banja Luka	3	6
Raiffeisen Assistance d.o.o. Sarajevo	1	3
Raiffeisen Special Assets Company d.o.o. Sarajevo	-	1
Raiffeisen Banka d.d. Maribor, Slovenia	1	1
Other operating income:		
Raiffeisen Assistance d.o.o. Sarajevo	2,120	1,731
Raiffeisen *LEASING* d.o.o. Sarajevo	524	673
Raiffeisen Special Assets Company d.o.o. Sarajevo	-	5
Raiffeisen Bank International AG, Vienna, Austria	5	306
Centralised Raiffeisen International Services & Payments	-	183
Raiffeisen *INVEST* d.o.o. Sarajevo	25	26
Raiffeisen *CAPITAL* a.d. Banja Luka	10	6
Raiffeisen Banka d.d. Maribor, Slovenia	-	3
Raiffeisenbank Austria d.d. Zagreb, Croatia	1	-
	4.341	**3.795**

All amounts are expressed in thousands of KM	2016	2015
Expenses		
Interest and similar expenses:		
Raiffeisen Bank International AG, Vienna, Austria	4,850	4,766
Raiffeisen *LEASING* d.o.o. Sarajevo	190	286
Raiffeisen Assistance d.o.o. Sarajevo	21	13
Raiffeisen *INVEST* d.o.o. Sarajevo	6	5
Raiffeisen Special Assets Company d.o.o. Sarajevo	-	-
Raiffeisen Landesbank Tirol AG	2	-
Fee and commission expenses:		
Centralised Raiffeisen International Services & Payments	641	623
Raiffeisen Bank International AG, Vienna, Austria	170	99
Raiffeisenbank Austria d.d. Zagreb, Croatia	1	-
Consulting services:		
Raiffeisen Bank International AG, Vienna, Austria	3,580	1,132
Other administrative expenses:		
Raiffeisen Bank International AG, Vienna, Austria	1,813	1,751
Centralised Raiffeisen International Services & Payments	377	407
Raiffeisenbank Austria d.d. Zagreb, Croatia	43	47
Raiffeisen *LEASING* d.o.o. Sarajevo	-	46
Raiffeisen Special Assets Company d.o.o. Sarajevo	10	45
Raiffeisen Assistance d.o.o. Sarajevo	34	23
Raiffeisen Banka d.d. Maribor, Slovenia	-	3
Raiffeisenbank a.d. Belgrade, Serbia	3	3
	11,741	**9,255**

Director's and executives' remunerations:

The remunerations of directors and other members of key management during the year were as follows:

All amounts are expressed in thousands of KM	2016	2015
Net salaries	884	969
Salary taxes and contributions	689	599
Other benefits	310	168
Taxes and contribution on other benefits	280	105
	2,164	**1,841**

36. Financial instruments

36.1 Capital risk management

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

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

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

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Debt	3,331,775	3,123,199
Capital	417,827	426,789
Debt to capital ratio	**7.97**	**7.32**

Debt is defined as liabilities toward clients, other banks and financial institutions presented in detail in Notes 27, 28 and 29. Capital includes share capital, share premium and retained earnings.

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

FBA requires each bank to: (a) hold the minimum level of the share capital and the lowest level of net capital (regulatory capital) of KM 15 million and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 12%.

On 30 May 2014, FBA issued new Decision on minimum standards for capital management and capital hedge. The Decision contains innovated concept of regulatory framework compared to the existing framework and the actual situation of the banking system in BiH. In addition, decision defines minimum standards of capital and creation and implementation of programs for capital management, which the Bank is required to provide, maintain and continuously carry out, as well as additional measures for capital hedging.

The Bank's regulatory capital is divided into two tiers:

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

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

As at 31 December 2016 and 2015, the Bank complied with all of the externally imposed capital requirements. As of 31 December 2016 the adequacy of the Bank's capital amounts to 15.6% (2015: 15.2%).

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Core capital		
Share capital	247,167	247,167
Share premium	4,473	4,473
Retained earnings	113,495	107,541
Deferred tax assets	(816)	(831)
Intangible assets	(9,044)	(8,341)
Total share capital	**355,275**	**350,009**
Supplement capital		
General provision – FBA regulations	36,177	47,058
Subordinated debt	61,804	61,804
Revaluation reserves	147	123
Total supplement capital	**98,128**	**108,985**
Adjustment for shortfall in regulatory reserves	(1,973)	(18,571)
Net capital	**451,430**	**440,423**
Risk Weighted Assets (unaudited)	2,630,278	2,634,670
Other Weighted Assets (unaudited)	263,886	263,311
Total weighted risk	**2,894,164**	**2,897,981**
Capital adequacy (%)	**15.60%**	**15.20%**

36.2 Significant accounting policies

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

36.3 Categories of financial instruments

All amounts are expressed in thousands of KM	31/12/ 2016	31/12/ 2015
Financial assets		
Loans and receivables:		
Cash and cash equivalents	874,376	804,472
Obligatory reserve at the CBBH	327,197	250,462
Placements with other banks	184,717	151,748
Loans to customers	2,089,206	2,059,096
Financial assets available-for-sale	216	192
Financial assets at FVTPL	99,705	102,437
Financial assets held-to-maturity	139,723	136,553
	3,715,140	**3,504,960**
Financial liabilities		
At amortized cost:		
Due to other banks and financial institutions	81,074	125,561
Due to customers	3,188,890	2,935,840
Subordinated debt	61,811	61,798
	3,331,775	**3,123,199**

36.4 Financial risk management objectives

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

36.5 Market risk

Market risks are defined as risks of possible losses due to changes in market prices of trading and banking book positions. Market risk estimates are based on changes in currency exchange rates, interest rates, credit spreads, the cost of equity and goods and other market parameters.

The Bank's market risk management is conducted in accordance with local law and the decisions and instructions of local regulators and in accordance with RBI Group standards (RBI Group regulatory framework and the decision of the RBI Board) and is defined in the internal rules, procedures and policies that are subject to regular internal audits with the aim of complying with regulatory changes, as well as improving the process of (market) risk management due to changes in market conditions, defined strategies and business goals. The process of managing market risk in itself includes mitigation, assessing and limiting exposure before taking risk, and the assessment and control of underwritten risk of the entire bank portfolio i.e. trading and banking book. Despite the existence of restrictions imposed by the regulator, the Bank limits the exposure to market risks in accordance with its business strategies harmonised at the level of RBI, the approval process of the product and a limit system on market risk positions, i.e. establishing limits on the open positions of market risk, limits on the Bank's portfolio sensitivity in accordance to changes of risk factors and establishing a system of limits on Value at Risk ("VaR") at the level of the book (trading and banking), at the level of segments (Assets and Liabilities management and Capital Markets) and at the level of the entire portfolio. In addition, for financial instruments carried at fair value, a limit is established on the reduction of their market value, so-called Stop loss limits.

Another important part in the process of managing market risk is stress testing of the Bank's portfolio on extreme changes of market conditions and the calculation of portfolio sensitivity towards crisis scenarios, as well as the impact it has on the financial results. Stress testing of extreme changes in market conditions is performed by RBI on a daily basis.

Bank is exposed to financial results of foreign exchange, change of interest rates, and change of securities prices in its portfolio.

36.6 Foreign currency risk

Foreign exchange risk is the risk that changes in currency exchange rates affecting the Bank's portfolio exists to the extent that assets and liabilities in one currency are not matched in value or maturity.

In addition to the VaR limit system, the Bank limits its exposure with the use of foreign exchange limits on open positions for each currency, a limit on the entire long or short position of the Bank, as well as stop loss limits.

The carrying amounts of the Bank's monetary assets and liabilities per currency at the reporting period date were as follows:

All amounts are expressed in thousands of KM	KM	EUR*	USD	Other currencies	Total
As of 31 December 2016					
ASSETS					
Cash and cash equivalents	764,736	52,831	5,817	50,992	874,376
Obligatory reserve at the CBBH	327,197	-	-	-	327,197
Placements with other banks	5	84,101	77,047	23,564	184,717
Loans to customers	768,048	1,321,158	-	-	2,089,206
Financial assets available-for-sale	65	151	-	-	216
Financial assets held-to-maturity	49,445	55,835	34,443	-	139,723
Financial assets at FVTPL	-	88,649	11,056	-	99,705
	1,909,496	**1,602,725**	**128,363**	**74,556**	**3,715,140**
LIABILITIES					
Due to banks	9,449	71,622	-	3	81,074
Due to customers	1,497,844	1,489,848	125,329	75,869	3,188,890
Subordinated debt	-	61,811	-	-	61,811
	1,507,293	**1,623,281**	**125,329**	**75,872**	**3,331,775**
As of 31 December 2015					
Total assets	**1,612,892**	**1,704,779**	**120,044**	**67,245**	**3,504,960**
Total liabilities	**1,305,008**	**1,631,707**	**118,034**	**68,450**	**3,123,199**

*balances related to currency clause are presented in the column EUR

36.6.1 Foreign currency sensitivity analysis

The Bank is not exposed to foreign currency risk related to EUR due to the fact that Convertible Mark is pegged to Euro (1 EUR = KM 1.95583). Exposure is more prominent for USD and CHF.

The following table outlines five greatest Values-at-Risk (VaR). VaR is a calculation based on 99% reliability statistical model and under presumption that portfolio is constant during 1 day.

All amounts are expressed in thousands of KM		VaR
	31/12/ 2016	**31/12/ 2015**
Valuta		
USD	26	6
CHF	<1	<1
GBP	<1	<1
TRY	<1	<1
NOK	<1	<1

The following table details the Bank's sensitivity to a 10% increase or decrease in foreign currency rates against the relevant local currencies. The sensitivity rate of 10% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

All amounts are expressed in thousands of KM	Effect USD		Effect CHF	
	2016	**2015**	**2016**	**2015**
Profit or loss	131	213	26	8

36.7 Interest rate risk

Interest rate risk reflects the possibility of loss of profit and/or erosion of capital due to a change in interest rates. It relates to all products and balances that are sensitive to changes in interest rates. This risk comprises two components: income component and investment component.

The income component arises from a lack of harmonization between the active and passive interest rates of the Bank (interest on placements is fixed, interest for liabilities is variable, and vice versa).

The investment component is a consequence of the inverted relationship between price and interest rate fluctuations of securities. The Bank strives to protect itself from interest rate risk by harmonizing the type of interest rate (fixed, floating and variable), currency, related interest rate and the date of interest rate change for all products for which it concludes contracts (which are sensitive to interest rate changes). Any incongruity among the abovementioned elements results in exposure of the Bank to interest rate risk.

36.7.1 GAP interest rate sensitivity analysis

For positions of interest rate risk, on daily basis, sensitivity analysis is made for one base point during parallel movement of yield curve (Basis point value, 1 BPV), which gives values of gains and losses of portfolio for a particular day.

In the table below, changes of present value of portfolio with interest rate growth for 1 base point as at 31 December 2016 and 31 December 2015 are presented, expressed in thousands of KM for following currencies: KM, EUR and USD, while for other currencies changes of present values are immaterial.

Currency	31/12/ 2016	31/12/ 2015
All amounts are expressed in thousands of KM		
KM	(2)	3
EUR	97	107
USD	(6)	(6)
Total BPV	**89**	**104**

In the instance of a change (increase) of interest rates by 1 Basis Points (parallel movement of yield curve for 0.01%), the effects on the present value of Bank's portfolio as at 31 December 2016 would be the following:

- for KM – present value of portfolio decrease in the amount of KM 2 thousand, incurring loss
- for EUR – present value of portfolio growth in the amount of KM 97 thousand, incurring profit
- for USD – present value of portfolio decrease in the amount of KM 6 thousand, incurring loss.

In the instance of a change of yield curve by 50 Basis, effects on present value of portfolio for 31 December 2016 and 31 December 2015 are shown in the table below for currencies with material exposure:

Currency	31/12/ 2016	31/12/ 2015
All amounts are expressed in thousands of KM		
KM	(96)	139
EUR	4,829	5,291
USD	(290)	(284)
Total BPV	**4,443**	**5,146**

In the instance of a change (increase) of interest rates by 50 Basis Points (parallel movement of yield curve for 0.05%), the Bank would realize:

- for KM – present value of portfolio decrease in the amount of KM 96 thousand as of 31 December 2016 (decrease for 235 thousand KM compared to 31 December 2015).
- for EUR – present value of portfolio increased in the amount of KM 4,829 thousand as of 31 December 2016 (decrease for 462 thousand KM compared to 31 December 2015).
- for USD – present value of portfolio decrease in the amount of KM 290 thousand as of 31 December 2016 (decrease for 6 thousand KM compared to 31 December 2015).

36.8 Credit risk

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

The Bank's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

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

Financial assets	Unimpaired assets		Impaired assets				
All amounts are expressed in thousands of KM	Total gross carrying amount	Undue loans with no impairment	Matured loans with unrecognized impairment	Loans with impairment recognized on group basis	Individually impaired loans (total carrying amount)	Impairment	Total net book value
31 December 2016							
Cash and cash equivalents	874,376	874,376	-	-	-	-	874,376
Obligatory reserve at the CBBH	327,197	327,197	-	-	-	-	327,197
Placements with other banks	184,717	184,717	-	-	-	-	184,717
Loans to customers:							
Public sector	17,127	17,127	-	-	-	-	17,127
Other financial and non-financial institutions	928,195	770,382	16,473	2,260	139,080	(100,513)	827,682
Individuals	1,355,278	1,037,946	157,333	24,063	135,936	(110,881)	1,244,397
Financial assets available-for-sale	216	216	-	-	-	-	216
Financial assets at FVTPL	99,705	99,705	-	-	-	-	99,705
Financial assets held-to-maturity	139,723	139,723	-	-	-	-	139,723
	3,926,534	**3,451,389**	**173,806**	**26,323**	**275,016**	**(211,394)**	**3,715,140**
31 December 2015							
Cash and cash equivalents	804,472	804,472	-	-	-	-	804,472
Obligatory reserve at the CBBH	250,462	250,462	-	-	-	-	250,462
Placements with other banks	151,748	151,748	-	-	-	-	151,748
Loans to customers:							
Public sector	11,266	10,262	-	-	1,004	(614)	10,652
Other financial and non-financial institutions	911,571	699,017	36,315	3,405	172,834	(111,764)	799,807
Individuals	1,320,261	1,066,781	147,209	24,141	82,130	(71,624)	1,248,637
Financial assets available-for-sale	192	192	-	-	-	-	192
Financial assets at FVTPL	102,437	102,437	-	-	-	-	102,437
Financial assets held-to-maturity	136,553	136,553	-	-	-	-	136,553
	3,688,962	**3,221,924**	**183,524**	**27,546**	**255,968**	**(184,002)**	**3,504,960**

Credit exposure and collateral

The Bank estimates the fair value of collateral based on recoverable amount of collateral in case that collateral needs to be liquidated under the current market conditions. Different types of collateral bear different level of risks for the Bank.

All amounts are expressed in thousands of KM	Maximal credit risk exposure			
	Net exposure	Commitments / guarantees issued	Total	Estimated fair value of collateral
31 December 2016				
Cash and cash equivalents	874,376	-	874,376	-
Obligatory reserve at the CBBH	327,197	-	327,197	-
Placements with other banks	184,717	55,358	240,075	-
Loans to customers:				
Public sector	17,127	1,813	18,940	-
Other financial and non-financial institutions	827,682	614,095	1,441,777	422,655
Other	1,244,397	155,102	1,399,499	1,014,982
Financial assets available-for-sale	216	-	216	-
Financial assets at FVTPL	99,705	-	99,705	-
Financial assets held-to-maturity	139,723	-	139,723	-
	3,715,140	**826,368**	**4,541,508**	**1,437,637**
31 December 2015				
Cash and cash equivalents	804,472	-	804,472	-
Obligatory reserve at the CBBH	250,462	-	250,462	-
Placements with other banks	151,748	68,362	220,110	-
Loans to customers:				
Public sector	10,652	412	11,064	250
Other financial and non-financial institutions	799,807	685,245	1,485,052	735,725
Other	1,248,637	148,655	1,397,292	896,996
Financial assets available-for-sale	192	-	192	-
Financial assets at FVTPL	102,437	-	102,437	-
Financial assets held-to-maturity	136,553	-	136,553	-
	3,504,960	**902,674**	**4,407,634**	**1,632,971**

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Past due loans with no impairment allowance

Loans to customers less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amounts of loans to customers that were past due but not impaired for the Bank were as follows:

All amounts are expressed in thousands of KM	Individuals	Other financial and non-financial sectors	Total
31 December 2016			
Matured up to 30 days	132,081	14,130	146,211
Matured 31 to 90 days	25,251	2,344	27,595
TOTAL	**157,332**	**16,474**	**173,806**
31 December 2015			
Matured up to 30 days	122,193	32,316	154,509
Matured 31 to 90 days	25,016	3,999	29,015
TOTAL	**147,209**	**36,315**	**183,524**

Non-performing loans with impairment allowance

Loan classification for loans with value impairment is presented below:

All amounts are expressed in thousands of KM	Individuals	Other financial and non-financial sectors	Total
31 December 2016			
Non-performing loans – gross	135,936	139,080	275,016
Allowance for impairment	(98,356)	(79,682)	(178,038)
Net	**37,580**	**59,398**	**96,978**
Estimated collateral value	**62,132**	**134,602**	**196,773**
31 December 2015			
Non-performing loans – gross	82,130	173,838	255,968
Allowance for impairment	(66,212)	(100,484)	(166,696)
Net	**15,918**	**73,354**	**89,272**
Estimated collateral value	**59,059**	**166,395**	**225,454**

36.9 Liquidity risk

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

36.9.1 Liquidity and interest risk tables

The following table details the Bank's remaining contractual maturity for its non-derivative financial assets, The table has been drawn up based on the undiscounted cash flows of the financial assets including interest that will be earned on those assets except where the Bank anticipates that the cash flow will occur in a different period.

Maturity for non-derivative financial assets

All amounts are expressed in thousands of KM	Weighted average effective interest rate	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Total
31 December 2016							
Non-interest bearing	-	59,915	1	5	4	4	59,929
Variable interest rate instruments	6.01%	1,218,891	51,265	215,468	893,912	496,177	2,875,713
Fixed interest rate instruments	3.37%	381,802	146,488	242,651	273,589	46,016	1,090,546
		1,660,608	**197,754**	**458,124**	**1,167,505**	**542,197**	**4,026,188**
31 December 2015							
Non-interest bearing	-	34,607	4	5	-	-	34,616
Variable interest rate instruments	5.61%	1,473,119	63,487	257,131	984,577	527,401	3,305,715
Fixed interest rate instruments	3.70%	106,667	141,145	203,884	148,046	13,806	613,548
		1,614,393	**204,636**	**461,020**	**1,132,623**	**541,207**	**3,953,879**

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

Maturity for non-derivative financial liabilities

All amounts are expressed in thousands of KM	Weighted average effective interest rate	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Total
31 December 2016							
Non-interest bearing	-	1,018,861	-	2	12	18	1,018,893
Variable interest rate instruments	0.87%	809,264	8,263	31,951	56,865	32,940	939,283
Fixed interest rate instruments	1.81%	196,598	228,186	540,847	442,464	23,280	1,431,375
		2,024,723	**236,449**	**572,800**	**499,341**	**56,238**	**3,389,551**
31 December 2015							
Non-interest bearing	-	871,485	-	-	5	4	871,494
Variable interest rate instruments	0.67%	716,320	7,964	33,846	76,958	31,643	866,731
Fixed interest rate instruments	2.22%	194,449	263,540	531,930	430,127	31,160	1,451,203
		1,782,254	**271,504**	**565,776**	**507,090**	**62,807**	**3,189,431**

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

37. Fair value measurement

37.1 Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

Financial assets / financial liabilities	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
All amounts are expressed in thousands of KM	**31 December 2016**	**31 December 2015**		
1) Held-for-trading non-derivative financial assets (see Note 20)	Listed debt securities in: • Romania – 86,654 • Germany – - • Belgium – 7,464 • Italia – 3,593 • Slovenia – 1,993	Listed debt securities in: • Romania – 87,579 • Germany – 2,076 • Belgium – 7,181 • Italia – 3,583 • Slovenia – 2,018	Level 1	Quoted bid prices in an active market.
2) Non-derivative financial assets available for sale (see Note 19)	Listed equity securities in Belgium – 152	Listed equity securities in Belgium – 128	Level 1	Quoted bid prices in an active market.
	Listed equity securities in Bosnia and Herzegovina: • Securities' Register of the Federation of BiH – 32 • Sarajevo Stock Exchange d.d. – 32	Listed equity securities in Bosnia and Herzegovina: • Securities' Register of the Federation of BiH – 32 • Sarajevo Stock Exchange d.d. – 32	Level 1	Quoted bid prices in an active market.

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

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

All amounts are expressed in thousands of KM	31 December 2016		31 December 2015	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Loans and receivables:				
– loans to customers	2,089,206	2,119,032	2,059,096	2,057,089
Financial assets held-to-maturity:				
– bonds	116,241	118,108	121,900	124,598
– treasury bills	23,482	23,464	14,653	14,618
Financial liabilities				
Financial liabilities held at amortised cost:				
– due to customers	3,188,890	3,184,667	2,935,840	2,935,520

All amounts are expressed in thousands of KM	Fair value hierarchy as at 31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Loans and receivables:				
– loans to customers	-	2,119,032	-	2,119,032
Financial assets held-to-maturity:				
– bonds	118,108	-	-	118,108
– treasury bills	23,464	-	-	23,464
Total	**141,572**	**2,119,032**	**-**	**2,260,604**
Financial liabilities				
Financial liabilities held at amortised cost:				
– due to customers	-	3,184,667	-	3,184,667
Total	**-**	**3,184,667**	**-**	**3,184,667**

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

38. Approval of the financial statements

These financial statements were approved by the Management Board on 24 February 2017.

Signed on behalf of the Management Board:

President of the Management Board
Karlheinz Dobnigg

Raiffeisen BANK DD BOSNA I HERCEGOVINA
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Executive Director for Finance, Risks and Legal Affairs (CRO & CFO)
Heribert Fernau

Maida Garić

- Painting department
- Maida was born in Tuzla, where she finished the Secondary School of Art

"This was an ideal opportunity for me to exhibit my pieces of work. I am grateful to Raiffeisen Bank, first for its financial support and second for giving us the opportunity to exhibit our pieces of work in this wonderful space."

Service

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Vase Pelagića 2
78 000 Banja Luka

Branch Banja Luka 2
Vojvode S. Stepanovića bb
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MB Zenica and Branch Zenica
Maršala Tita bb
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Zgošćanska P+4+M
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Branch Vitez
Poslovni centar PC 96-2
72 250 Vitez

Branch Visoko
Alije Izetbegovića 1
71 300 Visoko

Branch Tešanj
Titova 2
74 260 Tešanj

Branch Travnik
Konatur bb
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15. Maja bb
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Branch Tuzla 2
RK Omega – Univerzitetska 16
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