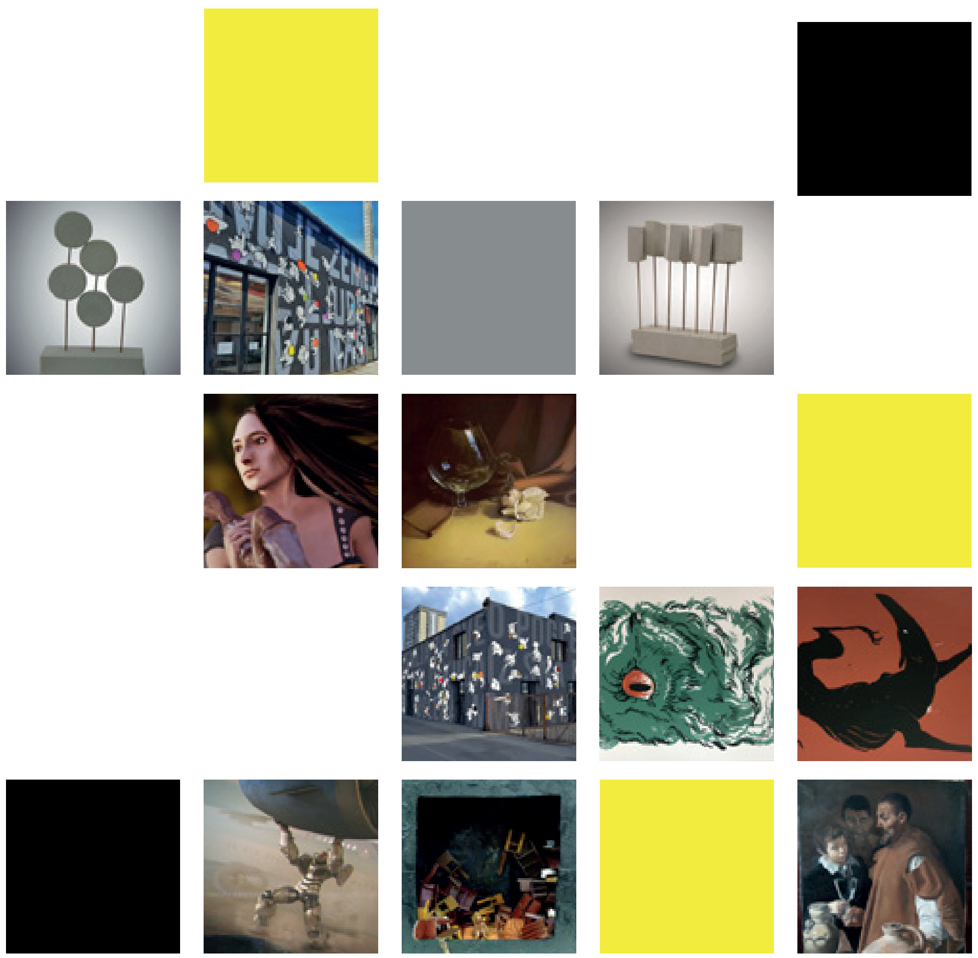
Raiffeisen
Bosna i Hercegovina

ANNUAL REPORT 2018



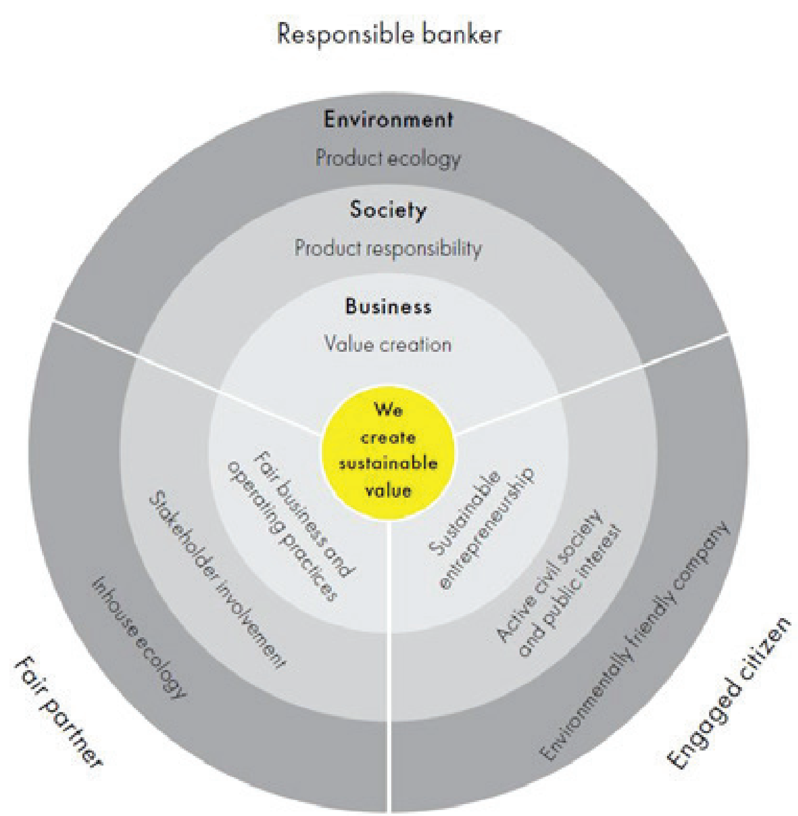
Survey of key data

Raiffeisen *BANK* d.d. Bosna i Hercegovina Monetary values in EUR million	2018	2017	Change
Income Statement			
Net interest income after value adjustment and provisioning	59.1	52.8	112.0%
Net fee and commission income	36.2	35.0	103.5%
Trading income	6.0	5.4	110.8%
General administrative expenses	57.1	56.3	101.3%
Profit before tax	48.1	41.7	115.5%
Profit after tax	43.2	37.1	116.3%
Balance Sheet			
Loans and advances to banks	162.1	171.4	94.6%
Loans and advances to customers	1,235.1	1,126.1	109.7%
Deposits from banks	90.4	74.6	121.2%
Deposits from customers	1,803.9	1,681.8	107.3%
Equity (incl. profit)	291.5	280.1	104.1%
Total assets	2,247.7	2,115.0	106.3%
Regulatory information			
Risk-weighted assets	1,560.4	1,436.9	108.6%
Capital adequacy ratio	15.0%	15.0%	0.4 PP
Performance			
Return on equity before tax	19.6%	17.3%	(2.0) PP
Return on equity after tax	17.6%	15.4%	0.9 PP
Cost/income ratio	53.6%	52.0%	(3.3) PP
Return on assets before tax	2.2%	2.0%	0.4 PP
Resources			
Number of employees	1,389	1,320	5.2%
Business outlets	99	97	2.1%

Raiffeisen
Bosna i Hercegovina

SUSTAINABILITY MANAGEMENT - PART OF THE CORPORATE CULTURE OF RAIFFEISEN BANK

Sustainability management and social responsibility are the key components of the Raiffeisen identity and corporate culture. Responsible corporate conduct harmonized with the environment and society is the key to lasting economic success. The sustainability strategy of the Raiffeisen Group rests on three pillars. The first centers on being a **responsible bank** able to adapt to new conditions and trends within the banking sector whilst maintaining its status as a responsible company through its business operations, processes and products. The second pillar of the sustainability strategy is that the Raiffeisen Group endeavors to be a **fair partner** to all external and internal stakeholders. It is always open to communication with its customers and informs them on time about the business activities of the bank. The third pillar is to act as an **engaged corporate citizen**. This reflects the Group's social responsibility, which the bank lives by through actions such as its support for various projects of common interest to local communities and its contribution to various cultural and educational projects.



RAIFFEISEN GALLERY

The blend of art and banking has already become an affirmed concept all over the world. This is why we designed part of the Raiffeisen BANK d.d. Bosna i Hercegovina Head Office building in Sarajevo to serve as a gallery. Back in 2009, we established our very successful cooperation with the Academy of Fine Arts in Sarajevo. As part of this cooperation, each year the bank gives the best students of the Academy an opportunity to exhibit their work at the bank's premises and supports them through one-off scholarships. Our core values oblige us to help our community. Being aware of the challenging position within arts and culture, we support young artists at the onset of their career by offering them a chance to present their work in a non-typical gallery premises such as a bank.

Thus far, we have hosted nine joint and more than fifty individual exhibitions. In 2018, the opportunity to exhibit their work at the Raiffeisen GALLERY was given to Vedad Dizdarević, Adnan Šopović, Sara Hasanefendić, Ajša Beširević, Antonela Bender and Anđela Banović. Each exhibition is a sales opportunity that provides visitors with a chance to support these young artists by buying their works of art. It gives us great pleasure to see that the public is becoming increasingly aware of this project and that the number of purchases of these works of art has increased strongly in recent times. Art lovers can admire these art exhibitions at the bank's head office located at Zmaja od Bosne every business day from 8 a.m. to 4 p.m.

Raiffeisen at a Glance

Report of the Supervisory Board

Ladies and Gentlemen,

Raiffeisen *BANK* d.d. Bosna i Hercegovina concluded another successful year with a total net profit of BAM 84.5 million, capital of BAM 570 million and assets of BAM 4.4 billion. During the financial year 2018, members of the Supervisory Board held 15 meetings out of which 12 were paper meetings. Total attendance at the Supervisory Board meetings was 100 per cent.

The Supervisory Board regularly and comprehensively monitored the business performance and risk developments at Raiffeisen *BANK* d.d. Bosna i Hercegovina. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity as well as on the direction of the bank's business and risk strategies. The Supervisory Board also dealt at length with further development in the area of corporate governance and monitored the implementation of corresponding policies. In the course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives of the banking supervisory authorities on topical issues.

Moreover, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Supervisory Board also maintained contact with the Chairman of the Management Board and the Management Board members. The Management Board was available where required for bilateral or multilateral discussions with members of the Supervisory Board, where applicable with the involvement of experts on the matters addressed by the Supervisory Board.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Supervisory Board passed resolutions after considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Supervisory Board without delay and to their satisfaction.

The Supervisory Board discussed all matters of significance for the smooth business operations of the bank. In addition to its supervision of the bank as a whole, the Supervisory Board also made and/or confirmed several internal bank regulations, business and other policies, plans and procedures, and financial statements. In this way, the Supervisory Board fulfilled its duties defined in the local law and the Articles of Association.

I would like to take this opportunity to thank all of our customers for their continued trust and all the employees of Raiffeisen *BANK* d.d. Bosna i Hercegovina for their hard work and unwavering efforts in 2018, as well as to ask for their continued commitment in tackling any challenges going forward.

On behalf of the Supervisory Board

Hannes Moesenbacher
Chairman of the Supervisory Board

Preface of the Chairman of the Management Board

The year behind us was another successful business year for Raiffeisen *BANK* d.d. Bosna i Hercegovina in which despite the very challenging environment and strong competition we achieved a historic business result.

We finished the year with a total net profit of BAM 84.5 million. The business year 2018 was the most profitable in the history of Raiffeisen *BANK* d.d. Bosna i Hercegovina, with a profit rise of 16.3 per cent yoy.

The year 2018 was again marked by digitalization. To improve the scope of our products and services we were the first in the market to introduce an innovative 'm-pay' service. This service enables our customers to make payments using just their mobile phones.

Adaptation to digital trends is an important part of our business. Considering better interaction with our customers, digitalization enables us to offer innovative products on the market. This century is characterized by globalization and fast technological developments and this inevitably changes the expectations of our customers.

Raiffeisen *BANK* d.d. Bosna i Hercegovina continued with its strategy of broadening and strengthening its business network and by the end of the year we numbered 99 branches and 278 ATMs.

Confirmation that we are on the right track came with our second consecutive Global Finance award 'Best Digital Bank in Bosnia and Herzegovina in 2018'. The same magazine also honored us as the 'Best Bank in Bosnia and Herzegovina' and we received the same award from the magazines Euromoney and EMEA Finance.

By combining our business success with sustainable management activities, we continued to act as a socially responsible company. Being an engaged corporate citizen, we financially supported more than 100 projects for children and adults with special needs. Wishing to contribute to their environment and help those in need, our employees volunteered for humanitarian missions in several centers.

I am proud that our customers and public have expressed a highly positive reaction to this practice. In this way, they support us to continue with our many socially responsible activities in the future and to remain a good example to others.

Many challenges lay ahead of us and we will greet them with readiness and confidence. I would like to thank all our customers and business partners for the trust that they place in us and to assure them that we will continue to meet all their needs in the best possible way. We will strive to remain a fair partner and a responsible bank for all of our stakeholders and will endeavor to offer them easier access to our services and products.

Karlheinz Dobnigg
Chairman of the Management Board

Macroeconomic Overview

The economy of Bosnia and Herzegovina managed to keep the growth momentum at the level of the four-year average (2015–2018) of around 3 per cent annual GDP growth. Like in previous years, the sound growth of the Bosnia and Herzegovina economy was strongly driven by a positive external environment, namely the record high growth rates recorded in the Eurozone, in SEE countries and in the country's main trading partners. This was a result of the expansive monetary policy implemented in European countries over the past years. Available macroeconomic indicators for 2018 show that the country's annual GDP growth was 2.8 per cent, which is slightly less than the year before. This decline was caused mainly by the disappointing performance and downturn in the processing industry, recorded for the first time since 2012, and by the weakened dynamics of the export of goods in the final two quarters of the year. The latter was caused in part by the downturn in the processing industry and the Turkish crisis that led to a strong drop in the value of the Turkish Lira.

Looking at the key drivers of growth in the Bosnia and Herzegovina economy in 2018, we can observe that the export of goods and services remained the key driver of growth at an annual rate of 6 per cent. This was thanks to a positive external environment (73% of overall exports go to the European Union) followed by the resilient and stable growth of private consumption at an annual rate of 1.7 per cent and a moderate contribution by gross domestic investment that grew by 7 per cent. Like in the past ten years after the economic and financial crisis of 2008, the growth of the Bosnia and Herzegovina economy was led primarily by the strong expansion of export volumes and by the number of sectors that are becoming competitive in European markets (furniture production, production of parts for the car industry, and the textile and chemical industries). Tourism also saw a record high inflow of income through the export of services. In 2018, Bosnia and Herzegovina generated a surplus in the tourism area for the first time amounting to more than € 1 billion, with 12 per cent growth in all key indicators for this sector (visits and overnight stays). This indicates that tourism is the industry with the highest growth potential in the next ten years. Private consumption remains a strong pillar of the country's economic growth and an indicator of stability. This is mainly the result of factors such as the record high inflows of foreign payments from year to year, growth in lending activities in the country and a strong annual rise in net salaries of 3.3 per cent, which is the strongest growth rate recorded since the crisis in 2008.

Gross investment remains the weakest driver of economic growth, because the increase thus far has been driven primarily by the private sector. The public sector continues to lag behind in terms of the plan for implementation of the investment cycle that was announced long ago in relation to the road infrastructure and energy sectors worth € 10 billion. The pace of implementation remains insufficient in terms of having a considerable impact on the country's economy and the employment rate.

On the production side, GDP was driven predominantly by record high growth rates in retail sales of 8.2 per cent annually that accounted for two-thirds of GDP growth registered in 2018. This is a clear indicator of very strong domestic consumption and demand within the overall economy. In marked contrast to the strong indicators in retail sales and wholesale, industrial production, which traditionally generates 20 per cent of GDP, recorded a complete downturn in 2018. For the first time since 2012, the processing industry, which accounts for 13 per cent of the GDP and 66 per cent of overall industry, dropped by 1.1 per cent in an annual comparison. Overall, industrial production grew only slightly by 1.6 per cent. This growth was mostly due to the good performance and 11.3 per cent growth in the electricity production industry and the slight growth of 1.1 per cent in the mining industry. The negative trends in industrial production and the slight slowdown in exports in the third and fourth quarters were the reasons for the downward correction to 2.8 per cent for GDP in 2018.

Bosnia and Herzegovina registered record high positive trends in its external trade balance and general exchange with foreign countries. Again, this year exports recorded a record high value of nearly BAM 12 billion. This translates into annual growth of 7.6 per cent, while imports grew 6 per cent to reach BAM 19.3 million. This helped reduce the overall trade deficit to the lowest level in relation to GDP or 22.4 per cent of GDP, which is the lowest level ever registered by statistic of foreign trade exchange. The overall deficit of the country's current account, which includes the exchange of services and income, indicates very encouraging trends in the country's competitiveness. It recorded a surplus of over BAM 2 billion thanks to exports (primarily in the tourism area). Inflows of secondary income – foreign remittances to the private sector – reached a new record of BAM 4 billion or 12 per cent of GDP. These developments allowed Bosnia and Herzegovina to record a record low current account deficit equal to 4.2 per cent of GDP. This is a clear indicator of the country's improved external position and a decreasing trend in its current account deficit. The countries of the EU remain Bosnia and Herzegovina's main trading partners: accounting for 73 per cent of Bosnia and Herzegovina's exports. The top six export markets are Germany, Croatia, Slovenia, Serbia, Italy and Austria. The increasing competitiveness of the export of goods and services and their increasing importance in the structure of the overall economy is reflected by the fact that exports reached a share of more than 37 per cent of GDP for 2018 and contributed a strong 3.1 percentage points to the country's economic growth.

It is noteworthy that in addition to the positive trends in export and the country's competitiveness in foreign trade foreign remittances were a strong source of the purchasing power of average low-income citizens in Bosnia and Herzegovina. Foreign remittances have a strong impact on the development of private consumption and overall economic growth, even in an environment marked by a high jobless rate (18.4 per cent), low average salaries (BAM 879) and an average GDP per capita that when expressed in terms of purchase power parity is equal to 32 per cent of the EU average.

Despite its drop from 20.5 per cent in 2017 to 18.4 per cent in 2018, the jobless rate is still the weakest link in the country's economic environment and the key obstacle to generating higher rates in the overall economy. The strong decline in the jobless rate in the year under review was caused mostly by a decrease in the overall labor force (migrations). New job opportunities were created but this impulse was still not strong enough to strengthen the market.

One economic area failed to make any visible progress in 2018, namely the creation of a better investment climate and environment. According to the latest World Bank report on the ease of doing business, in 2018 Bosnia and Herzegovina ranked 89th out of a total of 190 countries included in the report and three ranks lower than in the previous year. Bosnia and Herzegovina ranks far behind the other countries in the region (Serbia, Croatia, Albania, Macedonia, Bulgaria etc.). Moreover, Bosnia and Herzegovina ranked 91st out of 140 countries in the world according to the World Economic Forum global competitiveness indicators and 83rd out of 180 global economies according to the Economic Freedoms Report. A bad investment climate was one of the key reasons why the share of direct foreign investment in the GDP remained at a modest 2.2 per cent.

The economic trends in 2018 were less favorable for the banking sector than in the preceding year, but the banks continued to register new records and improvements in all business areas. Total assets of the banking sector increased by 9.7 per cent to BAM 30.9 billion year-on-year, which is the highest growth rate since 2007 and the highest ever nominal value of total assets. Loan growth slowed down from 7.1 per cent in 2017 to 5.8 per cent in 2018. Because the Bosnia and Herzegovina economy was more driven by consumption than by exports and the processing industry, this slowdown in lending activities was more strongly pronounced in the corporate segment than in the retail segment. Loans in the corporate sector grew by 3.7 per cent (versus 8.0 per cent in 2017) whereas loans to private individuals grew by 7.3 per cent, which is the highest growth rate registered in the past ten years.

Total deposits in the banking sector grew by 10.6 per cent in 2018, which is the second year in a row in which deposits registered two-digit growth rates. The strong growth in total deposits is a reflection of increased savings by private individuals. The latter grew 7.8 per cent compared to the figure for 2017 and reached BAM 12.15 billion (this is the first time in the bank's history that deposits by private individuals surpassed BAM 12 billion). Summing up, total loans in the banking sector stood at BAM 19.5 billion and total deposits at BAM 21.9 billion. As a result, the loans-to-deposits ratio reached a new record high level of 111.6 per cent. Strong competition among the local market participants and a favorable international environment (interest rates in the international financial market – EURIBOR) led to a decline in interest rates for customers in 2018 in all lending areas (corporate and retail).

Financial stability indicators also improved strongly in 2018, attesting to the stability and profitability of the country's banking sector. The level of non-performing loans fell to 9.4 per cent at the end of the third quarter of 2018, which was the first time since 2010 that non-performing loans entered the one-digit zone. The volume of non-performing loans was still much higher in the corporate sector than in the retail sector (11.4 per cent in the corporate and 7.1 per cent in the retail), but both business lines saw a decline in the share of non-performing loans in their total portfolio. Overall liquidity in the banking sector grew constantly to reach a liquidity ratio of 29.7 per cent at the end of the third quarter of 2018, which is the highest level since 2010. The capitalization level in the banking sector was 15.5 per cent and thus still far above the legal threshold of 12 per cent. Profitability in the overall banking sector also remained at the prior year's level and stood at BAM 315.6 million at the end of the third quarter of 2018, with key profitability indicators of 1.5 per cent (ROA) and 11.1 per cent (ROE).

The consolidation process in the local banking market did not continue in 2018, which is why the number of banks remained unchanged at the end of the year in comparison to the preceding year (23 banks). Nevertheless, the banking sector continued to be marked by a high level of concentrations, where the top three banking groups had a share of nearly 50 per cent of total assets and loans. There is the strong likelihood that the consolidation process will continue and inevitably reduce the number of banks. The number of employees in the banking sector was 9,704 or around 1 per cent of total employees in Bosnia and Herzegovina.

Key Economic Data

	2013	2014	2015	2016	2017	2018e
Nominal GDP (€ billion)	13.7	14.0	14.6	15.3	16.0	16.8
Real GDP (% yoy)	2.3	1.2	3.1	3.1	3.2	2.8
GDP per capita (EUR)	3,531	3,923	4,134	4,347	4,574	4,803
GDP per capita (€ in PPP)	7,200	7,300	7,500	7,900	8,300	8,800
Private consumption (real growth % yoy)	0.0	1.9	1.8	2.2	1.5	1.7
Gross investment (real growth % yoy)	(3.0)	8.2	2.9	10.8	8.9	7.0
Industrial output (% yoy)	6.7	0.1	2.6	4.3	3.1	1.6
Production prices (avg % yoy)	(2.2)	(0.2)	0.6	(2.3)	3.0	3.6
Consumer prices – inflation (avg % yoy)	(0.1)	(0.9)	(1.0)	(1.1)	1.3	1.4
Average gross salaries in industry (% yoy)	(0.5)	(0.1)	0.0	0.9	1.6	3.3
Unemployment rate (avg %)	27.5	27.5	27.7	25.4	20.5	18.4
Budget deficit (% GDP)	(2.2)	(2.0)	0.7	1.2	2.6	0.5
Public foreign debt (% GDP)	38.9	42.9	42.8	41.5	37.1	37.0
Trade deficit (% GDP)	(25.4)	(3.8)	(3.5)	(3.4)	(3.6)	(3.8)
Current account deficit (% GDP)	(5.3)	(7.3)	(5.3)	(4.7)	(4.7)	(4.2)
Net foreign investments (% GDP)	1.3	2.9	1.7	1.6	2.1	2.2
Foreign reserves (€ billion)	3.6	4.0	4.4	4.9	5.4	6.0
Gross foreign debt (% GDP)	52.1	51.7	53.4	54.3	54.3	54.5
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	1.63	1.72
USD/LCY (avg)	1.47	1.47	1.76	1.77	1.73	1.66

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

Overview of Banking Trends

	2018	2017	2016	2015	2014	2013
Aggregate balance sheet data						
Total assets, € million	15,835.8	14,440.3	13,343.5	12,756.0	12,298.8	11,794.3
growth in % yoy	9.7%	8.2%	4.6%	3.7%	4.3%	5.2%
Total loans, € million	9,964.7	9,419.2	8,794.8	8,623.9	8,422.8	8,194.2
growth in % yoy	5.8%	7.1%	2.0%	2.4%	2.8%	3.1%
Total deposits, € million	11,120.5	10,056.7	9,076.4	8,452.1	7,861.2	7,285.5
growth in % yoy	10.6%	10.8%	7.4%	7.5%	7.9%	6.9%
Loan to deposit ratio	89.6%	93.7%	96.9%	102.0%	107.1%	112.5%
Structural information						
Number of banks	23	23	23	26	26	27
Market share in %of state-owned banks	2.4	1.4	2.1	2.9	2.7	2.1
Market share in % of foreign-owned banks	84.7	85.9	85.5	84.4	84.4	90.3
Profitability and efficiency						
Return on assets (RoA)	1.5	1.5	1.1	0.3	0.8	(0.1)
Return on equity (RoE)	11.1	10.2	7.3	2.0	5.4	(0.5)
Non-performing loans (% of total loans)	9.4	10.0	11.8	13.7	14.2	15.1

Raiffeisen Bank International at a Glance

RBI regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 13 markets across the region. In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management and M&A.

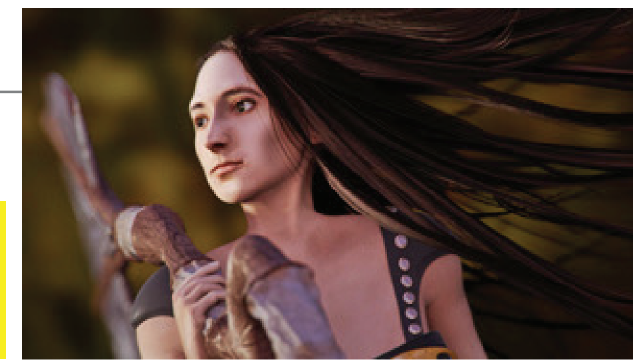
In total, almost 47,000 RBI employees serve 16.1 million customers in more than 2,100 business outlets, the vast majority of which are in CEE. RBI AG shares have been listed on the Vienna Stock Exchange since 2005.

At year-end 2018, RBI's total assets stood at € 140 billion. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares, with the remaining approximately 41.2 per cent in free float.

Vedad Dizdarević

- Vedad was born in Sarajevo in 1982.
- He graduated from the Academy of Fine Arts in Sarajevo with a degree in product design.
- Professionally, he engages in 3D design and animation in architecture and marketing. Lately, he has focused on designs for movies and video game characters.

"First, I would like to thank Raiffeisen Bank for giving me this opportunity to exhibit my work at the Raiffeisen GALLERY. I am pleased for the works to be presented to the public in this way. The exhibited works have a common theme: 'Character design', that is 'Character design' for video games and movies. They range from a humanoid character to a cyborg and a robot. The intention here was to capture the widest range of characters possible."



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 reaffirmed its leading position in the local banking market in 2004 when it became the first bank in the country with assets exceeding BAM 2.0 billion. In the years that followed its assets almost doubled reaching BAM 4.4 billion, as of December 31, 2018.

By that time, Raiffeisen *BANK* Bosna i Hercegovina operated 99 business outlets with 1,389 employees.

Numerous international and local awards attest to the successful business operations of Raiffeisen *BANK* Bosna i Herzegovina. These include the Global Finance 'Best Bank in BiH' and 'Best Digital Bank in BiH' awards, The Banker 'Bank of the Year' award, EMEA Finance 'Best Bank in BiH' award and the local awards 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%
Other shareholders	0.0049%

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

- Be the strongest and most attractive bank in the market that provides top quality to its customers.
- Be a responsible member of society..

Mission

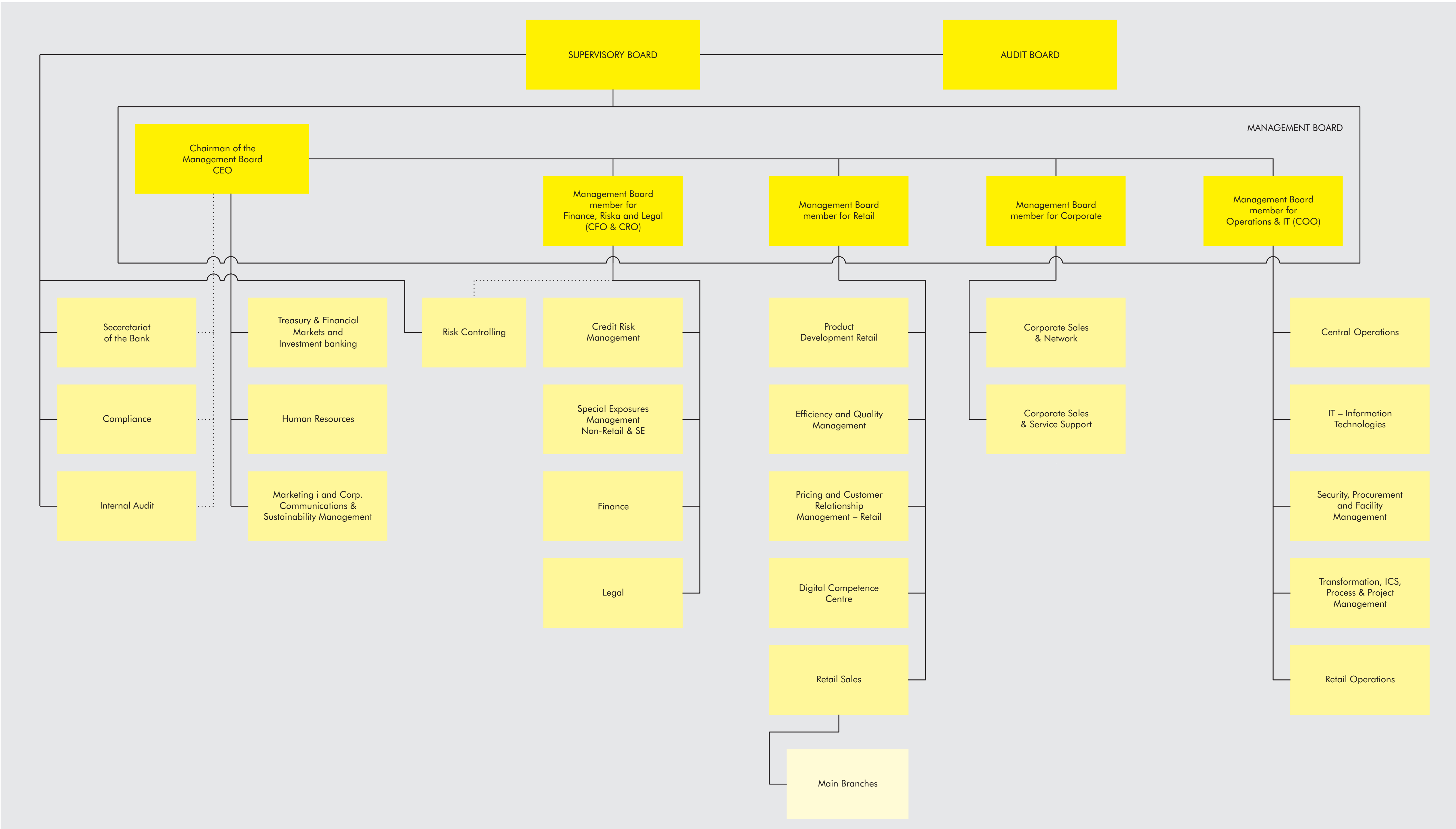
- Maximize the experience that customers have with the bank and be a preferred business partner.
- Continuously develop and improve, thus shifting the boundaries of banking.
- Meet the expectations of our shareholders.

The gable cross is part of the trademark used by almost every company in the Raiffeisen Banking 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

Heribert Fernau, Executive Director
Maida Zahirović Salom, Executive Director
Karlheinz Dobnigg, Chairman of the Management Board
Mirha Hasanbegović, Executive Director
Ante Odak, Executive Director

Organisational Structure



Balance Sheet

as at 31 December 2018 and 2017

	2018 (BAM 000)	2018 (EUR 000)	2017 (BAM 000)	2017 (EUR 000)
ASSETS				
Cash and cash equivalents	842,786	430,910	792,940	405,424
Legal reserve with the Central Bank of B&H	376,261	192,379	334,508	171,031
Loans and advances to banks	317,107	162,134	335,193	171,381
Loans and advances to customers	2,415,608	1,235,081	2,202,535	1,126,138
Financial assets at fair value through other comprehensive income	537	275	0	0
Assets held for sale	71	36	152	78
Financial assets available for sale	0	0	294	150
Financial assets at fair value through profit and loss	81,560	41,701	112,438	57,489
Financial assets held to maturity	0	0	132,110	67,547
Financial assets at amortised cost	146,772	75,043	0	0
Financial investments	11,050	5,650	11,050	5,650
Investments in associates	2	1	2	1
Income tax prepayments	1,927	985	2,977	1,522
Deferred tax assets	159	81	291	149
Other assets and receivables	49,087	25,098	61,396	31,391
Investment property	32,687	16,713	35,267	18,032
Tangible and intangible fixed assets	120,545	61,634	115,491	59,050
TOTAL ASSETS	**4,396,159**	**2,247,720**	**4,136,644**	**2,115,032**
LIABILITIES				
Deposits from banks	176,738	90,365	145,842	74,568
Deposits from customers	3,528,207	1,803,944	3,289,275	1,681,780
Provisions	24,416	12,484	26,181	13,386
Other liabilities	34,911	17,850	65,788	33,637
Subordinated debt	61,800	31,598	61,823	31,610
TOTAL LIABILITIES	**3,826,072**	**1,956,240**	**3,588,909**	**1,834,980**
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	307	157	225	115
Regulatory reserves	102,443	52,378	102,443	52,378
Retained earnings	215,697	110,284	193,427	98,898
EQUITY	**570,087**	**291,481**	**547,735**	**280,052**
TOTAL EQUITY AND LIABILITIES	**4,396,159**	**2,247,720**	**4,136,644**	**2,115,032**
COMMITMENTS AND CONTINGENCIES	**952,087**	**486,794**	**873,069**	**446,393**

Income Statement

for the years ended 31 December 2018 and 2017

	2018 (BAM 000)	2018 (EUR 000)	2017 (BAM 000)	2017 (EUR 000)
Interest and interest-like income	154,585	79,038	152,267	77,853
Interest expenses and interest-like expenses	(28,704)	(14,676)	(29,838)	(15,256)
Net interest income	**125,881**	**64,362**	**122,429**	**62,597**
Fee and commission income	90,303	46,171	86,070	44,007
Fee and commission expenses	(19,475)	(9,957)	(17,645)	(9,022)
Net fee and commission income	**70,828**	**36,214**	**68,425**	**34,985**
Net financial income	11,633	5,948	10,979	5,613
Other operating income	7,713	3,944	9,057	4,631
Operating income	**216,055**	**110,467**	**210,890**	**107,826**
Administrative expenses	(102,417)	(52,365)	(102,449)	(52,381)
Depreciation	(9,204)	(4,706)	(7,711)	(3,943)
Operating expenses	**(111,621)**	**(57,071)**	**(110,160)**	**(56,324)**
Earning before impairment losses, provisions and income tax	**104,434**	**53,396**	**100,730**	**51,502**
Provisioning for impairment losses	(10,323)	(5,278)	(19,232)	(9,833)
PROFIT BEFORE INCOME TAX	**94,111**	**48,118**	**81,498**	**41,669**
Income tax	(9,652)	(4,935)	(8,878)	(4,539)
NET PROFIT FOR THE YEAR	**84,459**	**43,183**	**72,620**	**37,130**
Earnings per share (BAM)	85.4	43.7	73.5	37.6

Key financial ratios

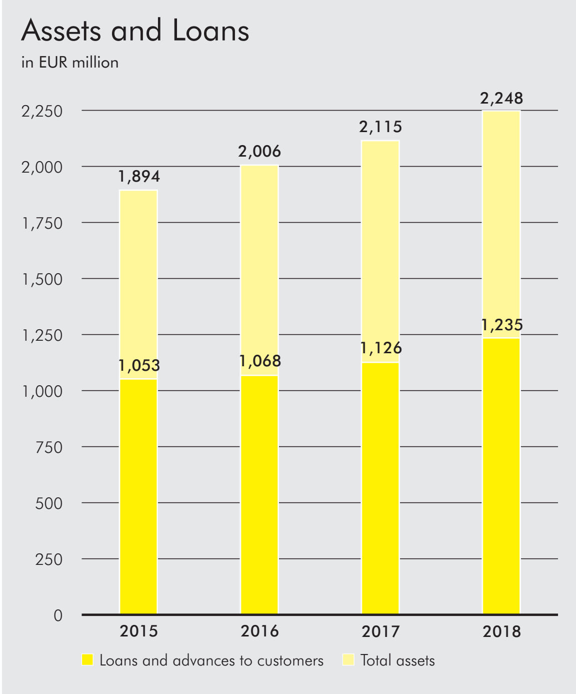
The presented data is stated or calculated on the basis of the bank's revised financial statements

	2018 (BAM 000)	2017 (BAM 000)	2016 (BAM 000)	2015 (BAM 000)
Year-end				
Total assets	4,396,159	4,136,644	3,922,975	3,703,548
Customer deposits	3,528,207	3,289,275	3,188,890	2,935,840
Loans and advances to customers	2,415,608	2,202,535	2,089,206	2,059,096
Shareholder capital	251,640	251,640	251,640	251,640
Shareholder capital and reserves	570,087	547,735	520,270	529,232
Annual results				
Total revenues	216,055	210,823	212,056	207,858
Total operating expenses	121,944	129,392	151,117	132,695
Profit before tax	94,111	81,498	60,939	75,163
Profit after tax	84,459	72,620	52,529	67,009
Ratios				
Return on assets	2.2%	2.0%	1.6%	2.0%
Return on equity	17.6%	15.4%	11.3%	13.5%
Cost/income ratio	53.6%	52.0%	53.3%	56.6%

	2018 (EUR 000)	2017 (EUR 000)	2016 (EUR 000)	2015 (EUR 000)
Year-end				
Total assets	2,247,720	2,115,032	2,005,785	1,893,594
Customer deposits	1,803,944	1,681,780	1,630,454	1,501,071
Loans and advances to customers	1,235,081	1,126,138	1,068,194	1,052,799
Shareholder capital	128,661	128,661	128,661	128,661
Shareholder capital and reserves	291,481	280,052	266,010	270,592
Annual results				
Total revenues	110,467	107,792	108,423	106,276
Total operating expenses	62,349	66,157	77,265	67,846
Profit before tax	48,118	41,669	31,158	38,430
Profit after tax	43,183	37,130	26,858	34,261
Ratios				
Return on assets	2.2%	2.0%	1.6%	2.0%
Return on equity	17.6%	15.4%	11.3%	13.5%
Cost/income ratio	53.6%	52.0%	53.3%	56.6%

Total assets with loan data

Net loans to customers account for 55 per cent of total assets in 2018, while their share in 2017 stood at 53 per cent. Gross loans to customers account for 59 per cent, whereas gross PI loans make up 58 per cent and Corporate loans 42 per cent of the total loan portfolio.



	2018 (BAM 000)	2017 (BAM 000)	2016 (BAM 000)	2015 (BAM 000)
Total assets	**4,396,159**	**4,136,644**	**3,922,975**	**3,703,548**
Loans and advances to customers	2,415,608	2,202,535	2,089,206	2,059,096

	2018 (EUR 000)	2017 (EUR 000)	2016 (EUR 000)	2015 (EUR 000)
Total assets	**2,247,720**	**2,115,032**	**2,005,785**	**1,893,594**
Loans and advances to customers	1,235,081	1,126,138	1,068,194	1,052,799

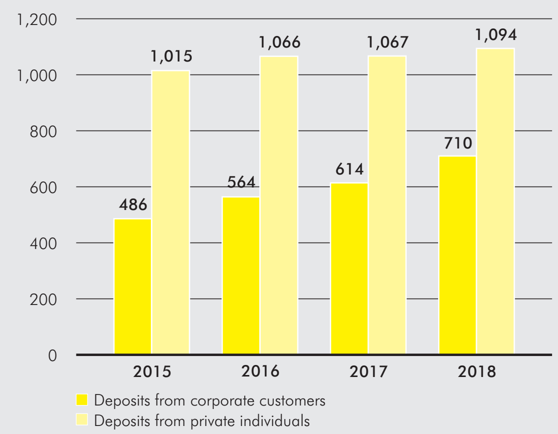
Lending

	2018 (BAM 000)	2018 (EUR 000)	2017 (BAM 000)	2017 (EUR 000)	Change %
Corporate loans	1,084,505	554,499	980,968	501,561	10.6%
Retail loans	1,515,830	775,032	1,418,618	725,328	6.9%
Gross loans	2,600,335	1,329,530	2,399,586	1,226,889	8.4%
Impairments	184,727	94,449	197,051	100,751	(6.3)%
Net loans	**2,415,608**	**1,235,081**	**2,202,535**	**1,126,138**	**9.7%**

Customer deposits

Deposits from private individuals make up 61 per cent of total deposits, which is an increase of KM 51,125 ths as a result of long-standing and successful business based on meeting customers' needs. Total deposits from private individuals consist of term deposits with a share of 40 per cent and sight deposits with a share of 60 per cent.

Customer deposits
in EUR million



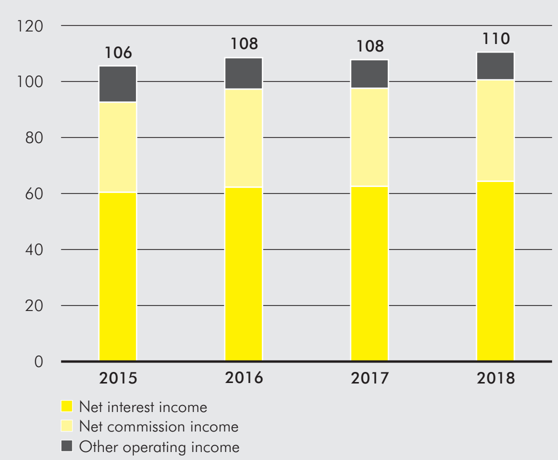
	2018 (BAM 000)	2017 (BAM 000)	2016 (BAM 000)	2015 (BAM 000)
Deposits from corporate customers	1,389,398	1,201,591	1,103,403	951,160
Deposits from private individuals	2,138,809	2,087,684	2,085,487	1,984,680

	2018 (EUR 000)	2017 (EUR 000)	2016 (EUR 000)	2015 (EUR 000)
Deposits from corporate customers	710,388	614,364	564,161	486,320
Deposits from private individuals	1,093,556	1,067,416	1,066,293	1,014,751

Total income (with total income structure)

Total income comprises net interest income of 58 per cent and net commission income of 33 per cent. Interest income rose by 2 per cent compared to the previous year. Interest expenses are 9 per cent higher than in the previous year as a result of increased dues to banks and other financial institutions.

Total income
in EUR million



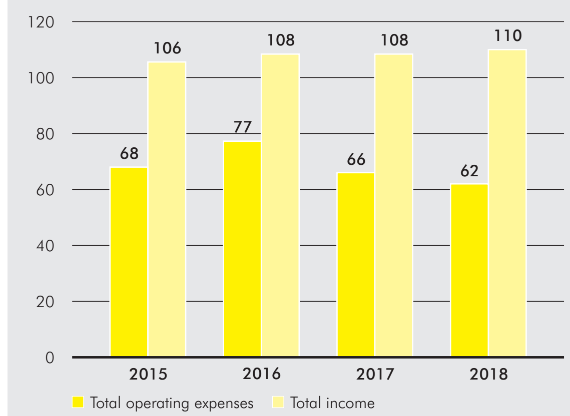
	2018 (BAM 000)	2017 (BAM 000)	2016 (BAM 000)	2015 (BAM 000)
Total income	**216,055**	**210,890**	**212,056**	**207,858**
Net interest income	125,881	122,429	121,842	119,090
Net fee and commission income	70,828	68,425	68,358	63,292
Other operating income	19,346	20,036	21,856	25,476

	2018 (EUR 000)	2017 (EUR 000)	2016 (EUR 000)	2015 (EUR 000)
Total income	**110,467**	**107,826**	**108,423**	**106,276**
Net interest income	64,362	62,597	62,297	60,890
Commission result	36,214	34,985	34,951	32,361
Other operating income	9,891	10,244	11,175	13,026

Operating expenses/total income comparison

Total operating expenses dropped significantly in the relevant period (2018 – 2017). Stricter cost control, by both cost organization and structure, resulted in an improvement of the cost/income ratio.

Expenses/income comparison
in EUR million



	2018 (BAM 000)	2017 (BAM 000)	2016 (BAM 000)	2015 (BAM 000)
Total operating expenses	121,944	129,392	151,117	132,695
Total income	216,055	210,823	212,056	207,858

	2018 (EUR 000)	2017 (EUR 000)	2016 (EUR 000)	2015 (EUR 000)
Total operating expenses	62,349	66,157	77,265	67,846
Total income	110,467	107,792	108,423	106,276

Adnan Šopović

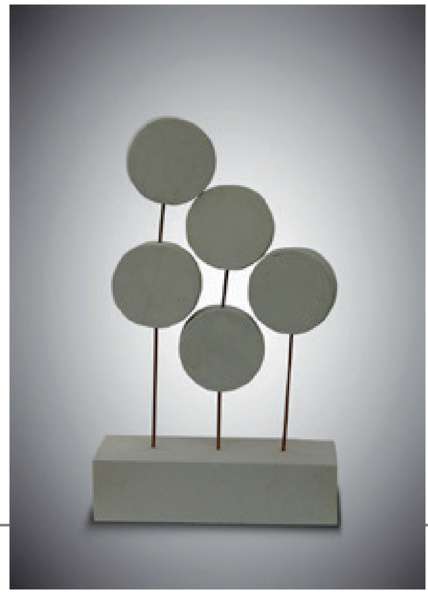
- Adnan was born in Sarajevo in 1995.
- He finished the High School of Applied Arts in Sarajevo in 2014.
- He received an award for the best high school graduation paper.
- He is studying at the Painting Department of the Fine Arts Academy in Sarajevo.

"My exhibition consisted of ten works of art, mostly still nature coupled with four pieces representing an homage to great masters' images and two graphics.
I would like to thank Raiffeisen Bank for giving me the opportunity to exhibit at the Raiffeisen GALLERY, since this is my first individual exhibition and I see this as a great step in my artistic career."

Sara Hasanefendić

- Sara was born in Sarajevo in 1994.
- She finished the High School of Applied Arts in Sarajevo in 2013, after which she enrolled in the Sculpture Department at the Fine Arts Academy in Sarajevo.
- In 2014, she participated in a joint art exhibition marking "University December Days".

"I would like to thank the bank for this opportunity, because it was a great honor for me as a young artist to have set my first individual exhibition at the Raiffeisen GALLERY. The exhibited works concentrated on minimalism and geometric shapes, i.e. so-called ABC-art."



Business Overview

Corporate Banking

The loan portfolio in the Corporate Division grew by 11 per cent in 2018 compared to the previous year. The Corporate Division focused on increasing and improving the quality of the loan portfolio and strengthening customer relationships in 2018. These activities increased performing assets by 16 per cent and decreased non-performing by 26 per cent compared to the previous year.

Deposits increased by 18 per cent compared to the previous year, which reflects the continued trust our customers place in us.

Interest income grew by 3 per cent compared to 2017. This can be attributed primarily to the increase in the volume of performing assets, despite the challenge of decreasing the average exit interest rates on performing assets. The growth in interest income was also due to good management of liabilities and the related costs.

The loan portfolio for large local, international and GAMS customers increased by 20 per cent. Performing assets grew by 25 per cent, while non-performing assets fell by 19 per cent compared to 2017.

The loan portfolio of mid-sized customers decreased slightly by 1 per cent. Performing assets grew by 4 per cent, while non-performing assets fell by 35 per cent compared to 2017.

In line with corporate trends, Raiffeisen Bank continued to maintain its good business practices by becoming closer to its customers. Numerous events with customers were held in all of the key regions in which the bank operates.

The bank also worked actively to improve its internal business environment, by implementing projects and adjusting its internal organization. All of the implemented activities helped improve the efficiency of administrative processes and ultimately a quicker response to customer needs.

Providing active customer support not only enabled the bank to keep its existing customers but also to acquire new ones: the bank had 3,053 corporate customers by the end of 2018.

The bank retained its market presence in all regions in 2018, focusing on strengthening business relationships with existing customers and acquiring new ones. The corporate segment remains actively focused on developing holistic and high quality customer relations through intensive promotion of loan products, trade finance and documentary business products as well as cash management of account products and payments.

SME Business

Raiffeisen Bank works constantly to build and maintain long-standing business relationships with existing customers and to acquire and build relationships with potential new customers within the SME segment.

In order to establish and strengthen comprehensive high quality relationships with our customers, there was strong focus on improving the quality of service and adjusting the product and service offer to meet customer and market demands in 2018.

Our goal is to establish and maintain high quality relationships with our customers. In order to improve its business with SME customers, the bank has developed a special credit line under preferential terms and conditions that allows for working capital and investment financing. Moreover, in an effort to support its customers business growth and development the bank has adjusted and improved its product and service offer to respond to new challenges in the SME market.

The focus of Raiffeisen *BANK* d.d. Bosna i Hercegovina in the SME segment on building partnership relations with entrepreneurs in order to support them in developing, expanding and improving their businesses in the local market will continue in the period ahead.

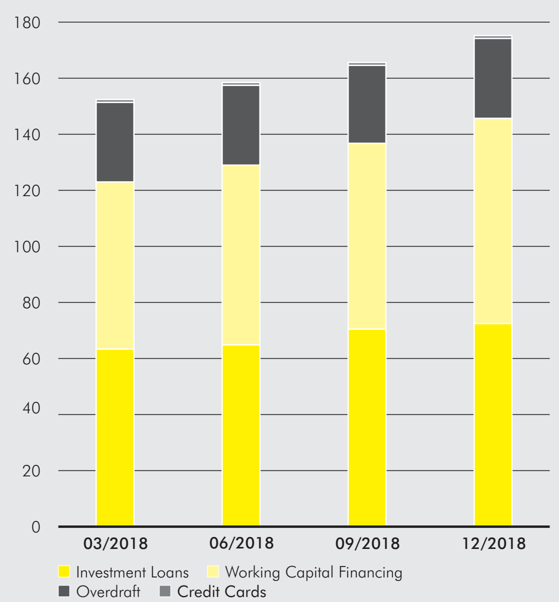
Development of the Loan and Deposit Portfolios (SE customers):

'000 BAM	March 2018	June 2018	September 2018	December 2018
Credit cards	1,006	948	1,015	994
Overdraft	28,431	28,533	27,782	28,492
Working capital finance	59,599	64,108	66,302	73,246
Investment loans	63,408	64,936	70,522	72,525

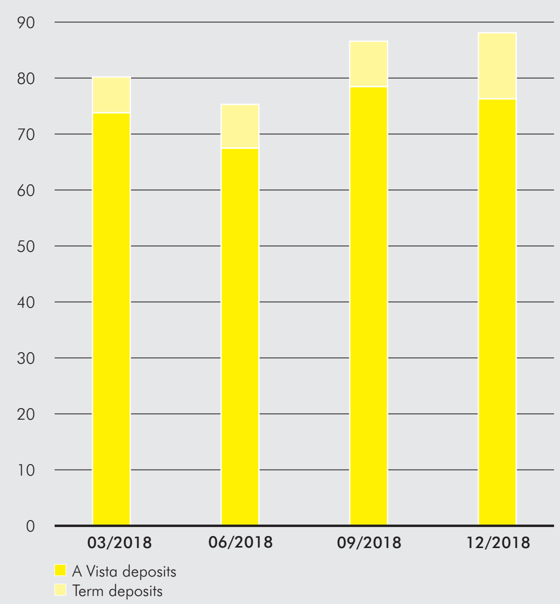
The total value of the SE loan portfolio stood at BAM 175.3 million as of December 31, 2018. The highest growth was recorded in the working capital financing product, which grew by BAM 14.4 million compared to 2017. Sight deposits dominated the SE deposit portfolio, which amounted to BAM 88.2 million.

'000 BAM	March 2018	June 2018	September 2018	December 2018
Term deposits	6,402	7,764	8,056	11,807
Sight deposits	73,842	67,511	78,524	76,341

SE loans
in BAM million



SE deposits
in BAM million



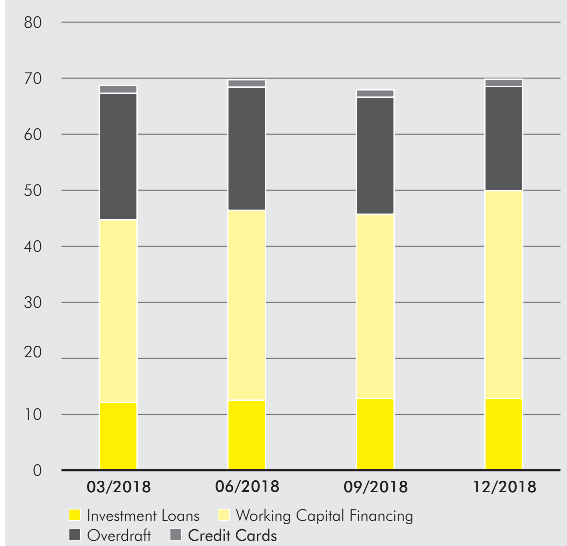
Development of the Loan and Deposit Portfolios (Micro customers):

'000 BAM	March 2018	June 2018	September 2018	December 2018
Credit cards	1,436	1,337	1,321	1,283
Overdraft	22,603	21,983	20,929	18,622
Working capital finance	32,616	33,880	32,863	37,090
Investment loans	12,089	12,491	12,786	12,802

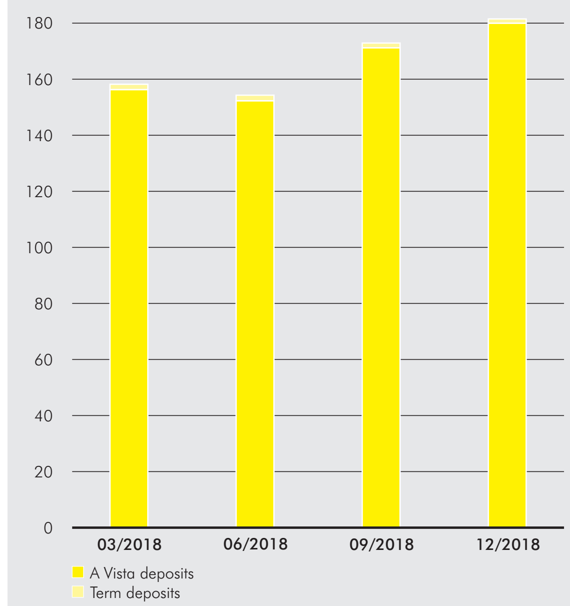
The total loan portfolio of the Micro segment amounted to BAM 69.8 million as of December 31, 2018. Working capital loans grew by BAM 3.9 million and were thus the growth leaders when compared to figures from the previous year. The micro deposit portfolio reached a value of BAM 181.7 million as of December 31, 2018. It was dominated by sight deposits, which grew steadily in the second half of 2018.

'000 BAM	March 2018	June 2018	September 2018	December 2018
Term deposits	1,932	1,970	1,699	1,514
Sight deposits	156,261	152,282	171,202	180,215

Micro loans
in BAM million



Micro deposits
in BAM million



Retail Banking

Raiffeisen *BANK* d.d. Bosna i Hercegovina keeps up with the latest technological solutions in modern banking in order to constantly improve the quality of its services, develop new products and adjust its existing deposit, loan and card products to the demands of private individual customers.

By incorporating technological advances in modern banking and introducing new products and adjusting existing products to meet the needs of its customers the bank works constantly to improve the quality of its service. More specifically, in the areas of deposits, credit and the card business with private individuals.

The bank offers Raiffeisen Premium Banking in order to address the needs of its most distinguished customers. This is a special concept based on a proactive approach aimed at meeting the individual needs of the bank's premium customers.

The benefits of Premium Banking
- Financial advisory
- Personal banker
- Priority treatment
- Availability 24/7
- Premium locations
- Premium products
- Special pricing

Neutral Business

The Neutral Business segment posted the following results in 2018:
- Income from exchange services rose by 28.10 per cent compared to 2017, based on an increase in turnover by the exchange offices of 31.13 per cent in 2018.
- Western Union transactions rose by 1.20 per cent compared to the figure for 2017.
- There was an increase in active account sets of 16.30 per cent with generated revenue up by 12.90 per cent compared to the revenue generated in 2017.

Deposits from Private Individuals

Compared to 2017, total deposits of private individuals placed with Raiffeisen *BANK* d.d. Bosna i Hercegovina grew by 2.44 per cent in 2018.

Overview of deposits from private individuals

'000 BAM	2018	Change	2017	Change	2016	Change	2015
Sight deposits	1,276,591	5.2%	1,213,270	19.6%	1,014,346	(5.6)%	1,074,113
Term deposits	861,064	(1.4)%	873,283	24.2%	703,286	14.0%	616,676
Current accounts	454,188	17.0%	388,123	9.0%	356,034	26.3%	281,970
Total	**2,591,843**	**4.7%**	**2,474,676**	**19.3%**	**2,073,666**	**5.1%**	**1,972,769**

Private Lending

In order to respond to the demands of the market, Raiffeisen *BANK* d.d. Bosna i Hercegovina presented new benefits for its loan products in 2018:
- The housing loan campaign 'Sweet home for lower instalments' was presented in the second quarter of 2018.
- The cash loan campaign 'It's so easy' was presented in the third quarter of 2018.

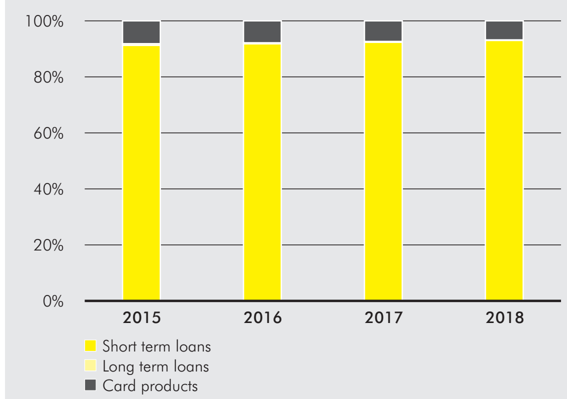
In addition to other benefits for customers, the campaign focused on the benefits of low interest rates and the option for the customer to choose between a fixed or variable interest rate.

The additional benefits of the campaign 'It's so easy' were no loan management fee, an easy application process at any branch (the loan application is completed automatically, thus saving the customer time and speeding up the loan handling process) and a special benefit for cash loans. The latter comprises of a repayment holiday of up to three months where the customer only pays the interest on the loan.

Purpose and non-purpose loans dominated the loan portfolio with a 93 per cent share. Mortgage loans participated in the loan portfolio with a 10.03 per cent share and Lombard loans with a 1.80 per cent share.

The best selling products from the loan offer were non-purpose loans, especially the following:
- pre-approved consolidation loans, with a 27.29 per cent share of total lending;
- non-purpose cash loans, with a 26.48 per cent share of total lending;
- XXL non-purpose loans, with a 20.61 per cent share of total lending;
- integral non-purpose loans for refinancing, with a 12.63 per cent share of total lending.

Structure of the PI loan portfolio



Overview of the PI loan portfolio

'000 BAM	2018	Change	2017	Change	2016	Change	2015
Long-term loans	1,397,587	7.9%	1,295,209	4.2%	1,243,627	2.8%	1,209,503
Short-term loans	2,858	(29.1)%	4,028	(24.1)%	5,306	(33.8)%	8,020
Card products	101,529	(1.4)%	102,964	(2.7)%	105,810	(2.1)%	108,121
Total	**1,501,974**	**7.1%**	**1,402,202**	**3.5%**	**1,354,742**	**2.2%**	**1,325,644**

Card Business

Cards

The card portfolio continued to grow throughout 2018 and the year ended with a total of 957,363 issued cards (cumulative figure). A total of 68,396 cards were issued in 2018 alone, which translates into growth of 8 per cent compared to 2017.

The 'Mastercard World Shopping Credit Card' was the leader among the new cards. Because it allows customers to pay in instalments without any interest or fees at almost 3,000 points of sale this card has proven to be an attractive product.

A significant contributory factor to the number of debit cards issued was the continued action to acquire public sector entities and corporate firms that pay staff salaries through accounts linked to debit cards issued by Raiffeisen Bank. The biggest contributor to the growth of newly issued debit cards was the contactless 'MasterCard Debit Card'. The main benefits of the two strongest contributors to the newly issued cards in 2018 are presented below.

Contactless MasterCard Debit Card:
- payment of goods and services within the country and abroad,
- cash withdrawals from ATMs within the country and abroad,
- online payments,
- contactless payment functionality.

Contactless World Shopping Credit Card:
- payment in instalments without incurring any interest or fees at nearly 3,000 points of sale,
- payment in up to 24 instalments for minimum transaction amounts of BAM 100,
- contactless payment functionality,
- availability of the product within an account set,
- insurance package.

The contactless payment functionality has been implemented for all card products. It allows customers to pay for goods and services using contactless technology, where data between the card and the reader is exchanged without having to swipe the card.

Customers gain a number of advantages by using their card for contactless payment:
- because their card remains in their possession during a transaction they have full control over their transactions,
- transactions in amounts up to BAM 30 are completed without having to enter their PIN (the PIN is only required for transactions above this amount).

Card Acceptance at Points of Sale (POS)

The Card Acceptance Unit saw another year of positive trends in all of its business segments in 2018. The POS network, with its contactless payment functionality, was extended further and the number of merchants and locations using POS terminals of Raiffeisen Bank increased.

There were 5,658 POS devices that allow contactless payment at 4,335 points of sale by December 12, 2018. The volume of card transactions increased by 13.50 per cent and commissions from card transactions by 10.40 per cent compared to 2016.

In order to encourage both merchants and cardholders to utilize contactless card payment intensively, several campaigns that brought certain benefits to all process participants (merchants, cardholders and the bank) were implemented. POS devices of Raiffeisen Bank were installed for 384 new merchants.

In pursuing this approach, the bank once again confirmed its orientation toward establishing long-standing partner relationships with merchants and cardholders.

Card Acceptance at ATMs

Ten new ATMs were activated during the course of 2018, bringing the total number of active ATMs to 279 as of December 31.

Compared with the figures from 2017, the volume of cash withdrawals from ATMs grew by 6.90 per cent and the number of transactions by 1.03 per cent in 2018.

Several activities were implemented in 2018 in order to improve the quality of the ATM service and the ATM configuration, most notably by optimizing the duration of ATM transactions.

A list of Raiffeisen Bank ATMs is available on the bank's website: www.raiffeisenbank.ba.

Business Network Coordination

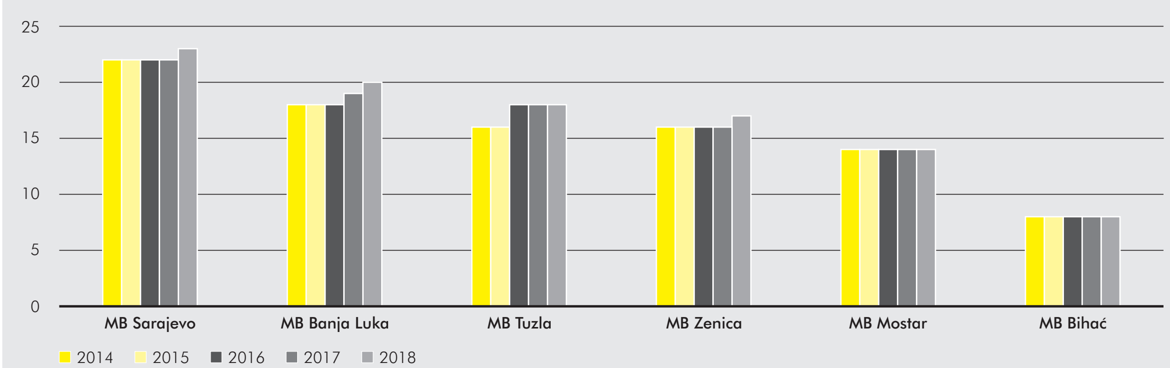
Whereas the period from 2002 to 2008 was characterized by an extensive expansion of the branch network, the focus over the last few years has been on consolidation in response to market conditions. During this period, Raiffeisen *BANK* Bosna i Hercegovina has achieved the optimum number of branches.

Three new business outlets were added to the network in 2018: Nova Otoka Agency in Sarajevo, Nova Varoš Agency in Banja Luka and the Maglaj Agency.

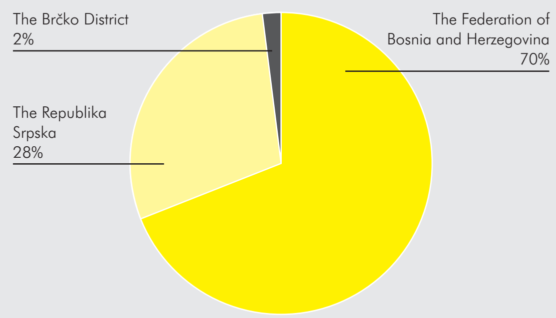
The bank had a business outlet network of 99 branches as of December 31, 2018 offering products and services to customers as well as six regional branches that act as the hubs of the business network.

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

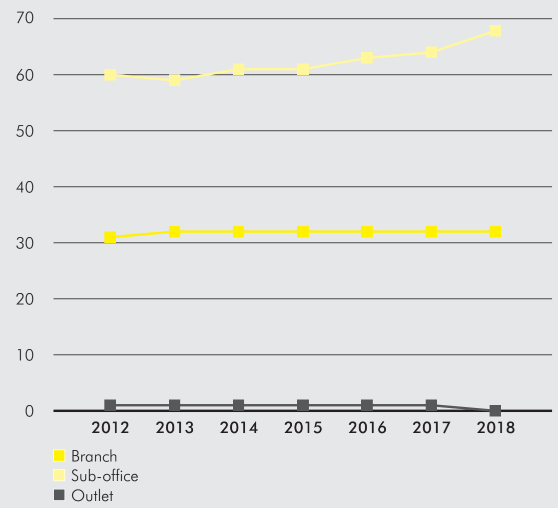
Development of the branch network from 2014 to 2018



Regional coverage of the branch network



Structure of business outlets across time



Quality Management

Raiffeisen *BANK* d.d. Bosna i Hercegovina considers satisfying the needs of and providing a high quality of service for its customers a major business priority. The bank's dedication to continual improvement of the quality of its services is incorporated into the Quality Policy paper, which defines the commitment by the Management Board to implement innovations within the quality area. To achieve this goal, the bank has implemented the quality management system ISO 9001:2015 in all of its business segments since 2017. This is objective evidence of the bank's strategic commitment to satisfy the highest European standards in the area of quality management.

Taking into account the complexity and importance of the user experience at all points of contact and in all business segments, the bank conducts qualitative and quantitative research on a regular basis. The data collected through this research is used when creating the strategy for business optimization and for responding appropriately to customer complaints.

We analyze complaints, suggestions and recommendations in order to gain a picture of our customers experience in terms of their interaction with the bank and to create guidelines for the further improvement of our business. The bank's employees use the collected data in their daily work and strive to meet the needs and requests of our customers and whenever possible to exceed their expectations.

The bank is aware of the importance of its human resources and the need to adjust to new rules and requirements in the market. The bank works toward this objective through continuous professional training aimed at keeping its staff flexible, well educated and with a wide range of competencies and skills. It is aware that synchronizing the business side with strategies for the acquisition, development and retention of talent is a key component of its success in doing business with corporate and private individual customers.

Digital Competence Center

Digital Services

Throughout 2018, the activities of the Digital Center focused mostly on raising customer awareness of the convenient and sophisticated ways to apply for the bank's products through digital services. Like in previous years, the Digital Center works to increase the number of active users of digital services and to intensify the use of these services by placing digital orders in both the private individual and the corporate banking segments. It is fair to say that the positive trends of the previous year have continued, because all segments in which digital services are used have recorded strong growth compared to the previous year.

We continued to keep up with modern trends and new technologies in 2018 and applied them through numerous projects aimed at improving the existing digital services of the bank in order to offer state-of-the-art services and technological solutions to our customers. The needs of our customers and their level of satisfaction with the use of these services were tracked and checked on an ongoing basis through regular research involving both existing customers and those who are still considering whether to use our services.

Of the wide range of digital services implemented throughout 2018, we would like to single out the development and implementation of the digital branches concept and the development of an entirely new self-service ATM: the so-called IQATM. This device is intended for our more traditionally minded customers who prefer to visit our branches. It enables them to do their banking at our IQATMs, where they can obtain the complete set of information and services that they usually get at our counters.

Other projects worth mentioning include the creation of an entirely new website for the bank, which keeps up with the latest trends. It is neatly arranged and convenient to use. The new website not only enables customers to collect relevant information with ease but also to apply online using a simple procedure that requires just a few clicks. Another two projects worth mentioning are the 'Utilities by click' service and the Mobile Token service. 'Utilities by click' is a service by which utility bills are delivered electronically and can be paid conveniently via digital devices through just a few clicks. The Mobile Token service complements existing authentication means for online banking (SMS, OTP and hard token).

Online Banking

The number of corporate online banking customers was 12,393 by the end of 2018, which translates into an annual growth rate of 10.49 per cent.

The number of personal online banking customers was 86,764 by the end of 2018, which is a slight increase of 0.57 per cent on the previous year. This increase is attributable to the bank's proactive approach to inactive users. The number of customers using online banking every month rose by 11.91 per cent.

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 2018 was 51,557, up by 23.47 per cent on the previous year. The number of active customers using mobile banking every month rose by 32.04 per cent.

Raiffeisen Viber Banking

Raiffeisen Viber Banking customers can not only access their accounts and details related to their business with Raiffeisen Bank, but can also make financial transactions via their mobile phone based on chatbot technology. This service is in high demand and very much appreciated by young people.

The number of customers using this service was 28,962 by the end of 2018, up by 263.34 per cent on the previous year. The number of orders carried out through this service rose by 945.06 per cent compared to 2017. We would like to stress that Viber Banking was launched at the beginning of 2017.

The Use of Digital Services

We can conclude that the use of digital services increased in 2018. This is reflected in the number and volume of payments made through digital services. The number of digital transactions carried out by private individuals increased by 34.82 per cent and by corporate customers by 15.86 per cent, compared to the previous year.

Treasury, Financial Markets and Investment Banking

Trading and Sales

The business environment in the FX trading area, both in the local market and in foreign markets, was very challenging and marked by a high level of volatility among currencies on the global markets in the year under review.

The Trading and Sales Department managed to maintain its position at the top of its local market in the area of foreign exchange trading. The business year ended with results that were better than those budgeted and with a record high in FX income.

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.

Our dedication to meeting the needs of our corporate customers through the Customer Desk helped continue the trend from previous years and increase the number of customers using this service. The year ended with 135 active customers.

Special attention was paid to protecting our customers from FX risk. This was done through continuous customer education on the products offered by the Trading and Sales Department. Jointly with representatives of the Corporate Banking Division, the department organized customer events in several regions of the country in the second half of 2018. In a business lunch environment, we took the opportunity to familiarize customers with our services and strengthen our business ties. Customers will remain the main focus of the Trading and Sales Department. Our aim is to record high levels of customer satisfaction, both in terms of their business relationship with the bank and the products and services it offers.

One important role of the Trading and Sales Department in money trading in 2018 was to maintain an individualized approach to customers (local banks) and to optimize cash management costs.

Funding and Financial Institutions

During 2018, the Funding and Financial Institutions Department intensified its activities in two segments: arranging new credit lines and the use of existing favorable funding.

Two new credit lines were signed in 2018:
- A housing credit line of € 10 million was concluded with the European Bank for Reconstruction and Development (EBRD) and drawn to the full amount.
- A credit line of € 15 million was concluded with Kreditanstalt für Wiederaufbau (KfW) for home improvements intended to raise energy efficiency and included benefits for the final beneficiaries of these loans. These loans will be used in 2019.

The year 2018 was marked not only by new credit lines but also by extensive use of funds from an existing credit line signed with the European Investment Bank (EIB) intended to finance investments by small and medium size enterprises, medium capitalized companies and the public sector.

In the last quarter of 2018, Raiffeisen Bankbegan preparations for negotiations related to new credit lines planned for 2019:
- A credit line of € 10 million with the European Bank for Reconstruction and Development (EBRD) intended for the purchase of housing units through mortgages.
- A credit line of € 10 million from the European Fund for Southeast Europe (EFSE) intended for SME customers.

With respect to arranging adequate international payment channels, negotiations with Citibank on opening a USD account were finalized and the account formally opened in the last quarter of 2018. In order to meet the needs and demands of our customers, Raiffeisen Bankinvested continuous effort into ensuring adequate limits for banks. During 2018, the bank exchanged more than 500 SWIFT keys with local and foreign institutions/banks.

Investment Banking

Total turnover on the Sarajevo Stock Exchange (SASE) in 2018 was BAM 288.2 million and thus around 45.90 percent less than in 2017. Given that the trade in government issued debt instruments dominated turnover on the SASE in the past year, the reason for this dramatic drop compared to 2017 can be attributed to the absence of primary auctions for bonds and T-bills compared to the planned borrowing.

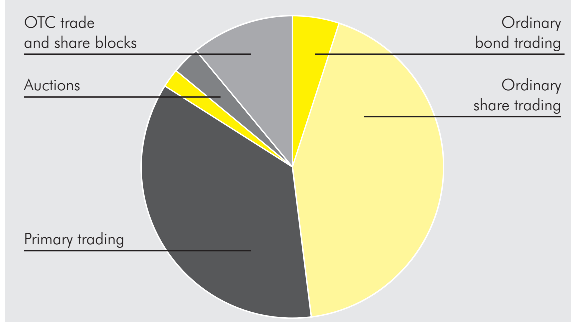
Following the adoption of the budget of the Federation of Bosnia and Herzegovina in the first quarter of 2018, an indicative calendar of issues of securities of the Federation of Bosnia and Herzegovina was published. The total amount was BAM 510 million, thereof BAM 150 million for fund raising through bonds and BAM 360 million through T-bills. Because of the surplus generated in 2017 and the sound liquidity level in mid-2018, the Ministry of Finance of the Federation of Bosnia and Herzegovina cancelled all securities auctions planned for the third and fourth quarters. In the fourth quarter, instead of the planned borrowing of BAM 120 million (thereof BAM 30 million in bonds) and five auctions only three auctions to the amount of BAM 60 million actually took place. The Government of the Federation of Bosnia and Herzegovina managed to raise BAM 40 million through two issues of nine-month T-bills, but at a negative average yield of minus 0.105 per cent in the first issue and minus 0.134 per cent in the second. In addition to T-bills, there were also issues of five-year bonds in the final quarter to the amount of BAM 20 million. The average yield was 0.914 per cent, which is the lowest yield among long-term issues of the same maturity.

In addition to issues by the Government of the Federation of Bosnia and Herzegovina, the public company JP Autoceste FBiH announced toward the end of 2018 that it would raise funds through two corporate bond issues with different maturities (two and five years) to a total amount of BAM 100 million. The first issue of two-year bonds was completed successfully with subscriptions for 489,988 bonds during the public offer period, raising BAM 48.9 million or 70 per cent of the planned amount. The average yield of this issue was 2.60 per cent. The second issue of BAM 30 million failed because of insufficient subscription for the legal success threshold of 70 per cent.

The structure of investors was pretty much the same for each public issue of debt instruments, with the dominant participation of banks followed by insurance companies and funds.

Despite the decrease in total turnover, regular trading in all secondary market segments was almost identical to the figures for the previous year. Regular trading on the stock exchange in 2018 reached BAM 138.5 million, which is 1.50 per cent more than in 2017. Out of the total turnover, 90.80 per cent or BAM 125.7 million related to trading in shares and BAM 12.8 million to trading in bonds. This is the lowest turnover in bonds in the secondary market since 2010, when the trade in debt instruments began. The main reasons for the weak trading volume in this segment were the weak offer of existing issues of wartime claims bonds and pre-war foreign currency savings and the lack of new issues on the market of both government and corporate bonds. The most traded series of bonds was the FBiHK1B series (FBiH wartime claims bonds) that generated a trading volume of BAM 3.5 million at an average price of 98.79 per cent of the nominal value and with an average yield of 3.08 per cent.

Structure of total turnover on SASE in 2018 (BAM 288.2 million)



Regular trading in shares reached BAM 125.7 million. The highest volumes were generated through two issuers: Unioninvestplastika d.d. Sarajevo (UNPLR) to the amount of BAM 16.9 million and Ingram d.d. Srebrenik (INGMRK2) to the amount of BAM 13.3 million. Among the blue chip companies, the highest trading volume was achieved by the shares of BADECO ADRIA d.d. Sarajevo (formerly, Fabrika Duhana Sarajevo d.d. Sarajevo). This amounted to BAM 10.6 million at an average end of the year price of BAM 120.10, which represents an annual price increase of 50.03 per cent.

There were 5 extraordinary auctions held during the year with a total value of BAM 8.8 million. Outside the market, there were 223 OTC transactions reported with a total value of BAM 1.6 million and 6 blocks of shares with a total value of BAM 30.09 million. In one of these OTC transactions, the full block of shares of Merkur BH osiguranje d.d. (MROSR) worth BAM 25.4 million was sold to the present owner VIENNA INSURANCE GROUP AG.

As for the development of the main indices on SASE, the indices SASX-10 and SASX-30 gained 11.48 per cent and 16.35 per cent respectively whereas the investment fund index BIFX fell by 7.87 per cent in an annual comparison.

The ranking list of SASE members in terms of total turnover in 2018 again showed that Raiffeisen Bank generated the largest turnover this year.

Total turnover on the Banja Luka Stock Exchange (BLSE) was BAM 428.2 million, which is a decrease of 12.06 per cent compared to 2017.

Total turnover generated through auctions of debt instruments and equity instruments in the primary market amounted to BAM 260.7 million, which represents 60.90 per cent of total turnover. The highest share in this segment was achieved by bonds to a volume of BAM 238.6 million, while trading with T-bills and shares amounted to BAM 19.9 million and BAM 2.2 million respectively.

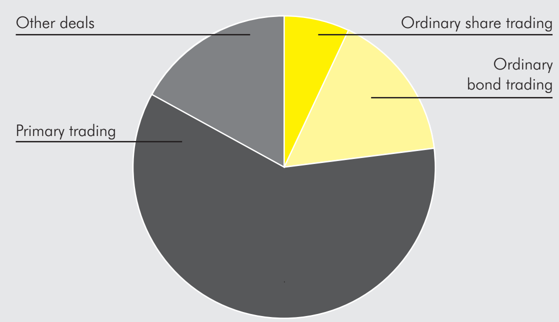
According to the securities trading calendar for 2018, the Government of Republika Srpska held one auction of five-year bonds to the amount of BAM 100.4 million with an average yield of 2.89 per cent and one auction of six-month T-bills to the amount of BAM 19.9 million with an average yield of 0.3001 per cent. All other T-bill issues scheduled to take place until the end of the year were cancelled. In June 2018, the Government of Republika Srpska decided to make its initial offering to the international capital market through its first issue of Euro-bonds to the amount of € 200 million. The total subscription was € 168 million with an average yield of 4.75 per cent for five-year bonds. In addition to that, the Government of Republika Srpska adopted a resolution on temporary repurchase of the first issue of bonds designated as RSBD-O-A at a nominal value of BAM 100. Altogether, 1,177,300 of the total number of 1,200,000 bonds were repurchased at a nominal value of BAM 100 to a total amount of BAM 117.7 million.

The remaining BAM 20.5 million of public bond offers in the primary market comprised various municipal bonds (BAM 11.09 million), bonds of Banja Luka City (BAM 6.2 million), Vodovod a.d. Srbac (BAM 1.3 million) and the micro-credit organization MKD Credit a.d. Banja Luka (BAM 1.9 million).

Overall, regular turnover on the BLSE amounted to BAM 99.9 million; this represents an increase of 67.90 per cent on the same period for the previous year. Turnover grew in all segments of the secondary market, most notably on the official market List C and on the free market.

Bond and T-bills trading on the secondary market was BAM 67.5 million, which is 59.60 per cent more than in 2017. One of the reasons for this strong increase was the listing of the twelfth issue of Republika Srpska bonds for the settlement of war damages (RSRS-O-L) to a total nominal amount of BAM 26.1 million, a maturity of 13 years and annual interest of 1.5 per cent. Total turnover in this bond series during the year was BAM 20.7 million. The last price of this series in 2018 was 89.06 per cent of the nominal value with a 3.15 per cent yield.

Structure of total turnover on BLSE in 2018 (BAM 428.2 million)



Ordinary share trading on the BLSE was BAM 32.4 million, which was 88.40 per cent more than in the previous year. The most traded shares were those issued by Nova banka a.d. Banja Luka (NOVB-R-E) to the total amount of BAM 8.9 million at an average price of BAM 0.6057 for this period.

The members of the Banja Luka Stock Exchange concluded 23 block deals in the year under review (18 deals more than in the preceding year). The total trading volume of block deals was BAM 65.8 million, thereof BAM 35.7 million related to block deals with shares of Nova banka a.d. Banja Luka.

When it came to the development of the main BLSE indices, the blue chip index (BIRS) ended the year with a value of 565.48 index points or 1.46 per cent less than at the beginning of the year. The index of the company Elektroprivreda Republike Srpske (ERS10) grew 2.60 per cent from the beginning of the year, while the index of Republika Srpska bonds (ORS) gained 5.7 per cent and ended the year with 2,616.44 index points. Due to the legal obligation to transform closed-ended investment funds into open-ended investment funds, the value of the investment funds index (FIRS) is no longer calculated.

Despite the challenging environment in the local capital market, 2018 was another successful year for the Investment Banking Department. Income increased and the number of customers remained stable showing an upward trend in all business segments.

Investment Banking Services

Custody-GSS had a very successful business year, seeing a rise of 47.50 per cent in the number of customers. This justifies the confidence among both existing and new customers. Annual research organized by the renowned 'Global Custodian Magazine' confirmed and recognized the high level of service quality and the success of 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 2018, the **Fund Administration** and **Depository Business** segment successfully performed depository transactions for its existing customers through the issuance of securities. Focus in the **fund administration** area was placed on the acquisition of and providing depository services for open-ended investment funds, which resulted in new customers. The bank's licenses for the issuance of and trading in securities and for the depository of funds were successfully renewed for the depository business. The Securities Commission of the Federation of Bosnia and Herzegovina thereby confirmed that the bank continues to satisfy all of the legal criteria 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. Despite the considerably lower offer of domestic market securities and unfavorable yields on the global market, the team closed another successful business year. The bank remained an active player in both the Federation of Bosnia and Herzegovina and Republika Srpska debt securities markets, focusing on local market investments.

In the **brokerage segment**, as a professional intermediary on the Sarajevo Stock Exchange, the bank ranked first according to the turnover achieved and third according to the number of executed transactions in 2018. The number of transactions in the domestic markets for the bank's customers also grew and this led to a major increase in income generated through brokerage services. The highest level of interest among customers in the domestic market related to trading in local corporate bonds issued by JP Autoceste FBiH d.o.o. Mostar. Customers were also kept up-to-date with significant events in the local market, especially in the area of the issuance of public securities. This was aimed at encouraging existing customers and acquiring new ones to invest in debt securities and to strengthen the capital market.

The **Research and Consulting Team** successfully completed deals in its role as the issuing agent of the Ministry of Finance of the Federation of Bosnia and Herzegovina in 2018. The team was actively engaged in intensifying this type of funding through capital markets for all levels of government and various types of investors throughout 2018. The first results and deals are expected in 2019. The bank was also the issuing agent for the very important capital increase in Energopetrol d.d. Sarajevo of BAM 131 million, which was carried out by its majority shareholder INA d.d. Zagreb. This increase helped restore the company's financial viability and provided funds for its further growth and development.

In order to assist its customers in the corporate funding area, the bank successfully completed another transaction where it acted as financial advisor to the country's largest food company the AS Group. A financial investor was found for this company in order to expand the production capacities, modernize and certify production for export and increase the number of staff. This transaction will surely prove to be one of the most important factors in overall economic growth in the country. The diversified and professional approach of Raiffeisen Bank to individual customers allowed for a high level of service and cooperation and made the bank more prominent in the market. M&A mandate agreements were signed with local companies and their implementation will strongly support the stabilization of these local companies and lay the foundation for their further business development.

Moreover, Raiffeisen *BANK* d.d. Bosna i Hercegovina experienced analysts monitor economic and market developments on a daily basis. This allows them to provide the bank's customers and the public with informed forecasts primarily for the local economy and financial market but also for the EU and US markets. This is extremely important for budget development activities, business, investment and other decisions. The reliability of these services is confirmed by the list of its users, which includes rating agencies, international financial institutions, the media, and numerous corporate and institutional customers.

Business with Institutional Customers

The **Institutional Customers** segment, which covers financial institutions and the central government with its bodies, continued its activities to improve the quality of service and strengthen business relationships with customers. This ensured the stability of the payment transactions volume and that the total volume of deposits increased. Despite the fact that interest rates continued to fall in 2018 our customers recognized the reliability of Raiffeisen Bank and increased their total deposits at the bank by 16 per cent compared to the previous year. The bank has the predominant share in the market in terms of business with institutional customers. In terms of the trust our customers have in us, 2018 was a very stable year and it concluded with 131 active customers within this segment.

In the year under review, special attention was paid to the Micro-Credit Organizations sector. This resulted in a strong increase in this sector's total assets and an expansion of the standard range of products it offers to customers.

Financial Statements

Responsibilities of the Management and Supervisory Boards for the preparation and approval of the financial statements

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

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

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

The separate financial statements set out on pages 10 to 105 were authorised by the Management Board on 02 April 2019 for issue to the Supervisory Board, and are signed bellow to signify this, on behalf of the Bank, by:

For and on the behalf of Management Board

Raiffeisen BANK dd Bosna i Hercegovina 7

President of Management Board
Karlheinz Dobnigg

Member of Management Board
Heribert Fernau

Raiffeisen Bank d.d. Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Bosna i Hercegovina

02 April 2019.

Independent Auditors' Report

To the shareholders of Raiffeisen *BANK* dd Bosna i Hercegovina:

Opinion

We have audited the separate financial statements of Raiffeisen *BANK* d.d. BiH ("the Bank"), which comprise the unconsolidated statement of financial position as at 31 December 2018, the unconsolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2018 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in Federation of Bosnia and Herzegovina, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The separate financial statements of the Bank for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those separate financial statements on 16 March 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and receivables from customers

As at 31 December 2018, gross loans and receivables amount to BAM 2,600 million, impairment allowance amounts to BAM 184 million and impairment loss recognised in the income statement amounts to BAM 7,4 million (31 December 2017: gross loans and receivables: BAM 2,399 million, impairment allowance: BAM 197 million and impairment loss recognised in the income statement: BAM 22,1 million).

Refer to pages 16 to 17 (note 2 Basis of preparations, 2.5 Changes in significant accounting policies due to the application of IFRS 9 Financial instruments), pages 45 to 47 (note 5 Transition to IFRS 9), and note 21 Loans and receivables to customers.

Key audit matter	How our audit addressed the matter
Impairment allowances represent the Management Board's best estimate of the expected credit losses within the loans and receivables from customers at the reporting date. We focused on this area as the determination of impairment allowances requires a significant amount of judgment from the Management Board over both the timing of recognition and the amounts of any such impairment. Additionally, as at 1 January 2018, the Bank applied the new financial instruments standard, IFRS 9 *Financial Instruments*, whose impairment requirements are based on the expected credit loss (ECL) model rather than the incurred loss model, as previously used. The new model uses a dual-measurement approach, under which the impairment allowance is measured as either 12-month expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.	Our audit procedures in this area included, among others: • Inspecting the Bank's new ECL impairment provisioning methodology and assessing its compliance with the relevant requirements of the new standard. As part of the above, we challenged the Management Board on whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors; • Making relevant inquiries of the Bank's risk management and information technology (IT) personnel in order to obtain an understanding of the provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing of the Bank's IT control environment for data security and access, assisted by our own IT specialists; • Assessing and testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans, including, but not limited to, the controls relating to the identification of loss events and default, appropriateness of the classification of exposures into performing and non-performing and their segmentation into homogenous groups, calculation of days past due, collateral valuations and calculation of the impairment allowances;
Following the initial application of the new standard, impairment allowances for retail and non-retail performing exposures (Stage 1 and Stage 2 in the standard's hierarchy) and non-performing (Stage 3) retail exposures (together "collective impairment allowance") are determined by modelling techniques. Historical experience, identification of exposures with a significant deterioration in credit quality, forward-looking information and significant management judgment are incorporated into the model assumptions. For non-performing non-retail exposures, the impairment assessment is based on the knowledge of each individual borrower and often on estimation of the fair value of the related collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows analysis.	• With respect of the impairment accounting under the new standard: — Understanding the overall transition process activities and controls, including the process and controls over determining the impact as well as the underlying process activities that generated the related disclosures and related controls; — With the assistance of our own financial risk management specialist: • Testing accuracy of input data used for establishing risk parameters (probability of default (PD), loss given default (LGD), exposure at default (EAD)) and obtaining explanations for exceptions where necessary. • Assessing whether the definition of default and the new standard's staging criteria were consistently applied. Also assessing whether the definition of default applied for each segment/portfolio is appropriate based on the requirements of the new standard (e.g. taking into account the 90-day presumption and triggers for SICR). • Evaluating the overall modelling approach, of calculation of ECLs, including the calculation of main risk parameters (probability of default (PD), loss given default (LGD) and exposure at default (EAD) and macroeconomic factors. • Independent validation of the Bank's impairment model, as regards to calculation of 12-month and lifetime expected credit losses based on the relevant inputs. • Critically assessing the reasonableness of the key macroeconomic assumptions used by the Bank in its ECL models under different scenarios by reference to publicly available information and through corroborating inquiries of the selected members of the Management Board. • Challenging LGD and PD parameters used by the client, by performing back-testing of historical default, and EAD parameters by reference to individual client contracts and repayment schedules for a sample of exposures. • Independently recalculating projected ECL, reconciling it with actual ECL recognized and inspecting any significant differences.
For the above reasons, impairment of loans to customers was considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be our key audit matter.	• Performing an analysis of the ECL-based impairment allowances as at the new standard's initial application date, to those calculated at that same date in accordance with the previous standard, and assessing their reasonableness based on inquiries of the credit risk management personnel. • Selecting a sample of individual exposures, with focus on those with the greatest potential impact on the separate financial statements due to their magnitude and risk characteristics, as well as lower value items, which we independently assessed as high-risk, such as watch-listed, restructured or rescheduled exposures, loans to clients operating in higher risk industries, non-performing exposures with low provision coverage and loans with significant change in the provision coverage. • For the sample selected, critically assessing, by reference to the underlying documentation (loan files) and through discussion with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 2 or Stage 3 as at 31 December 2018. • For non-retail loans classified in Stage 3, challenging key assumptions applied in the Management Board's estimates of future cash flows used in the impairment calculation, such as discount rates, collateral values and realization period, and performing respective independent recalculations, where relevant, with the assistance of our own valuation specialists. • For retail exposures classified in Stage 3 and with days past due over one year, challenging the provisioning level by assessing the adequacy of cash flows and any collateral coverage. • Assessing the accuracy and completeness of the impairment-related financial statement disclosures, included, but not limited to, those associated with the initial application of the new standard.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Note 1 General, but does not include the separate financial statements and our auditors' report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Vedran Vukotić.

KPMG B-H d.o.o. za reviziju
Registered Auditors
Zmaja od Bosne 7-7a
71000 Sarajevo
Bosna i Hercegovina

2 April 2019

U ime KPMG B-H d.o.o. za reviziju:

Manal Bećirbegović
Izvršni direktor

Vedran Vukotić
FBiH ovlašteni revizor
Broj licence: 3090017124

Unconsolidated Statement of profit or loss and other comprehensive income

for the year ended 31 December
(all amounts are expressed in thousands of BAM, unless otherwise stated)

	Notes	2018	2017
Interest income calculated using the effective interest rate method	8	154,585	152,267
Interest expense	9	(28,704)	(29,838)
Net interest income		**125,881**	**122,429**
Fee and commission income	10	90,303	86,070
Fee and commission expense	11	(19,475)	(17,645)
Net fee and commission income		**70,828**	**68,425**
Net income from foreign currency trading	12	11,660	10,521
Net gain/(loss) from other financial instruments at fair value through profit and loss	13	(27)	458
Other operating income	14	7,713	9,057
Net operating income		**216,055**	**210,890**
Administrative expenses	15	(102,417)	(102,449)
Depreciation and amortization	30,31,32	(9,204)	(7,711)
Operating expense		**(111,621)**	**(110,160)**
Profit before impairment losses, provisions and income tax		**104,434**	**100,730**
Impairment losses, net	16	(10,323)	(19,232)
		(10,323)	**(19,232)**
PROFIT BEFORE TAX		**94,111**	**81,498**
Income tax expense	17	(9,652)	(8,878)
NET PROFIT FOR THE YEAR		**84,459**	**72,620**
Other comprehensive income			
Other comprehensive income		82	77
Total other comprehensive income for the year		**82**	**77**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**84,541**	**72,697**
Earnings per share (BAM)	39	**85.43**	**73.45**

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

Financial Statements

Unconsolidated Statement of financial position

as at 31 December 2018
(all amounts are expressed in thousands of BAM, unless otherwise stated)

	Notes	31/12/ 2018	31/12/ 2017
ASSETS			
Cash and cash equivalents	18	842,786	792,940
Obligatory reserves at the Central Bank of BiH	19	376,261	334,508
Loans and receivables to banks	20	317,107	335,193
Loans and receivables to customers	21	2,415,608	2,202,535
Financial assets at fair value through other comprehensive income	22	537	-
Financial assets at fair value through profit and loss	23	81,560	112,438
Financial assets at amortised cost	24	146,772	-
Financial assets available for sale	25	-	294
Financial assets held to maturity	26	-	132,110
Assets held for sale		71	152
Investments in subsidiaries	27	11,050	11,050
Investments in associates	28	2	2
Deferred tax assets		159	291
Current tax prepayment		1,927	2,977
Other assets and receivables	29	49,087	61,396
Investment property	30	32,687	35,267
Property and equipment	31	104,742	103,075
Intangible assets	32	15,803	12,416
TOTAL ASSETS		4,396,159	4,136,644
LIABILITIES			
Due to banks and other financial institutions	33	176,738	145,842
Due to customers	34	3,528,207	3,289,275
Subordinated debt	35	61,800	61,823
Provisions for liabilities and charges	36	24,416	26,181
Other liabilities	37	34,911	65,788
TOTAL LIABILITIES		3,826,072	3,588,909
EQUITY AND RESERVES			
Share capital	38	247,167	247,167
Share premium		4,473	4,473
Fair value reserves		307	225
Regulatory reserves for loan losses		102,443	102,443
Retained earnings		215,697	193,427
TOTAL EQUITY AND RESERVES		570,087	547,735
TOTAL LIABILITIES, EQUITY AND RESERVES		4,396,159	4,136,644

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

Unconsolidated Statement of cash flows

for the year ended 31 December 2018
(all amounts are expressed in thousands of BAM, unless otherwise stated)

	Notes	31/12/ 2018	31/12/ 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the year		84,459	72,620
Adjustments for:			
Depreciation and amortisation		9,204	7,711
Impairment losses, net		10,323	19,232
Profit from sale of tangible assets and investment property		(605)	(10)
Net gain/(loss) from other financial instrument at fair value through profit and loss		27	(458)
Net change in provisions for liabilities and charges		(2,052)	489
Net interest income		(125,881)	(122,429)
Net loss from impairement of subsidiary		-	1,457
Written off liabilities		(36)	(695)
Dividend income		(4,131)	(1,484)
Income tax expense		9,652	8,878
		(19,040)	**(14,689)**
Changes in operating assets and liabilities:			
Net change in obligatory reserves with CBBH		(41,753)	(7,311)
Net change in loans and receivables given to banks, before impairment		18,323	(150,676)
Net change in loans given to customers, before impairment		(224,983)	(132,286)
Net change in other assets and receivables, before impairment		10,344	(18,712)
Net change in due to banks and other financial institutions		30,808	64,869
Net change in due to customers		238,986	100,269
Net change in other liabilities		(30,842)	25,728
Net change in provisions for liabilities and expenses		(5)	(1,152)
Paid income tax		(8,470)	(7,038)
Received interest		152,934	149,123
Received interest of debt investments at FVTPL		2,929	2,957
Paid interest		(28,670)	(29,824)
Received dividends		4,131	1,484
NET CASH FLOW USED / (REALISED) IN OPERATING ACTIVITIES		**104,692**	**(17,258)**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from financial assets at fair value through profit or loss		116,693	35,576
Acquisition of financial assets at fair value through profit or loss		(88,776)	(50,809)
Proceeds from financial assets at amortised costs		140,072	135,705
Acquisition of financial assets at amortised costs		(155,038)	(128,328)
Acquisiton of financial assets at fair value through other comprehensive income		(161)	-
Purchase of assets held for sale		81	244
Purchase of property and equipment		(7,273)	(7,044)
Purchase of intangible assets		(6,326)	(4,856)
Purchase of investment property		(372)	-
Proceeds from property and equipment sold		447	555
Proceeds from investment property sold		2,450	-
NET CASH FLOW USED IN FINANCING ACTIVITIES		**1,797**	**(18,957)**
FINANCING ACTIVITIES			
(Repayment)/proceeds of subordinated debt		(23)	12
Paid dividends		(56,620)	(45,233)
NET CASH FLOW USED IN FINANCING ACTIVITIES		**(56,643)**	**(45,221)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**49,846**	**(81,436)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	18	**792,940**	**874,376**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18	**842,786**	**792,940**

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

Unconsolidated Statement of changes in equity

for the year ended 31 December 2018
(all amounts are expressed in thousands of BAM, unless otherwise stated)

	Issued share capital	Share premium	Fair value reserves	Regulatory reserves for loan losses	Retained earnings	Total
Balance as at 31 December 2017	**247,167**	**4,473**	**225**	**102,443**	**193,427**	**547,735**
First time adoption IFRS 9 (*Note 5*)	**-**	**-**	**-**	**-**	**(5,568)**	**(5,568)**
Balance as at 1 January 2018 (change in evaluation)	**247,167**	**4,473**	**225**	**102,443**	**187,859**	**542,167**
Distribution of dividends					(56,621)	(56,621)
Net profit for the year	-	-	-	-	84,459	84,459
Other comprehensive income						
Other comprehensive income	-	-	82	-	-	82
Total comprehensive income	**-**	**-**	**82**	**-**	**-**	**82**
Balance as at 31 December 2018	**247,167**	**4,473**	**307**	**102,443**	**215,697**	**570,087**
Balance as at 1 January 2017	**247,167**	**4,473**	**148**	**102,443**	**166,039**	**520,270**
Distribution of dividends	-	-	-	-	(45,232)	(45,232)
Net profit for the year	-	-	-	-	72,620	72,620
Other comprehensive income						
Other comprehensive income	-	-	77	-	-	77
Total comprehensive income	**-**	**-**	**77**	**-**		**77**
Balance as at 31 December 2017	**247,167**	**4,473**	**225**	**102,443**	**193,427**	**547,735**

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

Notes to the separate financial statements

for the year ended 31 December 2018
(all amounts are expressed in thousands of BAM, unless otherwise stated)

1. General

History and incorporation

Raiffeisen *BANK* d.d. Bosnia and Herzegovina, 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-term 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 Bosnia and Herzegovina.

The registered address of the Bank is Zmaja od Bosne bb, Sarajevo. As at 31 December 2018 the Bank had 1,389 employees (31 December 2017: 1,352 employees).

The Supervisory Board, Management Board and Audit Committee

During 2018 and on the date of this report, the members of the Supervisory Board were:

Supervisory Board

Hannes Moesenbacher	Chairman
Peter Lennkh	Deputy Chairman
Peter Jacenko	Member
Johannes Kellner	Member
Markus Kirchmair	Member
Zinka Grbo	Independent member since 19 January 2018
Jasmina Selimović	Independent member since 19 January 2018

During 2018 and on the date of this report, the members of the Audit Committee were:

Audit Committee

Renate Kattinger	President since 22 February 2018
Wolfgang Kettner	President since 21 February 2018
Fikret Hadžić	Member since 20 July 2018
Nedžad Madžak	Member
Abid Jusić	Member
Vojislav Puškarević	Member
Benina Veledar	Member since 30 August 2018

During 2018 and on the date of this report the Board of Directors consists of directors and executive directors. The following persons performed these functions during the year and on the day of this report:

Management Board

Karlheinz Dobnigg	Director, Chairman of the Board
Heribert Fernau	Executive Director
Mirha Hasanbegović	Executive Director
Maida Zahirović Salom	Executive Director
Ante Odak	Executive Director

2. Basis of presentation

2.1. Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements represent separate financial statements of the Bank. As explained in Note 27 the Bank is the parent company within the Raiffeisen Bank BH Group. The Bank did not prepare consolidated financial statements as it uses the exemption in accordance with IFRS 10 "*Consolidated Financial Statements*" based on which the ultimate parent company, Raiffeisen Bank International AG, a company founded in Austria, presents and prepares the consolidated financial statements in accordance with IFRSs that are available for public use.

Consolidated financial statements of the Bank and its subsidiaries will be prepared in addition to separate financial statements for the purposes of reporting to the regulator. These financial statements will be issued at the later date.

This is the first set of separate annual financial statements in which IFRS 9 *"Financial instruments"* and IFRS 15 *"Revenue from Contracts with Customers"* have been applied. The application of IFRS 9 resulted in changes in accounting policies related to recognition, classification and measurement of financial assets and liabilities as well as impairment of financial assets.

Changes in significant accounting policies are described in Note 2.5. *Changes in significant accounting policies* and in Note 5 *Transition to IFRS 9*.

These separate financial statements were authorised by the Management Board on 02 April 2019 for submission to the Supervisory Board.

2.2. Basis for measurement

These separate financial statements have been prepared on the historical or amortised cost basis, except for financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income.

2.3. Functional and presentation currency

These separate financial statements are presented in thousands of Bosnian marks ('000 BAM) which is the functional currency of the Bank. Bosnian Mark is pegged to Euro (1 EUR = 1.95583 BAM).

2.4. Use of estimates and judgements

The preparation of separate financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

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 revision and future periods if the revision affects both current and future periods.

Information on areas with significant uncertainty in the estimates and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements are disclosed in Note 4.

2.5. Changes in significant accounting policies

The Bank has adopted the International Financial Reporting Standard (IFRS) 9 *"Financial Instruments"* since 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt IFRS 9 in previous periods.

As permitted by the standard, the Bank elected not to restate comparative figures for the year 2017. Any adjustments on the application of IFRS 9 are recognised in the opening balance of retained earnings and reserves.

Consequently, the Bank has applied the International Financial Reporting Standard 7 (revised due to the adoption of IFRS 9). Other basic accounting policies adopted in preparation of these separate financial statements are the same as for the preparation of separate financial statements as at 31 December 2017.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities, and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *"Financial Instruments Disclosure"*.

A detailed description of the changes in these separate financial statements is disclosed in Note 3 *Significant accounting policies* and Note 5 *Transition to IFRS 9*.

The Bank has also initially adopted IFRS 15 as of 1 January 2018. The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Bank. Accordingly, the impact on comparative information is limited to the new disclosure requirement. For additional disclosures see Note 3.3.

3. Significant accounting policies

Except for the previously described changes in Note 2.5, the Bank has consistently applied the accounting policies further described below to all periods disclosed in these separate financial statements.

3.1. Foreign currency transactions

Transactions in currencies other than Bosnian Marks ("BAM") are initially recorded at the exchange rates prevailing on the dates of transactions. Monetary assets and liabilities are translated at rates prevailing on the reporting date. Non-monetary items carried at fair value denominated in foreign currencies are translated at prevailing rates on the date when 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 income statement for the period.

The Bank values its assets and liabilities at the middle rate of the Central Bank of Bosnia and Herzegovina valid at the reporting 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 2018	EUR 1 = BAM 1.95583	USD 1 = BAM 1.70755
31 December 2017	EUR 1 = BAM 1.95583	USD 1 = BAM 1.63081

3.2. Interest income and expense

Policy applicable from 1 January 2018

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest rate method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- gross carrying amount of the financial asset; or
- the amortized costs of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instruments, but not expected credit loss ("ECL"). For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes all paid or received transaction costs, fees and points, which are an integral part of the effective interest rate. Transaction costs include all incremental costs incurred directly in connection with the issuance or acquisition of financial assets or financial liabilities.

Amortised cost and gross carrying value

The amortised cost of a financial asset or a financial liability is the amount at which the financial assets or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance (or impairment before 1 January 2018).

"Gross carrying amount of financial assets" is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation if interest income and expense

Effective interest rate on a financial asset or financial liability is calculated on initial recognition of a financial asset or liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect the movements in market rates of interest.

However, for financial assets that have been credit-impaired sustainably to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of financial assets. If the asset is no longer credit-impaired, the calculation of interest income returns to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate on the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Policy applicable before 1 January 2018

Interest income and expense is recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounted estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms, but not future credit losses.

Calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs included incremental costs that are directly attributed to the acquisition or issue of a financial asset or financial liability.

3.3. Fee and commission income and expenses

Fee and commission income and expenses that are integral part of the effective interest rate on a financial asset or liability are included in the effective interest rate, and are recognised in interest income and expense.

Fee and commission income and expenses, reported as such, comprise mainly fees related to credit card transactions, the issuance of guarantees and letters of credit, domestic and foreign payment transactions and other services and are recognised in the profit and loss statement upon performance of the relevant service.

Policy applicable from 1 January 2018

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognizes revenue when it transfers controls over a service to a customer.

The table below shows the nature and timing of the satisfaction of performance obligation, including significant payment terms and related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

3.4. Net trading income

"Net trading income" comprises gains less losses, related to trading assets and liabilities, and includes all fair value changes, interest, dividends and exchange rate differences.

3.5. Net income from other financial instruments at fair value through profit and loss

Net income from other financial instruments at fair value through profit and loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at fair value through profit and loss and, from 1 January 2018, also non-trading assets mandatorily measured at fair value through profit and loss. This line item includes fair value changes, interest, dividends and foreign exchange differences.

3.6. Dividend income

Dividend income is recognised in the income statement when the right to receive income is established and when the amount of dividends can be reliably measured.

3.7. Lease payments

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

3.8. Income tax

Tax expense, on income tax base, is the sum of current tax liabilities and deferred taxes.

Current income tax

Net income differs from taxable income of the period reported in income statement and statement of comprehensive income, as it includes items of income and expense that are taxable or non-taxable in other years, as well as items that are never taxable or are deductible. The Bank's current tax liabilities are calculated by applying tax rates that are in effect or in the process of being adopted at the reporting 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 separate financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting 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.

3.9. Investments in subsidiaries

A subsidiary is an entity which is controlled by the Bank. Control is achieved in such a way that the Bank is exposed, or has rights, to variable returns from its involvement with the subsidiary entity and has the ability to affect those returns through its power over the subsidiary entity.

Investments in subsidiaries in these separate financial statements are stated at cost less any impairment, if needed.

3.10. 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 separate financial statements are stated at cost less any impairment, if needed.

3.11. Financial assets and liabilities

Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus any transaction costs that are directly attributable to its acquisition or issue, except for financial assets and liabilities at fair value through profit and loss.

3.11.1. Financial assets

(i) Classification and subsequent measurement

Policy applicable from 1 January 2018

From 1 January 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:
- Financial assets measured at amortised cost
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit and loss (FVPL)

The classification requirements for debt and equity instruments are described below:

1. Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, bonds and receivables.

Classification and subsequent measurement of debt instruments depend on:
- The purpose of managing financial assets (business model)
- The contractual characteristics of cash flows ("Solely Payments of Principle and Interest", further "SPPI test" or "SPPI")

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at fair value through profit and loss, are measured at amortized cost. After initial recognition, the carrying amount of these assets is adjusted by any expected credit loss (ECL) allowance recognised and measured as described in note 3.11.1 (iv).

Interest income is calculated using the effective interest rate and it is included in the line "Interest income calculated using the effective interest rate method".

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables occur when the Bank grants cash to customers without the intent to trade these receivables and includes placements and loans to banks, given loans and receivables from customers and assets with the Central Bank.

- Financial assets through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit and loss, are measured at fair value through other comprehensive income.

Measurements in fair value of a financial asset measured through other comprehensive income are recognised through other comprehensive income except for recognition of gains or losses on impairment, interest income and foreign exchange differences that are recognised in profit or loss, except in case of equity investments where unrealised gains/losses are never reclassified to profit or loss.

When the financial asset through other comprehensive income is derecognised, the cumulative gain or loss previously recognised through other comprehensive income is reclassified from equity to income statement. Interest income is calculated using the effective interest rate method.

- Financial assets at fair value through profit and loss

Financial assets are subsequently measured at fair value through profit or loss unless subsequently measured at amortised cost or at fair value through other comprehensive income. Gains and losses arising from changes in the fair value of a financial asset at fair value through profit or loss are recognised in the income statement.

In addition, the Bank has the option to designate, on initial recognition, financial assets that otherwise meet the requirements to be measured at amortised cost or at FVOCI at fair value through profit and loss, if doing so significantly reduces the accounting mismatch that would otherwise arise.

Purpose of managing financial assets (Business model)

All financial assets, except for equity securities that fall into the category of investments in associates and subsidiaries, are grouped into business models that indicate the way in which a group of financial assets are jointly managed as a whole to achieve a particular business objective and define the way in which financial assets are expected to generate cash flows.

Business models of the Bank are:

- Business model whose objective is to hold assets for the collection of contractual cash flows – it includes all financial assets held for the purpose of collection of contractual cash flows over the lifetime of the financial instrument. For the purpose of classification in this business model, financial assets go through the SPPI test, and the following financial assets are allocated to this model:
  - cash on transaction accounts with other banks,
  - placements with other banks,
  - loans to customers,
  - other receivables.

Credit risk is the underlying risk that is managed under this business model.

- Business model aimed to collect the contractual cash flows and sale of financial assets – it includes financial assets held for the purpose of collecting the agreed cash flows and sale of financial assets. The following financial assets are allocated to the business model for collection and sale:
  – debt securities (pass SPPI test),
  – equity securities (fail SPPI test),
  – investments in investment funds (fail SPPI test),

Liquidity risk is the underlying risk that is managed under this business model.

- The business model within which financial assets are measured at fair value through profit and loss (fail SPPI test) – combines all financial assets that are not held under the two previously mentioned business models. Financial assets in this business model are managed in order to realise cash flows by selling assets and making short-term profits.

Contractual cash flow characteristics (SPPI)

Test of features of contractual cash flows from the point of view of solely payment of principal and interest is one of the criteria for the classification of financial assets in an individual category of measurement. SPPI test is implemented for the purpose of establishing whether the interest rate on unsettled principle reflects the fee for time value of money, credit risk and other basic risks of borrowing, lending costs and profit margin.

SPPI test is performed:
- for each financial asset, allocated to a business model whose purpose is to hold financial assets for the payment of contractual cash flows and a business model for the purpose of collecting contractual cash flows and selling financial asset on the date of its initial recognition,
- for each financial asset in cases where the original asset has been significantly modified and therefore re-recognised as new assets,
- when introducing new models and/or loan programs to determine in advance the eligibility of the considered loan term and conditions in relation to the need to subsequently monitor the value of any financial assets that would arise from them.

2. 2. Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as at fair value through other comprehensive income when those investments are held for purposes other than to generate investment returns. When this choice is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including disposals. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments at fair value through profit and loss are included in the "Net trading income" line in the statement of profit or loss.

Policy applicable before 1 January 2018

Financial assets are classified into the following specified categories:
- loans and receivables,
- financial assets available-for-sale,
- financial assets through profit and loss,
- financial assets held-to-maturity

The Management determines the classification of financial assets at initial recognition and reviews this classification at each reporting date.

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 recognised 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 recognised by applying the effective interest rate.

Financial assets available-for-sale

Financial assets available for sale are non-derivatives that are either designated in this category or not classified into any of the other categories. Financial assets classified as available for sale are intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. Financial assets available for sale include equity and debt securities.

Financial assets available for sale are measured initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequent to initial recognition financial assets available for sale are measured at fair value, except for equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are stated at cost less impairment.

Gains and losses from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income until derecognition or impairment, when the cumulative amount previously recognised in other comprehensive income is transferred to the profit or loss statement. Interest income calculated using the effective interest rate method is recognised in the profit or loss statement.

Foreign exchange gains and losses on available-for-sale equity instruments are part of the fair value of these instruments and are recognised in other comprehensive income. Dividend income on available-for-sale equity securities is recognised in profit or loss when the right to receive payment has been established.

Financial assets at fair value through profit and loss

The Bank classifies a financial asset as at fair value through profit and loss where the financial asset is either "held for trading" or it is initially designated at "fair value through profit and loss".

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 pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets may be recognized as financial assets at fair value even though they are not "held for trading" 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 fair value through profit and loss.

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 3.11.4.

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 amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

(ii) Derecognition of financial assets

The Bank derecognizes financial assets (in whole or in part) when the contractual rights to receive the cash flows from the financial instrument expire or when it loses control over contractual rights over that financial asset. This occurs when the Bank transfers substantially all the risks and rewards of ownership to another business entity or when rights have been realized, transferred or expired.

When the financial assets is derecognised, the difference between the carrying amount (or the carrying amount allocated to the portion of the assets that is derecognised) and the amount received (including any new assets less any new liabilities) and any cumulative gain or loss previously recognized through comprehensive income is recognised in the income statement.

From 1 January 2018 any cumulative gain or loss recognised through other comprehensive income in respect of equity investment securities designated as at fair value through other comprehensive income is not recognised in profit or loss on derecognition of such securities, but are directly recognised in retained earnings.

(iii) Modification of financial assets

Modification of financial assets is a process where the terms of the original contract are modified as a result of:
1) caused by current borrowers' needs (for example a reduction in the effective interest rate due to market changes, collateral substitution) and not caused by financial difficulties of the borrower,
2) caused by the current financial difficulties of the borrower or the difficulties that will arise soon, or by deteriorating the borrowers creditworthiness.

Modification of financial assets occurs when changes to some or all of the contract's provisions have been made.

Policy applicable from 1 January 2018

In the case of a financial asset that represents a debt instrument (securities and loans and receivables), the Bank determines whether the modification is significant or whether the difference between the present value of the remaining modified cash flows discounted using the original effective interest rate and the current value of the modified cash flows discounted using the original effective interest rate is more than 10%.

If the modification is significant, the Bank ceases to recognize the original financial asset and begins to recognize new financial assets at fair value plus transaction costs and recalculates the new effective interest rate for the asset. The modification date is consequently considered to be the date of initial recognition for the purpose of calculating the impairment, including the purpose of determining whether a significant increase in credit risk has occurred.

However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the modification was driven by the debtor being unable to meet the originally agreed payments. The differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the modification of the financial asset is not significant and the modification did not result in derecognition of the financial asset, then the Bank recalculates the gross carrying amount of the asset based on the revised cash flows of the financial asset and recognizes the modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting modified cash flows at the original effective interest rate (or using an effective interest rate adjusted for credit risk in the case of POCI assets).

If the modification occurs because of the financial difficulties of the debtor, the gain or loss is recorded together with the impairment loss. In other cases, it is recorded as interest income calculated using the effective interest rate method.

Policies applicable before 1 January 2018

If the terms of a financial asset were modified, then the Bank evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognised and a new financial asset was recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

(iv) Impairment

Policy applicable from 1 January 2018

IFRS 9 outlines a "three-stage" model for impairment of financial assets based on changes in credit quality since initial recognition of financial assets.

Impairment of financial assets is recognized on the basis of the expected credit loss model (ECL) for assets subsequently measured at amortized cost and assets subsequently measured at fair value through other comprehensive income (other than equity instruments).

IFRS 9 requires companies to enter the expected losses at the level of losses expected in the next 12 months (Stage 1) from the initial entry of the financial instrument. The time period for calculating the expected loss becomes the entire remaining life of the asset that is the subject of the valuation where the credit quality of the financial instrument has experienced a "significant" deterioration in relation to the initial measurement (Stage 2) or in case the asset is partially or fully non-performing (Stage 3). More specifically, the introduction of new impairment provisions includes:
- allocation of performing financial assets at different levels of credit risk ("staging"), corresponding to value adjustments based on expected losses over the next 12 months (the so-called "Stage 1") or lifetime for the entire remaining duration of the instrument (the so-called "Stage 2"), in the presence of a significant increase in credit risk;
- allocation of partially or fully non-performing financial assets in the so-called "Stage 3", always with value adjustments based on expected losses over the entire duration of the instrument;
- inclusion of Expected Credit Losses in the calculation, as well as the expected future changes of the macroeconomic scenario.

The following table summarizes claims for impairment under IFRS 9:

	Stage 1	Stage 2	Stage 3
Deterioration in credit risk	Initial recognition (non-performing loans at origination are included in stage 3)	Credit risk has increased significantly since initial recognition and is not considered "low"	Credit risk has increased to the point where it is considered that the value of the instrument is impaired.
Recognition of the provisioning in the balance sheet IFRS 9	12-month expected loss	Lifetime expected loss	Lifetime expected loss (as it was under IAS39 but increased for Add-on)
Current classification	Performing	Performing	Non-performing

Measurement of ECL (expected credit loss)

Expected credit losses are measured as follows:
- *financial assets that are not credit impaired on the reporting date:* as the present value of all cash short falls (i.e. the difference between the cash flows incurred by the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit impaired at the reporting date*: as the difference between the gross carrying amount and the present value of expected future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee agreements:* the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

See Note 6.1.4.

Credit impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through other comprehensive income, and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is impaired include the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:
- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

See also Note 6.1.4.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in impairement losses on financial instrument in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Banks's procedures.

The Bank writes off a loan or an investment in debt security, either partially or in full, and any related allowance for impairment losses, when Bank's Credit Board determines that there are no realistic prospect of recovery.

Policy applicable before 1 January 2018

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 is becoming probable that the borrower will enter bankruptcy.

For financial assets at amortised cost, the Bank first verifies whether there is objective evidence of impairment individually, for financial assets that are either individually or collectively significant, and for financial assets that are not individually significant. Individually significant financial assets for which no impairment is recognized are included in the basis for impairment testing on a group basis.

For the purpose of group valuation of impairment, financial assets are grouped based on 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 and loss is accounted for in the income statement. When a receivable is considered uncollectible, it is written off against the allowance account. Such loans are written off after all necessary activities have been undertaken and the amount of the loss has been determined. Post collected write-offs are recognised in profit or loss as collected written-off receivables.

With the exception of equity instruments "available for sale", 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 recognised, the previously recognised impairment loss is reversed through income statement and other comprehensive income 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 recognised

In respect of equity securities "available for sale", any increase in fair value subsequent to an impairment loss is recognize directly in other comprehensive income.

3.11.2. Financial liabilities

(i) Classification

The Bank classifies financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. The classification depends on the intention for which the financial instruments have been acquired. The Management determines the classification of financial instruments at initial recognition and reviews that classification at each reporting date.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss have two sub-categories: financial instruments held for trading (including derivatives) and those designated by management as at fair value through profit or loss at inception. A financial instrument is classified in this category only if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term for the purpose of short-term profit taking or designated as such by management at initial recognition. The Bank has no financial liabilities classified at fair value through profit or loss.

Other financial liabilities

Other financial liabilities comprise all financial liabilities which are not at fair value through profit and loss and include due to customers, due to banks and other financial institutions and subordinated debt.

(ii) Initial and subsequent measurement

Financial liabilities at fair value through profit or loss are initially recognised at fair value, while transaction costs are immediately expensed. Subsequent measurement is also at fair value.

Gains and losses arising from a change in the fair value of financial liabilities at fair value through profit or loss are recognised in the income statement.

Other financial liabilities are initially measured at fair value including transaction costs. Subsequent to initial recognition the Bank measures other financial liabilities at amortised cost using the effective interest rate.

(iii) Derecognition of financial liabilities

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

(iv) Modification of financial liabilities

Policy applicable from 1 January 2018

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Policy applicable before 1 January 2018

If the modification of financial liabilities has not resulted in derecognition, any costs and charges shall be recognized as adjustment of the gross carrying amount of the liability and shall be amortised over the remaining period of modified financial liabilities using the adjusted effective interest rate.

3.11.3. Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

3.11.4. Fair value measurement of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis (Level 1 of the fair value hierarchy).

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (Level 2 and Level 3 of the fair value hierarchy). The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at the bid price and liabilities and short positions at the ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustments of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand.

The Bank recognises transfers between levels of the fair value hierarchy as of the reporting period during which the change occurred.

3.11.5. Specific financial instruments

Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash, balances with the Central Bank and current accounts with other banks.

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

Placements with banks and the obligatory reserve with the Central Bank

Placements with banks and the obligatory reserve with the Central Bank are classified as loans and receivables and are carried at amortized cost less impairment losses.

Loans and receivables

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

Policy applicable from 1 January 2018

"Loans and receivables" captions in the statement of financial position include:
- loans and receivables measured at amortised cost (see Note 3.11.1), thet are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and receivables at fair value through profit or loss, measured at fair value with changes in fair value that are recognized in profit or loss.

Investment securities

Policy applicable from 1 January 2018

The 'financial assets at fair value through profit and loss" caption in the statement of financial position includes:
- debt investment securities measured at fair value through profit and loss.

The 'financial assets at amortised cost" caption in the statement of financial position includes
- debt investment securities measured at amortised cost;

The 'financial assets at fair value thru other comprehensive income" caption in the statement of financial position includes
- equity investments measured at fair value through other comprehensive income; and

The Bank elects to present in other comprehensive income changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows:
- *from 1 January 2018*: at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3.3. and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15; and
- *before 1 January 2018*: at the higher of the amount representing the initial fair value amortised over the life of the guarantee or the commitment and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

The Bank has issued no loan commitments that are measured at fair value through profit and loss.

For other loan commitments:
- *from 1 January 2018*: the Bank recognises a loss allowance
- *before 1 January 2018*: the Bank recognised a provision in accordance with IAS 37 if the contract was considered to be onerous.

Liabilities arising from financial guarantees and loan commitments are included within provisions for risks and charges.

Borrowings and subordinated debt

Interest-bearing borrowings and subordinated debt are classified as other financial liabilities and are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between proceeds (net of transaction costs) and redemption value being recognised in the profit or loss statement over the period of the borrowings using the effective interest rate method.

Current accounts and deposits from banks and customers

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

3.12. Property and equipment

Recognition and measurement

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent cost is included in net book value or is accounted for as separate assets only if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of day-to-day repairs and maintenance are recognised in the income statement as incurred.

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:

Building	2%
Furniture and vehicles	10%-14%
Computers	33.3%
Other equipment	7%-15%

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.

3.13. Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses. The cost includes all expenditure that is directly attributable to the acquisition of the items.

Estimated depreciation rates were as follows:

Intangible assets	20%

3.14. 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	2%

3.15. Assets repossessed from disbursement of loans

The Bank may recover assets that were originally received as collateral for the loan after exercising contractual rights or undertaking specific legal actions. When both of the following conditions are satisfied, the relevant assets shall be included in the Bank's balance sheet:
- The recovery activity has been completed
- The Bank has become owner of the asset

Classification and measurement of these assets depend on the scope for holding the property. More specifically, the asset may be classified according to IAS 16 (if the assets becomes instrumental), IAS 40 (if the property is held to earn rentals or for capital appreciation), IAS 2 (when the property has been acquired, in the ordinary course of business, exclusively with the intent to dispose of the asset in the reasonably short period of time). Classification under IFRS 5 is also possible when the conditions are met.

Following their initial recognition in the balance sheet at their fair value, the repossessed assets classified according to IAS 16, excluding property assets, shall be measured at cost (amortised and periodically tested for impairment). Assets classified under IAS 2 shall be measured at the lower between cost and the net realizable value and shall not be amortised but only subject to the impairment test. Assets classified under IFRS 5 are valued at lower of between book value and fair value less costs to sell.

3.16. Assets held for sale

Non-current assets are classified as assets held for sale if it is highly probable that they will be offset primarily by sale rather than by continuous use.

These assets are usually measured at lower between book value and fair value less costs of sale. Impairment losses in the initial classification of assets held for sale, as well as subsequent gains and losses arising from re-measurement are recognised through the income statement.

Once classified as property for sale, intangible assets, real estates, plant and equipment are no longer amortised, and any investment measured by the equity method is no longer recognised.

3.17. Impairment of non-financial assets

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 recognised as an expense in profit or loss.

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 recognised for the asset in prior years. A reversal of an impairment loss is recognised 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.

3.18. Provisions for liabilities and charges

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

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

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

3.19. 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 recognised 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 is recognised when earned.

3.20. Equity and reserves

Share capital

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

Regulatory reserves for credit losses

The regulatory reserve for credit losses represents the surplus of impairment allowances calculated in accordance with regulations as prescribed by the Federal Banking Agency ("FBA") over impairment allowances recognised in accordance with IFRS. The reserve is presented directly within equity (as a non-distributable reserve) and until 2012 any increase of the surplus was covered by transfers from retained earnings, after approval by shareholders.

Prior to 2012, the need for transfers from retained earnings to an earmarked reserve within equity (regulatory reserve for credit losses) was calculated for the whole credit-risk portfolio on a net basis, thereby taking into account both instances where application of FBA regulations would have resulted in a higher provision and instances where the application of FBA regulations would have resulted in a lower provision. However, from 2012, banks are required to calculate the requirement for regulatory reserves for credit losses taking into account only instances where higher provisions would have resulted from the application of the FBA rules. Retroactive application of this change in FBA rules is not required.

Based on the Decision of Minimum Standards for Capital Management and Asset Classification issued by the FBA in February 2013 any increase of the surplus of regulatory provisions no longer needs to be presented as a reserve movement within equity but will be exclusively computed as a deduction of regulatory capital for the purpose of capital adequacy calculations. Accordingly, the balance of the regulatory reserve presented in the financial statements as of 31 December 2012 has been carried forward unchanged to 31 December 2018.

Retained earnings

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

Fair value reserves

Fair value reserves comprises changes in fair value of financial assets available-for-sale (from 1 January 2018 financial assets at fair value through other comprehensive income).

Dividends

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

3.21. 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. The Bank does not have preference shares.

3.22. Standards issued but not yet adopted and interpretation

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Bank has not early adopted them in preparing these separate financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a significant impact on the Bank's financial statements in the period of initial application.

(i) IFRS 16 Leases

The Bank is required to adopt IFRS 16 Leases from 1 January 2019. The Bank has assessed the estimated impact that the initial application of IFRS 16 will have on its financial statements, as described below. The actual impact of application of this standard on 1 January 2019 may be changed as new accounting policies are still subject to revision until the Bank issues its first financial statements that includes the date of its first application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

(ii) Leases in which the Bank is a lessee

The Bank has completed an initial assessment of the potential impact on the financial statements. The Bank will recognize new assets and liabilities for operating leases of office space and motor vehicles. The nature of expenses related to these leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Bank recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

On 1 January 2019 the Bank estimates that it will recognise additional lease liabilities in the amount of BAM 15 million.

(iii) Transition

The Bank plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective. The Bank plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(iv) Other standards

The following amended standards are not expected to have a significant impact on the Bank's consolidated financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to References to Conceptual Framework in IFRS Standards
- IFRS 17 Insurance Contracts.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture;
- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

4. Critical accounting judgements and key sources of estimation uncertainty

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

Impairment losses on loans and receivables

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

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

- Applicable to 2018 only:
  - Note 3.11.1 (i): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
  - Note 6.1.4 (i): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2018 is included in the following notes.

- Applicable to 2018 only:
  - Note 6.1.4: impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

- Applicable to 2018 and 2017:
  - Note 3.11.4: determination of the fair value of financial instruments with significant unobservable inputs
  - Note 3.11.1.(iv): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

Taxation

The Bank provides for tax liabilities in accordance with the tax laws of the Federation of Bosnia and Herzegovina. Tax returns are subject to the approval of the tax authorities which are entitled to carry out subsequent inspections of taxpayers' records.

Regulatory requirements

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

In addition to impairment allowances calculated and recognised in accordance with IFRS, the Bank also calculates impairment losses in accordance with the FBA regulations for capital adequacy calculation purposes. New methodology for impairment allowances calculation in accordance with the FBA regulations is explained in Note 3.20.

Prior to 2012, any increase in allowance in accordance with the FBA regulations over amounts recognized under IFRS were required to be transferred to regulatory reserves from profit or retained earnings, upon the decision of the General Assembly. However, as explained in Note 3, based on the Decision on Minimum Standards of Capital Management and Asset Classification issued by the FBA in February 2013 any further shortfall in regulatory provisions after 31 December 2012 will be adjusted as a deduction of regulatory capital in the capital adequacy calculation without any transfer of this shortfall from retained earnings to regulatory reserves for credit losses within equity.

As at 31 December 2018 total FBA provisions, as calculated by the Bank, exceeded provisions recognized under IFRS by BAM 96,782 thousand which is lower than BAM 102,443 thousans already recognized as a regulatory reserve for credit losses within equity as at 31 December 2018. Consequnetly, no reduction of regulatory capital for capital adequacy calculation has been recorded as at 31 December 2018.

As at 31 December 2017 total FBA provisions exceeded provisions recognized under IFRS by BAM 103,076 thousand. Out of this amount, BAM 102,443 thousand has been recognized as a regulatory reserve for credit losses within equity as at 31 December 2018. The remaining amount of BAM 633 thousand, which represents the year end shortfall, in line with the FBA regulation, as explained above, was not transferred to the regulatory reserves for credit losses, but has been recorded as a reduction of regulatory capital, for capital adequacy calculation.

(d) Litigation and claims

The total amount of legal proceedings is BAM 39,748 thousand (2017: BAM 41,597 thousand). The Bank performs an individual assessment of all court cases and creates provisions in accordance with the assessment. The assessment of risks and proposal for provisions for legal cases is performed by the Legal Affairs Department and Finance Division, and a decision on the creation of provisions is made by the Bank's management.

As stated in Note 36, the Bank provided BAM 15,931 thousand (2017: BAM 16,211 thousand), which management estimates as sufficient. Since the estimate is made considering the specifics of each individual case, it is not practicable for management to evaluate the financial impact of changes to the assumptions based on which provisions are quantified as at the reporting date.

5. Transition to IFRS 9

Estimated impact of the adoption of IFRS 9 – First Time Adoption ("FTA")

The new accounting standard IFRS 9, issued in July 2014 by the International Accounting Standards Board (IASB) and adopted by the European Commission by Regulation No. 2067/2016, as of January 1 2018, replaced the existing IAS 39 that regulated the recognition and measurement of financial instruments.

Based on the above, the following impact for first-time adoption of IFRS 9 on net assets of the Bank as at 1 January 2018 arise mainly:

- From the obligation to redefine the value adjustments of financial assets in the portfolio (both performing and non-performing) using the expected loss model – with the inclusion of multiple forward-looking components – in return for the existing loss model. Specifically, in relation to performing exposures, the increase in value adjustments is attributable to (i) allocation of the portion of the performing portfolio to "Stage 2" based on defined allocation criteria, with the consequent need to calculate the expected loss for the entire remaining life of financial assets, and (ii) inclusion of "forward looking" parameters arising from future macroeconomic scenarios in the calculation of expected losses. Regarding partially or fully non-performing loans, the impact is essentially caused by inclusion of forward looking parameters arising from the consideration of future macroeconomic scenarios in calculation for all NPL categories and the inclusion of sales scenario foreseen by the Bank's objective to reduce non-performing assets, for the part of the portfolio of non-performing receivables with features of transferability;
- From the need to reclassify the individual financial assets in the portfolio based on the combined result of two classification triggers provided by the standard: the business model on which these instruments are managed and the contractual characteristics of the related cash flows (SPPI Test).

The Bank has adopted the requirements of IFRS 9 “Financial Instruments” as at 1 January 2018. The impact of transitioning to IFRS 9 at 1 January 2018 on the financial statements of the Bank was a decrease in net assets of BAM 5,568 thousand arising from:

- A decrease in BAM 5,020 thousand from additional impairment allowances;
- An increase in provisions for gurantees and loan commitments in the amount of BAM 548 thousand.

Banka ostaje snažno kapitalizirana i nakon usvajanja MSFI-ja 9. Stope adekvatnosti kapitala na dan 31. decembar 2018 godine su prikazane u Bilješci 6.4.

The Bank remains strongly capitalised following the adoption of IFRS 9. Capital adequacy as at 31 December 2018 is presented in Note 6.4.

The impacts of adopting IFRS 9 is shown in the table below:

All amounts are expressed in thousands of BAM	Notes	31 December 2017 IAS 39	Reclassification	Remeasurements	1 January 2018 IFRS 9
ASSETS					
Cash and cash equivalents		792,940	-	-	792,940
Obligatory reserves at the Central Bank of BiH		334,508	-	-	334,508
Loans and receivables to banks	20	335,193	-	236	335,429
Loans and receivables to customers	21	2,202,535	(1,018)	(6,168)	2,195,349
– To loans and receivables at fair value	21	-	1,018	(1)	1,017
Financial assets available for sale	25	294	(294)	-	-
– To financial assets at fair value through other comprehensive income	22	-	294	-	294
Financial assets at fair value through profit and loss		112,438	-	-	112,438
Financial assets held to maturity	26	132,110	(132,110)	-	-
– To financial assets at amortized cost	24	-	132,110	(39)	132,071
Assets held for sale		152	-	-	152
Investment in subsidiaries		11,050	-	-	11,050
Investment in associates		2	-	-	2
Deferred tax assets		291	-	-	291
Tax prepayment		2,977	-	-	2,977
Other assets and receivables	29	61,396	-	952	62,348
Investment property		35,267	-	-	35,267
Property and equipment		103,075	-	-	103,075
Intangible assets		12,416	-	-	12,416
TOTAL ASSETS		**4,136,644**	**-**	**(5,020)**	**4,131,624**
LIABILITIES					
Due to banks and other financial institutions		145,842	-	-	145,842
Due to customers		3,289,275	-	-	3,289,275
Subordinated debt		61,823	-	-	61,823
Provisions for liabilities and charges	36	26,181	-	548	26,729
Other liabilities		65,788	-	-	65,788
TOTAL LIABILITIES		**3,588,909**	**-**	**548**	**3,589,457**
EQUITY AND RESERVES					
Share capital		247,167	-	-	247,167
Share premium		4,473	-	-	4,473
Fair value reserves		225	-	-	225
Regulatory reserves for loan losses		102,443	-	-	102,443
Retained earnings		193,427	-	(5,568)	187,859
TOTAL EQUITY AND RESERVES		**547,735**	**-**	**(5,568)**	**542,167**
TOTAL LIABILITIES EQUITY AND RESERVES		**4,136,644**	**-**	**(5,020)**	**4,131,624**

The table below shows the original valuation methods in accordance with IAS 39 and the new valuation category in accordance with IFRS 9 for financial assets and financial liabilities of the Bank on the first day of application on 1 January 2018.

All amounts are expressed in thousands of BAM	Notes	Initial classification in accordance with IAS 39	New Classification in accordance with IFRS 9	Change in valuation		Effects of changes in accordance with IFRS 9
				Original carrying amount under IAS 39	New carrying amount under IFRS 9	
Financial assets						
Cash and cash equivalents		Loans and receivables	Amortized cost	792,940	792,940	-
Obligatory reserves at the Central Bank of BiH		Loans and receivables	Amortized cost	334,508	334,508	-
Loans and receivables to banks	20	Loans and receivables	Amortized cost	335,193	335,429	236
Loans and receivables to customers	21	Loans and receivables	Amortized cost	2,201,517	2,195,349	(6,168)
			Fair value through profit and loss	1,018	1,017	(1)
Financial assets at fair value through other comprehensive income	22, 25	Assets available for sale	Fair value through other comprehensive income	294	294	–
Financial assets at fair value through profit and loss		Fer value through profit and loss	Fair value through profit and loss	112,438	112,438	-
Financial assets at amortised cost	26, 24	Assets held up to maturity	Amortized cost	132,110	132,071	(39)
Other assets and receivables	29	Loans and reviewable	Amortized cost	61,396	62,348	952
TOTAL FINANCIAL ASSETS				**3,971,414**	**3,966,394**	**(5,020)**
Financial liabilities						
Due to banks and other financial institutions		Deposits and borrowings from other financial institutions	Amortized cost	145,842	145,842	-
Due to customers		Deposits from clients	Amortized cost	3,289,275	3,289,275	-
Subordinated debt		Subordinated liabilities	Amortized cost	61,823	61,823	-
Provisions for gurantees and loan commitments	36	Provisions for liabilities and charges	Amortized cost	4,053	4,601	548
Other liabilities		Other liabilities	Amortized cost	65,788	65,788	-
TOTAL FINANCIAL LIABILITIES				**3,566,781**	**3,567,329**	**548**

6. Financial risk management

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

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

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

Risk management is carried out by the Risk Management Division whose main purpose is to support financial operations, coordinate access to domestic and international financial markets, and oversee and manage financial risk through internal risk reports including analysis by size and level of the risk.

6.1. Credit risk

Risk limit control and mitigation policies

The Bank takes on exposure to credit risk which is the risk that the counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest payment and capital repayment obligations and by changing the lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transaction, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from Bank Risk.

The Supervisory Board of the Bank makes a decision on the composition and authorizations of the Credit Committee and the Credit Committee for problematic loans. The Credit Committee, within its authority, may delegate credit approvals to lower levels of decision making and appoint credit decision-makers. Credentials and procedures of the Credit Committee and the Credit Committee for Problematic Loans are defined in the Rulebook on the Work of these Bodies.

Off-balance-sheet credit instruments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letter of credits carry the same risk as loans and are secured with similar collateral as are loans.

6.1 1. Maximum exposure to credit risk before collateral held or other credit enhancement

The following table shows the information on credit quality of financial assets measured at amortized cost. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranted.

Explanation of terms "Stage 1", "Stage 2" and "Stage 3" is included in Note 3.11.1.

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	2018 Total	2017 Total
Loans and advances to banks at amortised cost						
Excellent	233,195	-	-	-	233,195	277,199
Strong	83,913	-	-	-	83,913	58,228
Good	-	-	-	-	-	-
Satisfactory	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Credit impaired	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Total gross amount	**317,108**	**-**	**-**	**-**	**317,108**	**335,427**
Less: loss allowance	**(1)**	**-**	**-**	**-**	**(1)**	**(234)**
Net carrying amount	**317,107**	**-**	**-**	**-**	**317,107**	**335,193**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	2018 Total	2017 Total
Loans and advances to customers at amortised cost						
Excellent	35,880	1,208	-	-	37,088	10,481
Strong	1,322,753	91,623	-	164	1,414,540	1,329,262
Good	147,994	39,173	-	-	187,167	187,874
Satisfactory	531,810	175,787	-	28	707,625	586,271
Substandard	11,181	52,179	-	253	63,613	65,798
Credit impaired	1	(1)	159,034	26,828	185,862	213,043
Unrated	1,118	2,367	-	32	3,517	6,857
Total gross amount	**2,050,737**	**362,336**	**159,034**	**27,305**	**2,599,412**	**2,399,586**
Less: loss allowance	**(10,735)**	**(15,912)**	**(137,613)**	**(20,437)**	**(184,697)**	**(197,051)**
Net carrying amount	**2,040,002**	**346,424**	**21,421**	**6,868**	**2,414,715**	**2,202,535**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	2018 Total	2017 Total
Financial assets at amortised cost (2017: financial assets held to maturity)						
Excellent	96,368	-	-	-	96,368	43,259
Strong	-	-	-	-	-	34,401
Good	17,163	14,213	-	-	31,376	23,737
Satisfactory	19,568	-	-	-	19,568	30,949
Substandard	-	-	-	-	-	-
Credit impaired	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Total gross amount	**133,099**	**14,213**	**-**	**-**	**147,312**	**132,346**
Less: loss allowance	**(347)**	**(193)**	**-**	**-**	**(540)**	**(236)**
Net carrying amount	**132,752**	**14,020**	**-**	**-**	**146,772**	**132,110**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	2018 Total	2017 Total
Credit commitments					
Excellent	32,796	664	-	33,460	40,255
Strong	165,001	15,907	-	180,908	166,010
Good	151,027	34,437	-	185,464	173,920
Satisfactory	195,055	47,723	-	242,778	170,617
Substandard	2,309	4,624	-	6,933	9,449
Credit impaired	-	-	42	42	3,209
Unrated	2,482	2,055	-	4,537	4,483
Total gross amount	**548,670**	**105,410**	**42**	**654,122**	**567,943**
Less: loss allowance	**(1,798)**	**(1,670)**	**(31)**	**(3,499)**	**(3,632)**
Net carrying amount	**546,872**	**103,740**	**11**	**650,623**	**(564,311)**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	2018 Total	2017 Total
Financial guarantees					
Excellent	360	200	-	560	703
Strong	25,707	6,085	-	31,792	32,656
Good	69,559	28,459	-	98,018	141,071
Satisfactory	113,144	28,563	-	141,707	98,064
Substandard	9,805	13,799	-	23,604	24,062
Credit impaired	-	-	497	497	3,462
Unrated	450	608	-	1,058	1,168
Total gross amount	**219,025**	**77,714**	**497**	**297,236**	**301,186**
Less: loss allowance	**(266)**	**(164)**	**(411)**	**(841)**	**(421)**
Net carrying amount	**218,759**	**77,550**	**86**	**296,395**	**300,765**

All amounts are expressed in thousands of BAM	2018	2017
Loans and receivables to customers at fair value		
Excellent	64	-
Strong	773	-
Good	-	-
Satisfactory	53	-
Substandard	-	-
Credit impaired	3	-
Unrated	-	-
Total	**893**	**-**

All amounts are expressed in thousands of BAM	2018	2017
Financial assets at fair value through profit and loss		
Excellent	-	28,139
Strong	81,560	84,299
Good	-	-
Satisfactory	-	-
Substandard	-	-
Credit impaired	-	-
Unrated	-	-
Total	**81,560**	**112,438**

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3.

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	2018 Total	2017 Total
Loans and reviewable to customers at amortised cost – gross carrying amount					
Current	1,956,390	265,254	6,630	2,228,274	2,037,728
Overdue < 30 days	93,358	72,776	4,316	170,450	159,750
Overdue > 30 days < 90 days	988	24,306	7,622	32,916	54,482
Overdue > 90 days	-	-	140,467	140,467	147,626
Total:	**2,050,736**	**362,336**	**159,035**	**2,572,107**	**2,399,586**

6.1.2. Credit quality analysis

Cash and cash equivalents

Within cash and cash equivalents the Bank held BAM 37,234 thousand at 31 December 2018 (2017: BAM 29,554 thousand) with other banks that are rated, based on S&P's at least AA- to BBB+.

6.1.3. Collateral held and other credit enhancements

During the year the Bank obtains financial and non-financial assets by taking possession of collaterals it holds as security or calling on other credit enhancements, in case of failure by the debtors to repay their due amounts. Such process of foreclosure involves mainly real estate, equipment, vehicles and deposits. Repossessed items are presented as such in the statement of financial position once they meet the criteria for recognition according to IFRS and local law. The policy of the Bank is to sell repossessed assets; during the period of possession and pending their final sale to third parties, the assets can be temporarily used if they are functional to the Bank's standard operations, or leased operationally to third parties.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

Residential mortgage lending

The following tables stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices. For credit-impaired loans the value of collateral is based on the most recent appraisals.

All amounts are expressed in thousands of BAM	31/12/2018	31/12/2017
LTV ratio		
Less than 50%	41,330	39,467
51–70%	47,560	35,104
71–90%	58,421	42,417
91–100%	12,289	10,458
More than 100%	13,107	21,116
Total	**172,707**	**148,562**

All amounts are expressed in thousands of BAM	2018
Credit-impaired loans	
Less than 50%	1,054
51–70%	11
More than 70%	3,205
	3,484
Total	**7,754**

Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances and held at the year-end are shown below.

All amounts are expressed in thousands of BAM	31/12/2018	31/12/2017
Property	71	102
Total	71	102

6.1.4. Amounts arising from ECL

(i) Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the quantitative or qualitative criteria have been met. Criteria for determining a significant increase in credit risk are defined for the proper allocation of exposure in Stage 1 or Stage.

Quantitative criteria

For corporate clients, the quantitative criteria assesses whether the risk of default on liabilities has increased significantly from the initial recognition through the threshold of 250% increase in the likelihood of default. Quantitative criteria are set individually for each product. No grouping of exposure is carried out, i.e. measuring a significant increase in credit risk on a collective basis.

As a quantitative measure in case of retail clients, a comparison is made of the remaining probability of default on the reporting date with the corresponding expected conditional PD from the original vintage curve (ie consideration of the PD at the beginning, given the condition that the observed risk party survives, i.e., fully repayable or defaulted, until the reporting date). This increase in credit risk is measured through a relative approach and compared to a fixed threshold value (SICR threshold). Threshold levels are calculated at the portfolio level, for all portfolios that are included in a life-based PD models based on estimates.

Qualitative criteria

Elements that will be the main determinants which need to be considered for the purpose of assessing the steps between the various stages are the following:

- Eventual presence of due amount which remains overdue over 30 days. In the event of such case the credit risk of such exposure is considered "significantly increased" and is classified to Stage 2;
- Existence of "forbearance" measures;
- Qualitative information on credit quality deterioration due to which the client is included in the monitoring list;
- Certain indicators of the internal credit risk monitoring system and early warning system.

Determining whether a specific factor is relevant, as well as its importance in relation to other factors, depends on the type of product and the characteristics of the financial instrument. Accordingly, it is not possible to define a single set of factors that determine whether there has been a significant increase in credit risk.

(ii) Credit risk grades

The Bank uses internal credti risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of loan application is fed into this rating model. In addition, the model enables expert judgement form the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The following are additional considerations for each type of portfolio held by the Bank.

Retail clients

After the date of initial recognition, for retail business, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. Any other known information about the borrower which impacts their creditworthiness – such as unemployment and previous delinquency history – is also incorporated into the behavioral score. This score is mapped to a PD.

Corporate clients

For corporate business, the rating is determined at the borrower level. An underwriter will incorporate any updated or new infromation/credit assessments into the credit system on an ongoing basis. In addition the Underwriter will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

Clients that meet a definition of a corporate client are treated through Corporate rating model that includes: the Large Corporate Rating Model and the Regular Corporate Rating Model. According to the general concept, borrower rating scale within corporate clients includes 25 rating grades for non-default clients and 1 grade for default clients.

In addition, for the category of small and medium-sized businesses, the Bank uses the SMB rating model. According to the general concept, the SMB client ranking scale includes a total of 25 rating grades for non-default clients in order to obtain all of the foreseen risk categories according to the internal rating system and 1 grade for default clients.

Local and regional governments

For local and regional government, the Bank uses the Local and Regional Governments rating model. According to the general concept of the LRG ranking scale, clients include 9 rating ratings for non-default clients and one rating for default clients.

Project financing

For project financing purposes, the Bank uses the Project finance rating model. According to the general concept of rating scale PF clients include 4 rating ratings for non-default clients and one rating for default clients.

Financial institutions

For financial institutions, the Bank uses the following rating models: FI (Bank) Rating Model, Insurance Rating Model, Sovereigns Rating Model and Funds Rating Model. In the process of ranking clients in the category of financial institutions, the final rating is determined at the level of the RBI Responsible Unit. According to the general concept, the client rating scale for the given rating model has 9 grades for non-defalted clients, and one grade for default clients, with the exception of FI Rating model that includes 25 grades for non-default and 1 for default.

(iii) Definition of default

Non-retail portfolio

Staging criteria are selected in line with IFRS 9, and based on risk parameters available in the Bank. By assigning a default status, the client moves to the individual estimate of potential losses (ILLP), thus obtaining the Stage 3 status under IFRS 9 methodology, which at that moment represents an non-performing asset.

The default status, i.e. individual loan loss provision, is granted for all debt placements of the borrower or to a group of debtors who:

- have not paid their liabilities towards the Bank more than 90 days, taking into account the materiality threshold of EUR 250 and 2.5% of the value of total contracted loan placements (quantitative criteria)
- or that obligations towards the Bank are most likely not to be settled from the borrowers primary sources of funding (qualitative criterion)..

The Bank (or RBI Group) has defined qualitative indicators that are currently being used to identify the likelihood that a client will not be able to settle his liabilities to the Bank (e.g. initiated bankruptcy proceedings, write-off part of the receivables, interest payments, cross-default etc.)

IFRS 9 requires the use of several scenarios (minimum 2) within ILLP calculation, taking into account the following principles:

- The certainty of scenarios
- Possibility of documenting those scenarios
- Historical parameters / indicators

A scenario that is likely to happen/will be realized in the next period will be given a weight of 90% probability, while scenarios whose probability is less realistic will be given the weight of 10% probability, as a unified rule for all clients. The weights will be revised annually. In the case of a client who is going concern as a second scenario, it is possible to use collateral through a legal case where on the basis of historical observations it is concluded that a weighting of 10% should be used (analysis based on historical changes in the last 5 years, the transfer of clients from the early stage to the late stage – analysis will be revised annually).

IFRS 9 distinguishes loans valued at fair value and amortized cost.

Retail portfolio

As a rule, in the Retail segment of business by assigning default status, the client is moved to Stage 3 according to IFRS 9 methodology, which at that moment represents an non-performing asset.

Provisions for loan losses must be granted to all placements of a debtor or group of debtors who:
- which are over 90 days late with payments of liabities towards the Bank, considering the materiality threshold of EUR 10 (quantitative criteria);
- or which are most likely not to settle their liabilities towards the Bank (qualitative criterion).

In its internal procedures, the Bank has defined qualitative criteria for which credit exposure of a client is given a status of high probability of not meeting liabilities towards the Bank (e.g. bankruptcy of the debtor, cross-default, poor restructuring, etc.)

(iv) Inclusion of forward looking element

Multiple macroeconomic scenarios are also included in ECL calculation. The Bank applies three perspective global economic scenarios (baseline, upside and downside) and this approach is considered sufficient for the calculation of unbiased expected loss in most economic environments. In calculating the expected credit loss, the Bank allocates weights of 50%: 25%: 25% for each of the three macroeconomic scenarios (baseline, upside and downside).

The Probability of Default (PD) is, where relevant, adapted to the macroeconomic status. The macroeconomic model also includes information about the future. The baseline macroeconomic forecasts with a two year horizont are reviewed and updated at least once every quorter and are submitted to the responsible units within the RBI Group.

From 1 January 2018 forward-looking information is considered in the credit risk assessment. This means that lifelong PD, historical rating and its accompanying PD include information about the future.

Adjustment is made using macroeconomic perspectives in the observed period.

The basic scenario with the prescribed addendum are aimed at reflecting the effects of the possibility of realization of alternative macroeconomic scenarios.

(iv) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3.11.1. (iii).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:
- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as žforbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3.11.1). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

(v) Expected Credit Loss Measurement

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. In general, the Bank calculates ECL using three main components: a probability of default (PD); a loss given default (LGD); and the exposure at default (EAD).

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities.

(vi) Loss allowance

The following table shows reconciliation from the opening to the closing balance of the loss allowance for loans and receivables to customers at amortised cost. Comparative amounts for 2017 represent the allowance account for credit losses and reflect the measurement basis under IAS 39

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	2018 Total	Individual	Collective	2017 Total
Loans and receivables to customers at amortised cost								
Balance at 1 January 2018	8,672	9,758	159,471	19,150	197,051	193,089	18,305	211,394
First time adoption of IFRS 9	2,531	4,416	(779)	-	6,168	-	-	-
Transfer to stage 1	1,887	(1,416)	(471)	-	-	-	-	-
Transfer to stage 2	(1,009)	2,210	(1,201)	-	-	-	-	-
Transfer to stage 3	(186)	(1,598)	1,784	-	-	-	-	-
Net change in loss allowance	(1,160)	2,542	4,728	1,287	7,397	21,090	1,011	22,101
Write-offs and other changes	-	-	(25,919)	-	(25,919)	(36,444)	-	(36,444)
Balance at 31 December 2018	**10,735**	**15,912**	**137,613**	**20,437**	**184,697**	**177,735**	**19,316**	**197,051**

6.1.5. Impaired financial assets – Comparative information under IAS 39

The carrying amount of financial asset presented in unconsolidated 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 BAM	Total gross carrying value	Loans not due without recognised impairment	Loans due without recognised impairment	Loans with impairment on group basis	Individually impaired loans (net book value)	Impairment	Total net book value
31 December 2017							
Cash and cash equivalents	792,940	792,940	-	-	-	-	792,940
Obligatory reserves at CBBH	334,508	334,508	-	-	-	-	334,508
Placements with other banks	335,427	335,427	-	-	-	-	335,427
Loans to customers:							
Public sector	13,325	13,325	-	-	-	-	13,325
Other financial and non-financial institutions	976,733	844,962	22,160	2,424	107,187	(86,373)	890,360
Individuals	1,409,528	1,097,541	163,114	26,281	122,591	(110,678)	1,298,849
Financial assets available for sale	294	294	-	-	-	-	294
Financial assets at fair value through profit and loss	112,438	112,438	-	-	-	-	112,438
Financial assets held-to-maturity	132,346	132,346	-	-	-	-	132,346
Other receivables	29,337	29,337	-	-	-	-	29,337
	4,136,876	**3,693,118**	**185,274**	**28,705**	**229,778**	**(197,051)**	**3,939,824**

Past due loans with no impairement 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 BAM	Individuals	Other financial and non-financial institutions	Total
31 December 2017			
Pass due up to 30 days	133,612	17,930	151,542
Pass due 31 to 90 days	29,502	4,230	33,732
Total	**163,114**	**22,160**	**185,274**

Non-performing loans for with impairment allowance

Loan classification for loans with value impairement is presented below:

All amounts are expressed in thousands of BAM	Individuals	Other financial and non-financial institutions	Total
31 December 2017			
Non-performing loans – gross	122,591	107,188	229,779
Impairment	(96,975)	(70,265)	(167,240)
Net	**25,616**	**36,923**	**62,539**

6.1.6. Concentration of credit risk

The Bank monitors concentrations of credit risk by sector and by geographic location.

Geographic concentration in net carrying amounts of credit exposure is as follows:

All amounts are expressed in thousands of BAM	Bosnia and Herzegovina	EU countries	Non-EU countries	Total
31 December 2018				
Accounts with the Central Bank of BiH and other banks	409,295	33,404	3,830	446,529
Obligatory reserves at the Central Bank of BiH	376,261	-	-	376,261
Loans and receivables to banks	-	317,107	-	317,107
Loans and receivables to customers	2,415,608	-	-	2,415,608
Financial assets at fair value through other comprehensive income	355	182	-	537
Financial assets at amortised cost	96,366	50,406	-	146,772
	3,297,885	**401,099**	**3,830**	**3,702,814**
31 December 2017				
Accounts with the Central Bank of BiH and other banks	407,251	27,412	2,142	436,805
Obligatory reserves at the Central Bank of BiH	334,508	-	-	334,508
Loans and receivables to banks	-	335,193	-	335,193
Loans and receivables to customers	2,202,535	-	-	2,202,535
Financial assets available for sale	142	152	-	294
Financial assets held to maturity	54,478	77,632	-	132,110
	2,998,914	**440,389**	**2,142**	**3,441,445**

Economic sector risk concentration in presented in Note 21.

6.2. Liquidity risk management

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. The Bank maintains its liquidity profiles in accordance with regulations laid down by the Banking Agency.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The following tables show the remaining contractual maturities of the Bank's assets and liabilities as at 31 December 2018 and 31 December 2017, except for financial assets at fair value through other comprehensive income which have been classified in accordance with their secondary liquidity characteristic as maturing within one month and obligatory reserves which have been classified in the maturity period within one month.

All amounts are expressed in thousands of BAM	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2018						
Assets						
Cash and cash equivalents	842,786	-	-	-	-	842,786
Obligatory reserves at the Central Bank of BiH	376,261	-	-	-	-	376,261
Loans and receivables to banks	317,107	-	-	-	-	317,107
Loans and receivables to customers	266,399	130,188	544,665	1,040,055	434,301	2,415,608
Financial assets at fair value through other comprehensive income	537	-	-	-	-	537
Financial assets at fair value through profit and loss	81,560	-	-	-	-	81,560
Financial assets at amortised cost	9,909	-	24,303	112,560	-	146,772
Total assets	**1,894,559**	**130,188**	**568,968**	**1,152,615**	**434,301**	**4,180,631**
Liabilities						
Due to banks and other financial institutions	32,654	41,385	16,738	72,957	13,004	176,738
Due to customers	2,377,411	77,857	438,424	581,474	53,041	3,528,207
Subordinated debt	-	-	-	-	61,800	61,800
Total liabilities	**2,410,065**	**119,242**	**455,162**	**654,431**	**127,845**	**3,766,745**

All amounts are expressed in thousands of BAM	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2017						
Assets						
Cash and cash equivalents	792,940	-	-	-	-	792,940
Obligatory reserves at the Central Bank of BiH	334,508	-	-	-	-	334,508
Loans and receivables to banks	335,193	-	-	-	-	335,193
Loans and receivables to customers	83,104	167,820	585,205	962,315	404,091	2,202,535
Financial assets at fair value through profit and loss	112,438	-	-	-	-	112,438
Financial assets available for sale	-	-	-	-	294	294
Financial assets held-to-maturity	12,967	7,054	43,838	68,251	-	132,110
Total assets	**1,671,150**	**174,874**	**629,043**	**1,030,566**	**404,385**	**3,910,018**
Liabilities						
Due to banks and other financial institutions	26,973	54,955	17,143	38,494	8,277	145,842
Due to customers	2,073,346	73,087	394,026	694,771	54,045	3,289,275
Subordinated debt	-	-	-	-	61.823	61.823
Total liabilities	**2.100.319**	**128.042**	**411.169**	**733.265**	**124.145**	**3.496.940**

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 BAM	Carrying amount	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Gross nominal outflow
31 December 2018							
Due to banks and other financial institutions	176,738	32,655	41,391	16,890	77,461	14,659	183,056
Due to customers	3,528,207	2,378,658	77,939	440,535	600,312	56,534	3,553,978
Subordinated debt	61,800	-	-	4,834	19,336	66,634	90,804
		2,411,313	**119,330**	**462,259**	**697,109**	**137,827**	**3,827,838**

All amounts are expressed in thousands of BAM	Carrying amount	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Gross nominal outflow
31 December 2017							
Due to banks and other financial institutions	145,842	26,975	54,958	17,355	41,772	9,747	150,807
Due to customers	3,289,275	2,378,671	77,939	440,557	600,512	56,572	3,554,251
Subordinated debt	61,823	-	-	4,834	19,336	71,491	95,661
		2,405,646	**132,897**	**462,746**	**661,620**	**137,810**	**3,800,719**

The following table shows the components of the Bank's liquidity reserves:

All amounts are expressed in thousands of BAM	2018	2017
Balance with the Central Bank	409,295	407,252
Current accounts with other banks	37,234	29,554
Cash and cash equivalents	396,257	356,134
	842,786	**792,940**

6.3. Market risks

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.

6.3.1. Foreign exchange 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. Given that local currency BAM is pegged to EUR foreign exchange risk is limited.

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 BAM	KM	EUR*	USD	Other currencies	Total
As at 31 December 2018					
ASSETS					
Cash and cash equivalents	715,720	58,884	6,083	62,099	842,786
Obligatory reserves at the Central Bank of BiH	376,261	-	-	-	376,261
Loans and receivables to banks	-	206,340	89,806	20,961	317,107
Loans and receivables to customers	1,151,747	1,263,861	-	-	2,415,608
Financial assets at fair value through other comprehensive income	355	182	-	-	537
Financial assets at fair value through profit and loss	-	81,560	-	-	81,560
Financial assets at amortised cost	22,420	93,660	30,692	-	146,772
	2,266,503	1,704,487	126,581	83,060	4,180,631
LIABILITIES					
Due to banks and other financial institutions	28,525	148,213	-	-	176,738
Due to customers	2,110,066	1,211,752	124,301	82,088	3,528,207
Subordinated debt	-	61,800	-	-	61,800
	2,138,591	1,421,765	124,301	82,088	3,766,745

* The Bank has a number of agreements governed by a foreign currency clause. The BAM value of principal in such agreements is determined by the movement in foreign exchange rates. The principal balance of the related exposure is included in the table above in the column "EURO".

All amounts are expressed in thousands of BAM	KM	EUR*	USD	Other currencies	Total
As at 31 December 2017					
ASSETS					
Cash and cash equivalents	667,499	66,434	3,486	55,521	792,940
Obligatory reserves at the Central Bank of BiH	334,508	-	-	-	334,508
Loans and receivables to banks	-	236,648	74,471	24,074	335,193
Loans and receivables to customers	924,267	1,278,268	-	-	2,202,535
Financial assets held for sale	143	151	-	-	294
Financial assets at fair value through profit and loss	-	105,861	6,577	-	112,438
Financial assets held-to-maturity	54,588	44,448	33,074	-	132,110
	1,981,005	1,731,810	117,608	79,595	3,910,018
LIABILITIES					
Due to banks and other financial institutions	25,179	120,649	13	1	145,842
Due to customers	1,834,713	1,258,409	117,441	78,712	3,289,275
Subordinated debt	-	61,823	-	-	61,823
	1,859,892	1,440,881	117,454	78,713	3,496,940

* The Bank has a number of agreements governed by a foreign currency clause. The BAM value of principal in such agreements is determined by the movement in foreign exchange rates. The principal balance of the related exposure is included in the table above in the column "EURO".

6.3.1.1. Foreign currency sensitivity analysis

The following table outlines five greatest Values-at-Risk (VaR) recorded as at 31 December 2018 and their values as at 31 December 2017. 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 BAM			VaR
Currency	31/12/2018	Currency	31/12/2017
USD	1	USD	4
TRY	<1	CNY	<1
JPY	<1	CHF	<1
CNY	<1	RSD	<1
AUD	<1	CAD	<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 BAM	USD effect		TRY effect	
	2018	2017	2018	2017
Profit or loss	53	41	4	9

6.3.2. 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.

6.3.2.1. BPV 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 2018 and 31 December 2017 are presented, expressed in thousands of BAM for following currencies: BAM, EUR and USD, while for other currencies changes of present values are immaterial.

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Currency		
BAM	(28)	(22)
EUR	42	32
USD	(2)	(2)
Total BPV	**12**	**8**

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 2018 would be the following:
- for BAM – present value of portfolio decrease in the amount of KM 28 thousand, incurring loss
- for EUR – present value of portfolio growth in the amount of KM 42 thousand, incurring profit
- for USD – present value of portfolio decrease in the amount of KM 2 thousand, incurring loss.

In the instance of a change of yield curve by 50 Basis, effects on present value of portfolio for 31 December 2018 and 31 December 2017 are shown in the table below for currencies with material exposure:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Currency		
BAM	(1.414)	(1.121)
EUR	2.083	1.621
USD	(89)	(99)
Total BPV	**580**	**401**

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 BAM – present value of portfolio decrease in the amount of BAM 1,414 thousand as at 31 December 2018.
- for EUR – present value of portfolio increased in the amount of BAM 2,083 thousand as at 31 December 2018.
- for USD – present value of portfolio decrease in the amount of bam 89 thousand as at 31 December 2018.

6.4. Capital 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.

At the meeting held on 13 October 2017, Management Board of Federal Banking Agency has issued new Decision on calculation on Bank capital with which the old Decision on minimum standards for the Bank Capital management and Capital protection (Official Gazette of FBiH. No.46/14) ceased to apply.

In accordance wih the new decision, Bank Capital requirements as at 31 December 2018 are:

Rates and capital tiers	31/12/ 2018 Unaudited
Rate of regular core capital	13.47%
Surplus of required regular core capital	188,750
Rate of core capital	13.47%
Surplus of core capital	125,553
Rate of regulatory capital	16.72%
Surplus of regulatory capital	**132,536**

In accordance with the new Decision, in the transitional and final provisions, it is stipulated that in the transitional period from 1 January 2018 to 31 December 2018, all prescribed reporting to the Agency submitted at the same time in accordance with the old and the new decision.

As at 31 December 2018, the Bank's capital adequacy ratio of the Bank, in accordance with the old Decision on minimum standards for Bank capital management and capital protection, was 14.85% (2017: 15.00%) as shown in the table below:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Core Bank capital		
Share capital	247,167	247,167
Share premium	4,473	4,473
Retained earnings	150,008	119,577
General legal reserves	1,230	1,230
Deferred tax assets	(159)	(291)
Intangible assets	(13,635)	(11,412)
Total core capital	**389,084**	**360,744**
Supplement capital		
General provision – FBA regulations	41,479	38,419
Subordinated debt	61,804	61,804
Positive revaluation reserves	307	225
Total supplement capital	**103,590**	**100,448**
Adjustment for shortfall in regulatory reserves	-	(633)
Net capital	**492,674**	**460,559**
Risk weighted assets (unaudited)	3,051,972	2,810,397
Other weighted assets (unaudited)	266,402	264,153
Total weighted risk assets	**3,318,374**	**3,074,550**
Capital adequacy (%)	**14.85**	**14.98**

7. Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

7.1. Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign exchange rates, equity prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank determines the fair value of debt securities (treasury bills and bonds) using an internal valuation model which considers their remaining maturity and the latest available auction prices of equivalent instruments.

Fair value of available-for-sale equity securities and securities at fair value through profit or loss traded on an active market is measured using the price of these instruments at the reporting date at closing bid prices.

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

The following table analyses financial instruments measured at fair value at the reporting date distributed according to the fair value hierarchy. The amounts are based on the values recognized in the statement of financial position.

All amounts are expressed in thousands of BAM	Note	Level 1	Level 2	Level 3	Total
31 December 2018					
Financial assets at fair value through other comprehensive income	22				
Equity securities issued by non-resident legal entities		504	-	33	537
Financial assets at fair value through profit and loss	23				
Debt instruments		81,560	-	-	81,560
Loans to customers		-	-	893	893
Total		**82,064**	**-**	**926**	**82,990**

All amounts are expressed in thousands of BAM	Note	Level 1	Level 2	Level 3	Total
31 December 2017					
Financial assets available for sale	25				
Equity securities issued by non-resident legal entities		261	-	33	294
Financial assets at fair value through profit and loss	23				
Debt instruments		112,438	-	-	112,438
Total		**112,699**	**-**	**33**	**112,732**

7.3. Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

All amounts are expressed in thousands of BAM	Level 1	Level 2	Level 3	Total fair value	Carrying value
31 December 2018					
Assets					
Cash and cash equivalents	-	-	842,786	842,786	842,786
Obligatory reserves with the Central Bank of BiH	-	-	376,261	376,261	376,261
Loans and receivables from banks	-	-	317,107	317,107	317,107
Loans and receivables from customers	-	-	2,475,695	2,475,695	2,415,608
Financial assets at amortised cost	146,105	4,693	-	150,798	146,772
Total	**146,105**	**4,693**	**4,011,849**	**4,162,647**	**4,098,534**
Liabilities					
Due to banks and other financial institutions	-	-	176,738	176,738	176,738
Due to customers	-	-	3,528,207	3,528,207	3,528,207
Subordinated debt	-	-	61,800	61,800	61,800
Total	**-**	**-**	**3,766,745**	**3,766,745**	**3,766,745**

All amounts are expressed in thousands of BAM	Level 1	Level 2	Level 3	Total fair value	Carrying value
31 December 2017					
Assets					
Cash and cash equivalents	-	-	792,940	792,940	792,940
Reserves with the Central Bank	-	-	334,508	334,508	334,508
Placements with other banks	-	-	335,193	335,193	335,193
Loans and receivables from customers	-	-	2,268,394	2,268,394	2,205,535
Financial assets held-to-maturity	133,857	-	-	133,857	132,110
Total	**133,857**	**-**	**3,731,035**	**3,864,892**	**3,800,286**
Liabilities					
Due to banks and other financial institutions	-	-	145,842	145,842	145,842
Due to customers	-	-	3,305,608	3,305,608	3,289,275
Subordinated debt	-	-	61,823	61,823	61,823
Total	**-**	**-**	**3,513,273**	**3,513,273**	**3,496,940**

In estimating the fair value of the Bank's financial instruments and in assigning the instruments to the relevant level of fair value hierarchy, the following methods, assumptions and limitations described below were applied by the Bank:

Cash and cash equivalents

The carrying values of cash, balances with banks and with the Central Bank are generally deemed to approximate their fair value dut to the short term maturity.

Loans and receivables to banks

Loans and receivable to banks mostly represent overnight and short term deposits; hence there is no significant difference between the fair value of these deposits and their carrying value.

Loans and receivables from customers

Fair value is estimated through discounted cash flow method in case of positions with residual medium-long term maturities, while it is approximated with the book value, net of collective impairment/individual adjustment in case of short-term loans, loans payable on demand or with an indefinite maturity for impaired loans.

Amounts due to customers

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the date of reporting. The estimated fair value of fixed-maturity deposits is based on disounted cash flows using rate currently offered for deposits of similar remaining maturities.

Amounts due to banks and other financial institutions

Most of the banks borrowings are short-term and carryies variable interest rate, and thus Management estimates that its carrying amount reflect their fair value.

Subbordinated loan carries variable interest rate and thus its carrying value reflects its fair value.

8. Interest income

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Interest income calculated using the effective interest rate method		
Financial assets at amortised cost	3,112	2,929
Loans and receivables:		
Retail clients	109,401	108,599
Corporate clients	36,339	37,012
Foreign banks	1,807	924
Other interest income	3,926	2,803
Total interest income calculated using the effective interest rate method	**154,585**	**152,267**

9. Interest expense

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Retail clients	14,108	16,190
Corporate clients	7,308	6,253
Foreign banks	5,807	6,221
Domestic banks	7	3
Other	1,474	1,171
	28,704	**29,838**

10. Fee and commision income

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Main service lines:		
Credit card business	31,436	30,053
Accout maintenance for non-residents	2,770	3,029
Payment transactions	26,470	26,526
FX transactions	7,641	7,603
Account maintenance for residents	8,360	7,372
Other	6,949	4,510
Income from fees and commissions from contract with customers	83,626	79,093
Financial guarantee contracts and loan commitments	6,677	6,977
	90,303	**86,070**

11. Fee and commission expense

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Credit card operations	14,422	12,081
Central Bank services	1,884	1,729
Guarantees fee	1,236	1,039
S.W.I.F.T. services	598	717
Correspondent accounts	345	522
SMS services	430	380
Domestic payment transactions	51	49
Other	509	1,128
	19,475	**17,645**

12. Net income from foreign currency trading

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Positive exchange rate differences from FX transactions, net	11,649	10,547
Exchange rate differences on the basis of settlement with the Central Bank of BiH, net	11	(26)
	11,660	**10,521**

13. Net income/loss from other financial instruments at fair value through profit and loss

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Interest income on bonds at fair value through profit and loss (*Note 23*)	2,874	2,940
Fair value adjustment of bonds at fair value through profit and loss (*Note 23*)	(2,739)	(2,401)
Loss on sale of bonds at fair value through profit and loss, net	(167)	(81)
Fair value adjustment of loans measured at fair value (*Note 21*)	5	-
	(27)	**458**

14. Other operating income

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Dividend income	4,131	1,484
Lease income	1,496	1,361
Release of accrued expenses from the previous year	690	1,102
Income from tangible assets and investment property, sold	605	10
Revenue from written-off liabilities	36	695
Petty cash surplus	30	343
Other income	725	4,062
	7,713	**9,057**

15. Administrative expenses

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Gross salaries	39,430	39,744
Other employee expenses	11,634	10,382
Savings and debt insurance premiums	8,644	8,341
Maintenance cost	8,062	8,154
Services	5,134	5,528
Lease	4,880	4,525
Costs of representation and marketing	4,222	3,926
Advisory services	3,836	3,805
Telecommunications	3,260	3,334
Release of provisions for other employee benefits under IAS 19, net (*Note 36*)	(1,772)	(2,099)
Property insurance premiums	2,635	2,483
Supervisory fee – FBA	2,545	2,428
Cost of energy	1,929	1,848
Material costs	1,547	1,483
Taxes and administrative expenses	759	641
Education	643	546
Last instalment cost – gratis	366	579
Donations	329	232
Costs of professional services	296	401
Transportation expenses	285	241
Utilities	221	207
(Decrease)/increase in provisions for legal proceedings (*Note 36*)	(190)	2,588
Other administrative expenses	3,722	3,131
Write-offs	-	1
	102,417	**102,449**

16. Impairment losses, net

The charge to income statement in respect of impairment losses is analysed as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Impairment of loans and receivables to customers (*Note 21*)	7,397	22,101
(Release) / impairment of loans and receivables from banks (*Note 20*)	(1)	(377)
Impairment of other assets and receivables (*Note 29*)	2,918	1,008
(Release) / impairment of financial assets at amortized cost (*Note 24*)	265	-
Release) / impairment of financial assets held to maturity (*Note 26*)	-	(231)
Impairment of assets held for sale	-	61
(Release) / impairment from off-balance exposures (*Note 36*)	(256)	(3,330)
	10,323	**19,232**

17. Income tax

Total tax recognized in the income statement and other comprehensive income can be shown as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Current income tax	9,520	8,353
Deferred income tax	132	525
	9,652	**8,878**

Reconciliation of effective tax rate may be presented as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Profit before income tax	**94,111**	**81,498**
Income tax at a rate of 10%	9,411	8,150
Effects of unrecognized expenditures	1,837	1,743
Effects of unrecognized revenue	(1,596)	(1,015)
Income tax	**9,652**	**8,878**
Effective tax rate	**10.25%**	**10.89%**

The Bank calculates its income tax liability in accordance with the regulations adopted by the tax authorities in Bosnia and Herzegovina.

Unrecognized expenditures mainly relates to provisions for risks and charges, impairement allowances, representation expenses and other expenses that are considered as permanent non taxable expenses in accordance with the Law on Income Tax of Federaton of Bosnia and Herzegovina.

Unrecognized revenue mainly relates to dividend income, income from written off receivables previously recognised as non taxable expenses and other revenues that are considered non taxable revenue in addordance with the Law on Income Tax of Federation of Bosnia and Herzegovina.

The change in deferred tax assets may be presented as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Balance at the beginning of period	**291**	**816**
Disposed deferred tax assets	(132)	(525)
Balance at the end of the period	**159**	**291**

18. Cash and cash equivalents

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Current account in domestic currency at CBBH	409,295	407,251
Cash in hand in local currency	306,424	260,248
Cash in hand in foreign currency	89,833	95,886
Accounts with other banks in foreign currency	37,234	29,554
Foreign currency checks	-	1
	842,786	**792,940**

19. Obligatory reserves at the central bank of Bosnia and Herzegovina

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Obligatory reserves	376,261	334,508
	376,261	**334,508**

The minimum reserve requirement is calculated as a percentage of the average amount of total deposits and borrowed funds for each business day during 10 calendar days after the mandatory reserve maintenance period.

From 1 July 2016, a single interest rate of 10% of total short-term and long-term deposits and borrowed funds is applied.

Cash held as a compulsory reserve in the CBBH account is not available for use without the special approval of CBBH and FBA.

20. Loans and receivables to banks

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Countries OECD-a	317,108	335,427
Less: impairment	(1)	(234)
	317,107	**335,193**

The interest rate on placements in EUR was from (0.65)% to (0.02)% per annum during 2018, or from (0.05%) to 0.10% per annum during 2017 and on placements in USD from 1.37% to 2.45% per annum during 2018, or from 0.60% to 1.75% per annum during 2017. The interest rate on placements in other currencies ranged from (1.3)% to 2.35% per annum during 2018 or from (1.20%) to 2.00% per annum during 2017.

Changes in provisions for expected losses on loans and receivables issued to banks may be presented as follows:

As at 1 January	**234**	**579**
Effect of first-time adoption of IFRS 9 (*Note 5*)	(236)	-
Net changes through profit or loss (*Note 16*)	(1)	(377)
Exchange rate differences	4	32
Balance at the end of period	**1**	**234**

21. Loans and receivables to customers

All amounts are expressed in thousands of BAM	31/12/2018	31/12/2017
Loans and receivables to customers at amortized cost	2,599,412	2,399,586
Less impairment	(184,697)	(197,051)
	2,414,715	**2,202,535**
Loans and receivables to customers at fair value	923	-
Fair value adjustment	(30)	-
	893	**-**
	2,415,608	**2,202,535**

Changes in the impairment of the loans granted at amortized cost can be shown as follows:

All amounts are expressed in thousands of BAM	31/12/2018	31/12/2017
Balance at the beginning of the period	**197,051**	**211,394**
Influence of First-Time Adoption of IFRS 9 (Note 5)	6,168	-
Net changes through profit and loss (Note 16)	7,397	22,101
Write-offs and other changes	(25,919)	(36,444)
Balance at the end of the period	**184,697**	**197,051**

The fair value changes of loans that are measured at fair value can be shown as follows:

All amounts are expressed in thousands of BAM	31/12/2018
Balance at the beginning of the period (measured by IAS 39)	**34**
Influence of First-Time Adoption of IFRS 9 (Note 5)	1
Net change in fair value through profit and loss	(5)
Balance at the end of the period	**30**

The analysis of loans and receivables according to the original maturity is as follows:

All amounts are expressed in thousands of BAM	31/12/2018	31/12/2017
Short-term loans:		
Short-term loans in domestic currency	582,354	534,308
Short-term loans in foreign currency	1,115	86
	583,469	**534,394**
Long term loans:		
Long-term loans in domestic currency	754,152	587,045
Long-term loans in foreign currency	1,262,714	1,278,147
	2,016,866	**1,865,192**
Total loans before impairment	**2,600,335**	**2,399,586**
Less impairment	(184,727)	(197,051)
	2,415,608	**2,202,535**

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

Economic sector risk concentration in the gross amount of loans and receivables is as follows:

All amounts are expressed in thousands of BAM	31/12/2018	31/12/2017
Retail	1,515,830	1,418,617
Trade	541,649	489,342
Agriculture, forestry, mining and energy	326,275	287,642
Transport, telecommunications and communications	52,283	55,899
Services, finances, sports, tourism	49,595	52,548
Construction industry	48,375	39,337
Administrative and other public institutions	24,924	23,151
Other	41,404	33,050
	2,600,335	**2,399,586**

Interest rates on loans as at 31 December 2018 and 31 December 2017 may be as follows:

All amounts are expressed in thousands of BAM	31 December 2018		31 December 2017	
		Annual interest rate		Annual interest rate
Domestic currency				
Corporate	1,081,230	2.35%-18.00%	977,461	2.35%-18.00%
Retail	1,515,826	2.95%-18.00%	1,418,584	2.95%-18.00%
Foreign currency				
Corporate	3,275	2.35%-11.50%	3,508	2.35%-11.50%
Retail	4	2.95%-16.19%	33	2.95%-16.19%
	2,600,335		**2,399,586**	

22. Financial assets at fair value through other comprehensive income

All amounts are expressed in thousands of BAM	31/12/2018	31/12/2017
Equity securities quoted:		
S.W.I.F.T. Belgium	182	-
Sarajevo Stock Exchange	322	-
Equity securities not quoted:		
Securities' Register of the Federation of BiH	32	-
Velprom d.d. Sanski Most	1	-
	537	**-**

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

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Balance at the beginning of the year	**294**	**-**
Changes in fair value, net	82	-
Purchases during the period	161	-
Balance at the end of the year	**537**	**-**

23. Financial assets at fair value through profit and loss

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Government bonds	81,560	112,438
	81,560	**112,438**

Government bonds

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Romania	81,560	84,299
Austria	-	21,562
Belgium	-	6,577
	81,560	**112,438**

Changes in bonds at fair value through profit and loss were as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Balance as at the beginning of the year	**112,438**	**99,704**
Change during the year, net	(28,084)	15,152
Fair value decrease (*Note 13*)	(2,739)	(2,401)
Interest income (*Note 13*)	2,874	2,940
Collected interest	(2,929)	(2,957)
Balance at the end of the year	**81,560**	**112,438**

24. Financial assets measured at amortized cost

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
State bonds	130,696	-
Corporate bonds	16,616	-
	147,312	**-**
Less: impairment	**(540)**	**-**
	146,772	**-**

Changes in impairment of financial assets measured at amortized cost can be shown as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Balance at the beginning of the year	**-**	**-**
Reclassification on 1 January 2018 from financial assets held to maturity	**236**	**-**
First time adoption IFRS 9 (*Note 5*)	39	-
Increase in impairment allowance (*Note 16*)	265	-
Balance at the end of the year	**540**	**-**

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
State bonds:		
Poland	30,407	-
France	24,072	-
Republic of Srpska	19,356	-
Federation of Bosnia and Herzegovina	18,463	-
Austria	15,746	-
Belgium	8,585	-
Government of Sarajevo Canton	3,670	-
Netherlands	9,899	-
Corporate bonds:		
European Bank for Reconstruction and Development	7,657	-
JP Autoceste Mostar	8,917	-
	146,772	**-**

25. Financial assets available for sale

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Equity securities quoted:		
S.W.I.F.T. Belgium	-	152
Sarajevo Stock Exchange	-	109
Equity securities not quoted:		
Securities' Register of the Federation of BiH	-	32
Velprom d.d. Sanski Most	-	1
	-	**294**

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

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Balance at the beginning of the year	**-**	**217**
Changes in fair value	-	77
Balance at the end of the year	**-**	**294**

26. Financial assets held to maturity

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
State bonds	-	101,397
Corporate bonds	-	30,949
	-	**132,346**
Less: impairment	-	**(236)**
	-	**132,110**

Changes in impairment of financial assets held to maturity cost can be shown as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Balance at the beginning of the year	-	**467**
(Decrease) in impairment allowance (*Note 16*)	-	(231)
Balance at the end of the period	-	**236**

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
State bonds:		
Government of Sarajevo Canton	-	3,699
Republic of Srpska	-	30,831
Poland	-	26,884
Federation of Bosnia and Herzegovina	-	19,948
Austria	-	8,268
Netherlands	-	8,005
Belgium	-	75
Corporate bonds:		
Raiffeisen International AG, Austria	-	34,400
	-	**132,110**

27. Investments in subsidiaries

Subsidiary	Industry	% of share	31/12/ 2018	31/12/ 2017
All amounts are expressed in thousands of BAM				
Raiffeisen Leasing d.o.o. Sarajevo	Leasing	100%	10,051	10,051
Raiffeisen Invest društvo za upravljanje fondovima d.o.o. Sarajevo	Fund management company	100%	946	946
Raiffeisen Capital a.d. Banja Luka	Agent for securities trading Financial advisory services	100%	53	53
			11,050	**11,050**

Changes in the investments in subsidiaries are summarized as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Balance as at the beginning of year	**11,050**	**12,507**
Decrease of value of investment in Raiffeisen Special Assets Company d.o.o. Sarajevo	-	(1,457)
Balance at the end of the period	**11,050**	**11,050**

Financial information about the Bank's subsidiaries for period from 1 January 2018 to 31 December 2018 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	Profit / (loss) for the period
Raiffeisen Invest društvo za upravljanje fondovima d.o.o. Sarajevo	2,212	559	2,098	2,774	1,399
Raiffeisen Capital a.d. Banja Luka	220	355	355	155	53
Raiffeisen Leasing d.o.o. Sarajevo	120,171	15,406	12,865	5,538	1,414

28. Investments in associates

Associate	Industry	% of share	31/12/ 2018	31/12/ 2017
All amounts are expressed in thousands of BAM				
Raiffeisen Assistance d.o.o. Sarajevo	Agent in insurance	50.00%	2	2
			2	**2**

Financial information about the Bank's associate for the year ended 31 December 2018 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	Profit / (loss) for the period
Raiffeisen Assistance d.o.o. Sarajevo	6,955	4	6,462	3,770	2,558

29. Other assets and receivables

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Receivables from spot and arbitrage FX transactions	21,976	29,658
Receivables from credit card operations	12,238	17,199
Fee receivables	2,402	2,644
Prepaid expenses	2,245	2,294
Other deferrals	2,038	2,086
Other advances paid	22	49
Prepaid other taxes	9	9
Other assets	12,152	12,552
	53,082	**66,491**
Less: impairment	(3,995)	(5,095)
	49,087	**61,396**

Changes in allowance for impairment losses on other assets and receivables are summarized as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Balance as at the beginning of year	**5,095**	**4,609**
First time adoption IFRS 9 (*Note 5*)	(952)	-
Increase in allowance for impairment (*Note 16*)	2,918	1,008
Write-offs	(3,066)	(522)
Balance as at the end of the period	**3,995**	**5,095**

30. Investment property

All amounts are expressed in thousands of BAM	
COST	
Balance at 1 January 2017	**39,560**
Additions	-
Balance at 31 December 2017	**39,560**
Disposals	(2,936)
Additions	372
Balance at 31 December 2018	**36,996**
ACCUMULATED DEPRECIATION	
Balance at 1 January 2017	**3,785**
Charge for the year	508
Balance at 31 December 2017	**4,293**
Charge for the year	742
Disposals	(726)
Balance at 31 December 2018	**4,309**
NET BOOK VALUE	
Balance at 31 December 2017	**35,267**
Balance at 31 December 2018	**32,687**

Bank's investment property at fair value was as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Buildings	36,572	39,453
	36,572	**39,453**

The fair value of investment properties at 31 December 2018 for was performed by the internal appraisers employed by the Bank who have appropriate qualifications and recent experience in estimating assets at fair value at relevant locations.

The fair value of investment property was determined using the 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 changes in technique of value measurement during the year.

31. Property and equipment

All amounts are expressed in thousands of BAM	Buildings and Land	Vehicles	Office equipment	Assets in the course of constrution	Total
Cost					
At 1January 2017	**96,628**	**1,878**	**52,854**	**2,735**	**154,095**
Additions	-	-	-	6,833	6,833
Transfers	1,481	119	5,485	(7,085)	-
Transfer to assets held for sale	-	-	-	(211)	(211)
Disposals	-	(319)	(2,979)	-	(3,298)
At 31 December 2017	**98,109**	**1,678**	**55,360**	**2,272**	**157,419**
Additions	-	-	-	7,273	7,273
Transfers	2,577	-	4,070	(6,647)	-
Disposals	(17)	(311)	(1,746)	-	(2,074)
At 31 December 2018	**100,669**	**1,367**	**57,684**	**2,898**	**162,618**
Accumulated depreciation					
At 1 January 2017	**9,668**	**851**	**42,134**	**-**	**52,653**
Charge for the year	1,170	237	3,459	-	4,866
Disposals	-	(251)	(2,924)	-	(3,175)
At 31 December 2017	**10,838**	**837**	**42,669**	**-**	**54,344**
Charge for the year	1,852	186	3,485	-	5,523
Disposals	-	(255)	(1,737)	-	(1,992)
At 31 December 2018	**12,690**	**768**	**44,417**	**-**	**57,875**
Net book value:					
Balance at 31 December 2017	**87,271**	**841**	**12,691**	**2,272**	**103,075**
Balance at 31 December 2018	**87,979**	**599**	**13,267**	**2,898**	**104,743**

32. Intangible assets

All amounts are expressed in thousands of BAM	Lease hold improve-ments	Other intangible assets	Assets in the course of con-struction	Total
Cost				
Balance at 1 January 2017	**2,537**	**24,727**	**2,918**	**30,182**
Additions	-	-	4,856	4,856
Transfers	532	2,240	(2,772)	-
Disposals	(1)	(46)	-	(47)
Balance at 31 December 2017	**3,068**	**26,921**	**5,002**	**34,991**
Additions	-	-	6,326	6,326
Transfers	949	4,547	(5,496)	-
Disposals	-	(3)	-	(3)
Balance at 31 December 2018	**4,017**	**31,465**	**5,832**	**41,314**
Accumulated amortization				
Balance at 1 January 2017	**1,976**	**18,309**	**-**	**20,285**
Charge for the year	215	2,122	-	2,337
Disposals	(1)	(46)	-	(47)
Balance at 31 December 2017	**2,190**	**20,385**	**-**	**22,575**
Charge for the year	333	2,606	-	2,939
Disposals	-	(3)	-	(3)
Balance at 31 December 2018	**2,523**	**22,988**	**-**	**25,511**
Net book value:				
Balance at 31 December 2017	**878**	**6,536**	**5,002**	**12,416**
Balance at 31 December 2018	**1,494**	**8,477**	**5,832**	**15,803**

33. Due to other banks and financial institutions

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Long-term borrowings:		
Long-term borrowings from foreign banks and financial institutions	105,037	66,428
Less: Current portion of long-term borrowings	(18,995)	(19,684)
	86,042	**46,744**
Short-term borrowings:		
Add: Current portion of long-term borrowings	**18,995**	**19,684**
Short-term deposits:		
Short-term deposits from other banks in BAM	20,290	19,609
Short-term deposits from other banks in foreign currencies	43,172	54,223
	63,462	**73,832**
Current accounts:		
Current accounts in BAM	8,235	5,570
Current accounts in foreign currencies	4	12
	8,239	**5,582**
	176,738	**145,842**

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 as at 31 December 2018. interest rates were in the range from 0.5% to 2.28% p.a. (fixed rates), and 6M EURIBOR + 1.75% to 6M EURIBOR + 2.60% (variable rates). Interest rates as at 31 December 2017 were in the range from 3M EURIBOR+0.26% -to 6M EURIBOR+2.6%.

34. Due to customers

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Demand deposits:		
Citizens:		
In BAM	718.976	625.239
In foreign currencies	568.164	509.552
	1.287.140	**1.134.791**
Legal entities:		
In BAM	749.996	644.302
In foreign currencies	203.327	209.241
	953.323	**853.543**
	2.240.463	**1.988.334**
Term deposits:		
Citizens:		
In BAM	227.508	239.672
In foreign currencies	624.161	713.221
	851.669	**952.893**
Legal entities:		
In BAM	188.996	77.193
In foreign currencies	247.079	270.855
	436.075	**348.048**
	1.287.744	**1.300.941**
	3.528.207	**3.289.275**

During 2018, interest rates were as follows:
- demand deposits in BAM – 0.00% p.a. (2017: 0.00% p.a.),
- demand deposits in foreign currencies – 0.00% p.a. (2017: 0.00% p.a.),
- short-term deposits – 0.01% to 0.20% p.a. (2017: from 0.01% to 1.60% p.a.),
- long-term deposits – 0.01% to 1.10% p.a. (2017: from 0.01% to 1.60% p.a.).

35. Subordinated debt

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Commercial banks – related parties	61,800	61,823
	61,800	**61,823**

There is one active borrowing, approved at 27 September 2013, in total amount of BAM 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 funds of the subordinated loan are available to cover losses only in case of bankruptcy or liquidation of the Bank, and are not available for loss coverage of regular business operations of the Bank. In case of liquidation or bankruptcy of the Bank the liabilities under the subordinated loan are subordinated to the other liabilities of the Bank.

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

36. Provisions for liabilities and charges

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Provisions for legal proceedings	15,931	16,211
Provisions for employee benefits	4,145	5,917
Provisions for gurantees and loan commitments	4,340	4,053
	24,416	**26,181**

Provisions for gurantees and loan commitments

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 loans.

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Loan commitments		
Unused approved loans	462,167	400,271
Framework agreements	191,955	167,672
	654,122	**567,943**
Guarantees		
Performance guarantees	177,032	178,142
Payment guarantees	104,287	106,529
Letters of credit	15,917	16,515
	297,236	**301,186**
Total gurantees and loan commitments	**951,358**	**869,129**

Other, non credit related provisions recorded in off-balance sheet accounts relates to:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Other commtiments		
Forward operations	684	3,618
Advance guarantees	45	322
Total	**729**	**3,940**

Movements in provision for gurantees and loan commitments were as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Balance as at the beginning of year	**4,053**	**8,535**
First time adoption IFRS 9 (*Note 5*)	548	-
Release of provisions (*Note 16*)	(256)	(3,330)
Decrease due to payments / Foreign exchange differences	(5)	(1,152)
Balance as at the end of the period	**4,340**	**4,053**

Other employee benefits

Changes in provisions for other employee benefits were as follows:

All amounts are expressed in thousands of BAM	Retirement severance payments	Vacation allowances	Total
Balance as at 1 January 2017	**5,393**	**2,623**	**8,016**
Reductions resulting from re-measurement or settlement without cost (*Note 15*)	(2,104)	5	(2,099)
Balance as at 31 December 2017	**3,289**	**2,628**	**5,917**
Reductions resulting from re-measurement or settlement without cost (*Note 15*)	(429)	(1,343)	(1,772)
Balance as at 31 December 2018	**2,860**	**1,285**	**4,145**

Legal proceedings

Movements in provision for legal proceedings were as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Balance as at the beginning of year	**16,211**	**13,623**
(Decrease) / Increase in provisions (*Note 15*)	(190)	2,588
Reductions arising from payments	(90)	-
Balance as at 31 December 2018	**15,931**	**16,211**

37. Other liabilities and payables

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Principal and interest paid upfront	7,881	7,251
Employee payables	6,431	6,088
Liabilities toward suppliers	5,182	6,208
Liabilities for other taxes	4,910	3,932
Deferred income	2,854	2,692
Liabilities from credit card operations	2,001	8,194
Liabilities for dividends towards shareholders	13	12
Liabilities from FX operations	-	29,337
Other liabilities	5,639	2,074
	34,911	**65,788**

38. Share capital

Capital is made up of 988,668 ordinary shares at nominal value of BAM 250. Equity instruments of the Bank are not traded in a public market.

The shareholding structure is as follows:

Shareholders	No. of Shares	'000 BAM	%
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**

39. 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 BAM	31/12/ 2018	31/12/ 2017
Income attributable to ordinary shareholders	84,459	72,620
Weighted average number of regular shares outstanding	988,668	988,668
	85.43	**73.45**

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

40. 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 BAM	31/12/ 2018	31/12/ 2017
Liabilities		
Citizens	77	102
Government	4,338	4,561
Companies	3,797	3,933
Other	77	76
	8,289	**8,672**
Assets		
Loans to companies	3,623	3,647
Loans to citizens	4,666	5,025
	8,289	**8,672**

The Bank has issued no guarantees related to managed funds. Credit risk stays with the owners of funds.

41. Related-party transactions

Balances with related parties can be summarized as follows:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Receivables		
Financial assets at amortized cost:		
Raiffeisen Bank International AG, Vienna, Austria	-	34,401
Placements with other banks:		
Raiffeisen Landensbank Tirol AG, Innsbruck, Austria	57,203	22,016
Raiffeisen Bank International AG, Vienna, Austria	1,503	2,252
Cash and cash equivalents:		
Raiffeisen Bank International AG, Vienna, Austria	20,293	16,451
Raiffeisenbank Austria d.d. Zagreb, Croatia	1,534	1,026
Raiffeisenbank a.d. Belgrade, Serbia	130	9
Loans to customers:		
Raiffeisen Leasing d.o.o. Sarajevo	3,333	5,000
Raiffeisen Assistance d.o.o. Sarajevo	1	-
Other receivables		
Centralised Raiffeisen International Services & Payments	63	89
Raiffeisen Bank International AG, Vienna, Austria	18,789	27
Raiffeisenbank Austria d.d. Zagreb, Croatia	2	3
Raiffeisen Leasing d.o.o. Sarajevo	8	3
Raiffeisen Capital a.d. Banja Luka	-	4
Raiffeisenbank a.d. Belgrade, Serbia	-	-
Raiffeisen Invest d.o.o. Sarajevo	14	-
	102,873	**81,281**
Liabilities		
Subordinated debt:		
Raiffeisen Bank International AG, Vienna, Austria	61,804	61,804
Deposits of banks and customers		
Raiffeisen Bank International AG, Vienna, Austria	47,223	39,697
Raiffeisen Leasing d.o.o. Sarajevo	14,591	17,035
Raiffeisen Assistance d.o.o. Sarajevo	5,831	5,008
Raiffeisen Invest d.o.o. Sarajevo	1,815	1,429
Raiffeisen Capital a.d. Banja Luka	465	203
Raiffeisenbank Austria d.d. Zagreb, Croatia	2	25
Other liabilities:		
Raiffeisen Bank International AG, Vienna, Austria	704	696
Centralised Raiffeisen International Services & Payments	-	7
Raiffeisen SEE Region Holding GMBH, Austria	-	-
Raiffeisenbank a.d. Belgrade, Serbia	1	
	132,436	**125,904**

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 BAM	31/12/ 2018	31/12/ 2017
Income:		
Interest income:		
Raiffeisen Landesbank Tirol AG, Innsbruck, Austria	910	605
Raiffeisen Bank International AG, Vienna, Austria	335	95
Raiffeisen Leasing d.o.o. Sarajevo	94	7
Fee income:		
Raiffeisen Invest d.o.o. Sarajevo	689	606
Raiffeisen Bank International AG, Vienna, Austria	391	409
Raiffeisenbank Austria d.d. Zagreb, Croatia	28	26
Raiffeisen Leasing d.o.o. Sarajevo	37	31
Raiffeisen Capital a.d. Banja Luka	2	6
Raiffeisen Assistance d.o.o. Sarajevo	1	1
Other income:		
Raiffeisen Assistance d.o.o. Sarajevo	1,548	1,101
Raiffeisen Leasing d.o.o. Sarajevo	2,107	940
Raiffeisen Bank International AG, Vienna, Austria	64	674
Raiffeisen Invest d.o.o. Sarajevo	870	21
Raiffeisen Capital a.d Banja Luka	4	7
	7,080	**4,529**

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Expenses		
Interest expense:		
Raiffeisen Bank International AG, Vienna, Austria	5,282	5,128
Raiffeisen Leasing d.o.o. Sarajevo	198	185
Raiffeisen Assistance d.o.o. Sarajevo	68	44
Raiffeisen Invest d.o.o. Sarajevo	26	12
Fee expense:		
Centralised Raiffeisen International Services & Payments	506	616
Raiffeisen Bank International AG, Vienna, Austria	196	187
Raiffeisenbank Austria d.d. Zagreb, Croatia	1	1
Advisory services:		
Raiffeisen Bank International AG, Vienna, Austria	3,601	3,663
Other administrative expenses:		
Raiffeisen Bank International AG, Vienna, Austria	1,653	1,282
Centralised Raiffeisen International Services & Payments	326	331
Raiffeisen Assistance d.o.o. Sarajevo	23	34
Raiffeisen Leasing d.o.o. Sarajevo	242	19
Raiffeisenbank a.d. Belgrade, Serbia	-	2
Raiffeisenbank Austria d.d. Zagreb, Croatia	1	1
	12,123	**11,505**

Fees to the Management and other members of the management:

The following fees were paid to the Management Board members during the period:

All amounts are expressed in thousands of BAM	31/12/ 2018	31/12/ 2017
Net salaries	1,012	957
Taxes and contributions on salaries	796	745
Other benefits	621	522
Taxes and contributions for other benefits	476	406
	2,905	**2,630**

Ajša Beširević

- Ajša was born in Sarajevo in 1995.
- She finished the High School of Applied Arts in Sarajevo in 2014, after which she enrolled in the Graphic Design Department of the Fine Arts Academy in Sarajevo.
- She participated in several joint exhibitions at the Fine Arts Academy as well as at the exhibition marking 'University December Days'.

"I would like to thank Raiffeisen Bank for giving me an opportunity to organize my independent exhibition and for giving one-off scholarships to all top students of the Fine Arts Academy as this greatly supported our work. I find inspiration for my works in everything that surrounds me: in sites of nature, mountains and other details around me."

Service

Network Units

Raiffeisen *BANK* d.d. Bosna i Hercegovina

Head Office Sarajevo

Zmaja od Bosne bb
Raiffeisen direkt info: + 387-81-92-92-92
E–mail: info.rbbh@raiffeisengroup.ba
Internet: www.raiffeisenbank.ba

Branches

MB Sarajevo and Branch Centar
Zmaja od Bosne bb
71 000 Sarajevo

Branch Skenderija
Valtera Perića 20
71 000 Sarajevo

Branch Novo Sarajevo
Kolodvorska 12
71 000 Sarajevo

Branch Ilidža
Rustempašina bb
71 210 Ilidža

Branch Pale
4. juni 17
71 420 Pale

Branch Goražde
Titova bb
73 000 Goražde

MB Banja Luka and Branch Banja Luka
Vase Pelagića 2
78 000 Banja Luka

Branch Banja Luka 2
Vojvode S. Stepanovića bb
78 000 Banja Luka

Branch Prijedor
Majora Milana Tepića bb
79 101 Prijedor

Branch Gradiška
Vidovdanska bb
78 400 Gradiška

Branch Doboj
Svetog Save 2
74 000 Doboj

MB Zenica and Branch Zenica
Maršala Tita bb
72 000 Zenica

Branch Kakanj
Alije Izetbegovića bb
72 240 Kakanj

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
72 270 Travnik

MB Tuzla and Branch Tuzla
15. Maja bb
75 000 Tuzla

Branch Tuzla 2
RK Omega – Univerzitetska 16
75 000 Tuzla

Branch Bijeljina
Karađorđeva bb
76 300 Bijeljina

Branch Brčko
Reisa Džemaludina Čauševića 10
76 100 Brčko

MB Bihać and Branch Bihać
Pape Ivana Pavla II 4
77 000 Bihać

Branch Cazin
Generala Izeta Nanića bb
77 220 Cazin

Branch Velika Kladuša
Maršala Tita “Diletacija C”
77 230 Velika Kladuša

Branch Sanski Most
Muse Ćazima Ćatića 24
79 260 Sanski Most

Branch Bosanska Krupa
Trg Alije Izetbegovića bb
77 240 Bosanska Krupa

MB Mostar and Branch Mostar
Kneza Domagoja bb
88 000 Mostar

Branch Konjic
Suhi do bb
88 400 Konjic

Branch Čitluk
Kralja Tomislava 43
88 260 Čitluk

Branch Široki Brijeg
Ulica pobijenih franjevaca 3
88 220 Široki Brijeg

Branch Trebinje
Vuka Mićunovića bb
89 101 Trebinje

Branch Livno
Trg kralja Tomislava bb
80 101 Livno

Raiffeisen Bank International AG

Austria
Am Stadtpark 9
1030 Vienna
Phone: +43-1-71 707-0
Fax: +43-1-71 707-1715
SWIFT/ BIC: RZBATWW
www.rbinternational.com
ir@rbinternational.com
communications@rbinternational.com

CEE banking network

Albania
Raiffeisen Bank Sh.A.
“European Trade Center”
Bulevardi “Bajram Curri”
Tirana
Phone: +355-4-23 8 100
Fax: +355-4-22 755 99
SWIFT/BIC: SGSBALTX
www.raiffeisen.al

Belarus
Priorbank JSC
V. Khoruzhey str. 31-A
220002 Minsk
Phone: +375-17-28 9-9090
Fax: +375-17-28 9-9191
SWIFT/BIC: PJCBBY2X
www.priorbank.by

Bosnia and Herzegovina
Raiffeisen BANK d.d. Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Phone: +387-33-287 100
Fax: +387-33-21 385 1
SWIFT/BIC: RZBABA2S
www.raiffeisenbank.ba

Bulgaria
Raiffeisenbank (Bulgaria) EAD
55 Nikola I. Vaptzarov Blvd.
Business Center EXPO 2000 PHAZE III
1407 Sofia
Phone: +359-2-91 985 101
Fax: +359-2-94 345 28
SWIFT/BIC: RZBBBGSF
www.rbb.bg

Croatia
Raiffeisenbank Austria d.d.
Magazinska cesta 69
10000 Zagreb
Phone: +385-1-45 664 66
Fax: +385-1-48 116 24
SWIFT/BIC: RZBHHR2X
www.rba.hr

Czech Republic
Raiffeisenbank a.s.
Hvězdova 1716/2b
14078 Prague 4
Phone: + 420-412 446 400
Fax: +420-234-402-111
SWIFT/BIC: RZBCCZPP
www.rb.cz

Hungary
Raiffeisen Bank Zrt.
Akadémia utca 6
1054 Budapest
Phone: +36-1-48 444-00
Fax: +36-1-48 444-44
SWIFT/BIC: UBRTHUHB
www.raiffeisen.hu

Kosovo
Raiffeisen Bank Kosovo J.S.C.
Rruga UÇK, No. 191
10000 Pristina
Phone: +381-38-222-222
Fax: +381-38-20 301 130
SWIFT/BIC: RBKOXKPR
www.raiffeisen-kosovo.com

Romania
Raiffeisen Bank S.A.
Calea Floreasca 246C
014476 Bucharest
Phone: +40-21-30 610 00
Fax: +40-21-23 007 00
SWIFT/BIC: RZBRROBU
www.raiffeisen.ro

Russia
AO Raiffeisenbank
St. Troitskaya 17/1
129090 Moscow
Phone: +7-495-72 1-9900
Fax: +7-495-72 1-9901
SWIFT/BIC: RZBMRUMM
www.raiffeisen.ru

Serbia
Raiffeisen banka a.d.
Đorđa Stanojevića 16
11070 Novi Beograd
Phone: +381-11-32 021 00
Fax: +381-11-22 070 80
SWIFT/BIC: RZBSRSBG
www.raiffeisenbank.rs

Slovakia
Tatra banka, a.s.
Hodžovo námestie 3
81106 Bratislava 1
Phone: +421-2-59 19-1000
SWIFT/BIC: TATRSKBX
www.tatrabanka.sk

Ukraine
Raiffeisen Bank Aval JSC
Vul Leskova 9
01011 Kiev
Phone: +38-044-49 088 88
Fax: +38-044-285-32 31
SWIFT/BIC: AVALUAUK
www.aval.ua

Leasing companies

Austria
Raiffeisen-Leasing G.m.b.H.
Mooslackengasse 12
1190 Vienna
Phone: +43-1-71 601-0
Fax: +43-1-71 601 8029
www.raiffeisen-leasing.at

Albania
Raiffeisen Leasing Sh.a.
"European Trade Center"
Bulevardi "Bajram Curri"
Tirana
Phone: +355-4-22 749 20
Fax: +355-4-22 325 24
www.raiffeisen-leasing.al

Belarus
"Raiffeisen-Leasing" JLLC
V. Khoruzhey 31-A
220002 Minsk
Phone: +375-17-28 9-9394
Fax: +375-17-28 9-9974
www.rl.by

Bosnia and Herzegovina
Raiffeisen Leasing d.o.o. Sarajevo
Zmaja od Bosne bb.
71000 Sarajevo
Phone: +387-33-254 340
Fax: +387-33-212 273
www.rlbh.ba

Bulgaria
Raiffeisen Leasing Bulgaria OOD
32A Cherni Vrah Blvd. Fl.6
1407 Sofia
Phone: +359-2-49 191 91
Fax: +359-2-97 420 57
www.rlbg.bg

Croatia
Raiffeisen Leasing d.o.o.
Radnička cesta 43
10000 Zagreb
Phone: +385-1-65 9-5000
Fax: +385-1-65 9-5050
www.raiffeisen-leasing.hr

Czech Republic
Raiffeisen-Leasing s.r.o.
Hvězdova 1716/2b
14078 Prague 4
Phone: +420-2-215 116 11
Fax: +420-2-215 116 66
www.rl.cz

Hungary
Raiffeisen Corporate Lízing Zrt.
Akadémia utca 6
Phone: +36-1-477 8709
Fax: +36-1-477 8702
www.raiffeisenlizing.hu

Kosovo
Raiffeisen Leasing Kosovo LLC
Rr. UCK p.n. 222
10000 Pristina
Phone: +38-1-222-222-340
www.raiffeisenleasing-kosovo.com

Moldova
I.C.S. Raiffeisen Leasing S.R.L.
Alexandru cel Bun 51
2012 Chişinău
Phone: +373-22-27 931 3
Fax: +373-22-22 838 1
www.raiffeisen-leasing.md

Romania
Raiffeisen Leasing IFN S.A.
Calea Floreasca 246 D
014476 Bucharest
Phone: +40-21-36 532 96
Fax: +40-37-28 799 88
www.raiffeisen-leasing.ro

Russia
OOO Raiffeisen-Leasing
Smolenskaya-Sennaya 28
119121 Moscow
Phone: +7-495-72 1-9980
Fax: +7-495-72 1-9901
www.raiffeisen-leasing.ru

Serbia
Raiffeisen Leasing d.o.o.
Đorđa Stanojevića 16
11070 Novi Beograd
Phone: +381-11-220 7400
Fax: +381-11-228 9007
www.raiffeisen-leasing.rs

Slovakia
Tatra Leasing s.r.o.
Černyševského 50
85101 Bratislava
Phone: +421-2-5919-3168
Fax: +421-2-59 19-3048
www.tatraleasing.sk

Slovenia
Raiffeisen Leasing d.o.o.
Letališka cesta 29a
1000 Ljubljana
Phone: +386-1-241-6250
Fax: +386-1-241-6268
www.raiffeisen-leasing.si

Ukraine
LLC Raiffeisen Leasing Aval
Stepan Bandera av. 9
Build. 6 Office 6-201
04073 Kiev
Phone: +380-44-590 24 90
Fax: +380-44-200 04 08
www.rla.com.ua

Branches and representative offices – Europe

France
RBI Representative Office Paris
9-11 Avenue Franklin D. Roosevelt
75008 Paris
Phone: +33-1-45 612 700
Fax: +33-1-45 611 606

Germany
RBI Frankfurt Branch
Wiesenhüttenplatz 26
60 329 Frankfurt
Phone: +49-69-29 921 924
Fax: +49-69-29 921 9-22

Poland
RBI Poland Branch
Ul. Grzybowska 78
00-844 Warsaw
Phone: +48-22-578 56 00
Fax: +48-22-578 56 01
SWIFT/BIC: RCBWPLPW
www.raiffeisen.pl

Sweden
RBI Representative Office Nordic Countries
Drottninggatan 89, Plan 14/14th Floor
11360 Stockholm
Phone: +46-8-440 5086

UK
RBI London Branch
Tower 42, Leaf C, 9th Floor
25 Old Broad Street
London EC2N 1HQ
Phone: +44-20-79 33-8000
Fax: +44-20-79 33-8009

Branches and representative offices – Asia

China
RBI Beijing Branch
Beijing International Club Suite 200
2nd Floor
Jianguomenwai Dajie 21
100020 Beijing
Phone: +86-10-65 32-3388
Fax: +86-10-65 32-5926

RBI Representative Office Zhuhai
Room 2404, Yue Cai Building
No. 188, Jingshan Road, Jida,
Zhuhai, Guangdong Province
519015, P.R. China
Phone: +86-756-32 3-3500
Fax: +86-756-32 3-3321

India
RBI Representative Office Mumbai
501, Kamla Hub, Gulmohar Road, Juhu
Mumbai – 400049
Phone: +91-22-26 230 657
Fax: +91-22-26 244 529

Korea
RBI Representative Office Korea
#1809 Le Meilleur Jongno Town
24 Jongno 1ga
Seoul 110-888
Phone: +82-2-72 5-7951
Fax: +82-2-72 5-7988

Singapore
RBI Singapore Branch
50 Raffles Place
#31-03 Singapore Land Tower
Singapore 048623
Phone: +65-63 05-6000
Fax: +65-63 05-6001

Vietnam
RBI Representative Office Ho-Chi-Minh-City
35 Nguyen Hue Str.,
Harbour View Tower
Room 601A, 6th Floor, Dist 1
Ho-Chi-Minh-City
Phone: +84-8-38 214 718,
+84-8-38 214 719
Fax: +84-8-38 215 256

Antonela Bender

- Antonela was born in 1995.
- She enrolled at the Graphics Department of the Sarajevo Academy of Fine Arts in 2014.
- During her years of study, she was a student activist and founded a student association at the Fine Arts Academy.

Publication details

Editor, Publisher:
Raiffeisen *BANK* d.d. Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Bosnia and Herzegovina
Phone: +387-81-92-92-92
Fax: +387-33-213 851
Internet: www.raiffeisenbank.ba

Concept, design: Communis d.o.o. Sarajevo

DTP: Boriša Gavrilović

Photos: Srđan Dunđerović

The forecasts, plans and forward-looking statements contained in this annual report are based on the state of knowledge and assessments of Raiffeisen *BANK* d.d. Bosna i Hercegovina at the time of its preparation. Like all statements about the future, they are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. No guarantee can be provided for the accuracy of forecasts, plan values of forward-looking statements.

This annual report has been prepared and the data checked with the greatest possible care. Nonetheless, rounding, transmission, typesetting and printing errors cannot be ruled out. In the summing up of rounded amounts and percentages, rounding-off differences may occur. This annual report was prepared in Bosnian. The annual report in English is a translation of the original Bosnian report. The only authentic version is the Bosnian version.