

Raiffeisen Market Weekly Report

16.10.-20.10.2017

Bosnia and Herzegovina

Highlights

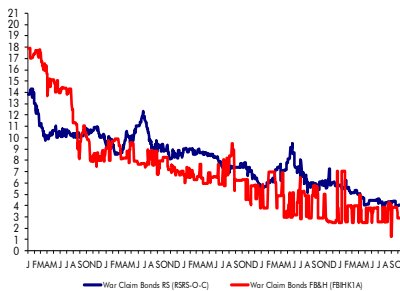
Credit Rating of B&H

Credit rating	S&P		Moody's	
	Rating	Outlook	Rating	Outlook
LT	B	Stable	B3	Stable
Date of last change	September-17		March-17	
Activity	Confirmed		Confirmed	

Source: Raiffeisen RESEARCH

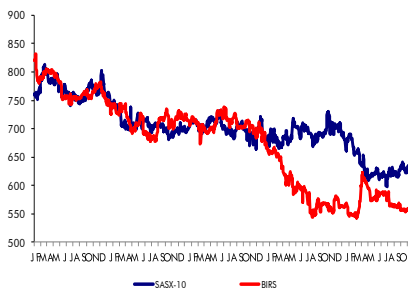
- ✓ Total loans of B&H banks increased by 6.3% yoy driven by both key segments (retail and corporate)
- ✓ Total deposits of B&H banking sector reached the historical peak of BAM 19.01 billion (10.4% yoy) as of August 2017
- ✓ Loans to deposits ratio fell further to 94.9% as of August 2017, thus being below 100% for 12 straight months
- ✓ Successfully held T-bills auction on SASE in the amount of BAM 20 million

War Claim Bonds (% ytm)



Source: SASE, BLSE, RBI/Raiffeisen RESEARCH

Blue Chip Indexes of SASE and BLSE



Source: SASE, BLSE, RBI/Raiffeisen RESEARCH

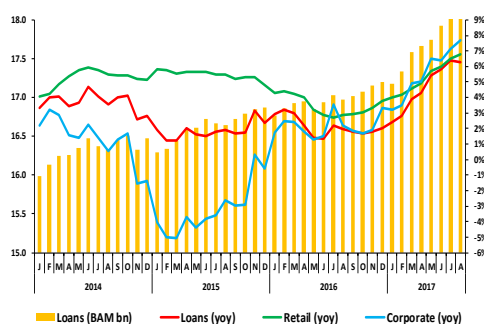
Key Macroeconomic Figures for Bosnia and Herzegovina

Bosnia and Herzegovina	2012	2013	2014	2015	2016e	2017f	2018f	2019f
Nominal GDP (EUR bn)	13.4	13.7	14.0	14.6	15.3	16.0	16.9	18.0
Real GDP (% yoy)	-0.8	2.3	1.2	3.1	3.1	2.5	3.0	3.5
GDP per capita (EUR)	3,452	3,531	3,614	3,784	3,967	4,150	4,412	4,711
GDP per capita (EUR at PPP)	6,900	7,200	7,300	7,500	7,900	8,300	8,800	9,400
Household consumption (real, % yoy)	-0.7	0.0	1.9	1.8	1.7	2.5	2.0	2.7
Gross capital formation (real % yoy)	4.0	-3.0	8.2	2.9	10.8	4.0	7.0	8.5
Industrial output (% yoy)	-5.2	6.7	0.1	2.6	4.3	3.2	4.5	5.0
Producer prices (avg, % yoy)	1.3	-2.2	-0.2	0.6	-2.3	2.0	2.2	2.3
Consumer prices (avg, % yoy)	2.1	-0.1	-0.9	-1.0	-1.1	1.5	1.5	2.0
Average gross wages (LCY, % yoy)	1.5	0.1	-0.1	0.0	0.9	3.8	4.8	3.9
Unemployment rate (avg, %)	28.0	27.5	27.5	27.7	25.4	20.5	18.0	16.0
General budget balance (% of GDP)	-2.0	-2.2	-2.0	0.7	1.2	1.0	0.5	-0.5
Public debt (% of GDP)	40.0	38.9	42.1	41.8	40.4	41.0	41.5	42.5
Trade balance (% of GDP)	-28.2	-25.4	-27.5	-24.0	-22.9	-23.7	-24.2	-23.8
Current account balance (% of GDP)	-8.7	-5.3	-7.3	-5.5	-4.4	-6.0	-6.2	-6.4
Net foreign direct investment (% of GDP)	1.9	1.3	2.8	1.5	1.6	2.5	3.2	3.6
Official FX reserves (EUR bn)	3.3	3.6	4.0	4.4	4.9	4.8	5.0	5.3
Gross foreign debt (% of GDP)	52.2	52.1	51.7	53.4	54.4	55.1	54.3	52.1
EUR/LCY (avg)	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96
USD/LCY (avg)	1.52	1.47	1.47	1.76	1.77	1.81	1.76	1.63

Source: Agency for Statistics of B&H, Central Bank of B&H, RBI/Raiffeisen RESEARCH

Loans and deposits on the upside in August 2017

Loans of B&H banks



Source: Central Bank of B&H, RBI/Raiffeisen RESEARCH

Main Macroeconomic Indicators

Indicators	Period	
Real GDP (% yoy)	2017e	2.5%
Industrial production (% yoy)	VIII/2017	7.1%
Consumer price index (%yoy)	VIII/2017	1.0%
Unemployment rate (%)	VII/2017	39.3%
Number of unemployed	VII/2017	486,309
Average net salary (in BAM)	VIII/2017	849.0
Exports (BAM mn)	VIII/2017	898.3
Imports (BAM mn)	VIII/2017	1,534.3
Current account deficit (BAM mn)	Q2 2017	794.3
Current account deficit (% GDP)	2017e	6.0%
External debt (BAM mn)	Q2 2017	8,746.2
Foreign reserves (BAM mn)	VIII/2017	10,172.6
Total loans (% yoy)	VIII/2017	6.3%
Total loans (BAM mn)	VIII/2017	18,038.2
Total deposits (% yoy)	VIII/2017	10.3%
Total deposits (BAM mn)	VIII/2017	19,012.9
EUR/BAM	VIII/2017	1.96
USD/BAM	VIII/2017	1.657

Source: Agency for Statistics of B&H, Central Bank of B&H, RBI/Raiffeisen RESEARCH

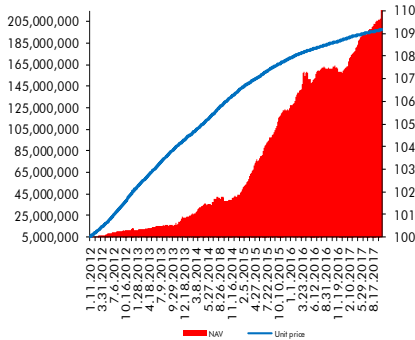
The latest data published by the Central Bank of B&H showed that total loans granted by B&H banks amounted to BAM 18.04 bn as of August 2017 - increase of BAM 1.07 billion or 6.3% compared to same month in 2016. Out of total value of loans, 76.6% refers to long-term placements versus 23.4% to placements up to one year maturity. Both categories of loans (by maturity) delivered positive growth rates in 2017, but long-term placements showed much stronger growth rates, thus being the key driving force of total loans. Explicitly, long-term loans contributed by 5.7% while short term loans contributed 0.6% to overall loans growth of 6.3% yoy in August 2017. Looking more detailed into the structure of loans, the strongest growth was recorded in area of corporate loans which went up by BAM 602.2 million or 7.6% yoy (contribution to growth of 3.5%). Retail loans increased by BAM 536.8 million (or 6.8% yoy), contributing to overall growth rate by 3.2%. On the negative note, loans to public sector fell to BAM 966.9 million, a decline of 8.9% compared to same month in 2016. Accordingly, the corporate loans accounts to 46.95% of total loans, retail loans to 47.05% of total loans and public sector loans to 5.36% of total loans. Active interest rates of B&H banking sector remained significantly below the level recorded at the end of 2016, although a slight increase in interest rates in August compared to June and July 2017 was recorded. The strongest decline compared to end of 2016 was recorded in area of retail loans (in local currency) by 60 basis points (from 6.1% to 5.5%). The interest rates growth compared to end of 2016 was only recorded in area of corporate loans with a currency clause: by 20 basis points (from 5.17% to 5.33%).

Total deposits of B&H banking sector amounted to BAM 19.01 billion which is by BAM 1.8 billion higher amount (or 10.4% yoy) compared to same month in 2016. This is also the first time that value of total deposits outpaced the value of BAM 19 bn. Share of short-term deposits and long-term deposits within the structure of total deposits is almost equal. To be precise, short-term deposits accounts to 47.7% of total deposits, compared to 52.3% share of long-term deposits. Having in mind that short-term deposits are growing at much stronger pace compared to long-term deposits, we expect that this ratio in the total deposit structure could be equalized already in the first quarter of 2018. Citizens' savings reached value of BAM 10.97 bn, which represents an increase of BAM 751.4 million or 7.35% yoy (contribution to the overall growth rate of 4.4%). Corporate deposits reported growth of 10.6% yoy reaching value of BAM 4.4 bn (contribution to total growth of 2.5%), while public sector deposits jumped by 27.8% yoy to BAM 2.1 billion (contribution to the overall growth rate 2.7%). Compared to end of 2016, the average passive interest rates of B&H banking sector registered a decline in retail segment by 30 bps (from 1.0% to 0.7%), and growth in corporate segment by 10 bps (from 0.7% to 0.8%).

Finally, it should be noted that the ratio of total loans and total deposits (L / D ratio) at the end of August 2017 dropped to 94.9%. As a reminder the growth of total deposits is exceeding the growth of total loans since March 2013, while L/D ratio has fallen below 100% in August 2016, and since then is hovering below that level.

Successfully held T-bills auction on SASE in the amount of BAM 20 million

NAV and Price Movement of Raiffeisen CASH



Data on Unit Values

Unit price as of 20.10.2017	109.17
NAV	216,752,908
Since IPO return	0.53%
Monthly return	0.04%
Weekly return	0.01%
Since IPO return annualized	0.40%

*Any data on past yields are indicative only and do not represent the possibility or a projection of potential future yield

In the previous week on the Sarajevo Stock Exchange (SASE) total turnover amounted to BAM 20.6 million.

During the week was held 57th T-bills auction of FB&H. With the method of multiple price was subscribed total of 2,000 T-bills in the total amount of BAM 20 million. Details on the auction are presented below:

- ✓ Auction Date: 17.10.2017
- ✓ Auction Method: multiple price
- ✓ Planned Issue Amount: BAM 20 million
- ✓ Payment Date: 18.10.2017
- ✓ Temporary symbol of Treasury Bills: FBHTZ791
- ✓ Total bid amount: BAM 84,5 million
- ✓ Total accepted amount: BAM 20 million
- ✓ The highest accepted price at interest rate: price 99.985% / interest rate 0.02%
- ✓ The lowest accepted price at interest rate: price 99.9402% / interest rate: 0.08%
- ✓ The average weighted price at interest rate: price 99.9596 / interest rate: 0.05%
- ✓ Collected amount: BAM 19,991,923
- ✓ Maturity date: 18.07.2018

As for the regular trading, the largest turnover was recorded on the free market - ST1 with the total traded amount of BAM 609.5 thousand, out of which the largest turnover was realized with the shares of Energonova dd Sarajevo (EGNSR) in the amount of BAM 518.7 thousand. There were traded 9,100 shares at price of BAM 57, which represents a price increase of 7.55% compared to the previous trading.

In the previous week on the Banja Luka Stock Exchange (BLSE), total turnover amounted to BAM 5.1 million. The largest turnover was recorded through two block transactions of shares of issuer Jelšingrad FMG a.d. Gradiška in the total amount of BAM 3.8 million. Within one block transaction it was traded 2,507,227 shares at price of BAM 1 totally worth BAM 2.5 million, while in the second block transaction was traded 1,590,995 shares at price of BAM 0.816 totaling to BAM 1.3 million.

Out of the shares listed on the official market - list B, the largest turnover recorded shares of Telekom Srpske a.d. Banja Luka (TKM-R-A), traded in the amount of BAM 316.2 thousand.

Of the total turnover, the turnover with bonds reached BAM 627.6, which represents 12.27% of total weekly turnover. The largest turnover on this segment was realized with Republika Srpska - war claim bonds 3 (RSRS-O-C) traded in the amount of BAM 388.6 thousand. The average trading price was 91.50% from the nominal value with yield of 4.11%.

On the free market, the largest turnover this week recorded share of Japra a.d. Novi Grad (JAPR-R-A), traded in the amount of BAM 235.9 thousand. The average price of shares at the end of the week was BAM 0.39, which is a 0.52% increase compared to the end of last week.

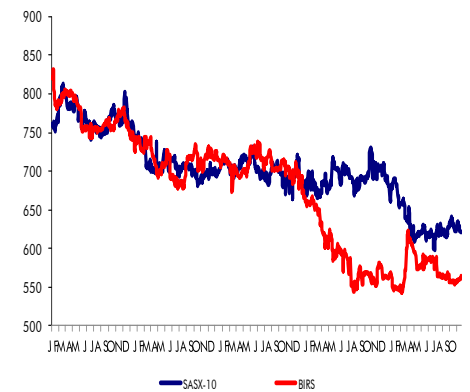
Sarajevo Stock Exchange (SASE)

SASX-10	20.10.2017	1w %
BH Telecom d.d. Sarajevo	14.40	-0.7%
JP Elektroprivreda BiH d.d. Sarajevo	10.01	-0.1%
Bosnalijek d.d. Sarajevo	11.25	-0.4%
Fabrika duhana d.d. Sarajevo	82.50	0.0%
Sarajevska pivara d.d. Sarajevo	19.12	0.0%
RMU Banovići d.d. Banovići	19.00	0.0%
Solana d.d. Tuzla	25.00	0.00%
ASA banka d.d. Sarajevo	35.01	-0.3%
Šipad-komerc d.d. Sarajevo	0.48	0.0%
Sarajevo osiguranje d.d. Sarajevo	5.50	0.0%

War Claim Bonds	Maturity	Last value	Yield (%)
FBIHK1A	30.06.2019	99.28	2.92
FBIHK1B	30.06.2020	99.00	2.87
FBIHK1C	30.06.2021	97.50	3.23
FBIHK1D	30.06.2022	98.00	2.96
FBIHK1E	30.06.2023	95.10	3.50
Frozen Currency Saving			
FBIHKO1	30.09.2018	99.50	3.02
FBIHKJ1	30.09.2018	99.80	2.65
FBIHKM1	30.09.2018	97.00	4.95

Source: SASE, RBI/Raiffeisen RESEARCH

Blue Chip Indices of SASE and BLSE



Source: SASE, BLSE, RBI/Raiffeisen RESEARCH

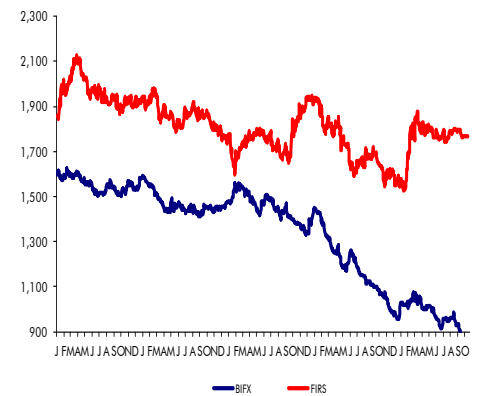
Banja Luka Stock Exchange (BLSE)

BIRS	20.10.2017	1w %
Telekom Srpske a.d. Banja Luka	1.11	0.9%
Nova banka a.d. Banja Luka	0.588	0.5%
HE na Drini a.d. Višegrad	0.208	4.0%
HE na Trebišnjici a.d. Trebinje	0.230	-0.4%
RITE Gacko a.d. Gacko	0.03	0.0%
RITE Ugljevik a.d. Ugljevik	0.03	0.0%
Elektrokrajina a.d. Banja Luka	0.105	0.0%
Banjalučka pivara a.d. Banja Luka	1.50	0.0%
Elektro-Bijeljina a.d. Bijeljina	0.15	0.0%
Boksit a.d. Miliči	0.65	0.0%

War Claim Bonds	Maturity	Last value	Yield (%)
RSRS-O-A	27.06.2023	91.90	4.33
RSRS-O-B	15.12.2023	91.50	4.54
RSRS-O-C	25.10.2023	91.50	4.67
RSRS-O-D	15.06.2024	91.50	4.11
RSRS-O-E	09.06.2025	88.60	4.68
RSRS-O-F	31.05.2025	90.00	4.27
RSRS-O-G	24.12.2025	90.00	4.25
Frozen Currency Saving			
RSDS-O-F	15.09.2019	99.50	2.97
RSDS-O-G	22.08.2021	97.02	4.06

Source: BLSE, RBI/ Raiffeisen RESEARCH

Blue Chip Indices of SASE and BLSE



Source: SASE, BLSE, RBI/ Raiffeisen RESEARCH

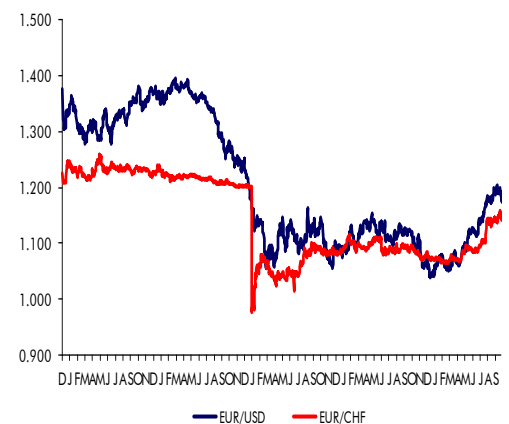
Global Markets

Index	1w%	Ytd%	Value 20.10.2017
ATX (AT)	0.22%	29.4%	3,383
BELEX15 (RS)	0.05%	1.3%	728
BUX (HU)	0.61%	22.3%	39,133
CROBEX (HR)	-0.87%	-7.5%	1,846
PX (CZ)	0.34%	13.9%	1,057
MICEX (RU)	-1.28%	-7.5%	2,072
SBITOP (SI)	-0.78%	12.0%	810
SOFIX (BG)	-0.20%	14.2%	668
SASX10 (B&H)	-0.28%	-9.9%	620
BIRS (B&H)	0.57%	2.9%	564

	Yields 10Y	Value 20.10.2017	1W (BP)	Ytd (BP)
AT	0.61	2.6	18.6	
DE	0.43	3.1	22.6	
FR	0.85	3.1	16.2	
BE	0.70	1.7	16.2	
NL	0.54	3.1	18.7	
IT	2.05	-3.7	23.2	
ES	1.65	4.1	26.8	
PT	2.32	-0.9	-144.0	
GR	5.56	2.1	-154.6	
GB	1.31	-5.9	6.9	
US	2.36	9.0	-8.2	

Source: Bloomberg, RBI/Raiffeisen RESEARCH

FX Market



Source: Bloomberg, RBI/Raiffeisen RESEARCH

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