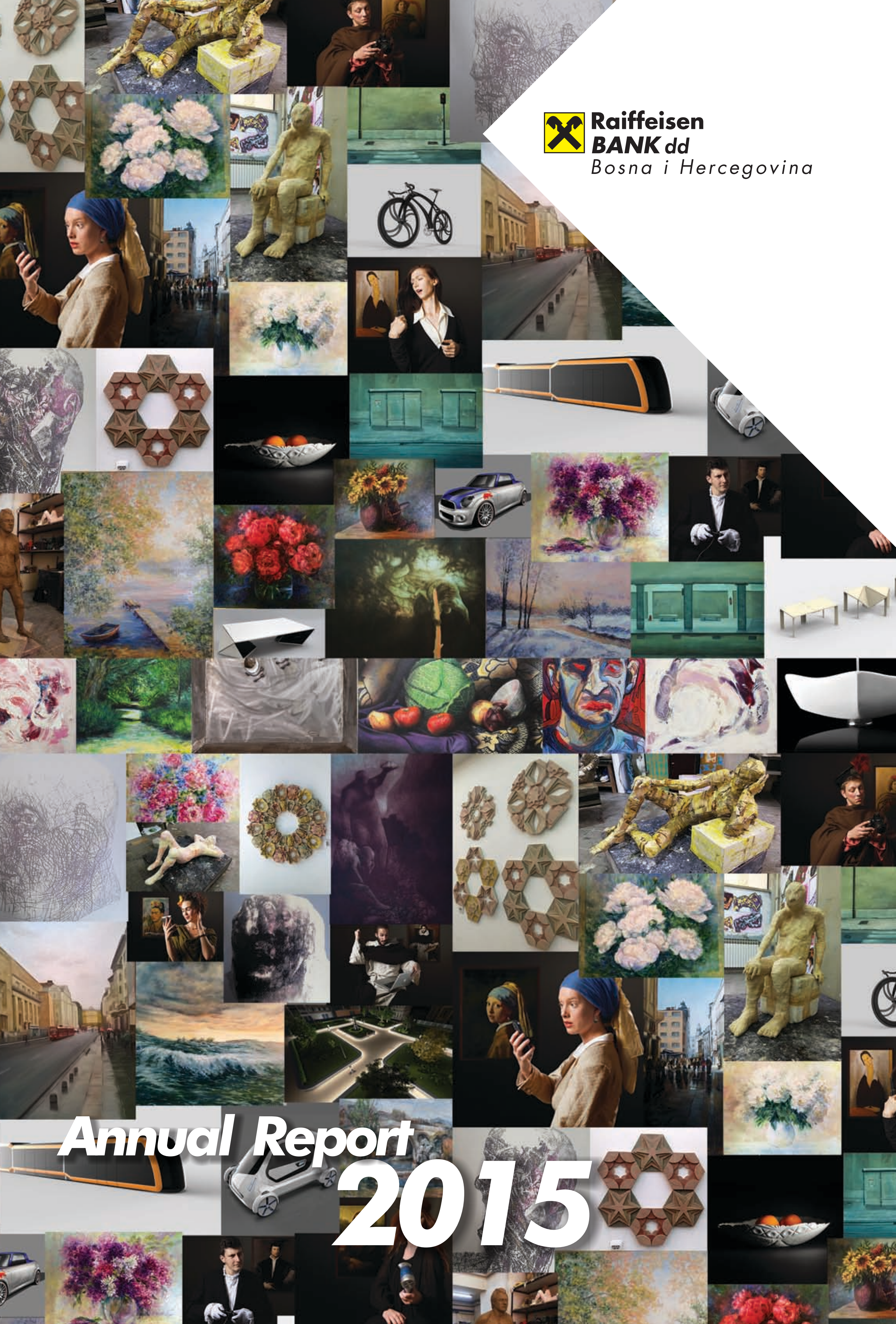
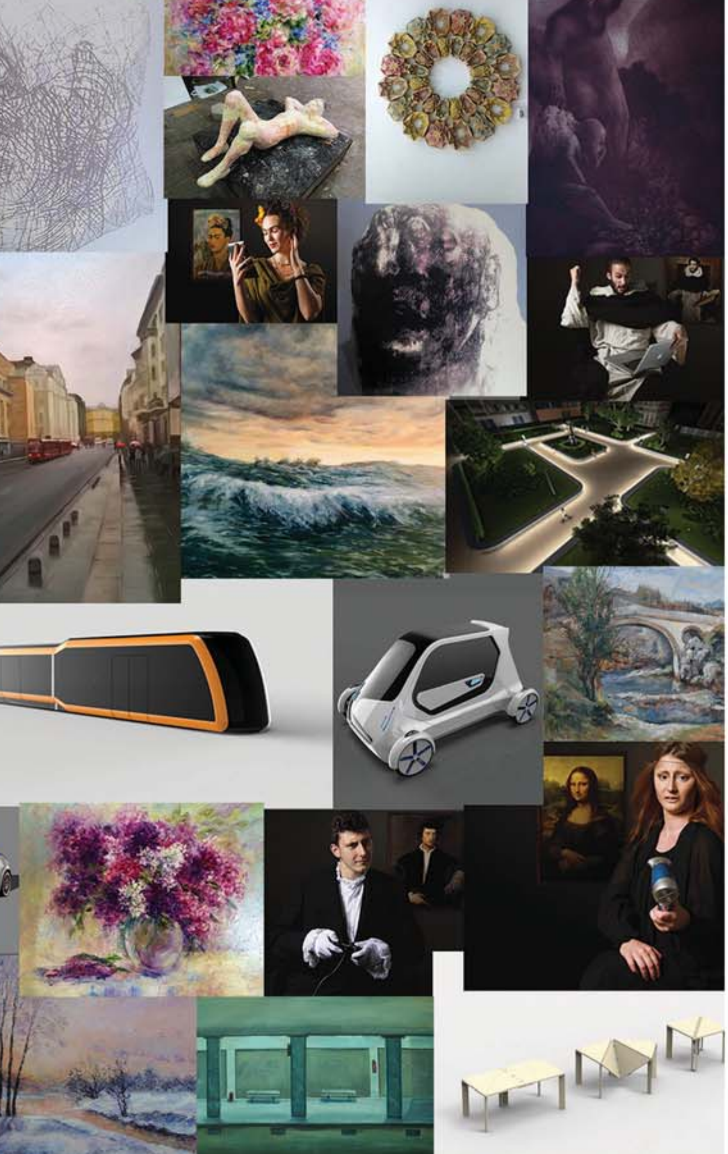
Raiffeisen
BANK dd
Bosna i Hercegovina



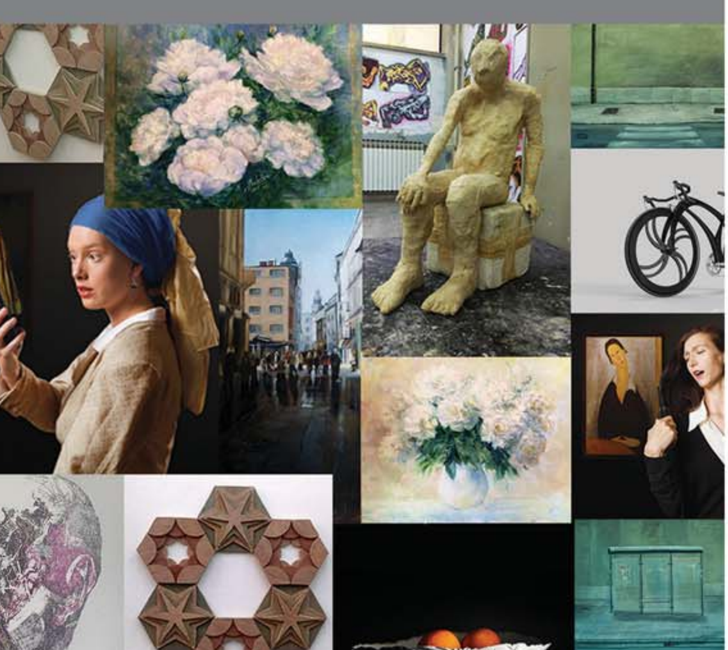
Annual Report 2015

Survey of key data

Raiffeisen *BANK* d.d. Bosna i Hercegovina Monetary values in EUR million	2015	2014	Change
Income statement			
Net interest income after value adjustment and provisioning	54.8	48.4	113.3%
Net fee and commission income	32.4	32.5	99.5%
Trading income	7.4	7.9	92.8%
General administrative expenses	58.1	59.4	97.9%
Profit before tax	38.4	31.2	123.2%
Profit after tax	34.3	27.5	124.5%
Balance Sheet			
Loans and advances to banks	77.6	54.1	143.4%
Loans and advances to customers	1,052.8	1,042.5	101.0%
Deposits from banks	64.2	79.5	80.7%
Deposits from customers	1,501.1	1,473.1	101.9%
Equity (incl. profit)	270.6	271.1	99.8%
Total assets	1,893.6	1,883.5	100.5%
Regulatory information			
Risk-weighted assets	1,347.1	1,291.2	104.3%
Capital adequacy ratio	15.2%	16.0%	(0.8) PP
Performance			
Return on equity before tax	15.16%	11.7%	3.42 PP
Return on equity after tax	13.51%	10.4%	3.16 PP
Cost/income ratio	56.61%	57.9%	(1.28) PP
Return on assets before tax	2.03%	1.6%	0.40 PP
Resources			
Number of employees	1,355	1,478	(8.3)%
Business outlets	94	94	0.0%



Akademija
Likovnih
Umjetnosti
u Sarajevu



Raiffeisen
GALLERY

A UNIQUE BLEND OF ART AND BANKING

A commitment to lasting customer relations and dedication to sharing its success with the community in which it operates are the imperatives of Raiffeisen Bank's business philosophy. The bank's operations are based on a sustainability strategy, which means that the economic, environmental and social aspects of business are equally important and that responsible business conduct is the foundation of lasting economic success.

Practically, this means that being a responsible banker to all interest groups, fair partner to its customers and engaged citizen through socially responsible business operations are essential components of the business activities of Raiffeisen Bank.

Socially responsible activities are therefore an integral part of the bank's sustainability strategy. They have been implemented through sponsorship and donations as well as through support for numerous projects that are important to the local communities and dedicated primarily to children.

Raiffeisen Bank also contributes to many cultural and educational projects. One such project is the Raiffeisen *GALLERY*, which brings double benefit. The *GALLERY* project offers young artists the chance to exhibit their work to the public, supported by the bank's marketing activities and corporate communication. At the same time, the bank and its customers are given the opportunity to enjoy works of art in a pleasant and creative environment and support young artists on their road to success.

During six years of cooperation, the Raiffeisen *GALLERY* has hosted six joint and more than forty individual exhibitions. Each exhibition is a sales opportunity that provides visitors with a chance to support these young artists by buying their works of art. It is thus a great pleasure to say that some of these works of art already decorate the homes of their new owners.

Each year Raiffeisen Bank and the Academy of Fine Arts in Sarajevo sign a new memorandum that ensures the continuation of our cooperation. To mark the occasion, a joint exhibition of students' works takes place at the Raiffeisen *GALLERY* and this is followed by individual exhibitions by selected students throughout the year.

The following students were given this opportunity in 2015: Abdulkerim Ljevaković (Sculpture), Romano Kuduzović (Graphic Design), Semir Osmanhodžić (Education Department), Tarik Rizvanović (Product Design), Nataliya Andreeva Salikhovich (Painting), and Nedim Šećeragić (Graphic Design).

Raiffeisen Bank promotes the work of students that exhibit at the *GALLERY* by informing the public about their exhibitions, financing brochures and through other communication channels.

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.

Abdulkerim Ljevaković

- Sculpture Department
- Abdulkerim Ljevaković exhibited his works in 2012, 2013 and 2014 in exhibitions of the best student works of art on the occasions of the Academy of Fine Arts Day and the University of Sarajevo 'December Days'.
- He has participated in the world competition of art works in Japan, where among the 38,000 works his was shortlisted.

"I would like to thank Raiffeisen Bank for allowing me to present my works in the Raiffeisen GALLERY. This type of support acts for young artists as an impetus and motivation for our future works."

Raiffeisen at a Glance

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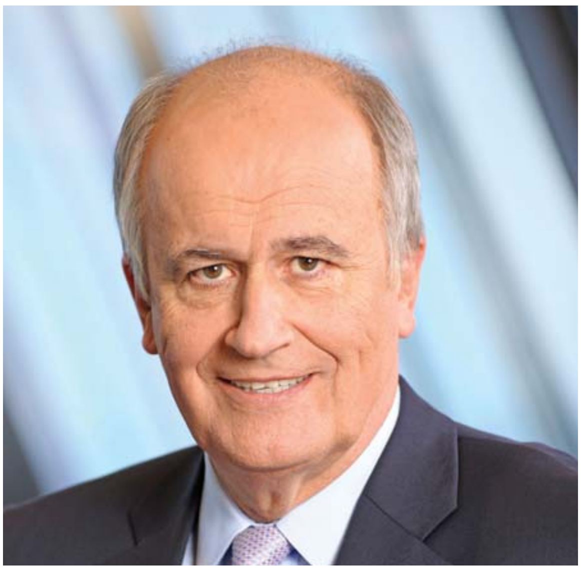
Report of the Supervisory Board



Ladies and Gentlemen,

At the beginning of 2015, Raiffeisen Bank International announced a review of the corporate strategy which the market received very positively. An emphasis on markets in which RBI can generate sustainable returns due to a strong position is also being welcomed, as is the action taken so far to achieve these goals. The plan to become a more focused universal bank with strong customer relationships by reducing complexity and risk as well as through bolstering the capital buffer is well on track and valued by market participants.

More than ever before, a bank today needs a focus – and RBI's is on CEE and Austria. RBI, therefore, needed to look at all operations unrelated to that focus, even when, in some cases, they have been highly successful in the past. The footprint in CEE was also reviewed at this time. All of this took place against the backdrop of higher regulatory capital ratio requirements, which were taken into account while determining the target CET1 and total capital ratios.

In 2015, RBI significantly strengthened its capital base, with the fully loaded CET1 ratio standing at 11.5 per cent at year-end, and also achieved a consolidated profit of € 379 million. The primary reason for the result being so positive was lower net provisioning for impairment losses. Furthermore, general administrative expenses were reduced by 4 per cent compared to 2014, in line with RBI's cost cutting initiative.

As far as Raiffeisen *BANK* d.d. Bosna i Hercegovina is concerned, I am pleased to say that, despite the challenging market environment in which it operated in 2015, the bank ended the year with very good business results.

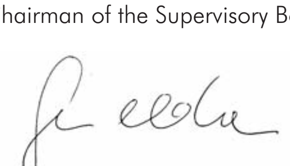
This year was also marked by significant political success. The Stabilization and Association Agreement signed between Bosnia and Herzegovina and the European Union, enacted on 01.06.2015, was the biggest step forward made towards the European Union in the past few years. Key macroeconomic indicators in Bosnia and Herzegovina have continuously indicated an intensification of economic activity in the country. The first half of the year saw an upward trend in real GDP driven by strong growth in key macroeconomic categories, despite the continued presence of numerous limiting factors such as the high unemployment rate and the unstable political situation.

The banking sector continued to be the best regulated and soundest sector in the country in 2015. This was confirmed by the annual results at the sector level that once again underlined its stability, security and liquidity. I am very pleased to say that Raiffeisen *BANK* d.d. Bosna i Hercegovina generated a good net operating result. This is a consequence of being sensitive to the needs of our customers, improving our business processes and following trends and strengthening digital business channels, whilst still cherishing the traditional forms of business.

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

On behalf of the Supervisory Board,

Karl Sevelda,
Chairman of the Supervisory Board



Preface by the CEO

I am very pleased to address you on behalf of the Management Board of Raiffeisen *BANK* d.d. Bosna i Hercegovina after another business year. I would like to take this opportunity to express my deep gratitude to our esteemed customers, business partners and employees for their loyalty and commitment throughout 2015.

The past year saw a limited economic situation with low growth rates in the real economy and this was reflected in the bank's low rates in its loan facilities. Although private consumption grew the labor market failed to show any signs of recovery, with a continued high rate of unemployment.

Yet thanks to our strong position and the improved quality of our portfolio, we managed to retain our market position and offer complete and improved services to our customers at the highest level of quality. It is therefore all the more pleasing to say that 2015 was a successful year for us and that our business results confirm the stability of our business operations. We generated a profit of 67 million BAM, which represents an increase of 24.4 per cent over the past year. Total assets were 3.73 billion BAM, while capital amounted to 529.23 million BAM.

We can look back at a year that was shaped by numerous activities through which we managed to retain a strong position in the Bosnian and Herzegovinian market. Loans at the end of the year amounted to 2.25 billion BAM, making us one of the leading banks in the lending business in Bosnia and Herzegovina. Significant improvement in the quality of our loan portfolio is a sign of our safe market position. Deposits were at 2.97 billion BAM, which reflects the trust our customers place in us. These business results further confirm the correctness of our strategy and the alignment of our strategic decisions with the market conditions.

Being a universal bank, our special focus is on rendering services to all segments of customers both legal entities and private individuals. Alongside traditional business channels, we also offer digital channels to our customers such as internet and mobile banking through the bank's webpages. By introducing new channels we aim to make our services less complex and enable simpler ways of doing business with the bank.

An intrinsic part of our business activities is the fact that Raiffeisen *BANK* d.d. Bosna i Hercegovina bases its activities on a sustainability strategy that includes economic, social and environmental aspects. The first pillar of the strategy centers on being a responsible bank able to adapt to new conditions and trends in the banking sector and maintain our status as a responsible company through business operations and products such as energy-efficiency loans. We also try to be a fair partner for all external and internal groups, always open to communication with our customers and to inform them on time about the business activities of the bank. Last but not least, we try to raise social issues and support many organizations focused on supporting the most sensitive segments of society. We have provided support for more than a thousand projects as part of our socially responsible activities. This makes us one of the companies that have taken the decision to allocate a significant amount of their annual profit to the above-mentioned purpose. Additionally, I would like to mention that the employees of the bank make their contribution to this financial support by volunteering their time and skills for such activities.

The awards presented to us in 2015 are additional confirmation of the correctness of our business strategy. 'The Banker' honored us for the tenth time as the bank of the year in Bosnia and Herzegovina, and we received the same title from the business magazine 'Global Finance'. The European Bank for Reconstruction and Development awarded us as the Most Active Issuing Bank in Bosnia and Herzegovina, while the renowned business and finance magazine 'The Banks and Business in BiH' presented us with the 'Golden BAM' award for having the largest shareholder equity.

We will continue to follow our customer oriented strategy in 2016, offering supreme service quality and diverse and innovative products. In this way we aim to strengthen the relationship we have with our customers and further justify their trust in us.

Karlheinz Dobnigg,
CEO

Macroeconomic Overview

The last quarter of 2014 indicated that 2015 would be quite an uncertain and challenging year in terms of economic trends in the global financial markets. Despite the fact that a continuation of the economic growth from 2014 was unquestionable, old problems such as deflation, unemployment and geopolitical uncertainty were still present on both sides of the Atlantic and threatened to disturb the global economic recovery.

At the very beginning of the year, two key macroeconomic decisions significantly determined economic trends throughout 2015. The first was the decision by the Swiss National Bank (SNB), on January 15, 2015, to break its three-year minimum exchange rate of CHF 1.20 to the euro that resulted in strong growth of the Swiss national currency over the euro. Moreover, immediately after the decision of the SNB, the Swiss franc reached a record value of 0.85 to the euro; this was the first time in history that the Swiss franc was stronger in the financial market than the joint currency of the European Monetary Union.

Immediately after the decision of the Swiss National Bank, the European Central Bank (ECB) took the decision to initiate a program of 'quantitative easing', following the earlier practice of the Federal Reserve System (FED), the Bank of England and the Bank of Japan. The 'quantitative easing' program includes the purchase of bonds in amounts of up to sixty billion euros, creating excess liquidity in the global markets and enabling cheaper borrowing for companies and households. All of this is aimed at encouraging investment and consumption and ultimately contributing to bringing the inflation rate within the level set by the ECB of close to (but below) two per cent.

Following the termination of its quantitative easing program in October 2014, the Federal Reserve System turned fully to another means of tightening monetary policy. This was to focus the attention of market participants throughout the year on when the FED would start to raise key interest rates, which had remained at record low levels since 2008. Despite the fact that the first increase in interest rates was expected much earlier, the FED only made this move in the last month of 2015 when it increased the interest rate by 0.25 per cent; this practically marked the end of the FED's ten-year policy of support to the US economy.

It appears that the efforts of the drivers of economic and monetary policy in the Eurozone and the United States (US) over several years to fight the negative economic trends materialized in 2015. First and foremost, this accounts for economic activity in the United States that significantly exceeding that of the Eurozone. More specifically, the US economy generated real growth of 2.4 per cent in 2015 over the previous year compared to growth in real GDP of 1.5 per cent yoy in the Eurozone for the same period. A major advantage of the US economy over the Eurozone and the European Union is the fact that the labor market in the US completely recovered in 2015. The US economy generated on average 221,000 new job openings each month and ended the year with a 5.0 per cent unemployment rate, the lowest since 2008, thus reaching 'full employment'. This is compared to the Eurozone and the European Union that ended 2015 with 10.4 per cent and 9.0 per cent unemployment rates, respectively. Despite a downward trend in unemployment, the unemployment rate in Europe remained significantly above the one recorded prior to the global economic crisis of 2008-2009.

Compared to 2014, the intensification of economic activity recorded by almost all members was particularly important for the Eurozone. Germany and other 'core' countries, including France, Austria, Belgium and Holland, remained the leaders of economic growth in the Eurozone, yet an encouraging sign is that the peripheral countries that instigated the debt crisis also posted solid results. Hence, once it got out of recession in 2014, Spain posted economic growth of 3.2 per cent in 2015. Portugal also came out of recession in 2014 and recorded a GDP increase of 1.5 per cent. Italy and Finland, having finally closed the three-year long era of recession, achieved economic growth of 0.6 and 0.2 per cent, respectively.

Only Greece recorded negative results and after a short recovery in 2014 again fell into recession. By mid-2015, after its government had held a referendum to hear the opinions of its citizens on the economic reforms proposed by the international creditors and which Greece was expected to implement in exchange for financial assistance aimed at preventing national bankruptcy, Greece again came into the focus of the financial markets. The result of the referendum threatened another escalation of debt crisis in the Eurozone; however, the counterparts eventually reached an agreement that prevented both the bankruptcy of Greece and its potential exit from the Eurozone.

The Eurozone struggled with the threat of deflation throughout 2015. In December 2014, the Consumer Price Index in the Eurozone went negative for the first time since September 2009. The pressure on consumer prices continued throughout the twelve months of 2015. A significant factor in 2015 was the downward trend in consumer prices, which was influenced predominantly by the constant decline in oil prices on the world markets. While the average price of oil in 2014 was USD 99 a barrel, the average price of oil in 2015 fell to USD 49 a barrel. A particularly sharp decline was recorded in the last quarter of the year when, for the first time since December 2008, the price of oil went below USD 40 a barrel. To mitigate the risk of new deflation, in December 2015 the ECB decided to additionally reduce the deposit interest rate from (0.2) per cent to (0.3) per cent. This allowed for a further release of monetary tension until consumer prices recovered at or close to the target value of 2.0 per cent.

Bosnia and Herzegovina (BiH) stepped into 2015 with great uncertainty in terms of how the situation would develop. General elections were held by the end of 2014, but the executive authorities were still not appointed at all levels. The political uncertainty continued up until the end of the first quarter of 2015 when the procedure of appointment of the new executive authorities was finalized through the election of a new Council of Ministers of BiH. However, the political stability was short lived as the coalition of parties in the Federation of Bosnia and Herzegovina (FBiH) broke by the middle of the first half of the year.

Following the reconstitution of both the Government of the FBiH and the Council of Ministers of BiH in the last quarter of 2015, the conditions for political stability for the forthcoming period were created. Despite the political turbulence, 2015 also saw great political successes. This relates primarily to the approval of the Reform Agenda by all key political bodies in the country, namely the entity governments and the Council of Ministers of BiH. The Reform Agenda sets the preconditions for Bosnia and Herzegovina's application for membership of the European Union. It defines the implementation of major reforms and the regular implementation of reporting to the European Union Delegation over a three-year period. The Reform Agenda is organized into six important sections: 1) Public Finance, Taxation and Fiscal Sustainability, 2) Business Climate and Competitiveness, 3) Labor Market, 4) Social Welfare and Pension Reform, 5) Rule of Law and Good Governance and 6) Public Administration Reform.

Upon approval of the Reform Agenda, the European Council enacted the Stabilization and Accession Agreement (hereinafter SAA) concluded between Bosnia and Herzegovina and the European Union. This Agreement was signed in 2008, yet it was prevented from coming into effect by the non-implementation of reform.

Periods of temporary political instability recorded during the year did not impair the constant improvement of the key macroeconomic indicators for BiH. This was confirmed by the intensification of economic activity in the country, primarily in the first half of 2015. Thus, based on the fast upward trend of its key macroeconomic categories, such as the processing industry, wholesale and retail sales, and construction, BiH posted strong growth in its actual GDP (as per the production methodology) of 3.0 per cent in the first half of 2015. A particularly encouraging fact is that out of the nineteen GDP categories monitored by the Agency for Statistics of Bosnia and Herzegovina only two categories suffered decline in their actual value.

It should be pointed out, however, that the low statistic base value contributed strongly to the considerable economic growth experienced in the first half of the year. In actual fact, during the same period BiH was struck by a major natural disaster in the form of the record flooding that occurred in May 2015. The floods caused a significant slowdown in the economy. As the statistic base effect gradually weakened, a slowdown in macroeconomic indicators became evident in the second half of 2015. The final GDP for 2015 is yet to be announced; however, the majority of key macroeconomic indicators confirm economic growth in 2015 of 2.0 per cent.

As in previous years, the most important stimulators of economic growth in 2015 were positive trends in export: production is directly dependent on export and retail sales. The export of BiH products reached the value of 8.99 billion BAM in 2015. This is the best foreign trade result ever reported by the Agency for Statistics of Bosnia and Herzegovina and indicates growth of 3.5 per cent on the 2014 figure. While the results for the two most important export categories (base metals and mineral products) remained negative, the results of other categories were good enough to ensure a solid expansion of overall export activity in 2015. The strongest contributors to overall growth in exports were the categories of chemical products (with a share of 16.6%), machinery and equipment (with a share of 8.4%), textile products (with a share of 16.3% yoy) and animal products (with a share of 65.0% yoy).

Export oriented industrial production increased by 2.6 per cent in 2015, which indicates the expansion of this business segment for the third consecutive year. This upward trend in industrial production (contributing a share of 17% of total GDP) was stirred by a surge in the processing industry of 4.8 per cent yoy and in the mining industry of 3.5 per cent yoy. However, electric power production was in decline for the second year in a row, down 1.2 per cent yoy.

At the same time, BiH imports reduced by 2.1 per cent yoy or 15.85 billion BAM. This reduction in imports was predominantly the result of decreased oil prices on the world markets, which had a knock-on effect on the value of imported goods. Actually, only 5 out of the 22 import categories showed a negative trend. The sharpest fall (a high of 19.7% yoy) was recorded in the category of mineral products, which is the most voluminous category of imports into BiH (accounting for 14.2% of total imports). Hence, the decline in imports in 2015 cannot be attributed to a considerable fall in demand and the purchasing power of the citizens of BiH compared to previous years. This standing is additionally supported by the fact that retail sales posted in BiH in 2015 showed growth of 7.8 per cent yoy on average, which is far above the retail sales growth of 1.2 per cent recorded in 2014. Moreover, revenue generated through indirect taxes by the Indirect Taxation Authority (hereinafter: ITA) were 1.82 per cent higher than in 2014, which points to the fact that private consumption in BiH is still on the rise.

Yet considering the continued devastating official records on the BiH labor market, the increase in private consumption cannot be explained by an improvement in the living standards of BiH citizens. To put it more precisely, according to the official records of the Agency for Statistics of Bosnia and Herzegovina, the BiH unemployment rate has increased since 2014 reaching 27.7 per cent. Parallel to this, when compared to 2014, the average salary in 2015 stagnated (0.0% yoy) and remained at 830 BAM. Therefore, it is reasonable to conclude that the rise in private consumption in BiH was ensured primarily through voluminous foreign fund remittances and retail lending in the banking sector.

A constant increase in retail lending was one of the key characteristics of performance in the banking sector in 2015. Total loans rose by a mere 2.4 per cent, which is the lowest growth rate in the last six years. As in the previous year, the slow growth of total loans was a consequence of a decline in the value of the corporate loans portfolio that remained negative at (0.3) per cent yoy for the second year in a row. Yet retail loans grew by 4.8 per cent yoy and for the third year running and were the key instigator of the increase in total loans.

The high rate of non-performing loans (hereinafter NPLs) in the corporate sector was unquestionably the main obstacle to recovery for this loan category. According to the latest data, non-performing loans accounted for 17.1 per cent of corporate loans and 10.2 per cent of retail loans. The level of total non-performing loans recorded in the BiH banking sector posted a small decline, down to 13.8 per cent from 14.0 per cent as of the end of 2014; but again it remained far above the low single-digit value recorded before the great economic crisis in 2009. Another noteworthy fact is that the BiH banking sector maintained its high profitability reaching 223.8 million BAM in the first nine months of 2015, in spite of the slowdown in loan placement. The key profitability indicators ROAA (Return on Average Assets) and ROAE (Return on Average Equity) stood at 1.0 per cent and 7.6 per cent, respectively. The capitalization rate remained stable at 16.2 per cent.

There were neither mergers nor acquisitions (hereinafter M&A) in 2015, hence the number of banks remained unchanged compared to 2014. As the banking sector saw no changes this implies ownership consolidation, while the concentration rate of the top three banking groups in the market remained close to 50 per cent of total assets in the banking sector.

Key Economic Data

	2012	2013	2014	2015e	2016f	2017
Nominal GDP (EUR billions)	13.4	13.7	13.9	14.3	15.1	16.0
Real GDP (% yoy)	(0.9)	2.4	1.1	2.0	3.0	3.5
GDP per capita (EUR)	3,448	3,525	3,600	3,713	3,929	4,182
GDP per capita (EUR in PPP)	7,100	7,200	7,200	7,300	7,400	9,150
Private consumption (real growth % yoy)	(0.8)	0.0	2.2	2.0	2.5	3.0
Gross investment (real growth % yoy)	4.1	(2.8)	5.9	4.0	7.5	7.2
Industrial output (% yoy)	(5.2)	6.7	0.1	2.6	5.0	6.5
Production prices (avg % yoy)	1.3	(2.2)	(0.2)	0.6	1.5	2.5
Consumer prices – inflation (avg % yoy)	2.1	(0.1)	(0.9)	(1.0)	1.0	2.0
Average gross salaries in industry (% yoy)	1.5	0.1	(0.1)	0.0	2.8	3.0
Unemployment rate (avg %)	28.0	27.5	27.5	27.7	26.0	25.0
Budget deficit (% GDP)	(2.0)	(2.2)	(2.1)	(2.5)	(2.0)	(1.0)
Public foreign debt (% GDP)	40.0	39.0	42.2	44.6	46.0	45.0
Trade deficit (% GDP)	(28.2)	(25.4)	(27.6)	(24.6)	(25.5)	(25.9)
Current account deficit (% GDP)	(9.1)	(5.9)	(7.6)	(7.0)	(7.6)	(8.1)
Net foreign investment (% GDP)	2.0	1.4	2.6	3.2	4.0	6.8
Foreign reserves (EUR billions)	3.3	3.6	4.0	4.4	4.5	4.7
Gross foreign debt (% GDP)	52.2	52.2	51.9	54.6	55.1	55.0
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)	1.48	1.42	1.62	1.80	1.94	1.70
USD/LCY (avg)	1.52	1.47	1.47	1.76	1.92	1.78

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

Overview of Banking Trends

	2015	2014	2013	2012	2011	2010
Aggregate balance sheet data						
Total assets, EUR million	12,757.55	12,298.77	11,794.33	11,210.28	10,987.10	10,624.29
growth in % yoy	3.7%	4.3%	5.2%	2.0%	3.4%	0.7%
Total loans, EUR million	8,623.35	8,422.77	8,194.17	7,946.75	7,619.22	7,323.3
growth in % yoy	2.4%	2.8%	3.1%	4.3%	5.4%	3.4%
Total deposits, EUR million	8,454.20	7,861.2	7,280.4	6,813.4	6,642.8	6,406.1
growth in % yoy	7.5%	8.0%	6.9%	2.6%	3.7%	3.6%
Loan to deposit ratio	102.0%	107.1%	112.6%	116.6%	114.7%	112.9%
Structural information						
Number of banks	26	26	27	28	29	29
Market share in % of state-owned banks	2.4	2.7	2.0	1.0	0.9	0.8
Market share in % of foreign-owned banks	84.6	84.4	90.3	92.0	92.0	92.8
Profitability and efficiency						
Return on assets (RoA)	1.0	0.7	(0.2)	0.6	0.7	(0.6)
Return on equity (RoE)	7.6	5.2	(1.4)	4.9	5.8	(5.5)
Non-performing loans (% of total loans)	13.8	14.2	15.1	13.5	11.8	11.4

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

Raiffeisen Bank International at a Glance

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 25 years, RBI has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. In CEE, at the end of 2015, around 48,000 RBI employees served some 14.6 million customers in around 2,700 business outlets. In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers and major multinational clients operating in CEE. All in all, RBI employs about 51,000 employees and has total assets of approximately € 114 billion.

RZB was founded in 1927 as "Genossenschaftliche Zentralbank". The RZB founded its first subsidiary bank in CEE already back in 1987. Since then, further own subsidiaries have been established. From 2000 onward, Raiffeisen's expansion into CEE countries has mainly been achieved by acquiring existing banks. These were subsequently combined into a holding company that operated under the name Raiffeisen International from 2003. In April 2005, Raiffeisen International was listed on the Vienna Stock Exchange in order to finance its future growth efficiently. Today's RBI was established in 2010 through the merger of Raiffeisen International with the principal business areas of RZB. At year-end 2015, RZB – which functions as the central institution of the Austrian Raiffeisen Banking Group – held approximately 60.7 per cent of RBI's stock, with the remaining shares in free float.

Romano Kuduzović

- Graphic Design Department
- He is the winner of several awards, the most important being first place at the BiH festival of 3D illusionist art 'Beton Fest Sarajevo' in 2012.

"This is an exhibition of famous paintings presented as conceptual photographs. The photographs bring the characters from the past in communication with modern technology."

Raiffeisen *BANK* d.d. Bosna i Hercegovina

Raiffeisen *BANK* d.d. Bosna i Hercegovina is a subsidiary of Raiffeisen Bank International AG (RBI), which is a leading universal bank in Central and Eastern Europe (CEE) and one of the top corporate 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* d.d. Bosna i Hercegovina reaffirmed its leading position in the local banking market when in 2004 it became the first bank in the country to pass the total assets mark of two billion BAM and in the years that followed it almost doubled its assets amounting to 3.7 billion BAM as of December 31, 2015. By that time, Raiffeisen *BANK* d.d. Bosna i Hercegovina operated 94 business outlets with 1,355 employees.

Numerous international and local awards attest to the successful business operations of Raiffeisen *BANK* d.d. Bosna i Hercegovina, including the Euromoney 'Best Bank in B&H' award, the Banker 'Bank of the Year' award, the EMEA Finance 'Best Bank in B&H' 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 per cent
Other shareholders	0.0049 per cent

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

Vision

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

Mission

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

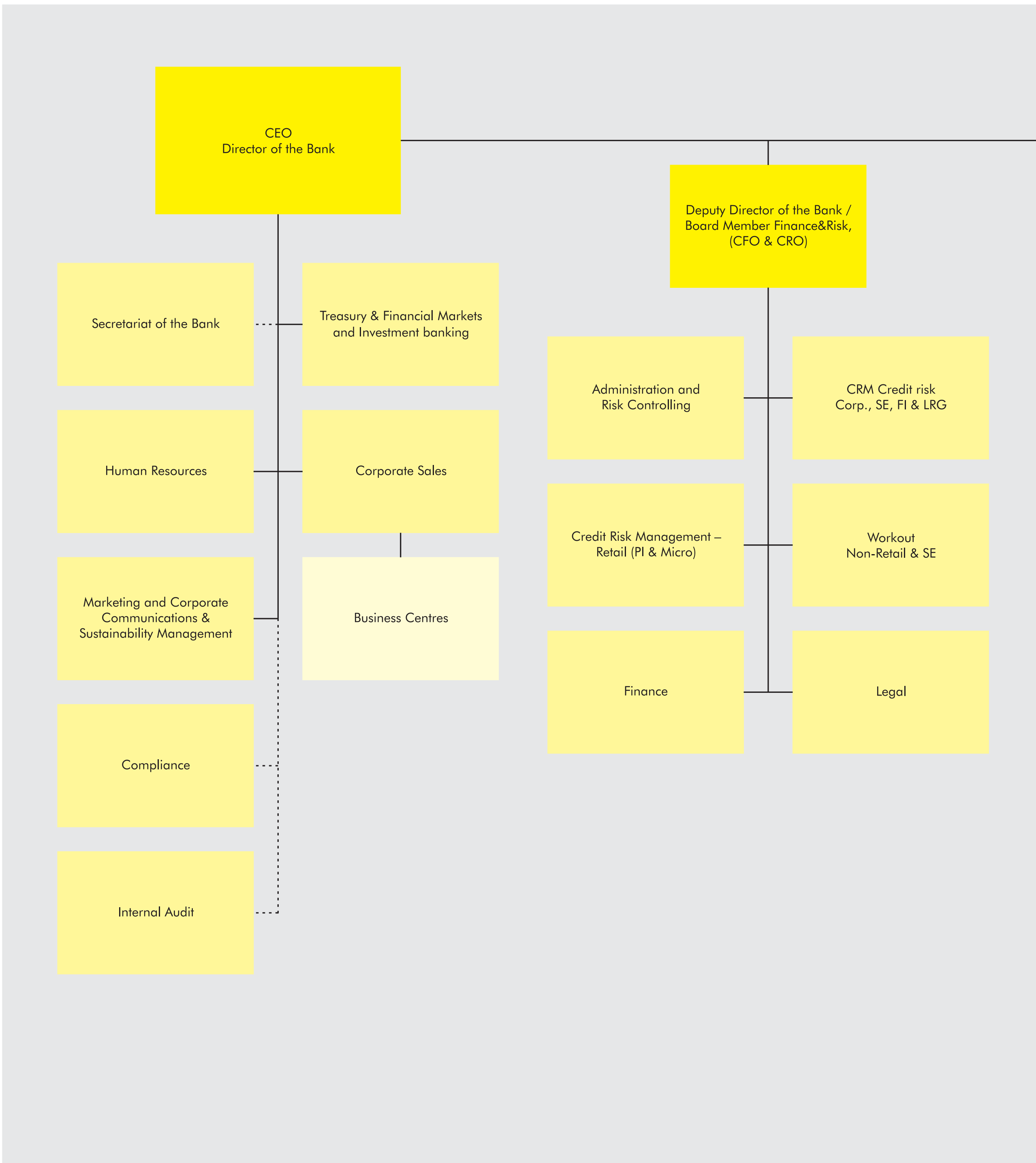
The gable cross is part of the trademark used by almost every company in the Raiffeisen Banking Group and RZB Group in CEE. It represents two stylized horse's heads, crossed and attached to the gable of a house. It is a symbol of protection rooted in old European folk tradition: a gable cross on the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

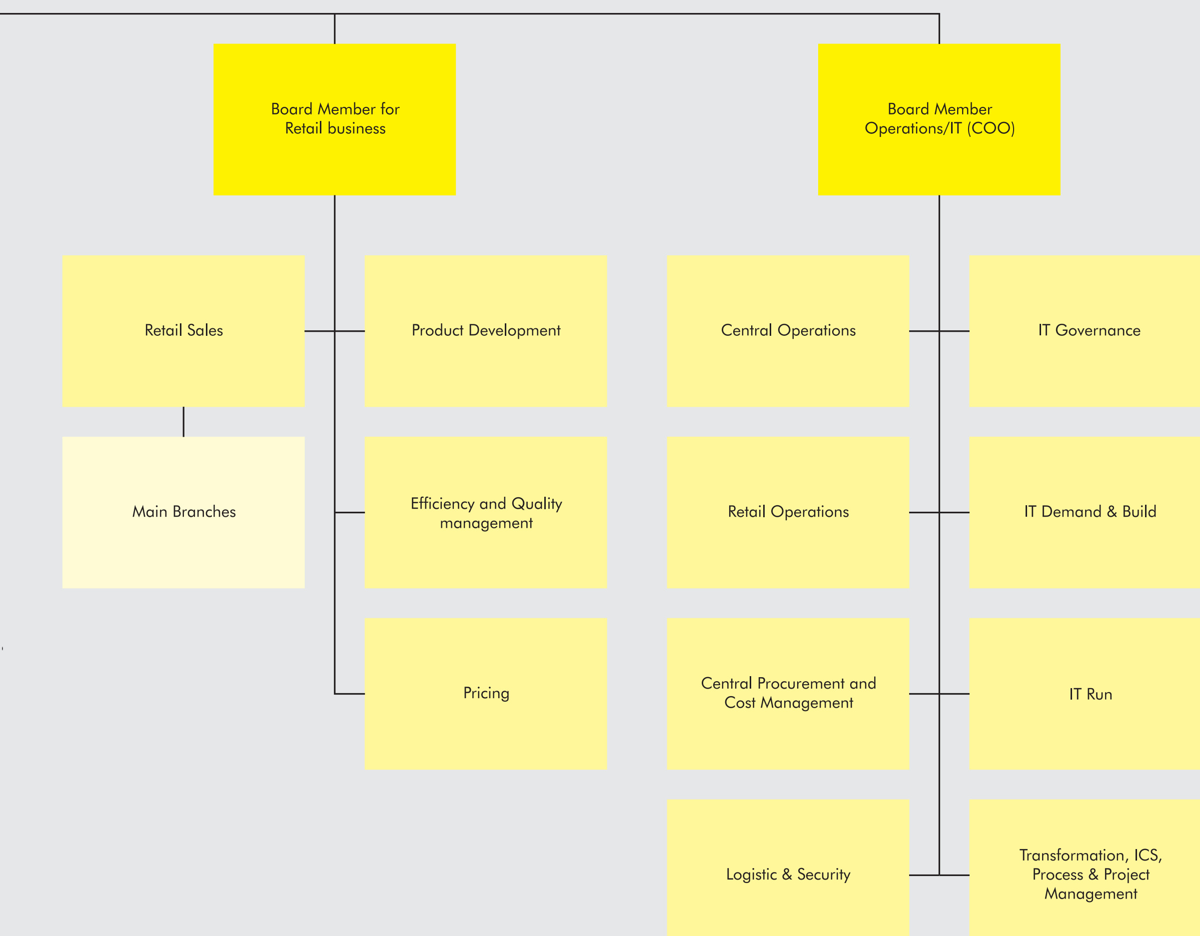
The Management Board

Sanela Pašić, Deputy CEO
Maida Zahirović Salom, Executive Director
Karlheinz Dobnigg, CEO
Mirha Hasanbegović, Executive Director


EH, BOSNO MOJA!

Organisational Structure




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

Balance Sheet

as at 31 December 2015 and 2014

	2015 (BAM 000)	2015 (EUR 000)	2014 (BAM 000)	2014 (EUR 000)
Assets				
Cash and cash equivalents	804,472	411,320	826,525	422,596
Legal reserve with the Central Bank of B&H	250,462	128,059	240,794	123,116
Loans and advances to banks	151,748	77,588	105,832	54,111
Loans and advances to customers	2,059,096	1,052,799	2,038,895	1,042,470
Assets held for sale	345	176	370	189
Financial assets available for sale	192	98	219	112
Financial assets at fair value through profit and loss	102,437	52,375	117,926	60,295
Financial assets held to maturity	136,553	69,818	169,672	86,752
Financial investments	2,456	1,256	1,916	980
Investments in associates	8,175	4,180	8,175	4,180
Deferred tax assets	831	425	855	437
Other assets and receivables	39,393	20,141	24,433	12,492
Tangible and intangible fixed assets	147,388	75,358	148,140	75,743
Total Assets	**3,703,548**	**1,893,594**	**3,683,752**	**1,883,472**
Liabilities				
Deposits from banks	125,561	64,198	155,542	79,527
Deposits from customers	2,935,840	1,501,071	2,881,072	1,473,069
Provisions	19,743	10,094	18,694	9,558
Other liabilities	31,374	16,041	28,596	14,621
Subordinated debt	61,798	31,597	69,684	35,629
Total Liabilities	**3,174,316**	**1,623,002**	**3,153,588**	**1,612,404**
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	124	63	124	63
Regulatory reserves	102,443	52,378	102,443	52,378
Retained earnings	175,025	89,489	175,957	89,965
Total Equity	**529,232**	**270,592**	**530,164**	**271,069**
Total Equity and Liabilities	**3,703,548**	**1,893,594**	**3,683,752**	**1,883,472**
Commitments and Contingencies	**902,674**	**461,530**	**822,291**	**420,431**

Income Statement

for the years ended 31 December 2015 and 2014

	2015 (BAM 000)	2015 (EUR 000)	2014 (BAM 000)	2014 (EUR 000)
Interest and interest-like income	158,181	80,877	168,213	86,006
Interest expenses and interest-like expenses	(39,091)	(19,987)	(45,560)	(23,294)
Net interest income	**119,090**	**60,890**	**122,653**	**62,711**
Fee and commission income	75,329	38,515	73,115	37,383
Fee and commission expenses	(12,037)	(6,154)	(9,527)	(4,871)
Net fee and commission income	**63,292**	**32,361**	**63,588**	**32,512**
Net financial income	14,407	7,366	15,532	7,941
Other operating income	4,010	2,050	3,488	1,783
Operating income	**200,799**	**102,667**	**205,261**	**104,948**
Administrative expenses	(105,684)	(54,035)	(107,646)	(55,039)
Depreciation and amortization	(7,995)	(4,088)	(8,528)	(4,360)
Operating expenses	**(113,679)**	**(58,123)**	**(116,174)**	**(59,399)**
Earning before impairment losses, provisions and income tax	**87,120**	**44,544**	**89,087**	**45,549**
Provisioning for impairment losses	(19,016)	(9,723)	(35,223)	(18,009)
Recoveries	7,059	3,609	7,164	3,663
Profit before income tax	**75,163**	**38,430**	**61,028**	**31,203**
Income tax	(8,154)	(4,169)	(7,195)	(3,679)
Net profit for the year	**67,009**	**34,261**	**53,833**	**27,524**
Earnings per share (BAM)	67.78	56.02	56.02	28.64

Key financial ratios

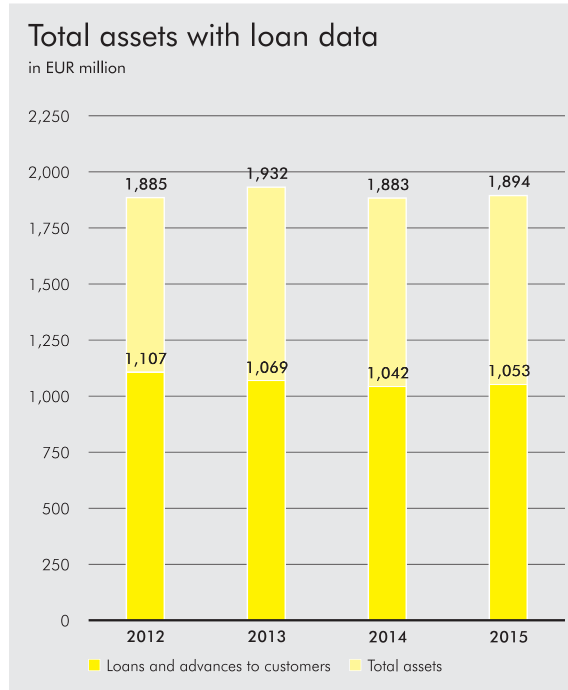
The presented data is stated or calculated on the basis of the bank's revised financial statements

	2015 (BAM 000)	2014 (BAM 000)	2013 (BAM 000)	2012 (BAM 000)
Year-end				
Total assets	3,703,548	3,683,752	3,778,975	3,685,849
Deposits from customers	2,935,840	2,881,072	2,949,350	2,750,363
Loans and advances to customers	2,059,096	2,038,895	2,090,779	2,165,228
Shareholder capital	251,640	251,640	241,861	241,861
Shareholder capital and reserves	529,232	530,164	510,064	497,458
Annual results				
Total revenues	207,858	212,425	211,635	206,493
Total operating expenses	132,695	151,397	163,926	163,567
Profit before tax	75,163	61,028	47,709	42,926
Profit after tax	67,009	53,833	42,505	36,528
Ratios				
Return on assets	2.0%	1.6%	1.3%	1.1%
Return on equity	13.5%	10.4%	8.4%	7.3%
Cost/income ratio	56.6%	57.9%	59.2%	59.4%

	2015 (EUR 000)	2014 (EUR 000)	2013 (EUR 000)	2012 (EUR 000)
Year-end				
Total assets	1,893,594	1,883,472	1,932,159	1,884,545
Deposits from customers	1,501,071	1,473,069	1,507,979	1,406,238
Loans and advances to customers	1,052,799	1,042,470	1,068,998	1,107,063
Shareholder capital	128,661	128,661	123,662	123,662
Shareholder capital and reserves	270,592	271,069	260,792	254,346
Annual results				
Total revenues	106,276	108,611	108,207	105,578
Total operating expenses	67,846	77,408	83,814	83,630
Profit before tax	38,430	31,203	24,393	21,948
Profit after tax	34,261	27,524	21,732	18,676
Ratios				
Return on assets	2.0%	1.6%	1.3%	1.1%
Return on equity	13.5%	10.4%	8.4%	7.3%
Cost/income ratio	56.6%	57.9%	59.2%	59.4%

Total Assets with Loan Data

Despite weak economic and credit activity on the market, the bank managed to maintain its assets at approximately the same level over the observed periods. Net loans to customers accounted for 55 per cent of total assets, which represents a decrease of 3 per cent. On the other hand, gross loans to customers accounted for 60 per cent of the total assets, which is a drop of 2 per cent. Gross loans to private individuals accounted for 61 per cent of the total portfolio, which is an increase of 2 per cent compared to the end of 2014.



	2015 (BAM 000)	2014 (BAM 000)	2013 (BAM 000)	2012 (BAM 000)
Total assets	**3,703,548**	**3,683,752**	**3,778,975**	**3,685,849**
Loans and advances to customers	2,059,096	2,038,895	2,090,779	2,165,228

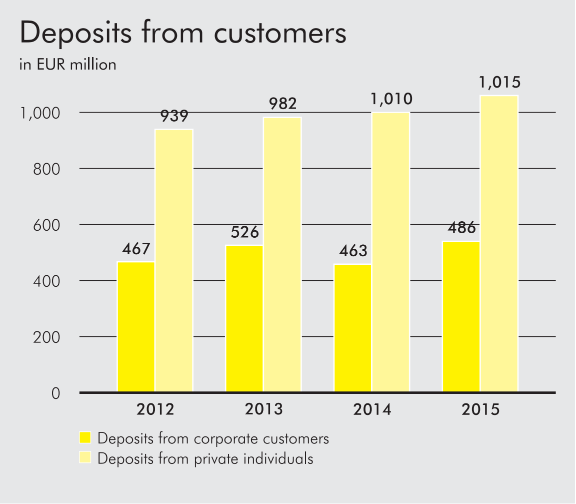
	2015 (EUR 000)	2014 (EUR 000)	2013 (EUR 000)	2012 (EUR 000)
Total assets	**1,893,594**	**1,883,472**	**1,932,159**	**1,884,545**
Loans and advances to customers	1,052,799	1,042,470	1,068,998	1,107,063

Lending

	2015 (BAM 000)	2015 (EUR 000)	2014 (BAM 000)	2014 (EUR 000)	Change %
Corporate loans	875,124	447,444	927,860	474,407	(10.7)%
Retail loans	1,367,974	699,434	1,367,349	699,114	5.5%
Gross loans	2,243,098	1,146,878	2,295,209	1,173,522	(2.1)%
Impairments	184,002	94,079	256,314	131,051	8.7%
Net loans	**2,059,096**	**1,052,799**	**2,038,895**	**1,042,470**	**(3.4)%**

Customer Deposits

Customer deposits accounted for 68 per cent of the total deposits, recording a growth of 9,435 thousand BAM. This is a result of our longstanding and successful customer oriented business. A breakdown of deposits from private individuals shows term deposits at 46 per cent and sight deposits at 54 per cent.



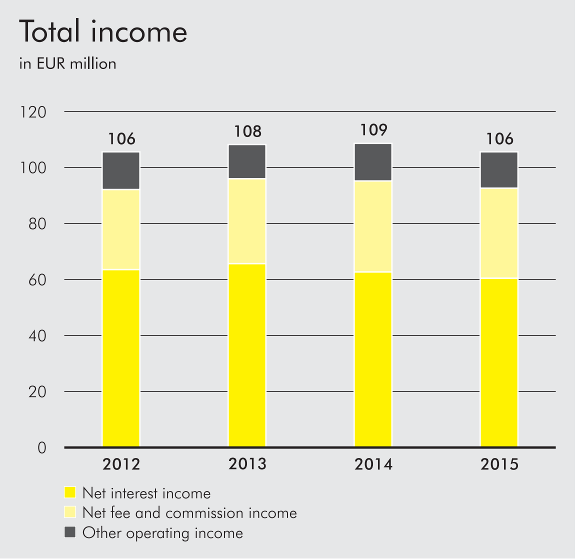
	2015 (BAM 000)	2014 (BAM 000)	2013 (BAM 000)	2012 (BAM 000)
Deposits from corporate customers	951,160	905,827	1,029,035	913,342
Deposits from private individuals	1,984,680	1,975,245	1,920,315	1,837,021

	2015 (EUR 000)	2014 (EUR 000)	2013 (EUR 000)	2012 (EUR 000)
Deposits from corporate customers	486,320	463,142	526,137	466,984
Deposits from private individuals	1,014,751	1,009,927	981,841	939,254

Total Income (structure included)

Total income was comprised of net interest income at 60 per cent and net commission income at 32 per cent. Commission income rose by 1 per cent, while interest income fell by 6 per cent compared to the previous year as a result of decreased interest rates.

Interest expenses were 14 per cent lower than in the previous year as a result of a decrease in dues to banks and other financial institutions.



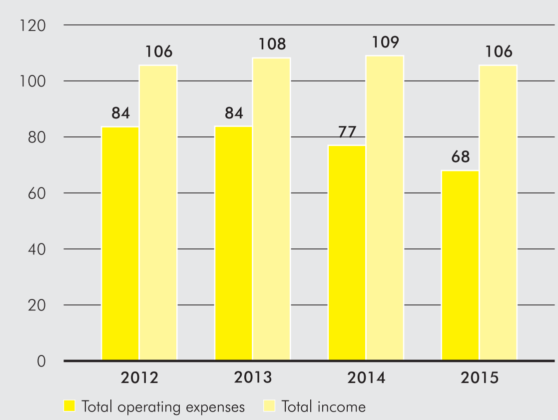
	2015 (BAM 000)	2014 (BAM 000)	2013 (BAM 000)	2012 (BAM 000)
Total revenues	**207,858**	**212,425**	**211,635**	**206,493**
Net interest income	119,090	122,653	128,486	124,312
Net fee and commission income	63,292	63,588	59,268	55,903
Other operating income	25,476	26,184	23,881	26,278

	2015 (EUR 000)	2014 (EUR 000)	2013 (EUR 000)	2012 (EUR 000)
Total revenues	**106,276**	**108,611**	**108,207**	**105,578**
Net interest income	60,890	62,711	65,694	63,560
Net fee and commission income	32,361	32,512	30,303	28,583
Other operating income	13,026	13,388	12,210	13,436

Operating Expenses versus Total Income

In the relevant period (2012-2015), total operating expenses fell by 17,638 thousand BAM or 12 per cent. This was a result of efficiency measures that included the implementation of stricter cost control, by both cost organization and structure, which resulted in an improvement in the cost/income ratio.

Expenses/income comparison
in EUR million



	2015 (BAM 000)	2014 (BAM 000)	2013 (BAM 000)	2012 (BAM 000)
Total operating expenses	132,695	151,397	163,926	163,567
Total revenues	207,858	212,425	211,635	206,493

	2015 (EUR 000)	2014 (EUR 000)	2013 (EUR 000)	2012 (EUR 000)
Total operating expenses	67,846	77,408	83,814	83,630
Total revenues	106,276	108,611	108,207	105,578

Semir Osmanhodžić

- Department of Art Education
- His focus is on the "Lack of time in the time of technology, which is a paradox of the era we live in."

"This exhibition displays my paintings with motifs of Sarajevo. The Raiffeisen Gallery is truly an amazing space and I would like to thank the Raiffeisen Bank for allowing me to have my solo exhibition."

Tarik Rizvanović

- Department of Product Design
- His works primarily focus on furniture and interior design, but with particular interest in car design.
- While studying, he participated in many workshops and several exhibitions receiving many awards of which the most important is the Alija Kučukalić Award.

"At this exhibition I wanted to show how I see furniture and interior designing in the future. I am also very interested in car design, which you can also see at the exhibition."

Business Overview

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Corporate Banking

Economic activity was better than in 2014, seeing a growth trend recorded in industrial production. This happened because local entrepreneurs did not stop their business activities, despite the fact that they were hit by severe flooding in 2014.

Deflationary pressures, measured against changes in the Consumer Price Index, resulting from low oil prices on the global market also marked 2015.

The Corporate loans portfolio recorded stabilization and a slower rate of decline in 2015. It fell by just 2.8 per cent, which is much less than the drop of 9 per cent recorded in the previous year.

The Corporate segment focused on improving the quality of the loan portfolio and strengthening customer relationships in 2015. These activities increased performing assets by 4.1 per cent and decreased non-performing by 27.7 per cent compared to the previous year.

In 2015, the same as in 2014, the bank maintained a selective approach to customers in order to avoid non-performing loans and additional provisioning costs. The number of non-performing loans dropped and provisioning costs were reduced by 15.6 times compared to 2014.

Focusing on developing good customer relationships through the intensive promotion of loan and Capital-Light products (Trade Finance, for financing trading and documentary business, and Cash Management products for invoices and payments) resulted in an increase of 7.5 per cent in the *off-balance* position.

Deposits remained almost the same, with only a slight drop of 0.54 per cent.

The decline in the loan portfolio was a result of lower interest income by 6 per cent.
Net fee and commission income also dropped by 2.4 per cent, probably as a result of reduced fees for loan and Capital-Light products.

The loan portfolio for large local, international and GAMS customers was lower by 6 per cent. Compared to 2014, performing assets grew slightly, non-performing assets dropped by 27.9 per cent, provisioning costs also dropped, while the deposit base grew by 6 per cent.

The SME portfolio grew by 3 per cent, with performing assets higher by 12.5 per cent and non-performing lower by 28.5 per cent compared to 2014. The provisioning costs remained almost the same as in the previous year, but the deposit base dropped by 10 per cent.

Public sector financing dropped by 6 per cent. Non-performing assets and the provisioning costs rose in comparison to 2014 because of the floods. The deposit base also recorded a decline of 16 per cent.

In 2015, Raiffeisen *BANK* d.d. Bosna i Hercegovina introduced a new product: *Factoring*. This is a form of short-term finance for corporate customers with performing loans that take care of their own liquidity.

A special set of products was introduced for medium size customers in 2015. It offers them loan products at more favorable prices and allows them to save money based on lower interest rates than they would pay if they were to use each product separately.

Providing active customer support not only enabled the bank to keep its existing customers but also to acquire new ones, by the end of 2015 the bank had 2,818 corporate customers.

SME Business

In the area of small and micro enterprises (SME), the bank continued to improve service quality by launching new and adjusting the existing products tailored to meet the customers' needs and by establishing a pricing policy and communication channels with customers in the credit, card and deposit business.

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

The SME Segment recorded growth in working capital loans and overdrafts, whereas investment loans stagnated in 2015.

A special set of SME products was introduced to customers in 2015. It offers them the chance to use loan products at more favorable prices and to save money based on lower interest rates than would apply if they were to use each product separately.

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

In order to provide better security and privacy for our customers, the bank introduced a new service: *E-statements for business cards*. This service allows corporate customers to download account statements from the bank's website or to have them sent automatically to one or more email address each month. This service also allows our customers access to statements for the last six months at no additional cost.

The bank continued to encourage its customers to start using electronic sales channels (Raiffeisen NET services), which enable them to manage their financial transactions efficiently and at reduced costs and to gain an insight into their accounts and statements.

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

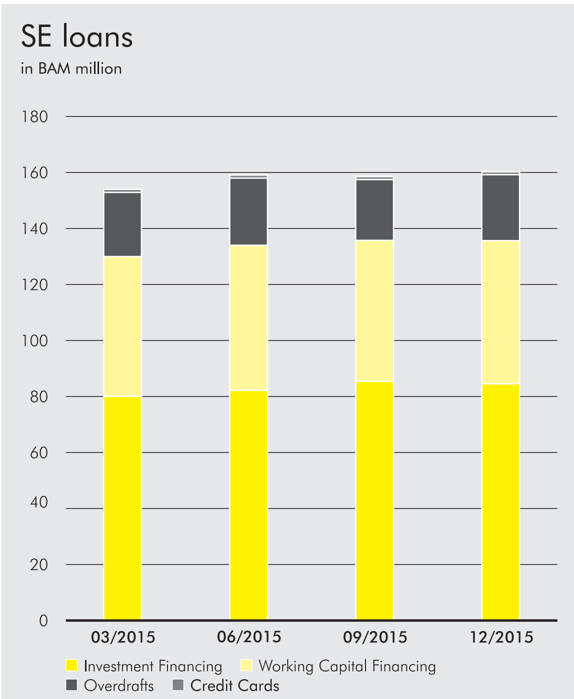
'000 BAM	March 2015	June 2015	September 2015	December 2015
Credit Cards	1,089	1,048	1,035	1,001
Overdrafts	22,904	24,011	21,731	23,578
Working Capital Financing	49,904	51,758	50,338	51,103
Investment Financing	80,075	82,244	85,408	84,547

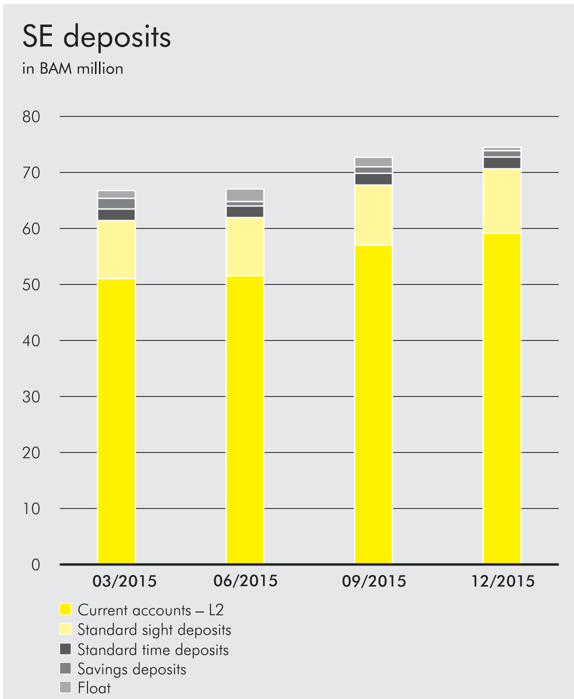
In 2015, the total SE loan portfolio remained almost the same as in 2014.

Use of overdrafts rose by 15 per cent and working capital loans stayed at the same level, while investment loans dropped by 4 per cent compared to the previous year.

'000 BAM	March 2015	June 2015	September 2015	December 2015
Float	1,400	2,240	1,710	607
Savings deposits	1,894	796	1,162	1,122
Standard time deposits	2,079	2,063	2,097	2,097
Standard sight deposits	10,339	10,378	10,676	11,511
Current accounts – L2	51,057	51,574	57,057	59,145

In 2015, SE deposits grew by 8 per cent compared to 2014.





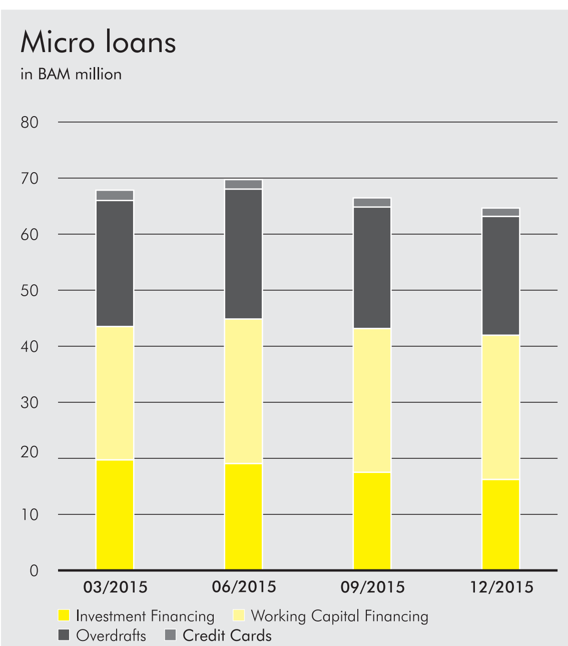
Development of the Loan and Deposit Portfolios (Micro segment):

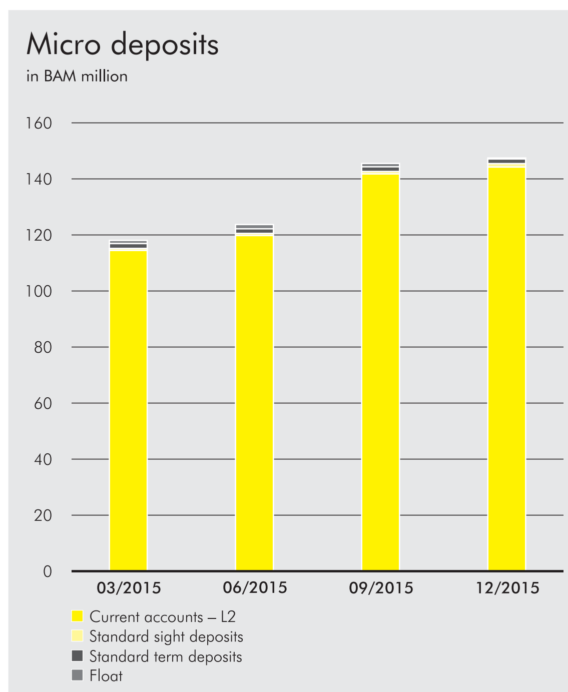
'000 BAM	March 2015	June 2015	September 2015	December 2015
Credit Cards	1,843	1,689	1,627	1,478
Overdrafts	22,479	23,180	21,666	21,200
Working Capital Financing	23,789	25,784	25,654	25,732
Investment Financing	19,727	19,079	17,515	16,240

The total portfolio of Micro customers recorded a drop of 4 per cent in 2015 compared to 2014. The biggest demand was for working capital loans, which grew by 5 per cent.

'000 BAM	March 2015	June 2015	September 2015	December 2015
Float	1,135	1,521	1,200	367
Standard term deposits	1,746	1,629	1,653	1,621
Standard sight deposits	664	768	882	1,234
Current accounts – L2	114,050	119,793	141,776	144,239

In 2015, deposits of Micro customers grew by 43 per cent compared to 2014.





Retail Banking

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

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

Neutral Business

The neutral business sector achieved good results in 2015. In particular, income increased by 17.3 per cent in the exchange office business compared to 2014; this was principally a result of the acquisition of new exchange offices.

The income from Western Union services remained almost the same as in 2014 (higher only by 1.7% in 2015), while the number of transactions increased by 5.4 per cent compared to 2014.

The bank carried out many activities aimed at acquiring new customers in 2015 and this resulted in an increased number of active Account Sets, which grew by 34.1 per cent with income growth up by 8.9 per cent compared to 2014.

Deposits from Private Individuals

In 2015, Raiffeisen *BANK* d.d. Bosna i Hercegovina saw a slight increase in the PI deposit business area, up by 1 per cent compared to 2014.

Overview of deposits from private individuals

'000 BAM	2015	Change	2014	Change	2013	Change	2012
Term deposits	1,074,113	(9.7)%	1,189,725	1.4%	1,172,824	(0.2)%	1,174,812
Sight Deposits	616,676	13.5%	543,472	(1.9)%	553,691	13.2%	488,813
Current accounts	281,970	22.3%	230,550	15.4%	195,000	12.5%	173,380
Total	**1,972,769**	**0.5%**	**1,963,747**	**2.2%**	**1,920,892**	**4.6%**	**1,837,005**

Private Lending

Over the course of 2015, Raiffeisen *BANK* d.d. Bosna i Hercegovina presented new loan products with a fixed interest rate to respond to the needs of the market:

- cash loans at fixed interest with a maturity of up to five years, integral loans at fixed interest with a maturity of up to five years and XXL loans at fixed interest with a maturity of up to five years;
- XXL cash loans at fixed interest with a maturity of up to ten years, integral non-purpose refinancing loans at fixed interest with a maturity of up to ten years and XXL at fixed interest with a maturity of up to ten years.

In the third quarter, the bank promoted cash back benefit for customers. The benefit consists of a one per cent refund on the loan amount, up to a maximum of 200 BAM, at the due date of the first instalment for all customers who took out a non-purpose loan during the period September 15 to December 15, 2015.

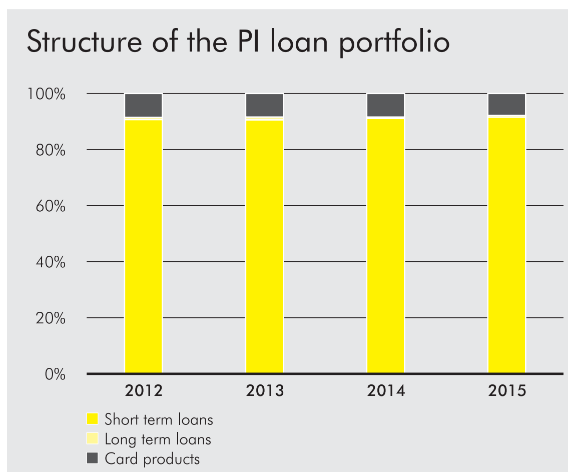
The new concept enabled Raiffeisen *BANK* d.d. Bosna i Hercegovina to achieve certain key objectives and improvements.

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

The loan portfolio was dominated by non-purpose loans with a 93 per cent share, followed by mortgage loans with a 4 per cent share and Lombard loans and non-purpose loans with a share of 2.4 per cent and 0.6 per cent respectively.

The best-selling products from the non-purpose loan offer were the following:

- XXL non-purpose loans without guarantors, with a 23 per cent share of total lending;
- pre-approved consolidation loans, with a 26 per cent of total lending;
- integral non-purpose loans for refinancing, with a 16 per cent share of total lending.



Overview of the PI loan portfolio

'000 BAM	2015	Change	2014	Change	2013	Change	2012
Short term loans	8,020	26.1%	6,361	(47.7)%	12,162	21.1%	10,047
Long term loans	1,262,696	8.4%	1,164,662	1.0%	1,153,617	5.5%	1,093,931
Card products	108,121	0.4%	107,667	(0.1)%	107,815	5.2%	102,524
Total	**1,378,837**	**7.8%**	**1,278,690**	**0.4%**	**1,273,594**	**5.6%**	**1,206,502**

Card Business

Cards

The card portfolio continued to grow throughout 2015 and the year ended with a total of 780,266 cards (cumulative figure). In 2015 alone 64,288 cards were issued, which translates into growth of 9 per cent compared to 2014.

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

A significant contributory factor to the number of debit cards issued was the continued action to acquire public sector and corporate firms that pay staff salaries through accounts linked to debit cards issued by Raiffeisen *BANK* d.d. Bosna i Hercegovina. The biggest contributor to the growth of newly issued debit cards was the 'MasterCard Debit Card'. The main advantages of the two strongest contributors to newly issued cards in 2015 are presented below.

Contactless MasterCard Debit Card:
- pay for goods and services within the country and abroad,
- cash withdrawal within the country and abroad,
- online payments,
- contactless payment functionality.

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

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

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

Card Acceptance at Point of Sale (POS)

The Card Acceptance Unit saw another year of positive trends in all of its business segments in 2015. The POS network, with contactless payment functionality, was extended and the number of merchants and locations using POS terminals of Raiffeisen *BANK* d.d. Bosna i Hercegovina increased.

The total number of POS terminals offering contactless payment at merchants was around 1,270 through 120 merchants as of year's end. The volume of card transactions increased by 3.74 per cent compared to 2014.

The merchant network was further expanded in 2015 to enable customers to pay in instalments without incurring any interest or fees by using their MasterCard Shopping Card. The benefits of the MasterCard Shopping Card are now offered at 3,800 outlets, which accounts for 56 per cent of the entire Raiffeisen *BANK* d.d. Bosna i Hercegovina POS network.

Card Acceptance at Automated Teller Machines (ATMs)

Thirteen new automated teller machines were installed over the course of 2015 bringing the total number to 260 automated tellers and two automated exchange machines as of December 31, 2015.

In contrast to 2014, cash withdrawals from the ATM network increased by 6.34 per cent and the number of transactions grew by 4.32 per cent.

Several activities were implemented in 2015 with the aim to improve the quality of ATM services and the ATM configuration, most notably by optimizing the duration of ATM transactions.

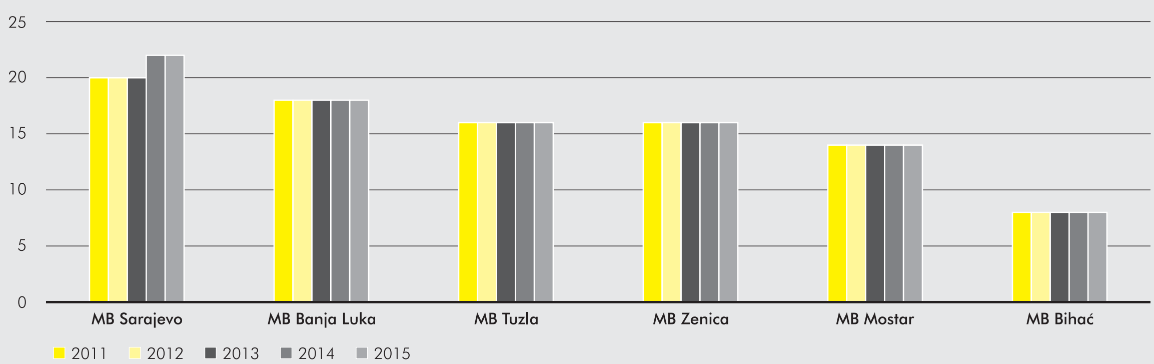
Business Network Coordination

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

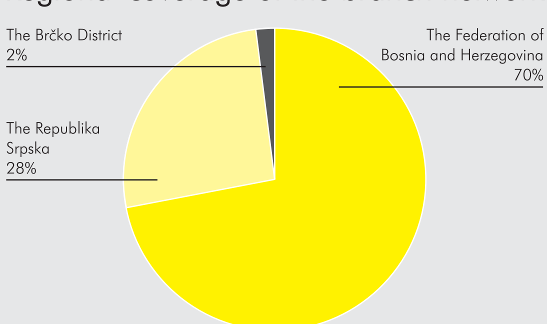
As of December 31, 2015, the bank had a business outlet network of ninety-four branches offering products and services to customers and six regional branches that act as the hubs of the business network.

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

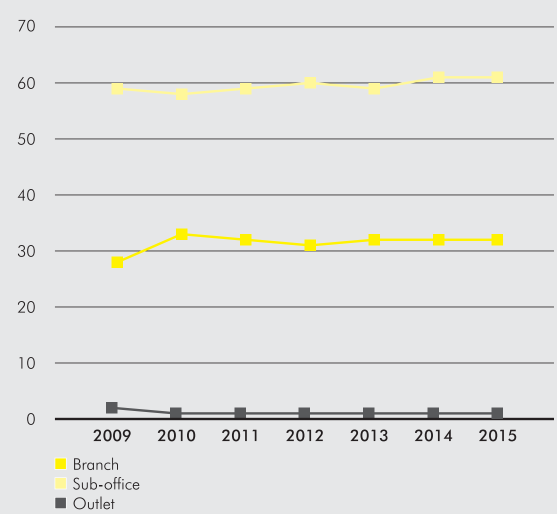
Development of the branch network from 2011 to 2015



Regional coverage of the branch network



Structure of business outlets across time



Quality Management

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

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

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

Electronic Sales Channels

Electronic Sales Channels maintained their positive trend in 2015 in terms of the number of users, electronic orders and SMS enquiries (through the SMS service).

The goal for 2015 was to increase the number of active users and electronic orders in the PI and corporate segments.

Online Banking

The number of corporate online banking customers was 9,804 by the end of 2015. A total of 2,979,730 electronic orders were carried out through this service in 2015, which translates into an annual growth rate of 6 per cent.

The number of personal online banking customer was 71,676 by the end of 2015. A total of 318,032 electronic orders were carried out online, which translates into an annual growth rate of 54 per cent.

Raiffeisen *BANK* d.d. Bosna i Hercegovina improved its personal online banking services in 2015 by upgrading the relevant application. One of the major changes was the introduction of a safe authentication server that allows for transaction authorization via a single SMS code containing the details of the transaction.

The remaining new functionalities of online banking can be used as follows:
- on all popular browsers,
- to make international payments,
- to apply for products without the need to come to the branch.

SMS Service

The number of Raiffeisen Direkt SMS customers was 124,270 at the end of 2015, which shows a clear increase of 10.79 compared to 2014.

The number of SMS generated enquiries dropped by 2.8 per cent on the year.

Mobile Banking

Raiffeisen Mobile Banking (R'm'B) was launched in 2013. It enables customers to access their accounts and other details related to their business with Raiffeisen *BANK* d.d. Bosna i Hercegovina and to make financial transactions at any time via their mobile phone. The number of customers using this service at the end of 2015 was 20,627, up by 73 per cent on the year. The number of orders carried out through this service rose by 167 per cent compared to 2014.

Nataliya Andreeva Salikhovich

- Painting Department
- Nataliya graduated from Moscow State University of Art in 2010.
- She enrolled at the Academy of Fine Arts in Sarajevo in 2011.
- She is a member of the Association of Fine Artists of Bosnia and Herzegovina (ULUBIH) and the Association of Fine Artists of HKD Napredak.

"In these challenging times for art in general, Raiffeisen Bank is setting a bright example of care for art and artists."









Treasury, Financial Markets and Investment Banking

Trading and Sales

In 2015, the Trading and Sales Department managed to maintain its position at the top of its local market in the area of foreign exchange business. This comes from activities directed at the foreign exchange business and at protecting the bank from FX risk. Despite the high level of volatility of almost all currencies on the global markets and the highest growth of the US currency in the last decade, special attention was paid to controlling FX risk along with keeping profit orientation. This resulted in a high share of FX-based profit in the bank's total profit for 2015.

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.

Services offered to the Bank's customers through the Customer Desk saw a high level of quality and efforts were made to ensure individual access for each customer in all aspects of FX business. The end of the business year saw a marked increase in the business volume of 20 per cent on the year. A positive trend of customers approaching the Customer Desk service in 2015 resulted in 117 active customers placing their trust in Raiffeisen *BANK* d.d. Bosna i Hercegovina as a partner bank for FX dealing.

Raiffeisen *BANK* d.d. Bosna i Hercegovina took an active role in cash trading activities in 2015 through joint cooperation between representatives of several organizational units of Raiffeisen bank and trading and sales employees. Local money market conditions were analyzed thoroughly and this formed the basis for a strategy that specifies future activities aimed at keeping our leading position, profit orientation, individual approach to customers/banks as well as the successful optimization of cash costs.

The global money markets saw exceptionally low interest rates in 2015. Negative interest rates were also recorded for the placement of EUR, CHF and SEK funds. As a result of the global crisis, the central banks in the leading developed countries focused their efforts on an ultra expansive monetary policy by setting negative reference rates for the world's main currencies. The Trading and Sales Department carried out activities in the area of placing foreign funds up to the limits set by Raiffeisen Bank International (RBI), making sure that it always adhere to the liquidity principle.

Funding and Financial Institutions

During 2015, negotiations with the International Finance Corporation (IFC) were intensified and thus finalized in June 2015 through the signing of a credit line agreement. As a result, the bank has at its disposal a long-term credit line of five million euros for financing the purchase and/or reconstruction of residential units.

Previously initiated negotiations with the European Investment Bank (EIB) continued into the second half of 2015. The objective here was to obtain a new and more favorable source for financing for investments by small and medium size enterprises, medium-capitalized companies and public sector entities. The negotiations were successfully finalized and an agreement worth 30 million euros is slated for signing during the first quarter of 2016.

Near the end of 2015, the bank got in touch with the Opec Fund for International Development (OFID) in order to renew cooperation and obtain a new credit line for small and medium size enterprises.

The focus was also on cost optimization in 2015. Hence, interest expenses under credit lines were 30 per cent lower than budgeted.

During this period, the bank repaid 28 million euros of due payables to its creditors.

Over the course of the year, the international payments segment also underwent cost optimization in order to meet customer needs and reduce costs for both customers and the bank itself.

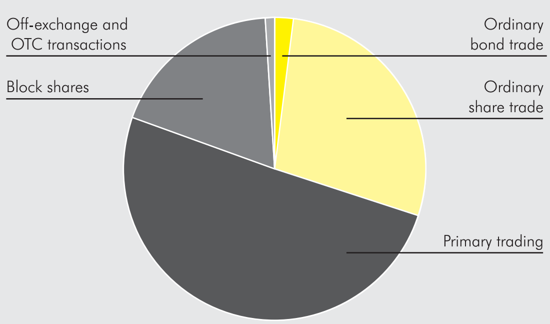
Investment Banking

Total turnover on the Sarajevo Stock Exchange (SASE) was 1.22 billion BAM in 2015, thus almost reaching the year 2007 record of 1.27 billion BAM. However, contrary to the said period, the share of ordinary trade in total turnover was much lower. Primary trade, i.e. public issues of bonds and T-bills, comprised 50.5 per cent of the total turnover. This represents a major increase in total turnover on SASE, as clearly attested by a comparison against the figures for the previous year. That is to say, that SASE trading rose by even 97 per cent compared to the year before. In this context, the key growth generator relates to an increase of 62.3 per cent in the primary issue of debt securities compared to 2014.

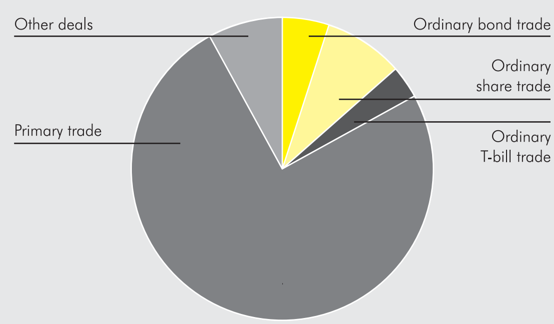
Last year, the FBiH Ministry of Finance (FMF) successfully organized fourteen auctions of T-bills worth 298.3 million euros altogether (up by 24.9% per annum) as well as bond auctions to a total value of 309.7 million BAM (up by 24.9% per annum compared to the previous year). In addition to public issues of debt securities by the FMF, there were three corporate bond issues announced by the following issuers: Agencija TEC d.o.o. Sarajevo (with a value of 320,000 BAM), Moja banka d.d. Sarajevo (with a value of 3 million BAM) and Agramnekretnine d.d. Mostar (with a value of 4 million BAM).

The year 2015 saw regular turnover on the SASE equaling 364.7 million BAM, thus showing a major upward surge when compared to the 110.9 million BAM posted in 2014.

Structure of total turnover on SASE in 2015 (BAM 1,219.6 million)



Structure of total turnover on BLSE in 2015 (BAM 560.6 million)



Ordinary bond trade fell short against the previous year at an amount of 20.6 million BAM, a fall of 25 per cent compared to 2014. Out of the total turnover in this segment, 11.1 million BAM relates to the trade in wartime claims bonds and 6.4 million BAM bond trading in pre-war foreign currency savings. The remaining 3.1 million BAM refers to the trading of bonds of Moja banka d.d. Sarajevo and Agramnekretnine d.d. Mostar. According to the bond quotes, the highest trading relates to FBIHK1A (wartime claims bonds – a series with a maturity date of June 30, 2019) worth altogether 3.9 million BAM.

Ordinary share trading over the past year reached a total of 344.1 million BAM. This is a major increase when compared to the 83.4 million BAM posted in 2014. Ordinary share trade accounted for 28.2 per cent of the total turnover. The majority of share trading (up to 66.2%) relates to the trading of shares of UniCredit Bank d.d. (ZGBMR), which included two transactions amounting to 227.8 million BAM.

The increase in share trading, however, was not accompanied by a corresponding increase in the key indices on SASE: BIFX and SASX-10. Accordingly, at the end of 2015 the investment funds index BIFX stood at 1,443.64 index points or down by 2.5 per cent compared to year's end 2014. The index of blue chip companies SASX-10 ended the year at 699.04 index points, down 2.2 per cent on the annual level. The only index posting a rise was the primary market index SASX-30, which ended the year with 1,005.62 index points (up 8.5 on the annual level).

The value of OTC transactions reached 7.2 million BAM in 2015, while registered blocks of shares reached 225.8 million BAM. There were fifteen registered auctions during 2015 with a total value of 6.6 million BAM.

Total turnover on the Banja Luka Stock Exchange (BLSE) was 560.6 million BAM, down by 4.43 per cent compared to 2014. The highest share in total turnover (74.9%) in 2015 relates to primary trading worth 419.7 million BAM. There were sixteen successful auctions of debt securities issued by the Government of Republika Srpska during 2015. Thereof, 165.3 million BAM relates to eleven auctions of T-bills and 243 million BAM to five bond auctions. Also in 2015, Prvo Penzionersko Mikrokreditno Društvo d.o.o Banja Luka issued bonds totaling 723,000 BAM. The remaining 10.7 million BAM of primary issues relates to public share offerings by the issuers Krajina Osiguranje a.d., Banja Luka (6.9 million BAM) and Bobar Osiguranje a.d., Bijeljina (3.8 million BAM).

Overall regular turnover on the BLSE went down by 51 per cent compared to 2014, posting a total amount of 95.6 million BAM compared to 195.5 million BAM in 2014. Of the ordinary trade on BLSE, the bond trade and share trade segments fell short by 49.6 per cent yoy and 64.9 per cent yoy respectively.

The total ordinary bond trade stood at 46.9 million BAM. The majority (8.1 million BAM) relates to the trade in RSRS-O-C series (Republika Srpska – three wartime claims with a maturity date of October 25, 2023).

Ordinary share trading on the BLSE amounted to 28.8 million BAM, which is much lower than the previous year when the share trade volume was 82.1 million BAM. The most liquid shares on the marketplace were those of Telecom Srpske a.d. Banja Luka (TLKM-R-A) with a total annual trade volume of 9.6 million BAM.

Key stock exchange indices on the BLSE showed opposite trends. Hence, the main stock exchange Blue Chip Index (BIRS) ended the year with a value of 658.99 index points. This represents a decrease of 8.6 per cent over year's end 2014. The value of the investment funds index FIRS increased by 8.8 per cent on an annual basis and ended 2015 at a value of 1,935.82 index points.

Despite the challenging environment in the local capital market, 2015 proved to be another successful year for the Investment Banking Department. Income increased and the number of customers remaining stable saw a slight upward trend in almost every area of business.

Custody-GSS had a very successful business year, seeing a rise in the number of custody accounts of 8.55 per cent. This justified the confidence of existing and new customers. Annual research organized by the renowned 'Global Investors Magazine' and '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.

The **Fund Administration and Depository Business** segment of Raiffeisen *BANK* d.d. Bosna i Hercegovina successfully performed depository transactions for its existing customers through the issuance of securities in 2015. This also applies to the security trading area. The major activity of this segment in 2015 relates to changes to and implementation of the Rules on Permitted Investments and Investment Restrictions for Closed Investment Funds with Public Offering. 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 FBiH 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. It generated excellent results in 2015 and thus continued to make a significant contribution towards overall profitability. The bank continued to participate actively in the debt securities markets in 2015, particularly in the local market.

In the **brokerage segment**, as a professional intermediary on the Sarajevo Stock Exchange, the bank ranked third according to the number of executed transactions and third according to the turnover achieved in 2015.

The number of transactions in the domestic markets for the bank's customers also grew and led to a major increase in income generated through these services. Local market trading included wartime claims bonds and bonds for pre-war FC savings. Three tender bids were implemented in the previous year that resulted in a significant increase in revenue. 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 investment in debt securities.

In 2015, the **Research and Development Team** focused on the development of macroeconomic analyzes for the bank, its customers and the general public. Despite a standstill in the mergers and acquisitions sphere, several visits were paid to target customers in order to promote corporate counseling services.

Institutional Customers – The Investment Banking Department holds competency over a range of different types of institutional customers: insurance companies, leasing companies, microcredit organizations, foundations, fund management companies, investment funds, brokerage firms and other non-banking financial organizations as well as central government and its subsidiaries. The bank provides a wide range of products and services for its institutional customers. In addition to investment banking products and services, these customers may require loans and deposits, local and international payment services, business cards, guarantees, POS terminals, cash collection service and other services provided by the bank.

Financial Statements

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Responsibility for the financial statements

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

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

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

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

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

Signed on behalf of the Management Board

Karlheinz Dobnigg, President of the Management Board

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

23 February 2016

Independent Auditors' report

To the shareholders of Raiffeisen Bank dd Bosna i Hercegovina:

We have audited the accompanying financial statements of Raiffeisen Bank dd Bosna i Hercegovina (the "Bank"). Set out on pages 4 to 59, which comprise of the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year that ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte d.o.o.

Sead Bahtanović, director and licensed auditor

Mirza Bihorac, licensed auditor

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71000 Sarajevo
ID: 4200047380000

Sarajevo, Bosnia and Herzegovina
23 February 2016

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2015
(All amounts are expressed in thousands of KM, unless otherwise stated)

	Notes	2015	2014
Interest and similar income	5	158,181	168,213
Interest and similar expenses	6	(39,091)	(45,560)
Net interest income		**119,090**	**122,653**
Fee and commission income	7	75,329	73,115
Fee and commission expenses	8	(12,037)	(9,527)
Net fee and commission income		**63,292**	**63,588**
Net investing income	9	14,407	15,532
Other operating income	11	4,010	3,488
Operating income		**200,799**	**205,261**
Administrative expenses	12	(105,684)	(107,646)
Depreciation and amortization	25,26	(7.995)	(8,528)
Operating expenses		**(113,679)**	**(116,174)**
Profit before impairment losses, provisions and income tax		**87,120**	**89,087**
Impairment losses and provisions	13	(19,016)	(35,223)
Recoveries	10	7,059	7,164
		(11,957)	**(28,059)**
PROFIT BEFORE INCOME TAX		**75,163**	**61,028**
Income tax	14	(8,154)	(7,195)
NET PROFIT		**67,009**	**53,833**
Other comprehensive income:			
Investments revaluation reserve (financial assets available-for-sale)			
– Net change in fair value	19	-	27
		-	**27**
TOTAL COMPREHENSIVE INCOME		**67,009**	**53,860**
Earnings per share (in KM)	32	**67.78**	**56.02**

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

Statement of financial position

as of 31 December 2015
(All amounts are expressed in thousands of KM, unless otherwise stated)

	Notes	31/12/ 2015	31/12/ 2014
ASSETS			
Cash and cash equivalents	15	804,472	826,525
Obligatory reserve at Central Bank of BiH	16	250,462	240,794
Placements with other banks	17	151,748	105,832
Loans and advances to customers	18	2,059,096	2,038,895
Assets classified as held for sale		345	370
Financial assets available-for-sale	19	192	219
Financial assets at FVTPL	20	102,437	117,926
Financial assets held-to-maturity	21	136,553	169,672
Investments in subsidiaries	22	2,456	1,916
Investments in associates	23	8,175	8,175
Deferred tax assets	14	831	855
Prepaid income tax		2,094	825
Other assets and receivables	24	37,299	23,608
Tangible and intangible assets	25	123,408	123,643
Investment property	26	23,980	24,497
TOTAL ASSETS		**3,703,548**	**3,683,752**
LIABILITIES			
Due to other banks and financial institutions	27	125,561	155,542
Due to customers	28	2,935,840	2,881,072
Provisions	29	19,743	18,694
Other liabilities and payables	30	31,374	28,596
Subordinated debt	31	61,798	69,684
TOTAL LIABILITIES		**3,174,316**	**3,153,588**
EQUITY			
Share capital	32	247,167	247,167
Share premium		4,473	4,473
Investments revaluation reserve		124	124
Regulatory reserves		102,443	102,443
Retained earnings		175,025	175,957
TOTAL EQUITY		**529,232**	**530,164**
TOTAL LIABILITIES AND EQUITY		**3,703,548**	**3,683,752**
COMMITMENTS AND CONTINGENCIES	29	**902,674**	**822,291**

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

Signed on behalf of the Bank on 23 February 2016:

President of the Management Board
Karlheinz Dobnigg

Head of Finance sector
Elvir Muhić

Statement of cash flows

for the year ended 31 December 2015
(All amounts are expressed in thousands of KM, unless otherwise stated)

	2015	2014
OPERATING ACTIVITIES		
Profit before taxation	75,163	61,028
Adjustments:		
Depreciation and amortization	7,995	8,528
Impairment losses and provisions	20,475	31,508
Gain on disposal of tangible and intangible assets	(246)	(402)
Realized losses and fair value adjustments on financial assets at FVTPL	166	255
(Release) / impairment losses on investments in subsidiaries	(540)	1,066
Release of accrued expenses from previous year	(1,344)	(944)
Written-off liabilities	(33)	(33)
Accrued interest on financial assets at FVTPL recognized in the statement of profit or loss and other comprehensive income	(256)	(1,763)
Dividend income recognized in the statement of profit or loss and other comprehensive income	(1,707)	(1,694)
Changes in operating assets and liabilities:		
Net (increase) / decrease in obligatory reserve at CBBH	(9,668)	7,255
Net (increase) / decrease in placements with other banks	(45,916)	82,710
Net (increase) / decrease in loans to customers, before impairment losses	(38,812)	21,053
Net (increase) / decrease in other assets and receivables, before impairment losses	(13,587)	8,815
Net increase in due to banks – deposits	7,059	20,022
Net increase / (decrease) in due to customers	54,768	(68,278)
Net increase in other liabilities and payables	3,236	1,210
	56,753	**170,336**
Income tax paid	(9,399)	(5,304)
NET CASH FROM OPERATING ACTIVITIES	**47,354**	**165,032**
INVESTING ACTIVITIES		
Net proceeds from financial assets at FVTPL	15,579	18,981
Net proceeds / (purchases) of financial assets held-to-maturity	33,119	(12,783)
Proceeds from sales of financial assets available-for-sale	27	1
Investments in subsidiaries	-	(301)
Dividends received	1,707	1,694
Purchases of tangible and intangible assets	(7,410)	(7,749)
Proceeds from tangible assets sold	438	698
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	**43,460**	**541**
FINANCING ACTIVITIES		
Additional paid–in share capital	-	9,779
Repayments of borrowings, net	(37,040)	(52,324)
Repayments of subordinated debt, net	(7,886)	(16,577)
Dividends paid	(67,941)	(43,539)
NET CASH USED IN FINANCING ACTIVITIES	**(112,867)**	**(102,661)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(22,053)**	**62,912**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**826,525**	**763,613**
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**804,472**	**826,525**

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

Statement of changes in equity

for the year ended 31 December 2015
(All amounts are expressed in thousands of KM, unless otherwise stated)

	Share capital	Share premium	Invest-ments re-valuation reserve	Regulatory reserves	Retained earnings	Total
Balance as of 31 December 2013	**237,388**	**4,473**	**97**	**102,443**	**165,663**	**510,064**
Additional paid-in share capital	9,779	-	-	-	-	9,779
Allocation of dividends	-	-	-	-	(43,539)	(43,539)
Net profit	-	-	-	-	53,833	53,833
Other comprehensive income	-	-	27	-	-	27
Total comprehensive income	**-**	**-**	**27**	**-**	**53,833**	**53,860**
Balance as of 31 December 2014	**247,167**	**4,473**	**124**	**102,443**	**175,957**	**530,164**
Allocation of dividends	-	-	-	-	(67,941)	(67,941)
Net profit	-	-	-	-	67,009	67,009
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	67,009	67,009
Balance as of 31 December 2015	**247,167**	**4,473**	**124**	**102,443**	**175,025**	**529,232**

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

Notes to the financial statements

for the year ended 31 December 2015
(All amounts are expressed in thousands of KM, unless otherwise stated)

1. General

History and incorporation

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

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

The registered address of the Bank is Zmaja od Bosne bb, Sarajevo. As at 31 December 2015, the Bank had 1,355 employees (31 December 2014: 1,531 employees).

The Bank did not consolidate its subsidiaries and associates: Raiffeisen Special Assets Company d.o.o.. Sarajevo, Raiffeisen Invest društvo za upravljanje fondovima d.o.o. Sarajevo, Raiffeisen Capital a.d. Banja Luka, Raiffeisen Leasing d.o.o. Sarajevo and Raiffeisen Assistance d.o.o. Sarajevo, because the Management believes that the conditions for exclusion prescribed by IFRS 10.4 (a) were met:
(a) The Bank is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to the Bank not presenting consolidated financial statements;
(b) The Bank's debt or equity instruments are not traded in a public market;
(c) The Bank did not file, nor is it in the process of filing its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
(d) The ultimate or any intermediate parent of the Bank produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.

Ultimate shareholder of the Bank is Raiffeisen Bank International Holding AG Vienna, Austria. The consolidated financial statements of the Group are available at the following address: *Am Stadtpark 9 1030 Vienna, Austria* or on the website: http://investor.rbinternational.com/.

Supervisory Board

Karl Sevelda	Chairman
Peter Lennkh	Deputy Chairman since 27 February 2015; Member from 20 February 2015 till 26 February 2015 Chairman till 18 June 2014;
Ferenc Berszan	Member
Johannes Kellner	Member
Peter Janecko	Member

Management

Karlheinz Dobnigg	Director, Management Board member since 1 July 2014;
Sanela Pašić	Deputy Director, Management Board member since 1 July 2014
Mirha Hasanbegović	Executive Director, Management Board member from 1 March 2015
Maida Zahirović Salom	Executive Director, Management Board member from 1 March 2015
Damir Karamehmedović	Executive Director, Management Board member till 28 February 2015

Audit Committee

Wolfgang Kettner	President
Fikret Hadžić	Member from 15 March 2015
Nedžad Madžak	Member from 15 March 2015
Abid Jusić	Member from 15 March 2015
Vojislav Puškarević	Member from 15 March 2015
Boris Tihi	Member till 14 March 2015
Izudin Kešetović	Member till 14 March 2015
Miloš Trifković	Member till 14 March 2015
Mahir Džafić	Member till 14 March 2015

2. Adoption of new and revised standards

2.1. Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:
- Amendments to IAS 19: "Employee Benefits" – Defined plans of employee benefits: employee contributions (effective for annual periods beginning on or after 1 July 2014);
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014);
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014).

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

2.2. Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:
- IFRS 9: "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018);
- IFRS 14: "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016);
- IFRS 15: "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 16: "Leases" (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 10: "Consolidated Financial Statements" and IAS 28: "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely);
- Amendments to IAS 1: "Presentation of Financial Statements" – Disclosure initiative (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 11: "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16: "Property, Plant and Equipment" and IAS 38: "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16: "Property, Plant and Equipment" and IAS 41: "Agriculture" – Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27: "Separate Financial Statements" – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 7: "Statement of Cash Flows" – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IAS 12: "Income Taxes" – Recognition of deferred tax assets from non-performed losses (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IFRS 10: "Consolidated Financial Statements", IFRS 12: "Disclosure of Interests in Other Entities" and IAS 28: "Investments in Associates and Joint Ventures" – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);

- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

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

3. Summary of significant accounting policies

Statement of compliance

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

Going concern

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

Basis for preparation

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

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

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date; fair value indicators are those derived from quoted prices in active markets;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

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

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

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

Interest income and expense

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

Fee and commission income and expense

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

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

Taxation

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

Current income tax

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

Deferred income tax

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

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

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

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

Investments in subsidiaries

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

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

Investments in associates

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

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

Cash and cash equivalents

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

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

Financial instruments

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

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

a) Financial assets

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

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

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

Effective interest rate method

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

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

Loans and receivables

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

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

Financial assets at FVTPL

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

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

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

Held-to-maturity investments

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

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

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

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

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

Derecognition of financial assets

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

b) Financial liabilities and equity instruments issued by the Bank

Classification as debt or equity

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

Equity instruments

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

Financial guarantee contract liabilities

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

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

Financial liabilities

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

Property and equipment

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

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

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

Buildings	1.3%
Furniture and vehicles	11%-15.5%
Computers	33.3%
Other equipment	7%-20%
Intangible assets	20%-100%

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

Impairment

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

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

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

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

Intangible assets

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

Investment property

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

Buildings	1.3%

Employee benefits

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

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

Retirement severance payments

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

The cost of retirement severance payments are recognized when earned.

Foreign currency translation

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

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

31 December 2015	EUR 1 = KM 1.95583	USD 1 = KM 1.790070
31 December 2014	EUR 1 = KM 1.95583	USD 1 = KM 1.608413

Provisions

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

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

Equity and reserves

Share capital

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

Regulatory reserves for credit losses

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

Retained earnings

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

Investments revaluation reserve

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

Dividends

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

Earnings per share

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

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

During 2014 and 2015 there were no dilution effects.

4. Critical accounting judgments and key sources estimation uncertainty

In the application of the Bank's accounting policies, which are described in Note 3, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Useful lives of property and equipment, and investment property

As described at Note 3 above, the Bank reviews the estimated useful lives of property and equipment, and investment property at the end of each reporting period.

Impairment losses on loans and receivables

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

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

The Bank monitors the creditworthiness of its customers on an ongoing basis. The need for impairment of the Bank's on- and off-balance credit risk exposures is assessed on a monthly basis. Impairment losses are made mainly against the carrying value of loans to corporate and retail customers and as provisions for liabilities and charges arising from off-balance-sheet risk exposure to customers, mainly in the form of unused loan facilities and guarantees. Impairment losses are also considered for credit risk exposures to banks and for other assets not carried at fair value, where the primary risk of impairment is not credit risk.

With regard to the financial assets carried at amortized cost, the Bank first assesses whether objective evidence of impairment exists individually for assets that are individually significant and collectively for assets that are not individually significant.

In assessing collective impairment the following guidelines are used:

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

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

Regulatory reserves calculated in accordance with FBA regulations

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

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

Fair value of financial instruments

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

5. Interest and similar income

All amounts are expressed in thousands of KM	2015	2014
Citizens	115,280	116,546
Companies	39,161	46,469
Financial assets held-to-maturity (Note 21)	3,494	4,310
Foreign banks	231	319
Domestic banks	-	554
Other	15	15
	158,181	**168,213**

6. Interest and similar expenses

All amounts are expressed in thousands of KM	2015	2014
Citizens	25,765	29,759
Foreign banks	7,293	9,287
Companies	5,567	6,462
Domestic banks	19	21
Other	447	31
	39,091	**45,560**

7. Fee and commission income

All amounts are expressed in thousands of KM	2015	2014
Transactions with citizens	25,158	23,323
Payment transactions	24,671	24,972
Loans and guarantees	8,119	8,685
FX transactions	7,393	6,636
Account maintenance fees	5,773	5,481
Other	4,215	4,081
	75,329	**73,115**

8. Fee and commission expenses

All amounts are expressed in thousands of KM	2015	2014
Card transactions	8,442	6,903
Services of CBBH	939	897
Swift services	728	691
Correspondent accounts	539	420
Domestic payment transactions	170	120
Other	1,219	496
	12,037	**9,527**

9. Net investing income

All amounts are expressed in thousands of KM	2015	2014
Net gains on foreign exchange business transactions	10,330	10,661
Interest income from bonds at FVTPL (Note 20)	3,454	5,239
Dividend income	1,707	1,694
Fair value adjustment on bonds at FVTPL (Note 20)	29	615
Net gain / (loss) from sale of shares at FVTPL	10	(26)
Net losses on reconciliations with CBBH's exchange rates	(918)	(1,807)
Net loss from sale of bonds at FVTPL	(205)	(802)
Fair value adjustment on shares at FVTPL (Note 20)	-	(42)
	14,407	**15,532**

10. Recoveries

All amounts are expressed in thousands of KM	2015	2014
Interest	6,639	7,075
Principal	420	89
	7,059	**7,164**

11. Other operating income

All amounts are expressed in thousands of KM	2015	2014
Rent income	1,380	1,373
Release of accrued expenses from previous year	1,344	944
Gains on disposal of tangible assets, net	246	402
Written-off liabilities	33	33
Petty cash surplus	18	15
Other income	989	721
	4,010	**3,488**

12. Administrative expenses

All amounts are expressed in thousands of KM	2015	2014
Gross salaries	42,134	43,781
Other employee benefits	13,701	13,568
Maintenance	8,034	9,134
Deposit and loan insurance premiums	7,535	7,564
Services	5,903	5,498
Telecommunication expense	4,364	4,507
Rent	4,246	4,124
Representation and marketing expense	3,790	3,598
Consultancy expense	3,060	2,656
Tangible asset insurance premiums	2,444	2,506
Supervisory fee – FBA	2,227	2,274
Energy	2,064	2,020
Material expenses	1,833	1,775
Taxes and administration	707	701
Write-off	389	117
Education	305	285
Transportation	184	182
Donations	148	277
Other administrative expense	2,616	3,079
	105,684	**107,646**

13. Impairment losses and provisions

All amounts are expressed in thousands of KM	2015	2014
Loans and advances to customers (Note 18)	18,611	30,831
Legal proceedings (Note 29)	4,085	3,481
Release of provisions for commitments and contingencies (Note 29)	(2,117)	(1,880)
(Release of) / provision for other employee benefits per IAS 19, net (Note 29)	(919)	2,649
(Release of) / impairment losses on investment in subsidiaries (Note 22)	(540)	1,066
Release of allowance for impairment of other assets and receivables (Note 24)	(104)	(1,291)
Impairment losses on assets held for sale	-	237
Impairment losses on tangible assets (Note 25)	-	130
	19,016	**35,223**

14. Income tax

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

All amounts are expressed in thousands of KM	2015	2014
Current income tax	8,130	7,234
Deferred income tax	24	(39)
	8,154	**7,195**

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

All amounts are expressed in thousands of KM	2015	2014
Profit before income tax	**75,163**	**61,028**
Income tax expense at 10%	7,516	6,103
Effects of non-deductible expenses	1,535	1,919
Effects of non-taxable income	(921)	(788)
Current income tax	**8,130**	**7,234**
Effective tax rate	**10.82%**	**11.85%**

Changes in deferred tax asset can be presented as follows:

All amounts are expressed in thousands of KM	2015	2014
Balance as at the beginning of year	855	816
(Release of) / recognized deferred tax asset	(24)	39
Balance as at the end of year	**831**	**855**

15. Cash and cash equivalents

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Account with the CBBH in domestic currency	605,993	700,681
Cash at hand in domestic currency	85,964	53,800
Correspondent accounts with other banks in foreign currency	80,045	47,323
Cash at hand in foreign currency	32,410	24,669
Checks in foreign currency	60	52
	804,472	**826,525**

16. Obligatory reserve at Central bank of Bosnia and Herzegovina

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Obligatory reserve	250,462	240,794
	250,462	**240,794**

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

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

17. Placements with other banks

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
OECD countries	151,748	105,832
	151,748	**105,832**
Expected to be recovered		
– no more than twelve months after the reporting period	150,397	105,329
– more than twelve months after the reporting period	1,351	503
	151,748	**105,832**

During 2015, the interest rates for placements in EUR were within the range from (0.35)% p.a. to 0.1% p.a. (2014: from (0.2)% p.a. to 0.6% p.a.) and for placements in USD from 0.06% p.a. to 1.75% p.a. (2014: from 0.06% p.a. to 0.29% p.a.). Interest rates on placements in other currencies were from (2.25)% p.a. to 2.85% p.a. (2014: from (0.1)% p.a. to 2.9% p.a.).

18. Loans and advances to customers

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Short-term loans:		
Short-term loans in domestic currency	531,508	568,405
Short-term loans in foreign currency	928	4,939
	532,436	**573,344**
Long-term loans:		
Long-term loans in domestic currency	1,710,495	1,721,015
Long-term loans in foreign currency	167	850
	1,710,662	**1,721,865**
Total loans before allowance	**2,243,098**	**2,295,209**
Less:		
– Allowance for impairment losses based on individual assessment	(174,387)	(242,725)
– Allowance for impairment losses based on group assessment	(9,615)	(13,589)
	2,059,096	**2,038,895**

Short-term loans are granted for periods of 30 to 365 days. The majority of short-term loans in domestic currency are granted to clients for working capital financing. Long-term loans are mostly granted to individuals for housing and vehicle purchases. During 2015, the Bank reduced the level of newly approved loans and concentrated on receivables collection.

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

All amounts are expressed in thousands of KM	2015	2014
Balance as at the beginning of year	256,314	282,056
Increase in allowances (Note 13)	18,611	30,831
Write-offs	(90,923)	(56,573)
Balance as at the end of year	**184,002**	**256,314**

Total amount of non-performing loans on which interest was suspended as of 31 December 2015 and 31 December 2014 was KM 256,018 thousand and KM 335,536 thousand, respectively.

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

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Citizens	1,367,974	1,367,349
Trade	459,057	487,622
Agriculture, forestry, mining and energy	247,250	236,935
Services, finance, sport, tourism	65,321	90,166
Transport, telecommunications and communications	36,623	38,410
Construction industry	35,981	45,040
Administrative and other public institutions	22,926	23,131
Other	7,966	6,556
	2,243,098	**2,295,209**

Interest rates for granted loans as for the year ended 31 December 2015 and 2014 are summarized as follows:

All amounts are expressed in thousands of KM	31 December 2015		31 December 2014	
		Interest rates during the year		**Interest rates during the year**
Domestic currency				
Companies	874,197	2.50%-18.00%	922,336	2.50%-18.00%
Citizens	1,367,806	2.00%-18.00%	1,367,084	2.00%-18.00%
Foreign currency				
Companies	927	0,00%-12.00%	5,524	0,00%-12.00%
Citizens	168	4.63%-10.00%	265	4.63%-10.00%
	2,243,098		**2,295,209**	

19. Financial assets available-for-sale

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
S.W.I.F.T. Belgium	128	155
Securities' Register of the Federation of BiH	32	32
Sarajevo Stock Exchange d.d.	32	32
	192	**219**

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

All amounts are expressed in thousands of KM	2015	2014
Balance as at the beginning of year	219	193
Fair value gain	-	27
Sales during the year	(27)	(1)
Balance as at the end year	**192**	**219**

20. Financial assets at fair value through profit and loss

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Government bonds	102,437	117,845
Shares	-	81
	102,437	**117,926**

Government bonds

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Romania	87,579	91,407
Belgium	7,181	10,028
Italy	3,583	4,107
Germany	2,076	2,191
Slovenia	2,018	2,019
France	-	8,093
	102,437	**117,845**

The Bank continued with trading activities of above-mentioned bonds in 2015 and with the purpose of selling them in the near future. Bonds are valued based on report obtained from Bloomberg showing the latest bids for the bonds for the year ended 31 December 2015. The Bank calculates the price of individual bond using prices based on defined levels of importance (CBBT, BGN, MSG1 or Bank quote).

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

All amounts are expressed in thousands of KM	2015	2014
Balance as at the beginning of year	117,845	135,025
(Sales or maturity) during the year, net	(15,693)	(19,558)
Fair value gain (Note 9)	29	615
Interest income (Note 9)	3,454	5,239
Collected interest	(3,198)	(3,476)
Balance as at the end of year	**102,437**	**117,845**

Bonds mature within the period from 20 June 2016 to 18 September 2020 and bearing an interest within the range from 1.13% p.a. to 6.00% p.a. Interest income earned on the bonds portfolio for the year ended 31 December 2015 was KM 3,454 thousand (2014: KM 5,239 thousand) (Note 9).

Shares

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Intesa Sanpaolo Banka d.d. Bosna i Hercegovina	-	80
Velprom d.d. Sanski Most	-	1
	-	**81**

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

All amounts are expressed in thousands of KM	2015	2014
Balance as at the beginning of year	81	374
Sales during the year, net	(81)	(251)
Fair value loss (Note 9)	-	(42)
Balance as at the end of year	**-**	**81**

21. Financial assets held-to-maturity (government bonds & treasury bills)

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
The Federation of Bosnia and Herzegovina	31,127	34,406
Raiffeisen International AG	27,382	19,558
Austria	21,959	28,243
Republika Srpska	12,656	17,538
Belgium	12,436	26,286
Poland	10,573	22,639
France	10,322	10,838
Abn Amro Bank INV, Netherlands	10,098	10,164
	136,553	**169,672**

In 2015, the Bank has purchased:

- Bonds issued by The Federation of Bosnia and Herzegovina based on old foreign currency demand deposits and war receivables at nominal value of KM 3.77 million. Interest rate for the purchased bonds is 2.5% p.a. and they are due between 31 March 2015 and 30 September 2018.
- Bonds issued by The Federation of Bosnia and Herzegovina based on financial expenditures determined by Budget of FBiH at nominal value of KM 2 million. Interest rate for the purchased bonds is 2.8% p.a. and they are due 3 June 2018.
- Treasury bills issued by the Federation of Bosnia and Herzegovina at nominal value of KM 30.79 million, with yield within the range from 0.2% to 0.80%. Amount of KM 2.3 million was due as of 29 July 2015, amount of KM 5 million was due as of 9 September 2015, amount of KM 2 million was due as of 7 October 2015, amount of KM 7 million was due as of 4 November 2015, amount of KM 2.99 million was due as of 18 November 2015, amount of KM 9.5 million was due as of 23 December 2015, and the rest in amount of KM 2 million are due as of 13 April 2016.
- Treasury bills at nominal value of KM 35.17 million issued by Republika Srpska, with yield within the range from 1.05% to 1.78%. Amount of KM 7.7 million was due as of 27 July 2015, amount of KM 4.07 million was due as of 24 August 2015, amount of KM 5.83 million was due as of 7 October 2015, amount of KM 4.9 million was due as of 17 December 2015, and the rest in amount of 12.67 million is due in 2016.

22. Investments in subsidiaries

Subsidiary	**Industry**	**% of share**	**31/12/ 2015**	**31/12/ 2014**
All amounts are expressed in thousands of KM				
Raiffeisen Special Assets Company d.o.o. Sarajevo	Financial advisory services	100%	1,457	917
Raiffeisen *INVEST* društvo za upravljanje fondovima d.o.o. Sarajevo	Fund management	100%	946	946
Raiffeisen *CAPITAL* a.d. Banja Luka	Agent for shares / securities	100%	53	53
			2,456	**1,916**

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

All amounts are expressed in thousands of KM	2015	2014
Balance as at the beginning of year	1,916	2,681
Increase in share capital of Raiffeisen *INVEST* društvo za upravljanje fondovima d.o.o. Sarajevo	-	301
Increase / (impairment) losses on investments in Raiffeisen Special Assets Company d.o.o. Sarajevo (Note 13)	540	(1,066)
Balance as at the end of year	**2,456**	**1,916**

Financial information about the Bank's subsidiaries for the year ended 31 December 2015 was as follows:

All amounts are expressed in thousands of KM	Total assets	Registered capital	Total equity	Revenue	Profit / (loss) for the period
Raiffeisen Special Assets Company d.o.o. Sarajevo	1,523	1,983	1,492	892	(246)
Raiffeisen *INVEST* društvo za upravljanje fondovima d.o.o. Sarajevo	338	946	273	939	131
Raiffeisen *CAPITAL* a.d. Banja Luka	168	355	159	171	42

23. Investments in associates

Associate	Industry	% of share	31/12/ 2015	31/12/ 2014
All amounts are expressed in thousands of KM				
Raiffeisen *LEASING* d.o.o. Sarajevo	Leasing	49.00%	8,173	8,173
Raiffeisen Assistance d.o.o.	Agent in insurance	50.00%	2	2
			8,175	**8,175**

Financial information about the Bank's associate for the year ended 31 December 2015 was as follows:

All amounts are expressed in thousands of KM	Total assets	Registered capital	Total equity	Revenue	Profit for the period
Raiffeisen *LEASING* d.o.o. Sarajevo	136,684	15,406	14,199	14,087	1,944
Raiffeisen Assistance d.o.o. Sarajevo	2,324	4	2,251	3,097	2,246

24. Other assets and receivables

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Receivable from credit card operations	11,165	10,358
Receivables from spot and arbitrage FX transactions	10,762	4,556
Prepaid expenses	1,868	1,899
Fee receivables	2,025	1,808
Other advances paid	116	92
Prepaid other taxes	14	11
Other assets	15,413	9,347
	41,363	**28,071**
Less: allowance for impairment losses	(4,064)	(4,463)
	37,299	**23,608**

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

All amounts are expressed in thousands of KM	2015	2014
Balance as at the beginning of year	4,463	5,966
Release of in allowance for impairment (Note 13)	(104)	(1,291)
Write-offs	(295)	(212)
Balance as at the end of year	**4,064**	**4,463**

25. Tangible and intangible assets

All amounts are expressed in thousands of KM	Land and buildings	Vehicles	Office equipment	Assets in progress	Intangible assets	Total
COST						
Balance at 31 December 2013	**109,903**	**1,816**	**48,978**	**2,607**	**20,353**	**183,657**
Additions	-	-	-	7,749	-	7,749
Transfers (from) / to	-	284	3,421	(5,327)	1,622	-
Transfer to assets held for sale	-	-	-	(164)	-	(164)
Adjustment	-	-	239	-	-	239
Impairment losses on tangible assets (Note 13)	-	-	(130)	-	-	(130)
Disposals	-	(283)	(1,888)	-	(144)	(2,315)
Balance at 31 December 2014	**109,903**	**1,817**	**50,620**	**4,865**	**21,831**	**189,036**
Additions	-	-	-	7,410	-	7,410
Transfers (from) / to	42	276	4,376	(8,016)	3,322	-
Transfer from investment property (Note 26)	216	-	-	-	-	216
Adjustment	-	-	-	(88)	-	(88)
Disposals	-	(590)	(3,440)	-	(1,022)	(5,052)
Balance at 31 December 2015	**110,161**	**1,503**	**51,556**	**4,171**	**24,131**	**191,522**
ACCUMULATED DEPRECIATION / AMORTIZATION						
Balance at 31 December 2013	**6,565**	**1,096**	**36,567**	**-**	**15,026**	**59,254**
Depreciation / amortization	1,341	189	4,561	-	2,090	8,181
Disposals	-	(238)	(1,666)	-	(138)	(2,042)
Balance at 31 December 2014	**7,906**	**1,047**	**39,462**	**-**	**16,978**	**65,393**
Depreciation / amortization	1,342	216	4,092	-	1,998	7,648
Transfer from investment property (Note 26)	46	-	-	-	-	46
Disposals	-	(574)	(3,377)	-	(1,022)	(4,973)
Balance at 31 December 2015	**9,294**	**689**	**40,177**	**-**	**17,954**	**68,114**
NET BOOK VALUE						
At 31 December 2015	**100,867**	**814**	**11,379**	**4,171**	**6,177**	**123,408**
At 31 December 2014	**101,997**	**770**	**11,158**	**4,865**	**4,853**	**123,643**

26. Investment property

All amounts are expressed in thousands of KM	Buildings
COST	
Balance at 31 December 2013	**26,665**
Changes	-
Balance at 31 December 2014	**26,665**
Transfer to tangible and intangible assets (Note 25)	(216)
Balance at 31 December 2015	**26,449**
ACCUMULATED DEPRECIATION	
Balance at 31 December 2013	**1,821**
Depreciation	347
Balance at 31 December 2014	**2,168**
Depreciation	347
Transfer to tangible and intangible assets (Note 25)	(46)
Balance at 31 December 2015	**2,469**
NET BOOK VALUE	
Balance at 31 December 2015	**23,980**
Balance at 31 December 2014	**24,497**

26.1 Fair value measurement of the Company's investment properties

Fair value of the Bank investment property was as follows:

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Buildings	25,054	24,497
	25,054	**24,497**

The fair value measurements of the Bank's investment properties as at 31 December 2014 were performed by the Bank's internal appraisers, who have appropriate qualifications and experience in estimating the fair value of the assets at the relevant locations.

The fair value measurements of the Bank's investment properties as at 31 December 2015 for 3 buildings (comprising 76 net carrying amounts) were performed by the independent external appraiser, Mrs. Ljupka Dizdar, who has appropriate qualifications and experience in estimating the fair value of the assets at the relevant locations, while for the remaining 5 buildings the fair value measurements were performed by the Bank's internal appraisers, who have appropriate qualifications and experience in estimating the fair value of the assets at the relevant locations.

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

27. Due to other banks and financial institutions

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Long-term borrowings:		
Long-term borrowings from foreign banks and financial institutions	92,479	128,723
Long-term borrowings from domestic banks and financial institutions	1,717	2,513
Less: Current portion of long-term borrowings	(37,335)	(46,255)
	56,861	**84,981**
Short-term borrowings:		
Add: Current portion of long-term borrowings	**37,335**	**46,255**
Long-term deposits	**-**	**-**
Short-term deposits:		
Short-term deposits from other banks in KM	988	805
Short-term deposits from other banks in foreign currencies	29,699	22,214
	30,687	**23,019**
Current accounts:		
Current accounts in KM	605	1,233
Current accounts in foreign currencies	73	54
	678	**1,287**
	125,561	**155,542**

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

Interest rates on whole portfolio of long-term borrowings from banks and other non-banking financial institutions during the year ended 31 December 2015, were in the range from 2% to 4.95% p.a. (fixed rates), and 3M EURIBOR + 0.24% to 6M EURIBOR + 2.65% (variable rates). During the year ended 31 December 2015 fixed interest rates were in the range from 2% to 4.95% p.a., while variable interest rates were in range from 3M EURIBOR + 0.1% to 6M EURIBOR + 5.75%.

28. Due to customers

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Demand deposits:		
Citizens:		
In KM	500,373	444,939
In foreign currencies	392,793	337,735
	893,166	**782,674**
Legal entities:		
In KM	559,265	521,805
In foreign currencies	126,267	129,834
	685,532	**651,639**
	1,578,698	**1,434,313**
Term deposits:		
Citizens:		
In KM	233,525	253,002
In foreign currencies	857,989	939,569
	1,091,514	**1,192,571**
Legal entities:		
In KM	210,638	198,696
In foreign currencies	54,990	55,492
	265,628	**254,188**
	1,357,142	**1,446,759**
	2,935,840	**2,881,072**

During the year ended 31 December 2015, interest rates were as follows:
- demand deposits in KM – 0.00% p.a. (2014: 0.00% p.a.),
- demand deposits in foreign currencies – 0.00% p.a. (2014: from 0.00% to 0.10% p.a.).
- short-term deposits – from 0.00% to 1.60% p.a. (2014: from 0.05% to 0.20% p.a.).
- long-term deposits – from 0.01% to 1.80% p.a. (2014: from 0.05% to 2.20% p.a.).

29. Provisions

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Provisions for other employee benefits	8,417	9,336
Provisions for commitments and contingencies	1,267	3,384
Provisions for legal proceedings (Note 13)	10,059	5,974
	19,743	**18,694**

Commitments and contingencies

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

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Commitments		
Framework agreements	361,699	337,778
Unused portion of overdraft loans	142,528	125,589
	504,227	**463,367**
Contingent liabilities		
Performance bonds	217,162	215,107
Payment guarantees	165,999	129,145
Letters of credit	12,852	14,323
Forward operations	2,319	-
Advance guarantees	115	349
	398,447	**358,924**
Total commitments and contingencies	**902,674**	**822,291**

Movements in provision for commitments and contingencies were as follows:

All amounts are expressed in thousands of KM	2015	2014
Balance as at the beginning of year	3,384	5,278
Decrease in provision (Note 13)	(2,117)	(1,880)
Decrease due to payments	-	(14)
Balance as at the end of year	**1,267**	**3,384**

Other employee benefits

Changes in provisions for other employee benefits are as follows:

All amounts are expressed in thousands of KM	Retirement severance payments	Unused vacation days	Total
Balance as at 1 January 2013	**5,137**	**1,550**	**6,687**
Additional provisions recognized (Note 12)	2,967	2,671	5,638
Reductions resulting from re-measurement or settlement without cost (Note 12)	(1,440)	(1,549)	(2,989)
Balance as at 31 December 2014	**6,664**	**2,672**	**9,336**
Additional provisions recognized (Note 13)	599	2,776	3,375
Reductions resulting from re-measurement or settlement without cost (Note 13)	(1,623)	(2,671)	(4,294)
Balance as at 31 December 2015	**5,640**	**2,777**	**8,417**

30. Other liabilities and payables

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Unallocated principal and interest paid upfront	7,426	7,846
Deferred income	6,119	5,983
Employee payables	5,201	3,257
Liabilities toward suppliers	5,102	3,519
Liabilities from credit card operations	3,167	2,498
Other tax liabilities	171	30
Liabilities for dividend towards shareholders	10	11
Other liabilities	4,178	5,452
	31,374	**28,596**

31. Subordinated debt

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Commercial banks – related parties	61,798	61,797
Supranational and development banks	-	7,887
	61,798	**69,684**

Commercial banks (including related parties): There is one active borrowing, approved as of 27 September 2013, in total amount of KM 61,804 thousand. Initially this borrowing mature date was as of 30 September 2019, one-term repayments. As at 15 September 2015 there was prolongation of the subordinated debt with maturity date as of 31 December 2024.

The amount of total subordinated debt as of 31 December 2015 includes no accrued interest payable (31 December 2014: KM 71 thousand).

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

32. Share capital

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

The shareholding structure is as follows:

Shareholders All amounts are expressed in thousands of KM	**No. of shares**		**%**
Raiffeisen SEE Region Holding GmbH Vienna, Austria	988,620	247,155	99.99
Other shareholders	48	12	0.01
Total	**988,668**	**247,167**	**100.00**

33. Basic earnings per share

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

All amounts are expressed in thousands of KM	2015	2014
Income attributable to ordinary shareholders	67,009	53,833
Weighted average number of regular shares outstanding	988,668	961,019
Basic earnings per share (KM)	**67.78**	**56.02**

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

34. Managed funds

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

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Liabilities		
Citizens	133	273
Government	4,955	5,191
Companies	4,236	4,361
Other	77	77
	9,401	**9,902**
Assets		
Loans to companies	3,680	3,820
Loans to citizens	5,721	6,082
	9,401	**9,902**

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

35. Related party transactions

Balances with related parties were summarized as follows:

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Receivables		
Placements with other banks:		
Raiffeisen Landensbank Tyrol AG, Innsbruck, Austria	68,321	39,316
Raiffeisen Bank International AG, Vienna, Austria	1,351	27,301
Cash and cash equivalents:		
Raiffeisen Bank International AG, Vienna, Austria	10,510	20,081
Raiffeisenbank Austria d.d. Zagreb, Croatia	67	513
Raiffeisenbank a.d. Belgrade, Serbia	2	62
Loans and advances to customers:		
Raiffeisen Special Assets Company d.o.o. Sarajevo	-	515
Raiffeisen Assistance d.o.o. Sarajevo	-	1
Other receivables:		
Raiffeisen Bank International AG, Vienna, Austria	8,394	595
Raiffeisenbank Austria d.d. Zagreb, Croatia	4	1
Raiffeisen *INVEST* d.o.o. Sarajevo	-	6
Raiffeisen *CAPITAL* a.d. Banja Luka	-	4
Raiffeisen Special Assets Company d.o.o. Sarajevo	-	2
	88,649	**88,397**
Liabilities		
Subordinated debt:		
Raiffeisen Bank International AG, Vienna, Austria	61,804	61,804
Due to banks – deposits and due to customers:		
Raiffeisen *LEASING* d.o.o. Sarajevo	15,191	21,951
Raiffeisen Assistance d.o.o. Sarajevo	1,662	1,250
Raiffeisen Bank International AG, Vienna, Austria	267	1.097
Raiffeisen Special Assets Company d.o.o. Sarajevo	1,124	354
Raiffeisen *CAPITAL* a.d. Banja Luka	383	349
Raiffeisen *INVEST* d.o.o. Sarajevo	376	238
Raiffeisenbank Austria d.d. Zagreb, Croatia	170	50
Raiffeisen Banka d.d. Maribor, Slovenia	37	25
Other liabilities:		
Raiffeisen Bank International AG, Vienna, Austria	234	326
Raiffeisen Assistance d.o.o. Sarajevo	1	-
Raiffeisen Special Assets Company d.o.o. Sarajevo	-	11
	81,249	**87,455**

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

All amounts are expressed in thousands of KM	2015	2014
Income		
Interest and similar income:		
Raiffeisen Landensbank Tyrol AG, Innsbruck, Austria	67	37
Raiffeisen Bank International AG, Vienna, Austria	60	63
Raiffeisen Special Assets Company d.o.o. Sarajevo	22	28
Raiffeisen *LEASING* d.o.o. Sarajevo	1	13
Raiffeisenbank Austria d.d. Zagreb, Croatia	-	3
Fee and commission income:		
Raiffeisen Bank International AG, Vienna, Austria	275	273
Raiffeisen *INVEST* d.o.o. Sarajevo	349	72
Raiffeisenbank Austria d.d. Zagreb, Croatia	35	41
Raiffeisen *LEASING* d.o.o. Sarajevo	26	30
Raiffeisen Bank Polska S.A., Warsaw, Poland	16	13
Raiffeisen *CAPITAL* a.d. Banja Luka	6	9
Raiffeisen Assistance d.o.o. Sarajevo	3	2
Raiffeisen Special Assets Company d.o.o. Sarajevo	1	2
Raiffeisen Banka d.d. Maribor, Slovenia	1	1
Raiffeisen Bank AS, Prague, Czech Republic	-	11
Other operating income:		
Raiffeisen Assistance d.o.o. Sarajevo	1,731	1,717
Raiffeisen *LEASING* d.o.o. Sarajevo	673	321
Raiffeisen Special Assets Company d.o.o. Sarajevo	5	9
Raiffeisen Bank International AG, Vienna, Austria	306	490
Centralised Raiffeisen International Services & Payments	183	13
Raiffeisen *INVEST* d.o.o. Sarajevo	26	24
Raiffeisen *CAPITAL* a.d. Banja Luka	6	8
Raiffeisen Banka d.d. Maribor, Slovenia	3	3
	3,795	3,183

All amounts are expressed in thousands of KM	2015	2014
Expenses		
Interest and similar expenses:		
Raiffeisen Bank International AG, Vienna, Austria	4,766	4,833
Raiffeisen *LEASING* d.o.o. Sarajevo	286	336
Raiffeisen Assistance d.o.o. Sarajevo	13	12
Raiffeisen *INVEST* d.o.o. Sarajevo	5	1
Raiffeisen Special Assets Company d.o.o. Sarajevo	-	6
Fee and commission expenses:		
Centralised Raiffeisen International Services & Payments	623	620
Raiffeisen Bank International AG, Vienna, Austria	99	67
Consulting services:		
Raiffeisen Bank International AG, Vienna, Austria	1,132	1,493
Other administrative expenses:		
Raiffeisen Bank International AG, Vienna, Austria	1,751	2,861
Centralised Raiffeisen International Services & Payments	407	524
Raiffeisenbank Austria d.d. Zagreb, Hrvatska	47	12
Raiffeisen *LEASING* d.o.o. Sarajevo	46	124
Raiffeisen Special Assets Company d.o.o. Sarajevo	45	158
Raiffeisen Assistance d.o.o. Sarajevo	23	-
Raiffeisen Banka d.d. Maribor, Slovenia	3	3
Raiffeisenbank a.d. Belgrade, Serbia	3	1
Raiffeisenbank Bank Prague AS, Prag, Češka	-	12
	9,255	**11,063**

Director's and executives' remuneration

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

All amounts are expressed in thousands of KM	2015	2014
Net salaries	969	743
Salary taxes and contributions	599	449
Other benefits	168	529
Taxes and contribution on other benefits	105	346
	1,841	**2,067**

36. Financial instruments

36.1 Capital risk management

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

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

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

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Debt	3,061,401	3,036,614
Capital	426,665	427,597
Debt to capital ratio	**7.18**	**7.10**

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

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

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

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

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

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

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

During for the year ended 31 December 2015 and the year ended 31 December 2014, the Bank complied with all of the externally imposed capital requirements. As of 31 December 2015 the adequacy of the Bank's capital amounts to 15.2% (2014: 16.0%).

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Core capital		
Share capital	247,167	247,167
Share premium	4,473	4,473
Retained earnings	107,541	107,542
Deferred tax assets	(831)	(855)
Intangible assets	(8,341)	(4,420)
Total share capital	**350,009**	**353,907**
Supplement capital		
General provision – Agency regulations	47,058	49,642
Subordinated debt	61,804	69,628
Revaluation reserves	123	124
Total supplement capital	**108,985**	**119,394**
Adjustment for shortfall in regulatory reserves	(18,571)	(26,692)
Net capital	**440,423**	**446,609**
Risk Weighted Assets (unaudited)	2,634,670	2,525,393
Other Weighted Assets (unaudited)	263,311	266,727
Total weighted risk	**2,897,981**	**2,792,120**
Capital adequacy (%)	**15.20%**	**16.00%**

36.2 Significant accounting policies

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

36.3 Categories of financial instruments

All amounts are expressed in thousands of KM	31/12/ 2015	31/12/ 2014
Financial assets		
Loans and receivables:		
Cash and cash equivalents	804,472	826,525
Obligatory reserve at the CBBH	250,462	240,795
Placements with other banks	151,748	105,832
Loans and advances to customers	2,059,096	2,038,895
Financial assets available-for-sale	192	219
Financial assets at FVTPL	102,437	117,926
Financial assets held-to-maturity	136,553	169,672
	3,504,960	**3,499,864**
Financial liabilities		
At amortized cost:		
Due to other banks and financial institutions	125,561	155,542
Due to customers	2,935,840	2,881,072
Subordinated debt	61,798	69,684
	3,123,199	**3,106,298**

36.4 Financial risk management objectives

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

36.5 Market risk

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

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

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

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

36.6 Foreign currency risk

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

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

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

All amounts are expressed in thousands of KM	KM	EUR	USD	Other currencies	Total
As of 31 December 2015					
ASSETS					
Cash and cash equivalents	691,956	56,382	7,136	48,998	804,472
Obligatory reserve at the CBBH	250,462	-	-	-	250,462
Placements with other banks	5	74,322	59,174	18,247	151,748
Loans and advances to customers	2,058,001	1,095	-	-	2,059,096
Financial assets available-for-sale	64	128	-	-	192
Financial assets held-to-maturity	43,782	49,801	42,970	-	136,553
Financial assets at FVTPL	-	91,673	10,764	-	102,437
	3,044,270	**273,401**	**120,044**	**67,245**	**3,504,960**
LIABILITIES					
Due to banks	3,310	122,251	-	-	125,561
Due to customers	1,503,810	1,245,546	118,034	68,450	2,935,840
Subordinated debt	-	61,798	-	-	61,798
	1,507,120	**1,429,595**	**118,034**	**68,450**	**3,123,199**
As of 31 December 2014					
Total assets	**3,080,473**	**242,664**	**117,606**	**59,121**	**3,499,864**
Total liabilities	**1,422,993**	**1,506,900**	**117,666**	**58,739**	**3,106,298**

36.6.1 Foreign currency sensitivity analysis

The Bank is not exposed to foreign currency risk related to EUR due to the fact that Convertible Mark is pegged to Euro (1 EUR = KM 1.955830). Exposure is more prominent for USD and CHF.

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

All amounts are expressed in thousands of KM		VaR
	31/12/ 2015	**31/12/ 2014**
Currency		
USD	6	<1
CHF	<1	<1
GBP	<1	<1
TRY	<1	<1
NOK	<1	<1

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

All amounts are expressed in thousands of KM	Effect USD		Effect CHF	
	2015	**2014**	**2015**	**2014**
Profit or loss	213	(3)	8	(23)

36.7 Interest rate risk

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

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

The investment component is a consequence of the inverted relationship between price and interest rate fluctuations of securities.

The Bank strives to protect itself from interest rate risk by harmonizing the type of interest rate (fixed and variable), currency, related interest rate and the date of interest rate change for all products for which it concludes contracts (which are sensitive to interest rate changes). Any incongruity among the abovementioned elements results in exposure of the Bank to interest rate risk.

36.7.1 GAP interest rate sensitivity analysis

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

In the table below, changes of present value of portfolio with interest rate growth for 1 base point as at 31 December 2015 and 31 December 2014 are presented, expressed in thousands of KM for following currencies: KM, EUR and USD, while for other currencies changes of present values are immaterial.

Currency	31/12/2015	31/12/2014
All amounts are expressed in thousands of KM		
KM	3	29
EUR	107	(9)
USD	(6)	(4)
Total BPV	**104**	**16**

In the instance of a change (increase) of interest rates by 1 Basis Points (parallel movement of yield curve for 0.01%), the Bank would realize:
- for KM – present value of portfolio growth in the amount of KM 3 thousand, incurring profit
- for EUR – present value of portfolio growth in the amount of KM 107 thousand, incurring profit
- for USD – present value of portfolio decreased in the amount of KM 6 thousand, incurring loss.

In the instance of a change of yield curve by 50 Basis, effects on present value of portfolio for 31 December 2015 and 31 December 2014 are shown in the table below for currencies with material exposure:

Currency	31/12/2015	31/12/2014
All amounts are expressed in thousands of KM		
KM	139	1,448
EUR	5,291	(453)
USD	(284)	(217)
Total BPV	**5.146**	**778**

In the instance of a change (increase) of interest rates by 50 Basis Points (parallel movement of yield curve for 0.05%), the Bank would realize:
- for KM – present value of portfolio growth in the amount of KM 139 thousand as of 31 December 2015 (increase for 1,448 thousand KM as of 31 December 2014).
- for EUR – present value of portfolio increased in the amount of KM 5,291 thousand as of 31 December 2015 (decrease for 453 thousand KM as of 31 December 2014).
- for USD – present value of portfolio decrease in the amount of KM 284 thousand as of 31 December 2015 (decrease for 217 thousand KM as of 31 December 2014).

36.8 Credit risk

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

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

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

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

Financial assets	Unimpaired assets			Impaired assets			
All amounts are expressed in thousands of KM	Total gross carrying amount	Undue loans with no impairment	Matured loans with unrecognized impairment	Loans with impairment recognized on group basis	Individually impaired loans (total carrying amount)	Impairment	Total net book value
31 December 2015							
Cash and cash equivalents	804,472	804,472	-	-	-	-	804,472
Obligatory reserve at the CBBH	250,462	250,462	-	-	-	-	250,462
Placements with other banks	151,748	151,748	-	-	-	-	151,748
Loans and advances to customers							
Public sector	11,266	10,262	-	-	1,004	(614)	10,652
Other financial and non-financial institutions	911,571	699,017	36,315	3,405	172,834	(111,764)	799,807
Individuals	1,320,261	1,066,781	147,209	24,141	82,130	(71,624)	1,248,637
Financial assets available-for-sale	192	192	-	-	-	-	192
Financial assets at FVTPL	102,437	102,437	-	-	-	-	102,437
Financial assets held-to-maturity	136,553	136,553	-	-	-	-	136,553
	3,688,962	**3,221,924**	**183,524**	**27,546**	**255,968**	**(184,002)**	**3,504,960**
31 December 2014							
Cash and cash equivalents	826,525	826,525	-	-	-	-	826,525
Obligatory reserve at the CBBH	240,795	240,795	-	-	-	-	240,795
Placements with other banks	105,832	105,832	-	-	-	-	105,832
Loans and advances to customers							
Public sector	9,525	9,203	322	-	-	-	9,525
Other financial and non-financial institutions	957,777	680,330	41,348	5,388	230,711	(130,829)	826,948
Individuals	1,327,907	1,014,469	159,413	33,838	120,187	(125,485)	1,202,422
Financial assets available-for-sale	219	219	-	-	-	-	219
Financial assets at FVTPL	117,926	117,926	-	-	-	-	117,926
Financial assets held-to-maturity	169,672	169,672	-	-	-	-	169,672
	3,756,178	**3,164,971**	**201,083**	**39,226**	**350,898**	**(256,314)**	**3,499,864**

Credit exposure and collateral

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

All amounts are expressed in thousands of KM	Maximal credit risk exposure			
	Net exposure	Commit-ments / guaran-tees issued	Total	Estimated fair value of collateral
31 December 2015				
Cash and cash equivalents	804,472	-	804,472	-
Obligatory reserve at the CBBH	250,462	-	250,462	-
Placements with other banks	151,748	68,362	220,110	-
Loans and advances to customers				
Public sector	10,652	412	11,064	250,302
Other financial and non-financial institutions	799,807	685,245	1,485,052	735,725
Other	1,248,637	148,655	1,397,292	896,996
Financial assets available-for-sale	192	-	192	-
Financial assets at FVTPL	102,437	-	102,437	-
Financial assets held-to-maturity	136,553	-	136,553	-
	3,504,960	**902,674**	**4,407,634**	**1,883,023**
31 December 2014				
Cash and cash equivalents	826,525	-	826,525	-
Obligatory reserve at the CBBH	240,795	-	240,795	-
Placements with other banks	105,832	39,021	144,853	-
Loans and advances to customers				
Public sector	9,525	382	9,907	470
Other financial and non-financial institutions	826,948	638,536	1,465,484	834,874
Other	1,202,422	144,353	1,346,775	788,619
Financial assets available-for-sale	219	-	219	-
Financial assets at FVTPL	117,926	-	117,926	-
Financial assets held-to-maturity	169,672	-	169,672	-
	3,499,864	**822,292**	**4,322,156**	**1,623,963**

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Past due loans with no impairment allowance

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

All amounts are expressed in thousands of KM	Individuals	Other financial and non-financial sectors	Total
31 December 2015			
Matured up to 30 days	122,193	32,316	154,509
Matured 31 to 90 days	25,016	3,999	29,015
TOTAL	**147,209**	**36,315**	**183,524**
31 December 2014			
Matured up to 30 days	133,655	31,499	165,154
Matured 31 to 90 days	25,759	9,848	35,607
TOTAL	**159,414**	**41,347**	**200,761**

Non-performing loans with impairment allowance

Loan classification for loans with value impairment is presented below:

All amounts are expressed in thousands of KM	Individuals	Other financial and non-financial sectors	Total
31 December 2015			
Non-performing loans – gross	82,130	173,838	255,968
Allowance for impairment	(66,212)	(100,484)	(166,696)
Net	**15,918**	**73,354**	**89,272**
Estimated collateral value	**59,059**	**166,395**	**225,454**
31 December 2014			
Non-performing loans – gross	120,187	230,711	350,898
Allowance for impairment	(120,187)	(121,200)	(241,387)
Net	**-**	**109,511**	**109,511**
Estimated collateral value	**15,708**	**96,013**	**111,721**

36.9 Liquidity risk

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

36.9.1 Liquidity and interest risk tables

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

Maturity for non-derivative financial assets

All amounts are expressed in thousands of KM	Weighted average effective interest rate	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Total
31 December 2015							
Non-interest bearing	-	34,607	4	5	-	-	34,616
Variable interest rate instruments	5.61%	1,473,119	63,487	257,131	984,577	527,401	3,305,715
Fixed interest rate instruments	3.70%	106,667	141,145	203,884	148,046	13,806	613,548
		1,614,393	**204,636**	**461,020**	**1,132,623**	**541,207**	**3,953,879**
31 December 2014							
Non-interest bearing	-	53,120	2	10	4	-	53,136
Variable interest rate instruments	6.81%	1,217,628	95,786	289,798	1,105,089	548,140	3,256,441
Fixed interest rate instruments	4.39%	478,441	100,768	185,062	58,084	11,936	834,291
		1,749,189	**196,556**	**474,870**	**1,163,177**	**560,076**	**4,143,868**

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

Maturity for non-derivative financial liabilities

All amounts are expressed in thousands of KM	Weighted average effective interest rate	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Total
31 December 2015							
Non-interest bearing	-	871,485	-	-	5	4	871,494
Variable interest rate instruments	0.67%	716,320	7,964	33,846	76,958	31,643	866,731
Fixed interest rate instruments	2.22%	194,449	263,540	531,930	430,127	31,160	1,451,203
		1,782,254	**271,504**	**565,776**	**507,090**	**62,807**	**3,189,431**
31 December 2014							
Non-interest bearing	-	789,490	1	5	24	42	789,562
Variable interest rate instruments	0.87%	666,671	15,248	44,998	130,071	30	857,018
Fixed interest rate instruments	1.81%	167,928	255,962	590,103	470,869	38,047	1,522,909
		1,624,089	**271,211**	**635,106**	**600,964**	**38,119**	**3,169,489**

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

37. Fair value measurement

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

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

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
All amounts are expressed in thousands of KM	**31 December 2015**	**31 December 2014**		
1) Held-for-trading non-derivative financial assets (see Note 20)	Listed debt securities in: • Romania – 87,579 • Germany – 2,076 • Belgium – 7,181 • Italia – 3,583 • Slovenia – 2,018	Listed debt securities in: • Romania – 91,407 • France – 8,093 • Germany – 2,191 • Belgium – 10,028 • Italia – 4,107 • Slovenia – 2,019	Level 1	Quoted bid prices in an active market.
	-	Listed equity securities in Bosnia and Herzegovina: • Intesa Sanpaolo Banka d.d. BiH – 80 • Velprom d.d. Sanski Most – 1	Level 1	Quoted bid prices in an active market.
2) Non-derivative financial assets available for sale (see Note 19)	Listed equity securities in Belgium – 128	Listed equity securities in Belgium – 155	Level 1	Quoted bid prices in an active market.
	Listed equity securities in Bosnia and Herzegovina: • Securities' Register of the Federation of BiH – 32 • Sarajevo Stock Exchange d.d. – 32	Listed equity securities in Bosnia and Herzegovina: • Securities' Register of the Federation of BiH – 32 • Sarajevo Stock Exchange d.d. – 32	Level 1	Quoted bid prices in an active market.

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

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

All amounts are expressed in thousands of KM	31 December 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables:				
– loans and advances to customers	2,059,096	2,057,089	2,038,895	2,345,122
Financial assets held-to-maturity:				
– bonds	121,900	124,598	152,134	151,458
– treasury / commercial bills	14,653	14,618	17,538	17,414
Financial liabilities				
Financial liabilities held at amortised cost:				
– due to customers	2,935,840	2,935,520	2,881,072	2,871,085

All amounts are expressed in thousands of KM	Fair value hierarchy as at 31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables:				
– loans and advances to customers	-	2,057,089	-	2,057,089
Financial assets held-to-maturity:				
– bonds	124,598	-	-	124,598
– treasury bills	14,618	-	-	14,618
Total	**139,216**	**2,057,089**	**-**	**2,196,305**
Financial liabilities				
Financial liabilities held at amortised cost:				
– due to customers	-	2,935,520	-	2,935,520
Total	**-**	**2,935,520**	**-**	**2,935,520**

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

38. Approval of the financial statements

These financial statements were approved by the Management Board on 23 February 2016.

Signed on behalf of the Management Board:

President of the
Management Board
Karlheinz Dobnigg

Raiffeisen BANK DD BOSNA I HERCEGOVINA
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Head of Finance division
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Nedim Šećeragić

- Graphic Design Department
- Over the course of his studies, the artist Nedim Šećeragić has participated in various workshops and projects. He was presented with the 'Academian Edhem Čamo' award in 2010 for a linocut series titled 'A Bosnian House through Time'.
- His short film 'Crust' was placed second at the Sony Short Film Competition.

"I would like to use this occasion to express my gratitude to Raiffeisen Bank for providing us, young artists, with an exhibition opportunity in this beautiful space. Also, I would like to thank them for the financial assistance we received as means of encouraging our future work."

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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.